

RAPID ASSESSMENT REPORT ON

CAPACITY BUILDING NEEDS OF STAKEHOLDERS AT PROVINCIAL LEVEL TO SUPPORT ENTERPRISES IN THEIR COMPLIANCE WITH THE LEGALITY DEFINITION, VIETNAM TIMBER LEGALITY ASSURANCE SYSTEM AND ORGANIZATION CLASSIFICATION SYSTEM



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The survey on SMEs' ability to meet timber legality requirements and the rapid assessment report on technical capacity building needs of stakeholders at provincial level to support enterprises in their compliance with the Legality Definition (LD), the Vietnam Timber Legality Assurance System (VNTLAS) and the Organization Classification System (OCS) are part of the project named *"Supporting small business holders comply with the legality definition requirements in order to effectively participate in national and global legal timber supply chains"*, a project funded by the Food and Agriculture Organization (FAO) of the United Nations.

The survey and report are jointly prepared and conducted by the Centre for Rural Development in Central Vietnam (CRD), Center for Education and Development (CED) and Center for People and Environment of the Central Highlands (COPE).

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Sincerely,

Index

LIST OF ACRONYMS	1
EXECUTIVE SUMMARY	3
1. INTRODUCTION	7
2. OBJECTIVES, SCOPE, CONTENTS AND METHODOLOGY OF ASSESSMENT.....	9
2.1. Respondents and scope of the survey.....	9
2.2. Survey and Evaluation Contents.....	9
2.3. Methods and tools.....	10
3. GENERAL INFORMATION ABOUT FORESTRY AND TIMBER PRODUCING AND PROCESSING IN VIET NAM AND IN QUANG TRI AND DONG NAI PROVINCES.....	12
3.1. Overview of the forestry sector and wood processing industry in Vietnam Current Status of Vietnam's Forestry Sector in 2017	12
3.2. Overview of the forestry sector and wood processing industry in Quang Tri and Dong Nai	17
3.2.1. General Information on the Forestry Sector in Quang Tri.....	17
3.2.2. General information on the forestry sector in Dong Nai.....	20
4. SURVEY RESULTS IN QUANG TRI AND DONG NAI PROVINCES.....	24
4.1. Survey results from wood processing enterprises.....	24
4.1.1. General information about the surveyed enterprises	24
4.1.2. Evaluation on the level of meeting timber and timber product legality requirements in the surveyed enterprises	35
4.1.3. Assessment of the need for information provision and technical support on VNTLAS and OCS	50
4.2. Survey and needs assessment results from concerned agencies in the provinces.....	55
4.2.1. General information about the agencies surveyed	55
4.2.2. Assessment of the needs for improvement of technical capacity on VNTLAS, OCS.....	58
5. CONCLUSIONS AND RECOMMENDATIONS	59
5.1. Conclusions.....	59
5.2. Recommendations.....	63
6. APPENDICES	67
6.1. Appendix 1. References.....	67
6.2. Appendix 2a. Survey schedule and officers participating in the interview with stakeholders in the two provinces	68
6.3. Appendix 2b. Survey schedule and officers participating in the survey of organizations (enterprises, cooperatives) and households in the two provinces	68
6.4. Appendix 3a. List of enterprises and households interviewed.....	69
6.5. Appendix 3b. Summary of survey results from 3 households.....	76
6.6. Appendix 3c. List of stakeholders interviewed in the two provinces.....	77
6.7. Appendix 3d. The role of provincial authorities in relation to operation of wood enterprises.....	81
6.8. Appendix 3e. Roles, tasks, advantages and disadvantages when organizations work with enterprises....	83

6.9. Appendix 4. Survey tools.....	91
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List of Tables

Table 1. Vietnam's import turnover of timber and timber products from major markets	15
Table 2. Main timber items imported into Vietnam (USD), Source [1]	16
Table 3. Forest and forest land-use planning in Quang Tri province.....	17
Table 4. Structure of land and forest use by forestry economic components in Quang Tri province.....	18
Table 5. Forest and forest land-use planning of Dong Nai province	21
Table 6: Summary of some general information about surveyed enterprises	24
Table 7. Summing-up of some information on imported wood (among 59 enterprises using imported wood)	30
Table 8. Methods of trading/exporting timber and timber products	31
Table 9. Percentage of enterprises meeting the requirements on domestic timber traceability among enterprises trading in domestic timber/timber products.....	36
Table 10. Percentage of enterprises meeting the requirements on circulation and transport of domestic wood	37
Table 11. Percentage of enterprises meeting the requirements on domestic wood traceability.....	37
Table 12. Percentage of enterprises meeting requirements on traceability of imported timber for 33 enterprises having business in timber import in 2 provinces	39
Table 13. Percentage of enterprises meeting requirements on traceability of imported timber for 26 enterprises producing and processing imported timber in 2 provinces	42
Table 14. Percentage of enterprises meeting imported wood circulation requirements for 59 enterprises producing and trading imported timber/timber products in the two provinces	44
Table 15. Information storage at enterprises	47
Table 16. Percentage of enterprises meeting the regulations on the establishment and operation of enterprises.....	49

List of pictures

Figure 1: Implementation Steps and Responsibilities of Participating Organizations	10
Figure2: Trend of export turnover of timber and timber products of Vietnam	13
Figure 3. Changes in export value of key wood products	15
Figure 4. Import trend of major timber items	17
Figure 5. Chart showing the revenue of the enterprises in 2017	26
Figure 6. Chart showing the size of the enterprises.....	26
Figure 7. Chart showing the production and business activities of the enterprises	27
Figure 8. Comparison chart of main business activities of surveyed enterprises in Quang Tri (42 enterprises) and Dong Nai (48 enterprises).....	28
Figure 9. Chart showing the origin of timber used by the enterprises in both provinces.....	28
Figure 10. Comparison chart of the origin of timber used in each province	29
Figure 11. Chart showing the countries that supply materials to the enterprises	31
Figure 12. Chart showing sales and export turnover of timber and timber products in 2017	32
Figure 13. Chart showing the value of sales and exports in 2017 to different markets.....	33
Figure 14. Diagram of operation of wood enterprises (sumarized from survey results)	34
Figure 15. Chart showing the average percentage of enterprises that meet the traceability requirements for domestic timber (among the 41 enterprises using domestic timber).....	39
Figure 16. Percentage of enterprises claiming who self-evaluated that they maintain sufficient records for the purpose of traceability	46
Figure 17. Chart showing the number of enterprises complying with requirements on maintaining records, documents and information regarding timber circulation, sale and export.....	46
Figure 18. Chart showing the number of enterprises complying with requirements on maintaining records for all production and business activities.....	47
Figure 19. Percentage of enterprises with violations in their production and business activities	50
Figure 20. Percentage of enterprises participated in events, activities related to forest governance, VPA, VNTLAS.....	51
Figure 21. Chart showing the type of events, activities that the enterprises participated.....	51
Figure 22. Chart showing the level of understanding of the enterprises toward VNTLAS and OCS.....	52
Figure 23. Chart showing the views of the enterprises on the agency responsible for classifying enterprises	52
Figure 24. Chart showing the views of the enterprises on the credibility of the agencies involving in the evidence appraisal process in the OCS.....	53
Figure 25. Diagram showing the views of the enterprises on the importance of the independent monitoring network	53
Figure 26. Chart showing the types of publication that the enterprises are interested in	54
Figure 27. Chart showing information channels commonly used by the enterprises	54

Figure 28. Chart showing effective methods to provide information to enterprises..... 55

LIST OF ACRONYMS

ASEAN	Association of Southeast Asian Nations
CED	Center for Education and Development
COPE	Center for People and the Environment of the Central Highlands
CRD	Centre for Rural Development in Central Vietnam
C/O	Certificate of Origin
Cir.	Circular
CL	Central Level
Co.op	Cooperative
CSDEC	Center for Social Development and Enterprise Consulting
DARD	Department of Agriculture and Rural Development
Decision	Decision
DNRE	Department of Natural Resources and Environment
DOLISA	Department of Labor, Invalids and Social Affairs
EIA	Environmental Impact Assessment
Ent.	Enterprise
EU	European Union
EUTR	EU Timber Regulations
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Invested Enterprises
FFP	Fire Fighting and Protection
FPA	Binh Dinh Timber and Forest Product Association
FPD	Forest Protection Department
FSC	Forest Stewardship Council
HAWA	Handicraft and Wood Industry Association of Ho Chi Minh City
HCM	Ho Chi Minh City
IC	Industrial cluster
IZ	Industrial Zone
JSC	Joint stock company
LD	Legality Definition

LLC.	Limited Liability Company
MARD	Ministry of Agriculture and Rural Development
OCS	Organization Classification System
OM LLC.	One Member Limited Liability Company
PC	People's Committee
PE	Private enterprise
PM	Prime Minister
PI	Processing industry
P-T-S	Production - Trade - Services
PV	Production value
SME	Small and Medium Enterprises
SOE	State-owned enterprise
TP	Trade promotion
VCCI	Vietnam Chamber of Commerce and Industry
VIFORES	Vietnam Timber and Forest Product Association
VLA	VLA Certificate by Rainforest Alliance
VNFOREST	Vietnam Administration of Forestry
VNGO-FLEGT	Network of Vietnamese Non-Governmental Organizations on Forest Law Enforcement, Governance and Trade
VNTLAS	Vietnam Timber Legality Assurance System
VPA/FLEGT	Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade
WP	Wood processing

EXECUTIVE SUMMARY

Vietnam is expected to officially sign the VPA/FLEGT with the EU by the end of 2018 and submit it to the Government for approval in early 2019. As a series of new regulations for timber enterprises will be enacted when VPA is implemented, namely the Legality Definition (LD), Vietnam Timber Legality Assurance System (VNTLAS), Organization Classification System (OCS), Vietnamese timber enterprises, especially small enterprises, will need a lot of technical assistance to meet these requirements. The Food and Agriculture Organization of the United Nations (FAO) supports the Center for Rural Development (CRD) in Central Vietnam in implementing the Project: "Supporting small enterprises in complying with timber legality requirements for effective participation in domestic and international legal timber supply chains" for a period of 18 months. The project is implemented in collaboration with the Center for Education and Development (CED) and the Highlands Center of People and Environment (COPE).

CRD with support from CED and COPE have conducted a rapid assessment on small and medium enterprises (SMEs) on their compliance with Legality Definition (LD), Vietnam Timber Legality Assurance System (VNTLAS) as required by the Voluntarily Partnership Agreement (VPA). The assessment results will serve as basis for capacity building activities planned by the project for related stakeholders at provincial levels. It is expected that provincial organizations and institutions will be able to provide technical assistance to SMEs to meet the requirements of LD, VNTLAS and help them effectively participate in VPA's implementation. The needs assessment for capacity building focuses on SMEs' compliance capacity with the current LD, capacity and interests of business associations, local civil society organizations and Forest Protection Department in VNTLAS and OCS. Field surveys conducted in Quang Tri and Dong Nai provinces showed various types of timber enterprises operating in these two provinces (private enterprises, state owned enterprises, foreign direct investment - FDI enterprises), however, most of them are small and medium enterprises (SMEs) in terms of scale.

Field surveys in these two provinces were conducted in two phases. In the first phase, consultation, group work and in-depth interviews were conducted with 16 provincial stakeholders, local associations and civil society organizations from 14 June 2018 to 28 June 2018 (10 agencies in Quang Tri, 6 agencies in Dong Nai). In the second phase, the project team, together with the stakeholders participated in the consultation of the first phase, evaluated 93 enterprises and households in the two provinces from 02 August 2018 to 17 August 2018 (42 enterprises and 3 households in Quang Tri, and 48 enterprises in Dong Nai).

Analysis of the situation of these 90 enterprises showed that:

Among the 90 surveyed enterprises, which represented the project's target group, micro enterprises accounted for 28%, small enterprises accounted for 66%, and SMEs 5%. The main business of these enterprises are preliminary timber processing (32.2%), timber import and imported timber trading (26.7%), and timber products manufacturing (18.8%). Among them, enterprises whose main business are timber import and imported timber trading are mainly located in Dong Nai province (20 out of 48 enterprises) and enterprises whose main business are preliminary timber processing are mainly located in Quang Tri province (21 out of 42 enterprises).

Origin of timber used by the enterprises

Origin of timber used by the enterprises was imported timber (59/90 enterprises, equivalent 66%), followed by timber from planted forests (39/90 enterprises, equivalent 33%). Timber used by surveyed enterprises in Dong Nai was mainly imported timber, with up to 37 out of 48 enterprises in Dong Nai used imported timber. In Quang Tri, timber mainly originated from planted production forest and was used by 24 out of 42 enterprises. Imported timber mostly came from Laos (16/59 enterprises use imported timber), South Africa (14/59 enterprises), Ghana (6/59 enterprises), New Zealand (6/59 enterprises) and USA (5/59 enterprises). Most of these enterprises bought timber imported by other companies (68% out of 59 enterprises).

The level of compliance with timber legality requirements under VPA

Regarding domestic timber traceability requirements: level of compliance among the surveyed enterprises was rather low. For 34 timber/products trading, transporting enterprises, only about 10 out of 24 enterprises in Quang Tri and 1 out of 8 enterprises in Dong Nai involved in domestic timber and timber product trading met these requirements. For 41 processing and manufacturing enterprises (25 enterprises in Quang Tri, 16 enterprises in Dong Nai), about 14/25 enterprises in Quang Tri and 4/16 enterprises in Dong Nai involved in timber product manufacturing, preliminary timber processing, timber processing and timber product assembly met these requirements.

Regarding requirements on the traceability, circulation and transportation of imported timber and imported timber products: 59 out of 90 enterprises (66%) used imported timber, among them, 33 specialized in importing and trading imported timber (11 enterprises in Quang Tri, 22 enterprises in Dong Nai) and 26 enterprises that specialized in manufacturing and processing of imported timber (12 enterprises in Quang Tri, 14 enterprises in Dong Nai). The group of 33 enterprises specialized in importing and trading imported timber were more in line with the traceability and timber circulation requirements than the remaining 26 enterprises that specialized in manufacturing and processing of imported timber. Among 2 above groups, the enterprises in Dong Nai follow regulations on imported timber source better than enterprises in Quang Tri.

Regarding regulations on customs procedures and circulation of imported timber and timber products: 22 out of 90 (24%) surveyed enterprises involved with timber and timber product export, 100% of these enterprises met requirements on export documents, meaning they can provide Customs declaration for exported goods, Purchase contract, Invoices as prescribed by the Ministry of Finance etc. In addition, some enterprises were even able to provide Licenses granted by Vietnamese CITES and Certificate of plant quarantine for lumber and sawn timber. Moreover, all of these 22 enterprises complied with regulations on exported timber circulation.

Regarding requirements on declaration and supply chain control reporting: in general, this is the biggest weakness among surveyed enterprises. Out of 90 surveyed enterprises, only 60 (67%) maintain timber traceability records, only 11 (12%) enterprises keep record of timber circulation, sale/export, 24(26%) of the total 90 enterprises have complete record keeping systems in place that keep track of all their business activities.

Regarding compliance with regulations on enterprises establishment and operation: 70 out of 90 (78%) surveyed enterprises complied with regulations on enterprise establishment and operation, 60/90 (67%) enterprises fully complied with environmental regulations, only about 34/90 (38%) enterprises complied with regulations on reviewing and approval of fire safety designs, 99% of them maintained log books for in-coming and out-going forest products, 100% of them complied with tax regulations, only 55/90 (61%) complied with regulations on labor employment and 59/90 (65%) complied with regulations on insurance due mainly to the fact that they were small and medium enterprises who mostly employed seasonal workers which made it difficult to comply with regulations on labor and insurance.

Regarding violation: 19 out of 90 (21%) surveyed enterprises (4 enterprises in Quang Tri, 15 enterprises in Dong Nai) have been administratively sanctioned for some violations such as incomplete papers and documents, non-compliance with tax declaration deadline, lack of import paperwork, wrong product specifications, invalid papers: insufficient invoices, papers etc.

The need for information and technical support on VNTLAS and OCS of the enterprises

Enterprises' knowledge and access to concepts of LD, VNTLAS, OCSs: 46 out of 90 (51%) enterprises responded that they had never participated in any events or activities related to regulations on timber legality such as FLEGT/VPA, LD, VNTLAS etc. Only 26 out of 90 (29%) enterprises heard about VNTLAS and 22 out of 90 (24%) heard about OCS. Only 13 out of 90 (14%) enterprises responded that they could meet the criteria of category 1.

The views of enterprises on the competent authority for enterprise classification and enterprise supervision networks: According to VPA, the Forest Protection Department is the competent authority for enterprise classification, 70 enterprises agreed with this point, 17 enterprises said that it was necessary to have other agencies participate in this process, such as Business Association, Chamber of Commerce and Industry (VCCI), or State management agencies. Enterprises chose state agencies such as Forest Protection Unit, Forest Protection Department to verify their evidences before submitting results to National Forest Protection Department. Regarding the establishment an independent monitoring network for OCS implementation: 34 out of 90 (38%) enterprises expressed that this was necessary, 48 out of 90 (53%) enterprises expressed that this was not necessary, the remaining 8 out of 90 enterprises did not provide answer.

Survey and needs assessment results from 16 related agencies, associations and civil society organizations in the provinces

In Quang Tri and Dong Nai, the survey team consulted 39 representatives from 16 agencies namely Forest Protection Department, Association for Forest Products Processing and Export, Department of Industry and Trade, Department of Natural Resources and Environment, Dong Nai Forest Protection Department, Dong Nai Timber and Handicraft Association and VCCI Ho Chi Minh in charge of Dong Nai, ect. 100% of survey participants were management of their respective agencies, they were supportive and willing to join and support project activities as well as to participate in the independent monitoring network.

Among these agencies, only Forest Protection Departments and Timber Associations were regularly involved in VPA/FLEGT training courses, workshops and programs, and therefore were

regularly kept updated on new laws and information. Other agencies were in need of access to information, knowledge on VPA/FLEGT, VNTLAS, OCS, especially the need to enhance their business marketing capacity.

Agencies and organizations suggested to be part of the local independent monitoring network include: Cooperative Alliance; Forestry Club; Members of the Provincial Union of Science and Technology Associations; Quang Tri Association for Forest Products Processing and Export; Dong Nai Timber Association; and the Dong Nai Provincial Trade Promotion Center.

1. INTRODUCTION

After six years of negotiations, Vietnam and the European Union (EU) initialed the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) in May 2017. According to VPA, Vietnam will establish a timber legality assurance system to verify the legality of exported timber, and the EU only accepts FLEGT-licensed timber to be imported into this area when the VPA is initialed and the licensing system goes into operation.

The organization classification system (OCS) is an integral part of VNTLAS's risk-based verification. The purpose of OCS is (i) to assess risk category status of all Organizations in the VNTLAS on their compliance with VNTLAS requirements in order to effectively implement appropriate and timely verification measures; (ii) to assess their compliance with laws according to static and dynamic evidence as described in the legality definition (LD); and (iii) to simplify administrative procedures, facilitate production and business operations, and encourage Organizations to comply with laws. OCS will be applied to all Organizations in the VNTLAS supply chain (approximately 4,800 enterprises).

Organizations are categorized based on the following criteria, i) Complying with dynamic evidence of supply chain control in order to ensure that only legal timber goes into the supply chain; ii) Meeting the requirements for declaration and supply chain control report; iii) Complying with static evidence; iv) Status of violation.

Based on the above criteria, Organizations are classified into 2 risk categories: Category 1 (Compliance): Organizations that fully meet the above criteria; Category 2 (Non-compliance): Organizations that do not fully meet the above criteria or newly established Organizations.

OCS is operated continuously through the self-assessment mechanism of the Organizations which is reviewed and verified by the Provincial Forest Protection Department or other entities as authorized by the Government. The Government of Viet Nam shall issue legislation guiding the VNTLAS implementation, including the OCS. Regulations, criteria, procedures, frequencies, methodology and responsibilities of stakeholders shall be elaborated in the VNTLAS implementation guidelines.

At present, there are about 4,800 enterprises and about 2,000 business households engaged in timber trading and processing in Vietnam. When VPA becomes enforceable, all the enterprises and business households among these who engaged in the domestic and international timber supply chains are required to comply with timber legality requirements and participate in the OCS. In order to support enterprises and households participating in the OCS, relevant agencies and especially civil society organizations should have adequate capacity and understanding of the VPA, VNTLAS and OCS. They need to provide their inputs during the development of the OCS, by which their capabilities may be enhanced and later on they may be able to participate as an independent supervisor in the OCS.

Therefore, the project assesses the capacity of organizations in Quang Tri and Dong Nai provinces to support SEs in their compliance with the LD, VNTLAS and OCS requirements. The assessment aims to understand the need to improve the technical capacity of provincial stakeholders such as enterprise associations, local civil society organizations and Provincial FPSD to support SEs. The assessment also focused on enterprises' ability to meet LD requirements as

well as their needs for support through direct surveying and evaluation in enterprises in Quang Tri and Dong Nai provinces.

Assessment results will be used to develop and design capacity building programs of civil society organizations and enterprise associations to provide small enterprises with technical assistance; to provide inputs for the development of the OCS; and to develop an independent/participatory monitoring methodology for civil society organizations and enterprise associations to monitor the implementation of and compliance with the VNTLAS and OCS.

The assessment was conducted in Quang Tri and Dong Nai provinces in two phases: phase 1 from 14/6/2018 to 28/6/2018 with 16 agencies and organizations, phase 2 from 02/8/2018 to 17/8/2018 with 93 companies/enterprises and households (of which 90 are enterprises and 3 are households). The report contains the following main sections:

Section 1: Introduction of the project and reasons for the implementation of the survey and assessment in Quang Tri and Dong Nai.

Section 2: Description of evaluation methodology, content and tools.

Section 3: Overview of the forestry sector and wood processing industry in Viet Nam: This part presents the current status of the structure of Vietnam's forestry sector in 2017, the structure of the timber processing and export and import industry in 2017, Export of timber and timber products (TPs), Import of timber and timber products and major markets for timber and timber products of Vietnam's wood processing industry. Through which the role of wood processing industry in Dong Nai and Quang Tri in the big picture of the industry in Vietnam is realized. This section also outlines the roles, functions and missions of the agencies involved in managing and supporting wood enterprises in Dong Nai and Quang Tri, through which the survey and project team can identify which agencies will have a role in the VNTLS and OCS in the two provinces later on. Non-state agencies and organizations will also be assessed to identify which organizations are capable to participate in the monitoring of and support for VNTLAS/OCS implementation.

Section 4: Results of field surveys and assessments conducted in agencies and enterprises. Information on the interviewed timber producing and processing enterprises and agencies, the ability of enterprises to meet LD, VNTLAS requirements and their perception of the organization (enterprise) classification system are summarized and presented in this section.

Section 5: Conclusions and recommendations from the assessment team. In order to provide reference information to other agencies and organizations, the conclusions and recommendations will summarize all information from the reference review, survey results and evaluations from agencies and organizations during the survey and evaluation process. The preliminary results of the assessment were presented and discussed at the project kick-off workshop on September 7, 2018 in Hue, comments and additions from representatives of enterprises and related agencies were also received, adjusted and added appropriately in this report. Based on these recommendations, the project team can use information and data to adjust project's activities or implementation methodology in the most appropriate and effective way.

2. OBJECTIVES, SCOPE, CONTENTS AND METHODOLOGY OF ASSESSMENT

2.1. Respondents and scope of the survey

Respondents

The survey focused on two main groups including (i) Enterprises engaged in timber trading, producing and processing and (ii) Local civil society organizations, enterprise associations and wood processing industry associations, and relevant local authorities.

Criteria for survey and interview participant selection

Various types of enterprises are selected for the survey including State-owned enterprises (SOEs) and their branches; Joint Stock Companies (JSCs), Limited Liability Companies (LLCs), Private Enterprises (PEs) and Households. In this survey, the survey team focused only on small/medium enterprises/companies, small/micro enterprises/companies which are beneficiaries of the project.

Local civil society organizations, enterprise associations, local authorities: the survey team worked with this group to assess their technical capacity building needs in order to help them better support enterprises in meeting VNTLAS, OCS requirements. The survey team selected 6 agencies and organizations in Dong Nai province and 10 agencies and organizations in Quang Tri province to take part in interviews.

Survey locations

The survey was conducted in two provinces: Quang Tri and Dong Nai. In Dong Nai, the survey team chose an area housing a large number of enterprises for interviews and surveys, but in Quang Tri province, the survey team interviewed all of the enterprises currently involved in the timber and timber product producing, processing and trading sector in all districts/towns/cities.

The survey team also conducted interviews with local civil society organizations, enterprise associations and authorities in these two provinces.

2.2. Survey and Evaluation Contents

The enterprise evaluation consists of three main parts:

- The first part focuses on gathering information on enterprises to capture main types of enterprises currently operating in the two provinces, their production and business lines, the origin of timber used by the enterprises and the process of producing and managing input materials of the enterprises;
- The second part focuses on assessing their ability to meet legality definition requirements and enterprise classification criteria. It is thereby possible to assess risk category status of enterprises when they enter into the supply chain;
- The third part focuses on information needs assessment and technical support for enterprises to better meet the timber legality and organization classification system's

requirements. The survey was also designed to learn more about enterprises' recommendations on legal policies, authorities for evidence appraisal and monitoring the implementation of the organization classification system.

For local civil organizations, associations and authorities:

The survey focused on assessing the capacity of civil organizations and other local partners in providing technical support to small enterprises for compliance with timber legality requirements. The survey also focused on gathering information to identify potential civil society organizations to participate in independent supervising of and technical support provision for enterprises during the implementation of and in compliance with VNTLAS/OCS requirements, and assessing civil society organizations' capacity and identifying their level of interest in relation to these requirements.

2.3. Methods and tools

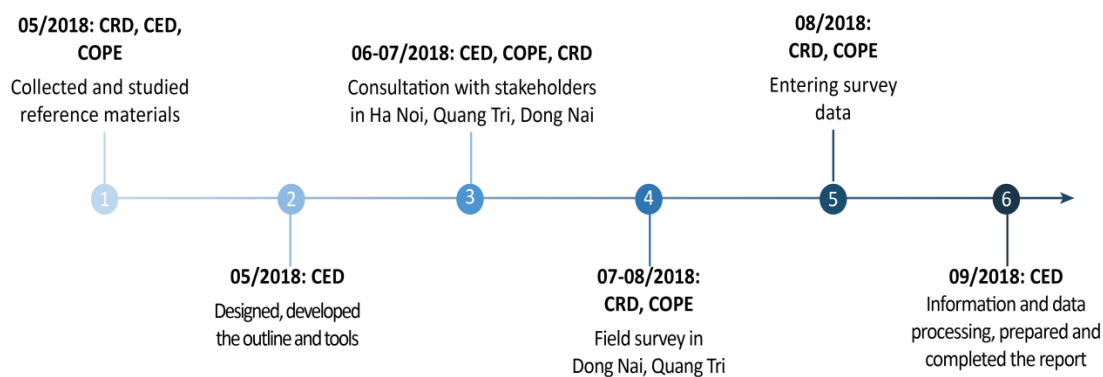


Figure 1: Implementation Steps and Responsibilities of Participating Organizations

Collect and study available materials

Since the beginning of May 2018, the team collected all documents related to the structure of forestry and timber processing industry in Quang Tri and Dong Nai provinces, reports on Vietnam forestry sector from state agencies (Report on the Forestry Sector Restructuring Project - Vietnam Administration of Forestry), Annual Report on Wood Processing and Export of Vietnam Timber and Forest Product Association, Full text of the VPA/FLEGT Agreement, especially legal documents, drafts, draft comments related to timber industry and FLEGT/VPA in Vietnam as well as policies related to timber enterprises. These documents will be further studied, referred to and used during project implementation and to provide information to enterprises during the project period. See Appendix 1 for the list of references.

Survey Design and Development of Data Collection Instruments

Survey design and development of data collection instruments: Based on collected and aggregated information, since May 20, 2018, the team developed the survey outlines, designed survey questionnaire to collect information based on the contents and scope mentioned above. After initial design and expert opinion sessions, the survey team conducted a pilot survey in Bac

Ninh province with representatives from 4 enterprises and Dong Ky Fine Arts Products Association. After the pilot survey and receiving more comments from the experts, the team finalized the questionnaire form, then conducted the official survey in Quang Tri and Dong Nai provinces from June 14 to 28, 2018 with stakeholders and from August 2 to 17, 2018 with enterprises and households. Prior to conducting the survey, 15 surveyors in Quang Tri and Dong Nai provinces had been trained. See Appendix 4 of the report for the evaluation form.

Stakeholder consultations: In the process of gathering information, designing survey, the research team also conducted relevant actor consultations from EU-FAO donors, government agencies, VCCI , Vietfores, member of VNGO-FLEGT network, to collect more information and documents available from existing and future project activities related to VPA/FLEGT, VNTLAS, OCS, LD in the coming years.

Field survey in the two provinces

After finalization of the survey form, the survey team conducted surveys in Quang Tri and Dong Nai provinces.

In Dong Nai, the survey was conducted with the participation of 48 enterprises in two areas of Bien Hoa city (29 enterprises) and Trang Bom district (19 enterprises), including some enterprises in Tam Phuoc Industrial Zone (IZ), Bien Hoa city and Bau Xeo industrial cluster (IC) in Trang Bom district.

In Quang Tri, the survey was conducted with the participation of 42 enterprises and 3 households in the following districts/towns: Cau Lon Industrial Zone in Quang Tri Town (3), Cam Hieu Industrial Zone in Cam Lo District (8), Nam Dong Ha Industrial Zone in Dong Ha City (11), Gio Linh district (4), Hai Lang district (3), Ai Tu handicraft village Industrial Zone, Trieu Phong district (9), Vinh Linh district (7).

See Appendix 2 for more details on the survey team members and survey schedule.

Limitations of the survey

The survey was conducted in a short time frame in order to timely provide needed information and data to serve as inputs to the project kick-off workshop for stakeholders to give their comments and feedbacks on report results, therefore surveying of households or micro enterprises participating in the supply chain to have a more comprehensive picture of timber trading in the two provinces was not able to conduct. It is expected that by the end of the project, there will be about 420 enterprises (small and medium enterprises, including micro enterprises of different production and business types) surveyed, assessment results will give relevant agencies more information on the actual status of enterprises in the two project sites.

Detailed information on VNTLAS and OCS is not yet available and relevant agencies as well as enterprises are not aware of the basic information on and requirements of VPA. Therefore, the survey team spent a lot of time explaining and describing the requirements to the interviewees to help them better understand these requirements. This helps raise the awareness of the

survey participants, but also means that the time spent on deeper evaluation of their needs is more limited.

3. GENERAL INFORMATION ABOUT FORESTRY AND TIMBER PRODUCING AND PROCESSING IN VIETNAM AND IN QUANG TRI AND DONG NAI PROVINCES¹

3.1. Overview of the forestry sector and wood processing industry in Vietnam Current Status of Vietnam's Forestry Sector in 2017²

In the recent years, the forest sector has shown signs of prosperity, afforestation has brought high economic efficiency and stable income for forest planters. In addition, forest planters benefit directly from their plantation as part of the payment for forest environmental services by plantations.

The government has many policies to support sustainable forestry development. Decision No. 38/QĐ/TTg dated 09/14/2016 of the Prime Minister promulgated a number of policies to support the investment infrastructure for forestry companies, which has encouraged organizations and households to sustainably invest in afforestation and forestry product processing. On June 16, 2017, the Prime Minister signed Decision No. 886/2017/QĐ/TTg approving the Sustainable Forestry Development Target Program for the 2016-2020 period with the objective of improving productivity, quality and raising the value of each type of forest, increasing the value of production forests in order to meet the requirements of natural disaster mitigation, ecological environment protection, climate change response, job creation and income generation, contributing to poverty reduction, improving livelihoods for people working in forestry sector,....

Planting area continues to increase. The area of concentrated forestation in the whole country in 2017 was estimated at 241.3 thousand hectares, up 1.2%, of which the area of production forests was estimated at 228 thousand hectares, up 1.3%; special-use forests and protection forests at 12.7 thousand hectares, down 1.5%. The number of scattered forest trees was estimated at 99.8 million, up 0.6%; Timber production was estimated at 11,455 thousand m³, up 12.4%.

Structure of timber import, export and processing industry in 2017³

¹ Compiled from the available documents (see Annex 1 for the list of references)

² Department of Agricultural Economics - Ministry of Planning and Investment, December 25, 2017, Report on Agricultural, Forestry and Fishery Production in 2017.

³ A group of authors from Forest Trends, Vietnam Timber and Forest Product Association (VIFORES), Binh Dinh Timber and Forest Product Association (FPD Binh Dinh), Ho Chi Minh City Handicraft and Wood Industry Association (HAWA), March 2018, Report: "Vietnam Timber and Timber Products Import and Export: Current Situation and Trends in Sustainable Development".

The production and consumption of timber products in 2017 grew strongly both in terms of quantity and quality, mainly consumption growth in traditional markets such as the US, Japan, China and South Korea. Along with investing in the improvement of quality, cooperation of production and consumption, wood and forestry product processing enterprises in the country are actively developing a cooperative and connecting economy by the product value chain.

Export of timber and timber products

Value of export turnover

In 2017, the export turnover of forestry products reached US\$ 8 billion, of which timber and timber products reached US\$ 7.7 billion, the remaining US\$ 300 million out of the US\$ 8 billion was the export value of non-timber forestry products such as "rattan, rush and carpet products".

The turnover and trend of changing in timber and timber products export turnover in Vietnam from 2015 to present is shown in the figure below.

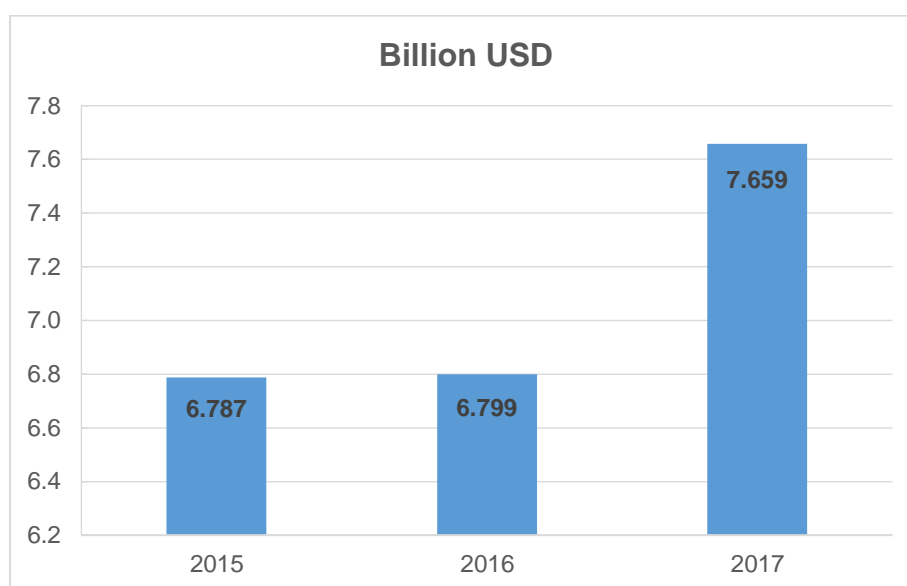


Figure 2: Trend of export turnover of timber and timber products of Vietnam⁴

Export turnover in 2017 reached nearly US\$ 7.7 billion, up 12.6% as compared to 2016. The increase was mainly due to the expansion of exports of furniture (except seats) (HS 9403), chairs (9401) and laminated wood (4412).

Main export markets

Four countries with the highest turnover were the United States, China, Japan and South Korea. In 2017, these four markets' turnover amounted to over US\$ 5.8 billion, accounting for nearly

⁴Analysis of VIFORES, FPA BD, HAWA and FOREST TRENDS from Vietnam Customs data in 2017

76% of Vietnam's total export turnover from all markets. The share of major markets in total exports in 2017 is as follows:

- United States: 40.2%. Turnover growth from this market is 13.6% as compared to 2016 (or 369 million USD), and 19.5% as compared to (2015).
- China: 14.2%. Turnover growth was 5.7% as compared to 2016.
- Japan: 12.9%. Turnover growth is 2.8% as compared to 2016.
- South Korea: 8.8%. Turnover growth is 16.2% as compared to 2016.

EU is also one of the major markets of Vietnam. In 2017, turnover from this market accounted for 9.6% of the total export turnover of the sector. In 2017, turnover growth is 2.6% as compared to 2016.

The above markets, except for China, have their own rules to govern product origin, such as the US Lacey Act 2008, EU Timber Regulation (EUTR) 2013, Korea Act on Sustainable Use of Timber 2017, Japan Clean Wood Act 2018. Therefore, when VNTLAS is finalized and put into operation, Vietnam timber and timber products will have many advantages in major markets in the world.

Main export products

The figure below shows the current status and export trends of exported products with large turnover. Furniture, chairs and wood chips are products with the highest turnover.

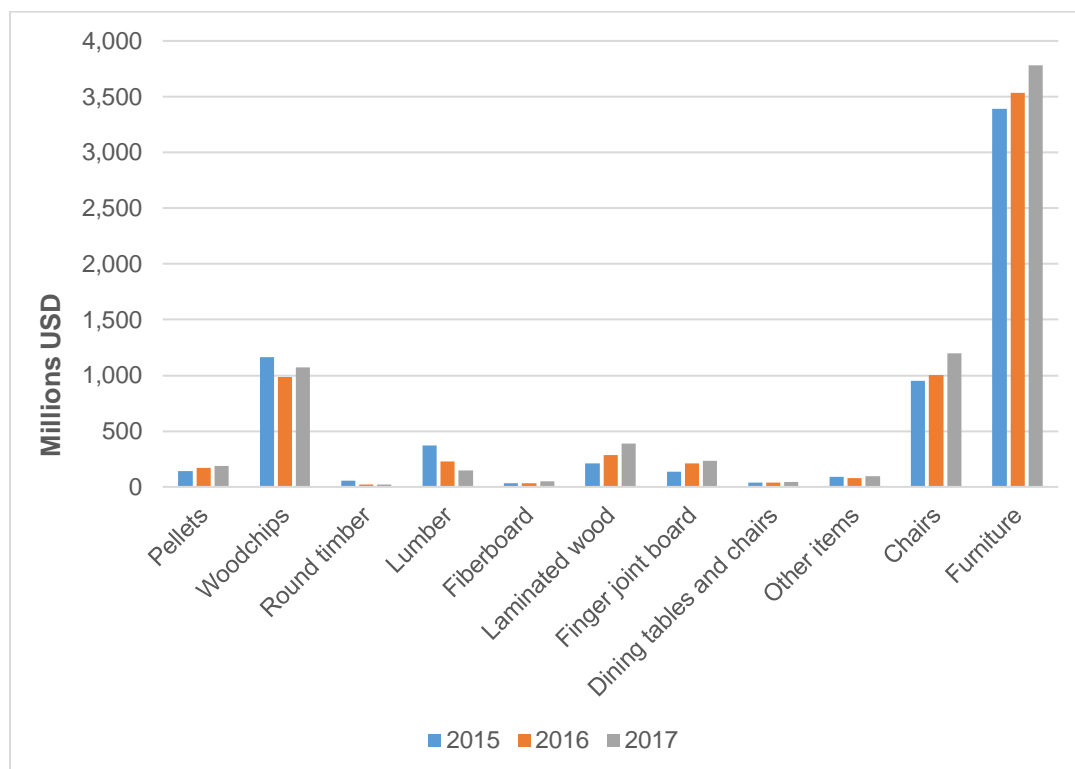


Figure 3. Changes in export value of key wood products⁵

The figure shows that the items with highly increasing turnover include:

- Interior Wood Furniture (except chairs). The export turnover in 2017 reached nearly US\$ 3.8 billion, up 8.6% as compared to 2016 and 11.8% as compared to 2015.
- Laminated wood (HS 4412), including laminated wood, laminated boards and similar wood-based panels. Export value in 2017 reached US\$ 386.6 million, up 34.7% as compared to 2016 and 82% as compared to 2015.
- Chairs. Export value in 2017 reached nearly US\$ 1.2 billion, up 19% as compared to 2016 and 26% as compared to 2015.

For the remaining items, export value decreased, did not increased or increased slightly.

Import of timber and timber products

Import turnover

Vietnam has become a wood processing center in Asia. Due to inadequate supply of domestic materials for domestic consumption and export, Vietnam has to import a large amount of wood materials from abroad each year. Imported wood materials play an important role in the export and export expansion of Vietnam's timber and timber products.

In 2017, enterprises in Vietnam invested over US\$ 2.1 billion in timber and timber product import. This is equivalent to 28.4% of total export turnover of timber and timber products of the same year.

Import turnover in 2017 increased about US\$ 345 million, up 18.8% as compared to 2016. The growth rate of timber and timer product import turnover is higher than that of the export turnover (export increased by 12.6% in 2016-2017 period). Thus, if the imports and exports maintain the current growth rate, the trade surplus balance of the sector will likely decline in the future.

Major import markets

The table below shows the import turnover from major markets that provide timber and timber products to Vietnam. African countries, China, the United States, the EU and Cambodia are markets with largest turnovers.

Table 1. Vietnam's import turnover of timber and timber products from major markets

Market	2015	2016	2017
USA	231,672.181	215,363.643	247,255.085
China	257,576.801	308,963.246	383,103.675

⁵ Analysis of VIFORES, FPA BD, HAWA and FOREST TRENDS from Vietnam Customs data in 2017

EU	164,547.235	192,323.596	235,859.861
Malaysia	110,778.545	101,569.791	100,410.885
Cambodia	380,418.895	181,564.022	213,110.081
Africa	265,197.407	354,660.077	493,690.054
Chile	46,910.697	46,300.199	60,970.030
Laos	348,876.108	75,595.400	40,920.297
New Zealand	53,849.017	55,685.571	60,816.489
Thailand	83,444.681	81,755.473	95,611.053

Source: Analysis of VIFORES, FPA BD, HAWA and FOREST TRENDS from Vietnam Customs data in 2017 [1]

Main imported products

Tables 2 and figure 4 show the import value and trend of high value imported items into Vietnam in recent years. Round/roughly squared timber, lumber and boards are the three categories with the highest import turnover.

Table 2. Main timber items imported into Vietnam (USD), Source [1]

Item	2013	2014	2015	2016	2017
Round/roughly squared timber	426,552.899	505,690.041	511,947.852	537,326.610	668,383.734
Lumber	802,435.951	1,212,858.188	1,147,462.387	749,006.221	879,035.536
Boards	331,319.832	365,484.344	472,948.153	426,466.941	506,259.355
Furniture	58,559.834	76,220.752	91,699.258	89,606.031	88,332.398
Other timber products	26,026.674	25,666.278	27,112.611	30,011.313	35,665.844

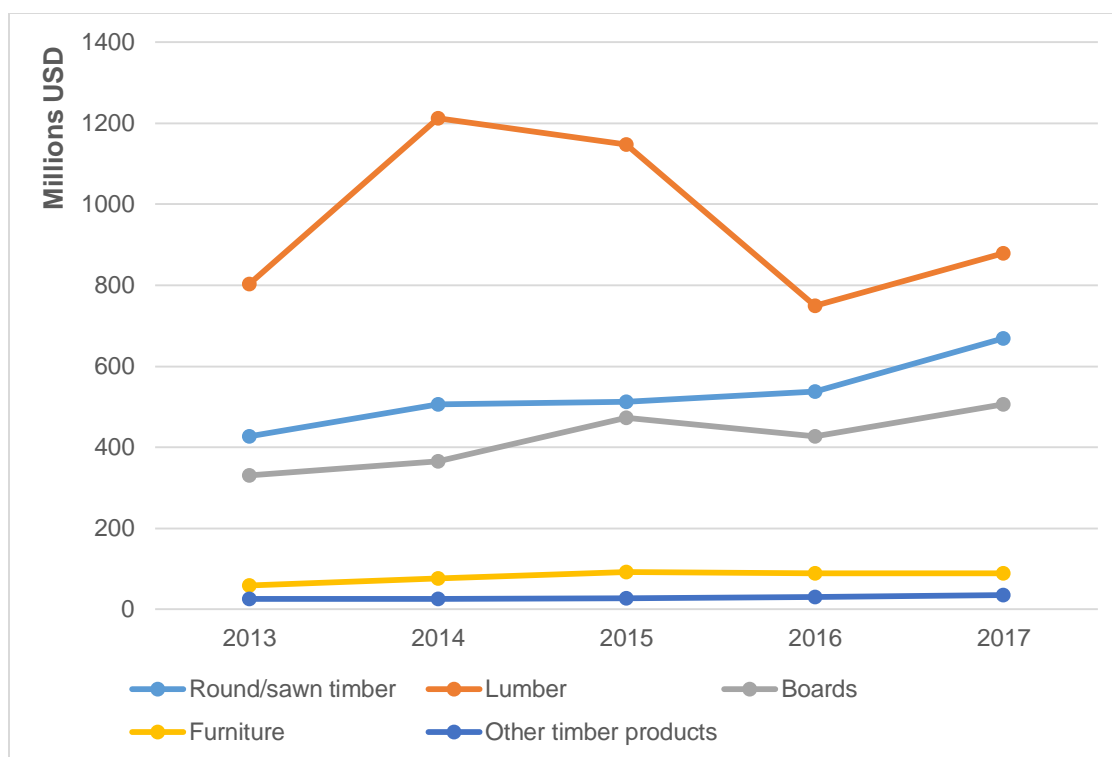


Figure 4. Import trend of major timber items⁶

In general, the import turnover increased in all categories. Whilst round/roughly squared timber and boards have a steady growth rate, lumber went through great fluctuation. Specifically, imported lumber turnover growth peaked in 2014, reaching about USD 1.1-1.2 billion per year, then plunged to USD 749 million in 2015 before resuming to grow since 2016.

3.2. Overview of the forestry sector and wood processing industry in Quang Tri and Dong Nai

3.2.1. General Information on the Forestry Sector in Quang Tri

Current Status of Forestry Sector Structure

Structure of forest area and forest land-use planning

Total forest and forest land area inventoried according to the Decision No. 07/QD-UBND dated 01/04/2017 of Quang Tri People's Committee is 345,576.32 hectares. The forest and forest land-use planning of Quang Tri province is shown in the table below.

Table 3. Forest and forest land-use planning in Quang Tri province⁷

Categorized by forest type	Total area	Forestry land covered by trees (hectares)	Forestry land uncovered by
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⁶ Analysis of VIFORES, FPA BD, HAWA and FOREST TRENDS from Vietnam Customs data in 2017

⁷ Source: Appendix 1a attached to Decision No. 07/QD-UBND dated 01/04/2017 of Quang Tri People's Committee on the approval of forest inventory results in Quang Tri province in 2016

	(hectares)	<i>Natural forest</i>	<i>Planted forest</i>	trees
Whole province	345,576.32	144,328.36	91,430.97	110,816.99
Among 3 types of forest	334,866.13	141,993.64	84,270.33	108,602.16
Special use forest	68,894.29	59,051.6	1,065.46	8,777.23
Protection Forest	99,510.68	50,517	22,156.27	26,837.41
Production forest	166,461.16	32,425.04	61,048.6	72,987.52
Besides these 3 types of forest	10,710.19	1,334.72	7,166.64	2,214.83

Structure of land and forest use by forestry economic components

Forest and forest land area categorized by type of forest owners including category I forest owners and category II forest owners, of which:

- Category I forest owners: including 24,955 households, 236 communities and 122 People's Committees of communes and towns in 10 districts and city that manage: 196,871.6 hectares of forest and forest land uncovered by trees.
- Category II forest owners: including 02 Nature Reserves, 01 Ho Chi Minh Road Management Board (MB), 03 Protection Forest MBs, 03 One Member Limited Liability Companies, 01 non-state owned enterprise and 03 military zones that manage: 148,704.7 hectares of forest and forest land uncovered by trees. Details of the structure of forest and land use by forestry economic components are shown in the table below.

Table 4. Structure of land and forest use by forestry economic components in Quang Tri province⁸

No.	Types of forest ownership	Area (hectares)
1	Special-use forest management board	66,375.2
2	Protection forest management board	55,483.2
3	State-owned enterprise	22,169.2
4	Non-state owned enterprises	749,6
5	Enterprises with 100% foreign capital	0
6	Households and individuals	56,323.5
7	Community	17,108.1
8	Armed Forces	3,927.5

⁸ Source: Appendix 2a attached to Decision No. 07/QĐ-UBND dated 01/04/2017 of Province People's Committee on the approval of forest inventory results of Quang Tri province in 2016

9	Other organizations	0
10	PC	123.340,1
	Total	345,576.3

Current status of wood processing industry in Quang Tri⁹

Wood enterprises

Currently, there are about 115¹⁰ enterprises operating in the wood processing industry, of which many have made significant investments in the processing of planted wood products, especially investment project No. 2 wood MDF production line of MDF VRG Quang Tri Wood JSC with the design capacity of 120,000 m³ of products/year and modern technology has increased the MDF wood processing capacity of Quang Tri to 180,000 m³. Beside MDF wood products, Quang Tri also processes and supplies to other provinces and exports about 100,000 tons of wood boards, more than 300,000 tons of wood shavings and wood chips and energy tablets, which place Quang Tri in the top provinces of the country in terms of MDF wood production and as a province with abundant timber resources in the area.

In general, the wood processing industry in Quang Tri still uses rudimentary facilities to process products such as finger-joint boards, MDF boards, energy tablets, chips, etc. Most enterprises are of small and medium size with medium level of processing technology and large material waste; Low level of human resource, labor quality and labor productivity; The export market is limited and the domestic market is not sustainable, which have greatly affected the overall development of the wood processing industry in Quang Tri. In addition, the management of planted forests under the model of sustainable forest management has a lot of limitations such as inappropriate and unsustainable forest exploitation, low efficiency of forest plantation and exploitation.

Consumption Markets

Products are consumed all over the country including Binh Duong, Binh Dinh, Ho Chi Minh City, Quang Nam, Nam Dinh, Dong Nai, Hanoi, Bac Ninh, Ha Nam, Hai Phong, Hung Yen, Hai Duong, etc. and exported to other countries including India, Japan, China, South Korea, Malaysia, Laos, Indonesia, etc.

Material sources

According to the statistical yearbooks 2014, 2015 and 2016 of Quang Tri Department of Industry and Trade, the planted forest area is 99,649 hectares in 2014, 1,100,471 hectares in 2015 but

⁹ Source: Quang Tri Department of Industry and Trade, December 2017, Report on scientific project "Investigation and assessment of production capacity of wood processing enterprises and mission and solution proposals for the development of wood processing industry in Quang Tri province until 2025"

¹⁰ According to survey data of Quang Tri Forest Protection Units, only about 60 enterprises maintain their operation, the rest have stopped operating but their licenses have not been revoked.

only 91,431 hectares in 2016, with the average output of around 450,000 m³ (data on production forests of forestry companies and concentrated forests of agencies and cooperatives is included in the statistics of the agricultural sector). In addition, the output of scattered acacia (*Acacia* hybrid, *Acacia mangium*, *Acacia auriculiformis*), eucalyptus planted by households and the output of rubber, pine wood, etc. is estimated at about 200,000 to 400,000 m³/year. The gross output of planted timber in the 2011-2016 period is about 700,000 – 1,000,000 m³/year; for the period from now to 2020, with the average annual growth in the concentrated forest plantation area of over 4,500 hectares and the application of scientific techniques to increase productivity, the output of planted timber will reach about 900,000 – 1,100,000 m³/year.

In addition, in order to meet the production needs, enterprises have been importing timber from neighboring provinces including Quang Binh, Ha Tinh, Hue, etc.

Timber products

Most of the province's timber products are preliminarily processed products, including wood chips, sawn timber, wood tablets, finger-joint boards, MDF boards, wood by specifications, furniture, wardrobe, beds, fine wood art, etc. for domestic consumption.

Production value (PV)

In 2015, production value of Quang Tri wood processing industry is estimated at VND1136.79 billion, accounting for 19.5% of the total processing industry structure of the province. The production value proportion of the industry as compared to the entire processing industry (PI) of the province tends to decrease over the years. This industry has made a significant contribution to industrial development in the province. However, in general it is still a small-scale industry, the product range is not diversified and the added value of the product is low.

3.2.2. General information on the forestry sector in Dong Nai

Current Status of Forestry Sector Structure

Gross annual value of forestry in Dong Nai reaches VND26,115.6 billion, of which:

- Timber output accounts for 84,000 m³/year, equivalent to VND84 billion/year.
- Wood processing products accounts for VND26.000 billion/year.
- Eco-tourism accounts for VND12.6 billion/year.
- Forest environmental service accounts for VND19 billion/year.

Structure of forest area

Total area of forest and forestry land uncovered by trees by December 2017 is 199,981.29 hectares according to Decision No. 4186/QĐ-UBND dated 12/08/2016 approved by People's Committee of Dong Nai Province. The forest and forest land-use planning of Dong Nai province is shown in the table below.

Table 5. Forest and forest land-use planning of Dong Nai province¹¹

Categorized by 03 types of forest	Total area (hectares)	Forestry land covered by trees (hectares)			Forestry land uncovered by trees (hectares)
		Plus	Natural forest	Planted forest	
WHOLE PROVINCE	199,981.29	170,897.16	123,581.82	47,315.34	29,084.13
A. Among 03 types of forest	180,017.01	158,145.3	122,537.65	35,607.65	21,871.71
1. Special use forest	104,141.02	98,110.13	95,659.62	2,450.51	6,030.89
2. Protection forest	40,407.52	33,224.01	16,054.78	17,169.23	7,183.51
3. Production forest	35,468.47	26,811.16	10,823.25	15,987.91	8,677.31
B. Besides these 3 types of forests	19,964.28	12,751.86	1,044.17	11,707.69	7,212.42

Actual status of wood processing industry in Dong Nai province

Wood enterprises¹²

Dong Nai's wood processing establishments are located mostly in Bien Hoa, Trang Bom, Nhon Trach, Long Thanh and Vinh Cuu. The export turnover of timber and timber products in the South East region in 2015 accounted for over 75% of the total export turnover of the whole country, of which Dong Nai accounted for about 17.4% of the total wood export turnover of the country with the value of USD 1.2 billion.

According to available data, the total number of processing establishments and enterprises in the province is 942, of which.

- Classified by district: Cam My district with 20 establishments and enterprises; Dinh Quan district with 91 establishments and enterprises; Long Thanh district with 53 establishments and enterprises; Nhon Trach district with 43 establishments and enterprises; Tan Phu district with 27 establishments and enterprises; Trang Bom district with 142 establishments and enterprises; Long Khanh Town with 26 establishments and enterprises; and Bien Hoa city with 375 establishments and enterprises;
- Classified by product type structure: furniture with 493 establishments and enterprises; lumber with 124 establishments and enterprises; round timber with 37 establishments and enterprises; boards with 23 establishments and enterprises; handicrafts with 22

¹¹ Source: Schedule 1a attached to Decision No. 4186/QĐ-UBND dated 12/08/2016 of Dong Nai People's Committee on the approval of forest inventory results in Dong Nai province in 2016.

¹² Source: Tran Van Hung, 2015, Research topic: "Actual situation and solutions for the development of wood processing industry in the South East region", Journal of Development and Integration

establishments and enterprises; finger-joint boards with 16 establishments and enterprises; chips, paper with 11 establishments and enterprises; construction timber with 6 establishments and enterprises; and other 210 non classified establishments and enterprises;

- Classified by ownership type: 288 Limited Liability Companies; 77 One member Limited Liability Companies; 25 joint stock companies; 110 private enterprises; 439 households and individuals; 3 cooperatives.

Material sources

The industry uses various raw material sources. Of which, enterprises using domestic materials at 1,309,231 m³/year, accounting for 74.06%; and imported wood at 458,605 m³/year accounting for 25.94%. It's estimated that home furniture uses 78,032m³ of raw materials, Palette 365,214.08 m³, lumber 63,124.03 m³, artificial boards 65.600m³, chips 155.492m³, handicrafts 470.76m³.

Main domestic timber materials include: rubber timber, cashew nut timber, mango timber, timber from planted forests (Acacia, Acacia hybrid, Eucalyptus, Keruing, Golden Oak, Teak, etc.), timber from home gardens and timber exploited from natural forests from provinces with legal exploitation target.

Imported wood comes mainly from ASEAN countries such as Laos, Malaysia, Indonesia, Cambodia and other countries such as African countries, New Zealand, Russia, Germany, Finland, Chile and USA, etc.

About the products and the markets

The wood processing industry employs advanced technology to make wood products of high quality and appealing to the market.

Main processing products are: household furniture, fine art furniture, lumber, pallets, artificial boards and some other products such as wood chips, etc.

Products of the enterprises are mainly for export, only a small amount of products are consumed domestically; The main export markets are: Japan, South Korea, Taiwan, China, EU countries, US, etc.

The products of the establishments are mainly consumed domestically; Main items are household furniture; palette; lumber.

Agencies participating in the management and support of wood enterprises in Dong Nai and Quang Tri

Stakeholders or agencies interested in the timber sector and specifically wood enterprises in Quang Tri and Dong Nai provinces include:

- i. The Department of Agriculture and Rural Development (ARD), specifically Forest Protection Department (FPSD) is responsible for managing and supervising the use of timber and

timber supply chain. The agency works with other stakeholders in dealing with related violations.

- ii. Department of Industry and Trade and its Trade Promotion Centers support and seek business opportunities for enterprises. Trade promotion centers also hold a lot of information about enterprises.
- iii. Department of Labor, Invalids and Social Affairs: manages workers' benefits, wage scales, payrolls, social insurance benefits, appraises wage scales and payrolls, advises the provincial People's Committees on the payrolls of enterprises.
- iv. Department of Natural Resources and Environment (NRE) grants land use right certificates, manages regulations on impact of the production and business activities of enterprises on the environment and land, for example: depending on the scope, scale and extent of an enterprise's operation, it may be required to provide environmental protection plan or environmental impact assessment report (EIA).
- v. Customs Department: Keeps import and export data including data on input and output wood of many enterprises.
- vi. Provincial Tax Department: Keeps data on turnover and taxes of enterprises.
- vii. Fire Protection Department usually works together with other stakeholders or performs independent monitoring.

See Appendix 3c of the report for more details on the roles and functions of these agencies.

In addition, the survey teams in the two provinces also consulted other agencies and organizations whose functions and tasks related to the timber industry such as Dong Nai Wood and Handicrafts Association, Dong Nai Rubber Association, Quang Tri Special Export Forestry Product Processing Association, Quang Tri Consumer Protection Association. (See Appendix 3b for the list of agencies and organizations consulted).

4. SURVEY RESULTS IN QUANG TRI AND DONG NAI PROVINCES

4.1. Survey results from wood processing enterprises

4.1.1. General information about the surveyed enterprises

03 households and 90 enterprises were surveyed, including 87 private enterprises (97%), 02 foreign direct investment enterprises (FDI enterprises, 2%) and 01 State-owned enterprise (1%). Due to the small number of individual households participating in this survey and because these households are not in the same category as the enterprises, the survey results of the three households are separated and summarized in Appendix 3a.

Types of enterprise, years in business, interview respondents

Types of business entities

The survey results are based on interviews with 90 enterprises in Quang Tri and Dong Nai provinces. These include 01 cooperative (1%), 46 one-member limited liability companies (52%), 22 limited liability companies with two or more members (25%), 14 private enterprises (16%), 05 joint stock companies (5%), and 01 joint venture (1%).

Types of business ownership

The majority of enterprises are private enterprises (97%), the rest are FDI enterprises¹³ (2%) and state-owned enterprises (1%).

Years in business

31/90 (34%) enterprises are in their 5 years or less in business, 59/90 (66%) have been doing business for 5 years or more.

Position of the respondents

Representatives of enterprises responding to the interviews are mainly those who take managerial roles of the enterprises (directors, deputy directors, owners of enterprises), accounting for 62%, the rest are sales or import-export staff (23%) and accountants (15%). Among surveyed enterprises, the percentage of women respondents was rather low, especially among those who took managerial role, only 13/62 (21%) were women.

Table 6: Summary of some general information about surveyed enterprises

Contents	Number of enterprises	Percentage of enterprises
Types of business entities		
Private enterprise	14	16
Joint stock company	5	6
One-member limited liability company	46	51

¹³Both surveyed FDI enterprises are located in Dong Nai province

Limited liability company with two or more members	22	24
Joint venture	1	1
Cooperative	1	1
Types of business ownership		
Private enterprise	87	97
State-owned enterprise	1	1
FDI	2	2
Years in business		
Less than 5 years	31	34
5 years or more	59	65
Position of the respondent		
Managerial (Director, Deputy Director)	62 (of which, 13 are women, accounting for 21%)	63
Accountant	16 (of which, 12 are women, accounting for 72%)	15
Sales or import-export staff	12 (of which, 4 are women, 33%)	22

Enterprise classification information

Revenue of the enterprises in 2017

Revenue of enterprises is categorised by enterprise size in the forestry sector¹⁴ as shown in the chart below.

¹⁴ According to the classification of micro enterprises, small enterprises and medium enterprises in the forestry sector under the Decree No. 39/2018/ND-CP by the Government detailing a number of articles of the Law on support for small and medium sized enterprises.

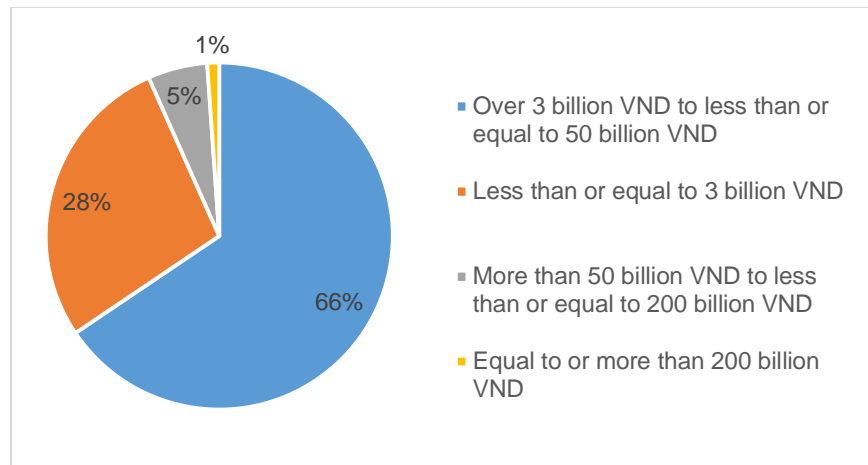


Figure 5. Chart showing the revenue of the enterprises in 2017

Therefore, in terms of revenue, among surveyed enterprises, 28% are micro enterprises, 66% are small enterprises, 5% are SMEs, and the last 1%, whose revenue is over VND200 billion, are FDI enterprises.

Enterprise size

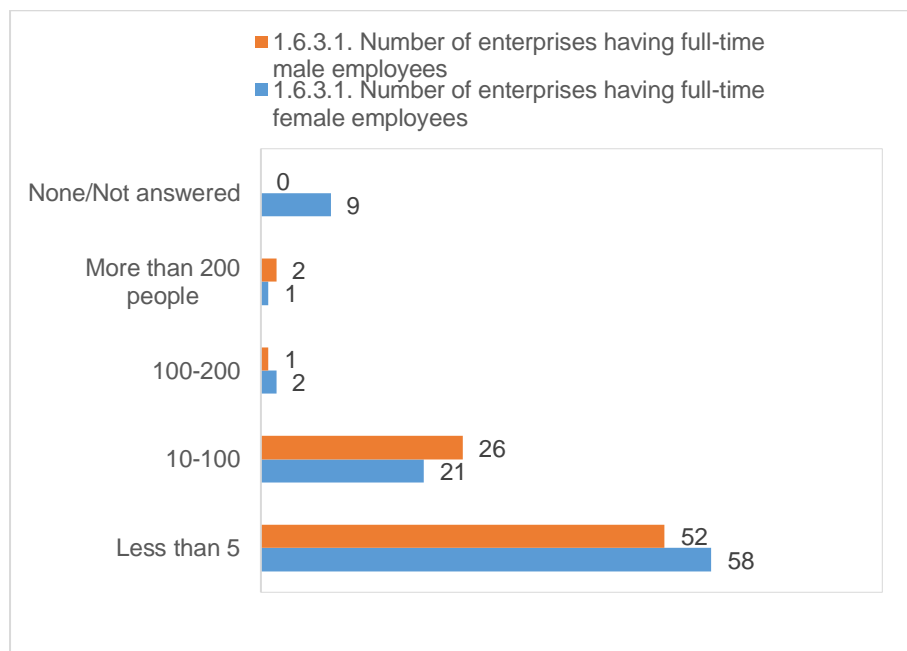


Figure 6. Chart showing the size of the enterprises¹⁵

Among the 3 enterprises with more than 200 seasonal workers, there is one enterprise who hire 300 male seasonal workers while the total number of its full-time employees is only 3. These enterprises mainly do business in wood import, they also make furniture such as tables, chairs, beds, cabinets, etc.

¹⁵ There are 3 enterprises with over 200 full time employees in Dong Nai province

Among the female employees working at 67 enterprises, 40.4% are full-time employees and 29.8% are seasonal employees.

Business lines of surveyed enterprises

Most of the surveyed participants are small and medium-sized enterprises, their primary business activity is preliminary processing (32.2%) (wood sawing, wood splitting, wood board processing, plywood processing, pulp processing, etc.). Secondly comes the imported wood trading activities that accounting for 26.7% and thirdly comes the wood product production activities that accounting for 18.8% (furniture, floorboards, doors/windows, etc.).

In addition, other secondary activities of the enterprises are trading in timber and timber products domestically (27%), preliminary processing (21%) (wood sawing, wood splitting, board processing, plywood processing, pulp processing, etc.), production of timber products (19%) (furniture, floorboards, doors/windows, etc.)

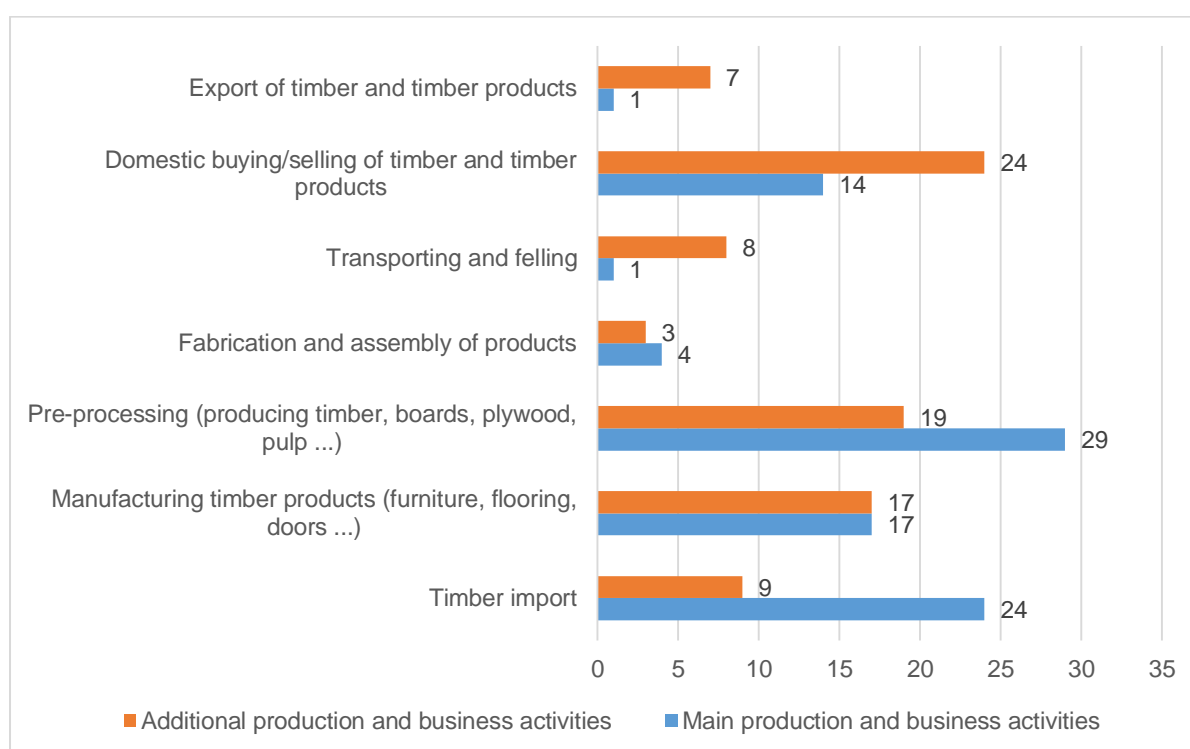


Figure 7. Chart showing the production and business activities of the enterprises

In Quang Tri, the primary business activity of the enterprises is timber preliminary processing (21/42 enterprises, accounting for 50%) and trading in timber and timber products domestically (9/42 enterprises, accounting for 21%). In Dong Nai, the primary business activity of the enterprises is timber import and imported timber trading (20/48 enterprises, accounting for 42%)

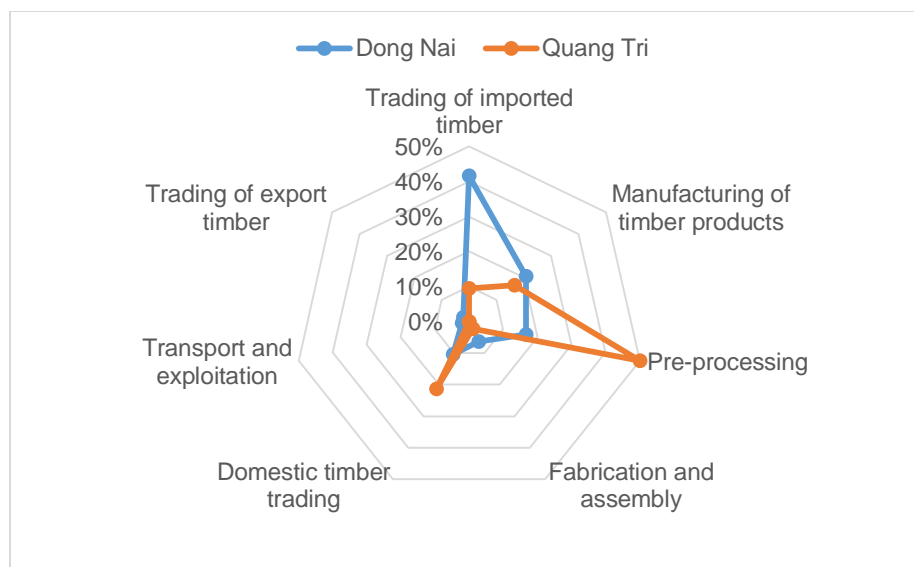


Figure 8. Comparison chart of main business activities of surveyed enterprises in Quang Tri (42 enterprises) and Dong Nai (48 enterprises)

Origin of wood used in the enterprises

The surveyed enterprises in the two provinces mainly use imported wood for processing, some of them use both imported wood and wood from production forests or exploited/utilized from the protection forests.

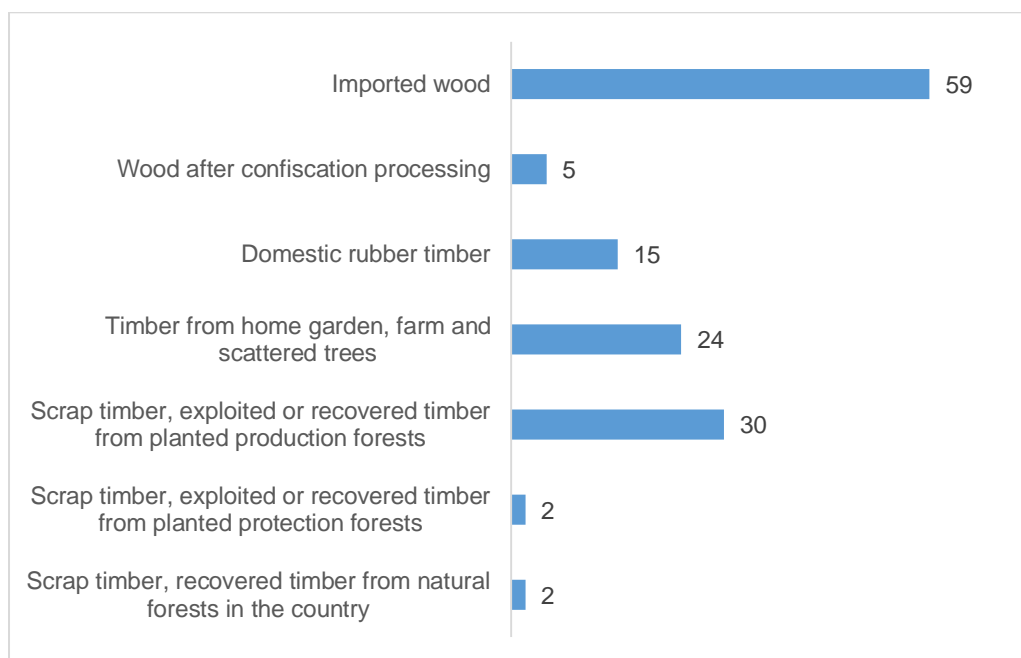


Figure 9. Chart showing the origin of timber used by the enterprises in both provinces
Comparison of the origin of wood used in each province

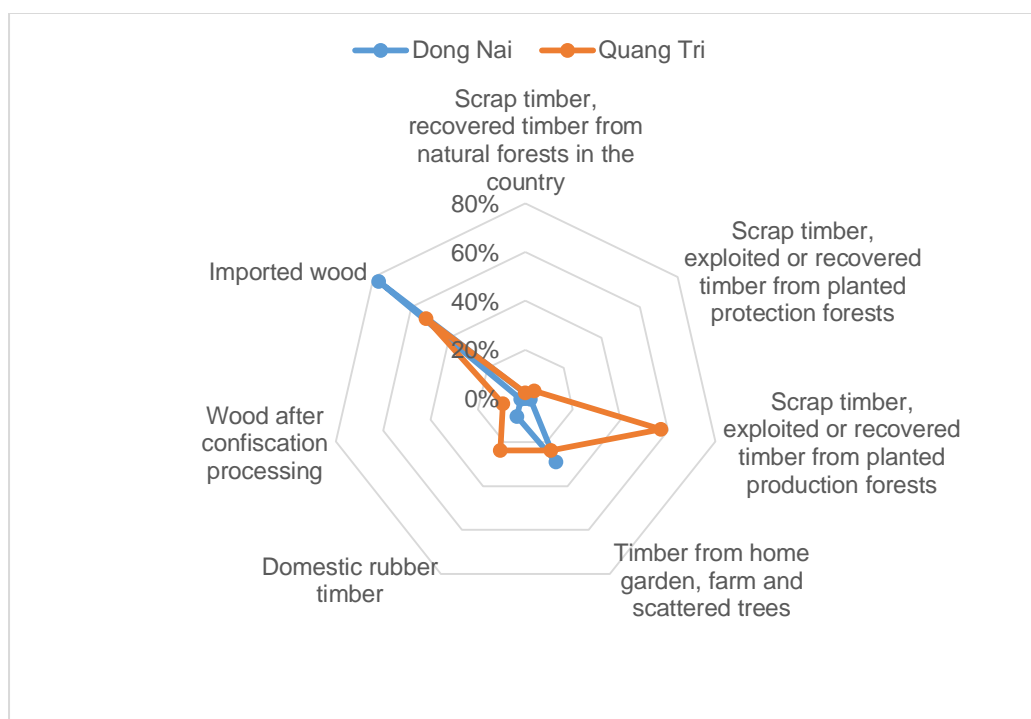


Figure 10. Comparison chart of the origin of timber used in each province

The survey shows that both Dong Nai and Quang Tri have many enterprises using imported wood. In particular, Dong Nai has 37/48 enterprises (77%) while Quang Tri has 22/42 enterprises (52%) who are using imported wood. In addition, at 42 surveyed enterprises in Quang Tri, the majority of timber originates from production forests (57%).

Those enterprises who use only domestic raw materials mainly use them for the production of wood chips, outdoor and indoor furniture that will be used for domestic consumption and export (mainly exported to Australia, South Korea, Taiwan and USA; some exported to EU and Middle East).

Information on imported timber

Among the 90 surveyed enterprises, 59 enterprises (63%) use imported wood.

Import methods:

Among the 59 enterprises using imported wood, 12 of them import wood directly from foreign countries (20%), 40 of them buy imported wood from other companies (68%), 7 of them use both of these methods (12%).

Volume of imported wood by value in 2016 and 2017¹⁶

¹⁶ Import value in 2016: minimum VND 200 million and maximum VND 182.126 billion; Typical import value: VND 5.326 billion

Imported wood material volume in two consecutive years 2016 and 2017 tends to increase. These enterprises usually produce such items as plywood, wooden furniture, floorboards for export.

Certificates of imported wood

Among 59 enterprises that use imported wood, up to 40 enterprises (68%) do not have any type of certificates for wood used in their organizations because they do not care about them or they think certificates are not necessary. 13 enterprises (21%) using imported wood have certificates issued by Forest Stewardship Council (FSC). 6 other enterprises (8%) have other certificates such as VLA certificates issued by Rainforest Alliance, certificates of origin (C/O), certificates of border gate customs.

Table 7. Summing-up of some information on imported wood (among 59 enterprises using imported wood)

Contents	Number of enterprises	Percentage (%) of enterprises
Import method		
Direct import	12	20%
Purchase imported wood from other companies	40	68%
Both of these methods	7	12%
Imported wood volume in 2016 and 2017 by value		
Value	2016 - 2017	2016 - 2017
Under VND 1 billion	8 - 9	14% - 15%
VND 1-5 billion	14 - 20	24% - 34%
VND 5-10 billion	11 - 14	19% - 24%
VND 10-50 billion	10 - 13	17% - 22%
Over VND 100 billion	2 - 2	3% - 3%
No response	14 - 1	24% - 2%
Certificates attached		
Certificates issued by Forest Stewardship Council (FSC)	13	22%
Other types of certificates	6	10%
No certificate	40	68%

Import value in 2017: minimum VND 13.5 million and maximum VND 227.5 billion; Typical import value: VND 5.2 billion

Countries supplying raw materials

Main suppliers are Laos, some African countries such as South Africa, Ghana, Republic of Congo and Cameroon. Other suppliers are Denmark, New Zealand, USA, Canada, Chile, Qatar, etc. Some intermediate companies are Phat Loc Company (Dong Nai), Nam Son Hoa Company (Hanoi), Diola Company (Hai Phong), Quoc Hung Company (Dong Nai), An Tan Phat Company, and Tabaco Company.

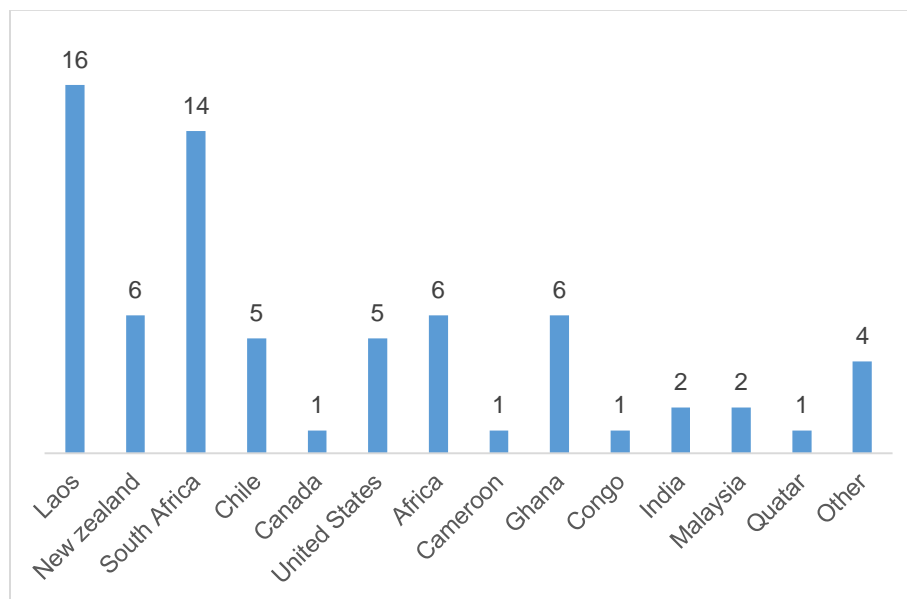


Figure 11. Chart showing the countries that supply materials to the enterprises

Product consumption

Methods of trading/exporting timber and timber products

Among the 90 surveyed enterprises, 69 of them are specialized in trading timber and timber products in domestic markets, 7 of them are specialized in export, 15 of them are specialized in both trading and exporting timber and timber products.

Table 8. Methods of trading/exporting timber and timber products

Method	Percentage of enterprises trading/exporting timber (out of 90 enterprises)	Percentage of enterprises trading/exporting timber directly	Percentage of enterprises trading/exporting timber through intermediaries
Domestic trading	68 (75%)	60 (88%)	8 (12%)
Export	7 (8%)	7 (100%)	0
Domestic trading and export	15 (17%)	12 (80%)	3 (20%)

combined			
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Export/sales turnover in 2017

The average export turnover of surveyed enterprises in 2017 is mainly in the ranges of less than VND 10 billion (38/90 enterprises) and VND 10 to 50 billion (24/90 enterprises). This data is consistent with the turnover data of the enterprises mentioned above, which means that the surveyed enterprises are mainly the micro- and small-sized ones.

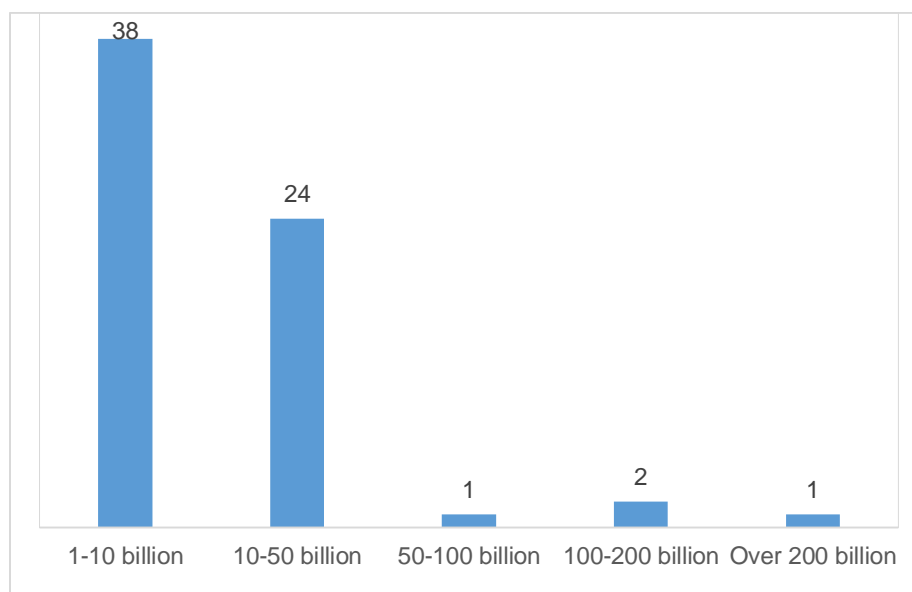


Figure 12. Chart showing sales and export turnover of timber and timber products in 2017

For foreign markets¹⁷:

- EU: Only 5 enterprises exporting timber and timber products to this market. There are 3 enterprises with export turnover of 50-80% to the EU market, 2 enterprises with export turnover of 10-50% to the EU market and 1 enterprise with export turnover of less than 10% to the EU market.
- US: There are 7 enterprises exporting timber and timber products to the US market. There is only one enterprise with export turnover of 80-100% to this market. The remaining enterprises have the turnover of 50-80%, 10-50% and less than 10%.
- There are also a few enterprises exporting to Japan, China, Australia.

For the domestic market: Most small and medium-sized enterprises focus on this market. There are up to 58 enterprises attaining the turnover of 80-100%. The remaining enterprises

¹⁷ Percentage of enterprises' export turnover to EU, US, Japan, China, domestic markets: lowest 0%; highest 80%, 98%, 100%; average 0-10%

have the turnover of 50-80%, 10-50%. Among the 68 enterprises that trade products in domestic markets, none of them have the turnover of less than 10%.

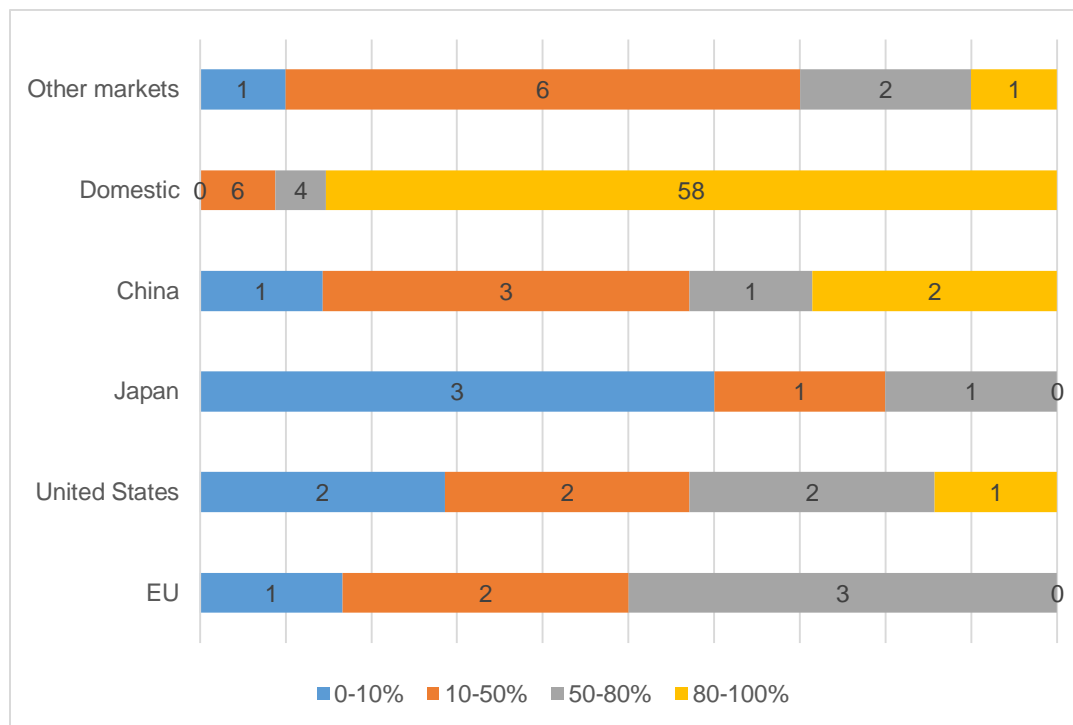
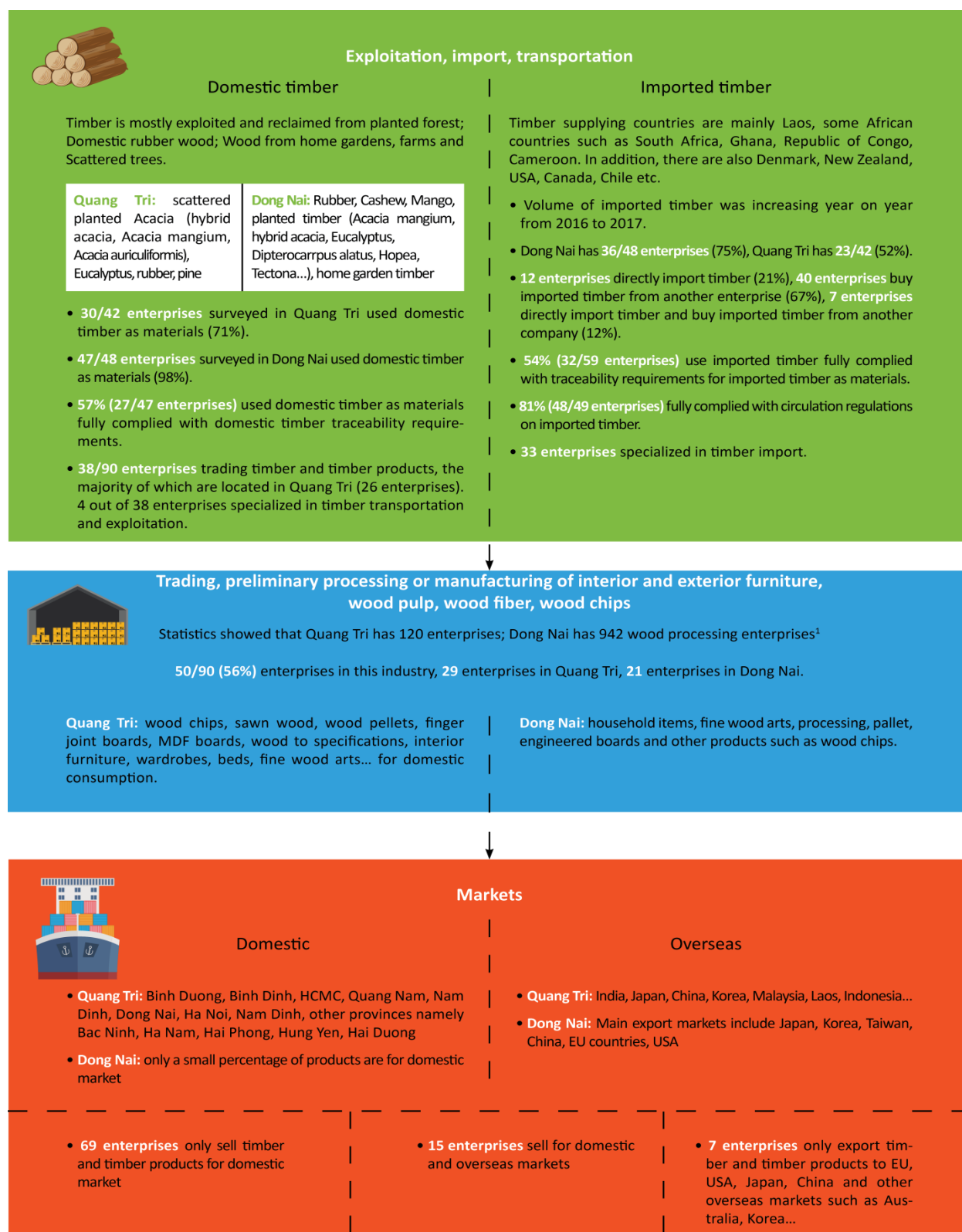


Figure 13. Chart showing the value of sales and exports in 2017 to different markets

Through the description of enterprises, the process of production management and product processing from input to output at the enterprises can be summarized as shown below.



¹Source: Journal of Development and Integration, # 22-32, 5-6/2015, Topic: "Current situation and solutions to develop the wood processing industry in the East region"

Figure 14. Diagram of operation of wood enterprises (sumarized from survey results)

4.1.2. Evaluation on the level of meeting timber and timber product legality requirements in the surveyed enterprises

In this section, in addition to meeting requirements on material origin, declaring, supply chain reporting, and complying with business regulations, enterprises have to show all required evidences to meet other requirements for transportation with no violations. The specific requirements for each category of enterprises are as follows:

- I. Enterprises involved in forestation, exploitation and transportation (5/90 enterprises) need to comply with the regulations on domestic wood circulation/transportation.
- II. Enterprises involved in the trading of domestic timber and timber products (38/90 enterprises) need to comply with regulations on the origin and circulation for domestic timber.
- III. Enterprises involved in the processing and production processes (preliminary processing, assembly - 50/90 enterprises) need to comply with regulations on origin of wood for domestic wood or imported wood.
- IV. Enterprises involved in the import process (33/90 enterprises importing wood; 26/90 enterprises producing, trading and using imported wood) need to comply with regulations on origin and circulation of imported wood.
- V. Enterprises exporting timber and timber products (22/90 enterprises) need to comply with regulations on customs procedures for timber and timber products for export and regulations on timber circulation for export.

Survey results of 90 enterprises are presented below.

i) Observe the regulations on traceability, circulation, transportation of domestic timber and timber products (dynamic evidences)

This requirement is applicable to enterprises involved in afforestation, forest management and forestry production; enterprises involved in trading in domestic timber and timber products; enterprises involved in production, preliminary processing, processing, and assembling products using domestic materials.

Enterprises involved in afforestation, forest management and forestry production

There are 5/90 surveyed enterprises involved in afforestation, exploitation, transportation and trading of domestic timber in addition to their primary business activities that is preliminary processing and production of furniture¹⁸. 4 out of these 5 enterprises are small enterprises; only one of them is micro enterprise in Quang Tri province with an annual turnover of less than VND 3 billion and 2 full-time employees and 8 seasonal workers.

¹⁸ 4 enterprises in Quang Tri and 1 enterprise in Dong Nai

For requirements on proof of origin for domestic timber: 4 out of 5 above mentioned enterprises showed all needed proof of land use certificate, exploitation plan, map of the exploitation area, written record of appraisal of field-work exploitation plan. The remaining enterprise who locates in Quang Tri province did not have any proof of timber origin. It uses wood purchased from rubber timber companies or households. It can bid for self-exploitation, and then transport wood itself or through a third party for wood preliminary processing (sawing, splitting, drying) before sending to consumption.

For regulations on circulation and transportation: all 5 enterprises have 2 basic documents for this requirement: Invoices as required by Ministry of Finance, Inventory of forest products. Regarding internal delivery orders, a micro enterprise in Quang Tri does not have this document because they think it is not necessary.

Enterprises trading in domestic timber and timber products

Among the 38/90 enterprises (42.2%) involved in the domestic timber and timber product trading, 4 enterprises are involved in afforestation and forest exploitation as analyzed above. In this section, the team analyzes the remaining 34 enterprises trading in domestic timber and timber products. Most of these enterprises are located in Quang Tri province (26 enterprises); the rest are in Dong Nai province (8 enterprises).

For requirements on proof of origin for domestic timber: The responses of the enterprises on the proof of wood origin are shown in the table below:

Table 9. Percentage of enterprises meeting the requirements on domestic timber traceability among enterprises trading in domestic timber/timber products

No.	Dossier or relevant documents	Quang Tri (26 enterprises)			Dong Nai (8 enterprises)		
		Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer	Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer
1	Inventory of forest products	14	0	10	1	4	3
3	Asset sale contract	9	1	14	1	4	3
3	Invoices as required by the Ministry of Finance	8	0	16	1	4	3

The above data shows that the percentage of timber/timber product trading enterprises in Quang Tri that meet requirements on domestic wood use is higher than that in Dong Nai. However, the percentage of enterprises meeting the requirements is still low (In Quang Tri, 10 out of 24 enterprises meet these requirements while in Dong Nai, only one out of eight enterprises meets these requirements) Inventory of forest products are the type of documents that most enterprises have.

Regarding regulations on circulation and transportation of domestic wood: Most of the 34 domestic wood trading enterprises have documents in accordance with regulations on circulation and transportation of wood. Detailed information is shown in the following table:

Table 10. Percentage of enterprises meeting the requirements on circulation and transport of domestic wood¹⁹

No.	Dossier or relevant documents	Percentage of enterprises having supporting documents or having other documents of equivalent values	Percentage of enterprises answering "Not Applicable"	Percentage of enterprises not having supporting documents or do not answer
1	Invoices as required by the Ministry of Finance (copies)	100.0%	0	0
2	Inventory of forest products	94.1%	0.0%	5.9%
3	Internal delivery order	88.2%	11.8%	0.0%

Enterprises producing, preliminary processing, processing, and assembling products

There are 50/90 enterprises (56%) operating in this field, of which 29 are in Quang Tri and 21 are in Dong Nai. There are 9/50 enterprises using only imported timber (5 enterprises in Dong Nai and 4 enterprises in Quang Tri), which will be included in the same category of timber import enterprises in point **iv)** of this section. As such, 41 out of 50 enterprises in this category use domestic timber and they need to have proof of origin for domestic timber such as Inventory of forest products, asset sale contracts, invoices as required by the Ministry of Finance.

Table 11. Percentage of enterprises meeting the requirements on domestic wood traceability

No.	Dossier or relevant	Quang Tri (25 enterprises)	Dong Nai (16 enterprises)
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¹⁹ Among 34 enterprises

	documents	Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer	Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer
1	Inventory of forest products	14	0	11	4	4	8
2	Written certification of timber with forest ranger hammer mark (For rough timber with large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$ and sawn timber and squared timber at forest with length $\geq 1\text{ m}$, thickness $\geq 5\text{cm}$, and width $\geq 20\text{ cm}$)	0	6	19	2	6	8
3	Asset sale contract	10	1	14	3	5	8
4	Invoices as required by the Ministry of Finance	6	1	18	4	3	3

The percentage of enterprises having Inventory of forest products is highest among 41 enterprises processing and producing domestic timber; however, this percentage is still low (Quang Tri: 14/25 enterprises, Dong Nai: 4/14 enterprises). Particularly for the written certification of timber with forest ranger hammer mark (for rough timber with large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$ and sawn timber and squared timber with length $\geq 1\text{ m}$,

thickness ≥ 5 cm, and width ≥ 20 cm), only two enterprises in Dong Nai have this type of document, the rest do not have it or said this regulation did not apply to them.

On average in the two provinces, about 13/41 (33%) enterprises in this category answer they have one of the types of evidence mentioned in Table 11 while 5/41 (11%) enterprises answer "Not Applicable", 23/41 (56%) enterprises do not have any supporting documents or do not answer.

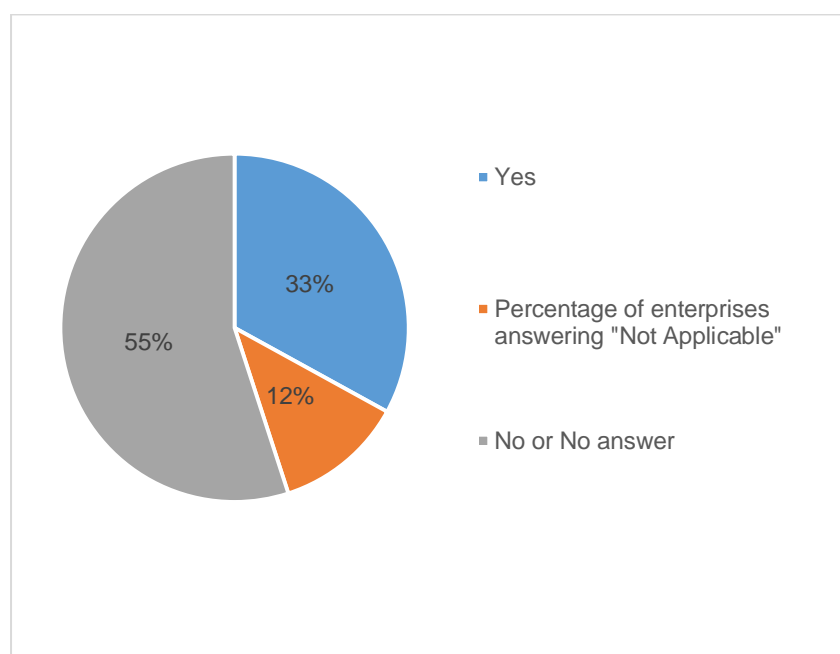


Figure 15. Chart showing the average percentage of enterprises that meet the traceability requirements for domestic timber (among the 41 enterprises using domestic timber)

ii) Compliance with the regulations on traceability, circulation and transportation of timber and timber products

For regulations on traceability of imported timber

According to the survey data, 59/90 enterprises in the two provinces use imported timber in their business activities. Among them, 33 enterprises are specialized in importing and trading in imported timber (Dong Nai: 22 enterprises, Quang Tri: 11 enterprises), 26 enterprises are specialized in producing and processing imported timber (Dong Nai: 14 enterprises: Quang Tri: 12 enterprises).

Table 12. Percentage of enterprises meeting requirements on traceability of imported timber for 33 enterprises having business in timber import in 2 provinces

No.	Dossier or relevant documents	Quang Tri (11 enterprises)			Dong Nai (22 enterprises)		
		Number of enterprises	Number of enterprises	Number of enterprises	Number of enterprises	Number of enterprises	Number of enterprises

		having supporting documents or having other documents of equivalent values	answering "Not Applicable"	not having supporting documents or do not answer	having supporting documents or having other documents of equivalent values	answering "Not Applicable"	not having supporting documents or do not answer
1	Customs declaration for imported timber	11	0	0	20	1	1
2	Sale contracts or equivalent documents	11	0	0	20	2	0
3	Invoices for commercial transactions	11	0	0	19	3	0
4	Bills of lading or other transport documents of equivalent value required by the law	10	1	0	20	1	1
5	Inventory of imported forest products	11	0	0	21	1	0
6	CITES permit of the exporting country	6	4	1	2	12	8
7	Phytosanitary certification for round timber, sawn timber, pallets, sawdust	10	0	1	6	8	8
8	Rough timber with large end diameter $\geq 25\text{cm}$,	5	5	1	6	14	2

	length \geq 1m shall have hammer marks or other special signs of the exporting countries, or the forest protection hammer marks as prescribed.						
9	Self-declaration that demonstrates the accountability of timber legality	5	5	1	2	11	9
10	Other documents (for example, legal exploitation permits as required by the laws and regulations of the exploitation country)	3	6	2	1	14	7
11	Certificates of Origin (C/O)	7	3	1	9	11	2

The figures in Table 12 above show that documents No. 1 to 5 are the required ones for all imported timber/timber products, such as customs declaration, sale contracts, commercial invoices, etc. Most of the timber import enterprises meet the requirements on these documents (Dong Nai has 20/22 enterprises having supporting documents; Quang Tri has 11/11 enterprises having supporting documents). For types of documents from No. 6 to 11, such as CITES permit of the exporting country, Phytosanitary certification for round timber, lumber, pallets, sawdust, Written certification of timber with the forest ranger hammer mark (applied to rough timber with large end diameter \geq 25cm, length \geq 1m, without hammer marks or other special signs of the exporting country), most of the enterprises said that these requirements did not apply to

them or they did not have these types of documents due to some reasons such as they do not use these types of timber, the sellers do not supply supporting documents, or they think that it is not necessary to have these types of documents.

Table 13. Percentage of enterprises meeting requirements on traceability of imported timber for 26 enterprises producing and processing imported timber in 2 provinces

No.	Dossier or relevant documents	Quang Tri (12 enterprises)			Dong Nai (14 enterprises)		
		Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer	Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer
1	Customs declaration for imported timber	6	1	5	11	1	2
2	Sale contracts or equivalent documents	6	1	5	11	1	2
3	Invoices for commercial transactions	5	2	5	11	1	2
4	Bills of lading or other transport documents of equivalent value required by the law	4	1	7	10	2	2
5	Inventory of imported forest products	6	1	5	11	1	2
6	CITES permit of the exporting country	3	2	7	3	8	3
7	Phytosanitary certification for round timber, sawn timber,	1	4	7	5	7	2

	pallets, sawdust						
8	Written certification of timber with forest ranger hammer mark (For rough logs with a large end diameter >= 25cm, length >= 1m without hammer mark or other special signs of the exporting country)	3	3	6	5	6	3
9	Self- declaration that demonstrates the accountability of timber legality	1	4	7	4	5	5
10	Other documents (for example, legal exploitation permits as required by the laws and regulations of the exploitation country)	2	4	6	4	6	4
11	Certificates of Origin (C/O)	10	0	2	10	1	3

Table 13 shows that for enterprises who use imported timber in producing and processing, the percentage of enterprises meeting the types of documents proving the origin of imported timber (No. 1 to 5) in Dong Nai is higher than that in Quang Tri (Dong Nai has 11/14 enterprises having supporting documents, Quang Tri has 5/12 enterprises having supporting documents). Similar to the category of 33 enterprises importing timber /timber products above, for papers applied to

high risk species (No. 6 to 11) such as CITES license of exporting country, Phytosanitary certification, and written certification of timber with forest ranger hammer marks, etc., most enterprises having supporting documents or this requirement do not apply to them.

As a result, the group of 33 wood importing enterprises met origin requirements for imported timber better than the group of 26 wood producing and processing enterprises who used imported timber. In general, between two groups using imported wood as mentioned above, the percentage of enterprises in Dong Nai province who meet the imported wood origin requirements is higher than that in Quang Tri province.

Regarding the regulations on imported timber circulation: In this section, 59 enterprises using imported timber will be categorized by province; there are 23 enterprises in Quang Tri and 36 enterprises in Dong Nai. Enterprises' answer about papers involved in the circulation and transportation of timber/timber products are shown in table 14 below.

Table 14. Percentage of enterprises meeting imported wood circulation requirements for 59 enterprises producing and trading imported timber/timber products in the two provinces

No.	Dossier or relevant documents	Quang Tri (23 enterprises)			Dong Nai (36 enterprises)		
		Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer	Number of enterprises having supporting documents or having other documents of equivalent values	Number of enterprises answering "Not Applicable"	Number of enterprises not having supporting documents or do not answer
1	Invoices as required by the Ministry of Finance	16	1	6	32	2	2
2	Inventory of forest products applied for each transportation time	17	1	5	32	2	2
3	Written certification of timber with forest ranger hammer mark (For rough timber with large end	8	7	8	11	20	5

	diameter >= 25cm, length >= 1m)						
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Table 14 shows that for two types of mandatory documents for circulation of imported timber/timber products including invoices as required by the Ministry of Finance and inventories of forest products applied for each transportation time, the percentage of enterprises in Dong Nai (32/36 enterprises) meeting this regulation is higher than that in Quang Tri (17/23 enterprises). For evidence of rough timber with large end diameter >= 25cm, length >= 1m, the majority of enterprises answered this requirement did not apply to them or they did not have any evidence. This result also matches date on the evidence on imported timber traceability in tables 12 and 13 above.

iii) Compliance with regulations on customs procedures and circulation of timber and timber products for export

This criterion is applicable to the group of timber export enterprises.

Regarding the regulations on customs procedures for wood and wood products for export: 22/90 (24%) surveyed enterprises were doing business in the field of exporting timber and wood products²⁰. These enterprises export timber and timber products directly to countries such as Korea, India, Germany, Sweden, etc. They must comply fully with regulations on customs procedures and circulation of wood and wood products for export.

The results show that 100% of these enterprises meet requirement about export documents, which include such documents as customs declaration for export goods, sale contracts, invoices as required by the Ministry of Finance.

Regarding the regulations on circulation and transportation of timber for export: All 22 enterprises state that they have all required documents on the circulation of timber for export, such as forest product dossiers, sale contracts, invoices as required by the Ministry of Finance, inventory of forest products for export, and documents proving tax obligations.

iv) Compliance with requirements on declarations and supply chain reports (static evidences)

Control of enterprises' timber sources at entry points of the supply chain

Regarding storage of evident information of timber origin: 60/90 enterprises stored all evident information of timber origin, 16/90 enterprises stored insufficient information, and 11/90 enterprises did not store any information. The 11 enterprises that did not store any information were small enterprises, information storage was difficult for them, the lack necessary human resource, so records were prone to loss.

²⁰ There are 6 enterprises in Quang Tri, 2 enterprises in Dong Nai

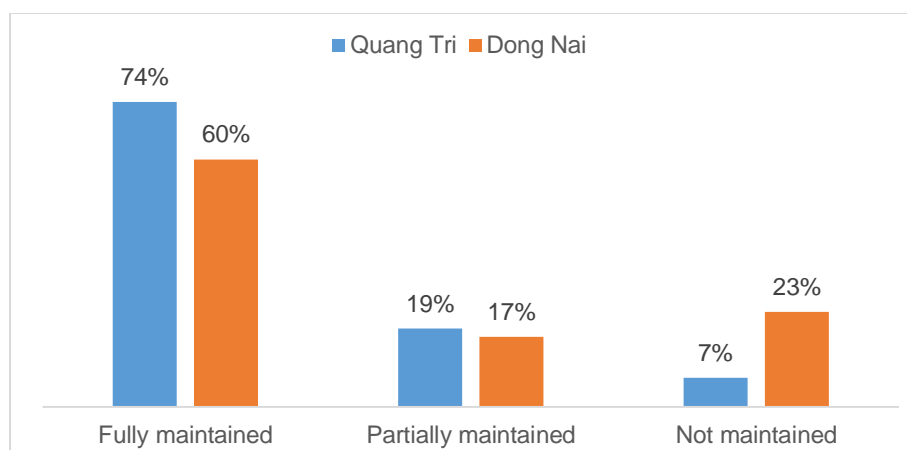


Figure 16. Percentage of enterprises claiming who self-evaluated that they maintain sufficient records for the purpose of traceability

Storage of information on circulation, sale and export

Only export enterprises fully met the requirements on information storage for traceability. Most of the enterprises who sell to domestic market did not pay attention to this matter. In addition, wood processing enterprises use domestic timber or buy imported timber through intermediaries, so documents usually missing or insufficient, as a result, it was difficult to meet information storage requirements.

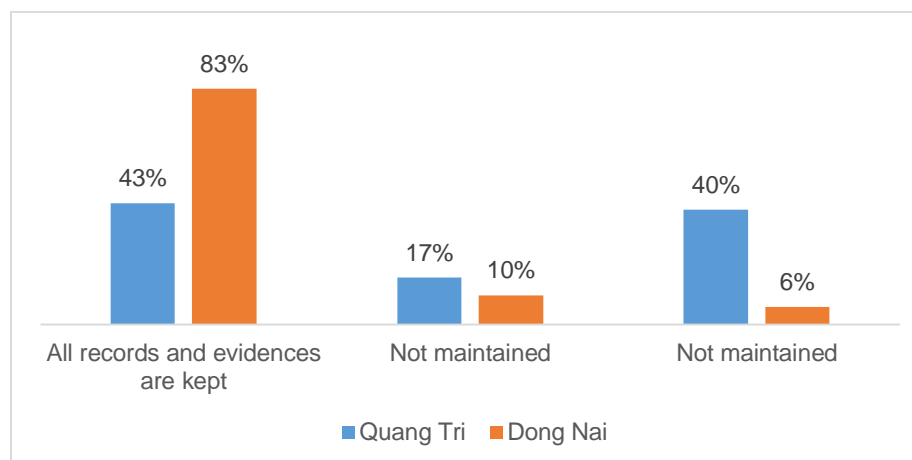


Figure 17. Chart showing the number of enterprises complying with requirements on maintaining records, documents and information regarding timber circulation, sale and export.

Maintaining records of all production and business activities

Not many enterprises paid attention to building a record keeping system for all of their production and business activities. Most of the enterprises maintain documents in a passive, non-systematic way. Making it difficult to explain the wood origin when being inspected or requested. Only about 26% of the 90 enterprises have a record-keeping system that maintains records of all of their production and business activities.

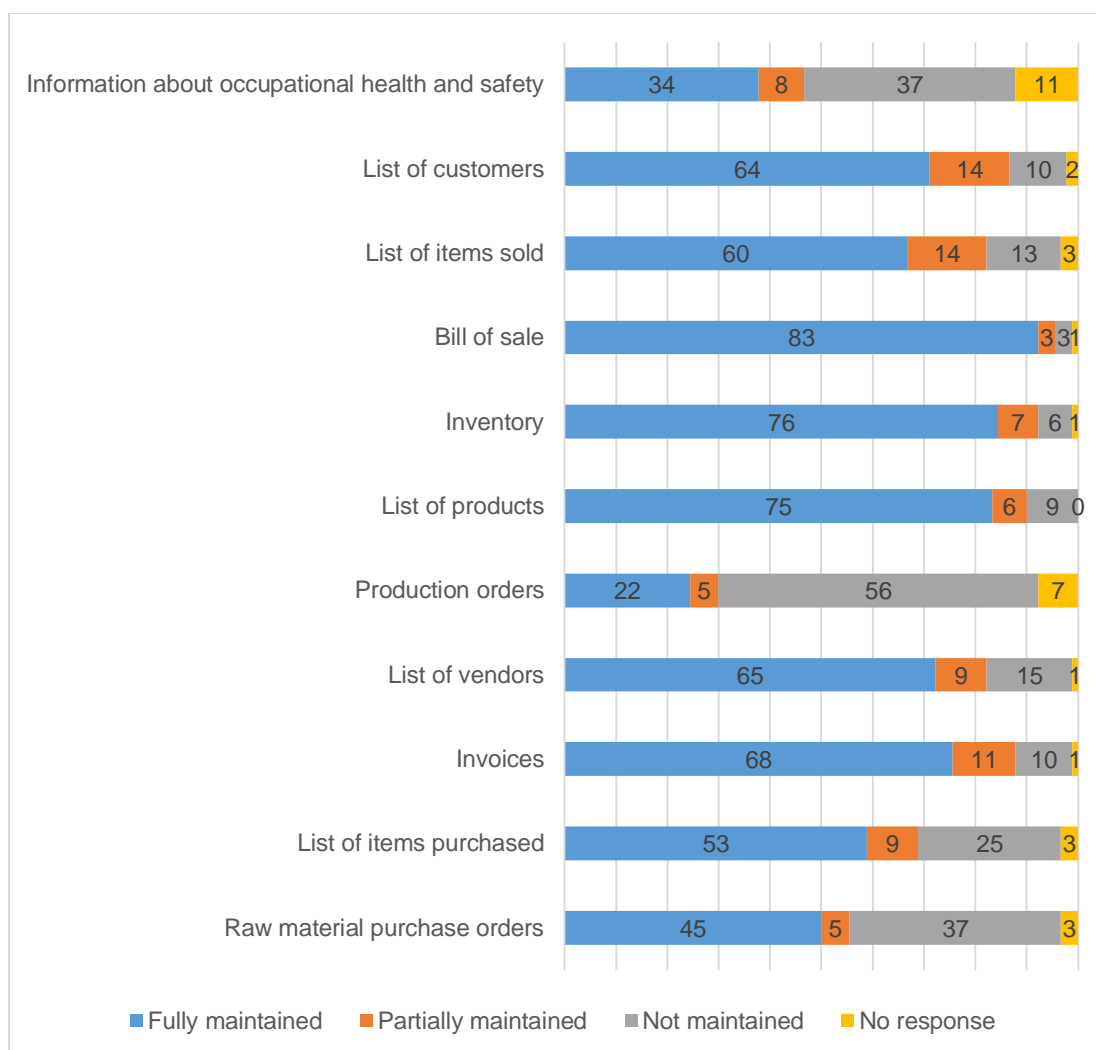


Figure 18. Chart showing the number of enterprises complying with requirements on maintaining records for all production and business activities

Use of tools in information management and storage for enterprises

For management to be effective and accurate, it is very important to use management tools; however, not many enterprises use such tools. In fact, only a few surveyed enterprises used the tools stated in the questionnaire (Appendix 4). They only keep records such as quarterly timber inventory report (80/90 enterprises), log books of incoming and outgoing forest products (76/90 enterprises), logs of timber origin (62/90 enterprises), and Books of logs in warehouse (60/90 enterprises).

Table 15. Information storage at enterprises

Storage method and duration	Quang Tri		Dong Nai	
	Number of enterprises	Percentage of enterprises	Number of enterprises	Percentage of enterprises

Method of storage				
Only hard copies are stored	12	29%	20	41%
Only soft copies are stored	0	0%	5	11%
Both hard and soft copies are stored	30	71%	23	48%
Storage duration				
Less than 5 years	8	19%	5	10%
5 years or longer	33	79%	31	65%
No response	1	2%	12	25%

v) Compliance with regulations on enterprise establishment and operation

Regulations on establishment of enterprises

78% of the enterprises complied with regulations on establishment and operation, but still 22% of the enterprises (20) did not comply fully with regulations on the establishment and operation of enterprises. The reason that 14 enterprises did not comply fully with regulations on the establishment and operation was the lack of documents related to Business registration certificates and Investment certificates.

Regulations on environment

There are 67% of the total number of enterprises who have either of the decision on approving the environmental impact assessment report (depending on the size of the workshop area) or the environmental protection plan to meet the environmental regulations, 30% of them do not have all kinds of evidence and 3% of them do not answer.

Regulations on fire prevention and fire fighting

Many enterprises did not comply with regulations on fire protection plan and approval of fire protection plan. Quang Tri had 22/42 (53%) enterprises that did not comply with regulations while Dong Nai had 12/48 (25%) enterprises did not comply with regulations.

Regulations on maintaining log books in-coming and out-going forest products

There is only one enterprise in Dong Nai province that did not keep a log book of incoming and outgoing forest products. The remaining 89 enterprises kept log books of incoming and outgoing forest products.

Compliance with tax regulations: 100% of enterprises complied with tax regulations

Compliance with the regulations on employment

For regulations on employment, in both provinces, 55/90 (61%) enterprises complied with all regulations while 35 (39%) enterprises did not comply fully with the regulations because they

were small enterprises and most of their workers were seasonal workers, which made it difficult for them to comply with employment regulations.

Compliance with regulations on insurance (social insurance and health insurance): Because most of the enterprises were small and medium enterprises and the number of seasonal workers was high, it was difficult for SME to comply and maintained compliance with insurance regulations.

Table 16. Percentage of enterprises meeting the regulations on the establishment and operation of enterprises

No.	Related dossiers or documents	Quang Tri		Dong Nai	
		Percentage of enterprises having all kinds of evidence	Percentage of enterprises having insufficient or not having any evidence	Percentage of enterprises having all kinds of evidence	Percentage of enterprises having insufficient or not having any evidence
1	Regulations on establishment of enterprises	68%	32%	92%	8%
2	Regulations on environment	60%	40%	73%	27%
3	Regulations on fire prevention and fire fighting	47%	53%	75%	25%
4	Regulations on maintaining log books in-coming and out-going forest products	100%	0	98%	2%
5	Compliance with tax regulations	100%	0	100%	0
6	Compliance with the regulations on employment	69%	31%	54%	46%
7	Compliance with regulations on insurance (social insurance and health insurance)	57%	43%	73%	27%

The above table shows that the percentage of enterprises in Dong Nai that meet the requirements for the establishment and operation of enterprises is higher than that in Quang Tri.

The reason is that enterprises in Dong Nai mainly import timber and trade imported wood and wood products (42%). They work with many international customers and need to meet their requirements. Meanwhile, enterprises in Quang Tri are mainly small ones, whose main activity is processing raw materials (50%), so it is difficult for them to meet all criteria.

vi) Violations

Violation of enterprises: many enterprises in two provinces have been administratively sanctioned for violations in production and business activities.

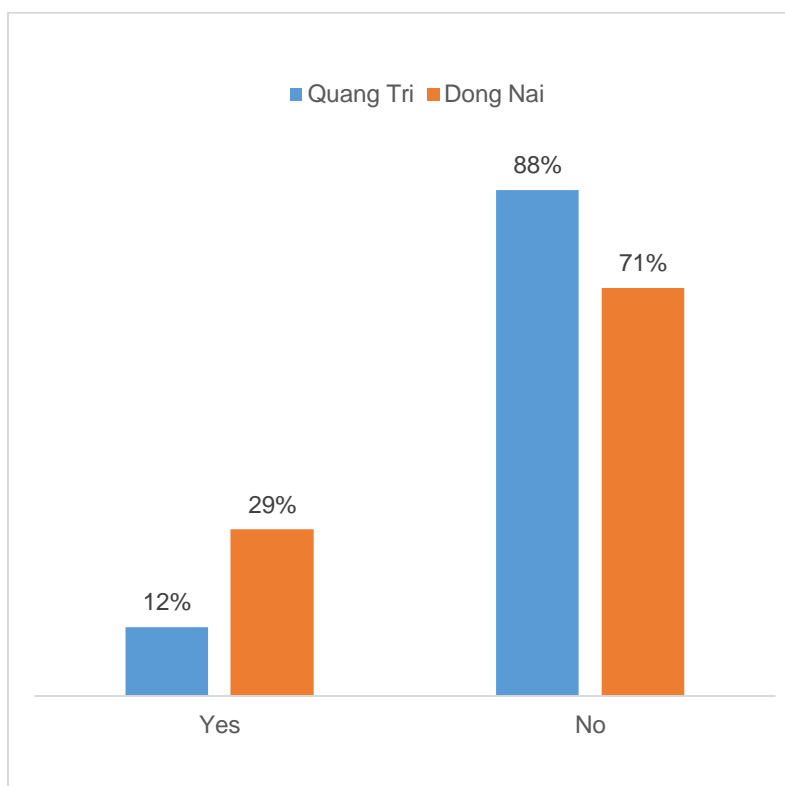


Figure 19. Percentage of enterprises with violations in their production and business activities

19 out of 90 enterprises (4 enterprises in Quang Tri, 15 enterprises in Dong Nai) that have been administratively sanctioned due to such violations as having insufficient papers and documents as required, overdue tax declaration, shortcomings in import procedures, mismatch product specifications, required papers are invalid or do not have required papers, lack list of forest products, not keeping administrative records, non-compliant with regulations on fire prevention and fire fighting, not paying sufficient insurance for employees, or lack of employment contract.

Storage of documents related to violations, sanctions: most violating enterprises keep records; only 1/15 (7%) of the violating enterprises in Dong Nai does not keep records.

4.1.3. Assessment of the need for information provision and technical support on VNTLAS and OCS

i) Enterprises' level of understanding and access to information about LD, VNTLAS, OCSs

When asked about their participation in events, activities related to the timber legality such as VPA/FLEGT, LD, VNTLAS etc. 46 enterprises (51%) answered 'never participating in any events' and 43 enterprises (48%) answered 'participated in such events'.

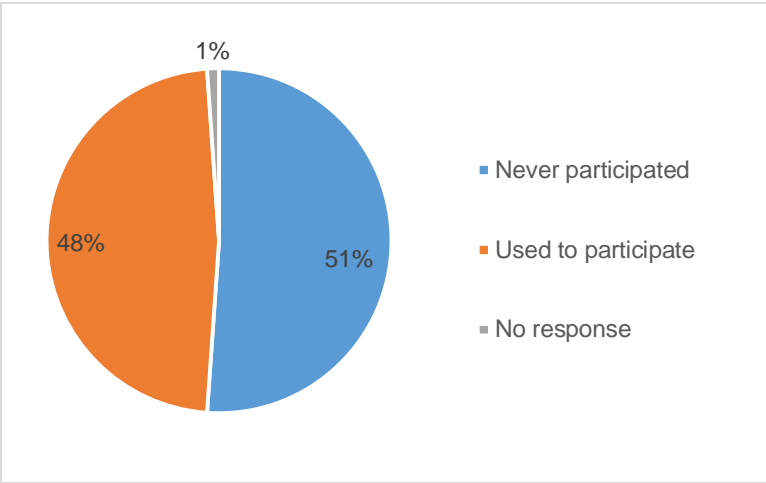


Figure 20. Percentage of enterprises participated in events, activities related to forest governance, VPA, VNTLAS...

Out of these 43 enterprises, 27 enterprises access information through awareness raising workshops, 21 access information through training courses and other activities.

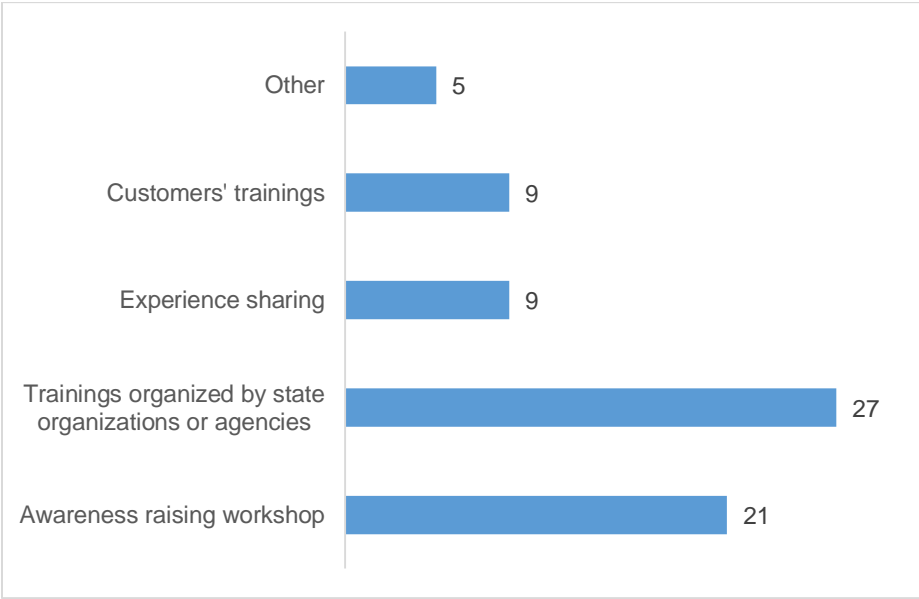


Figure 21. Chart showing the type of events, activities that the enterprises participated

26 enterprises said they knew about VNTLAS, 22 enterprises said they knew about OCS.

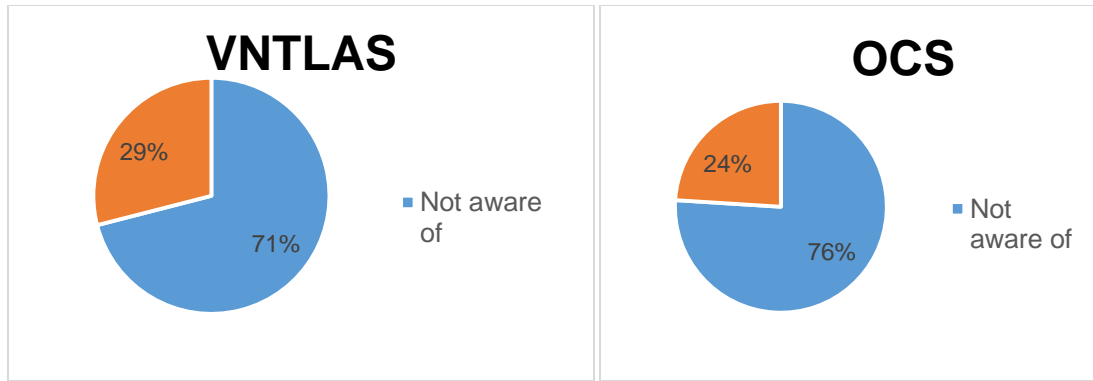


Figure 22. Chart showing the level of understanding of the enterprises toward VNTLAS and OCS

13 out of 22 enterprises met the classification requirements of type-1 enterprises, whereas 9/22 enterprises failed to meet these requirements due to some difficulties such as unstable market, seasonality and fluctuation of orders, challenges in market connection and expansion for development; not fully understand the classification criteria and requirements for type-1 and type-2 enterprises, workers with a low level of education, seasonality of jobs. The majority of enterprises participating in the survey were small enterprises. They faced numerous challenges related to records keeping and book keeping.

It is necessary for authorities to involve in the classification of enterprises

According to the VPA Agreement, the Forest Protection Department is the competent agency to classify enterprises. 70 enterprises agreed with this statement, 17 enterprises said that other agencies should also be involved, such as: Vietnam Business Association, Vietnam Chamber of Commerce and Industry (VCCI), tax authorities, labor management authorities, health authorities, wood association/wood processing association, Customs, scientific/professional wood associations, and independent agencies.

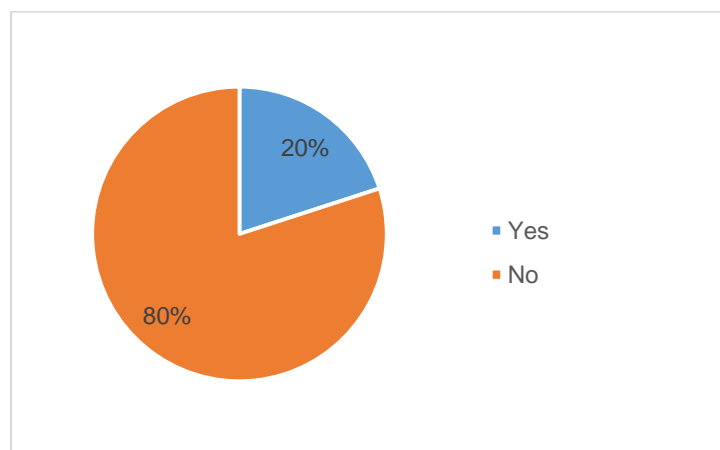


Figure 23. Chart showing the views of the enterprises on the agency responsible for classifying enterprises

Evidence appraisal agencies prior to submitting results to Forest Protection Department (FPD)

77 enterprises provided answers on the question about the agencies responsible for evidence appraisal prior to submitting results to FPD. The majority of the answers were Forest Ranger Department and Forest Protection Department, followed by Business Association. A few enterprises (7/77) answered that VCCI may be involved in the appraisal of evidence.

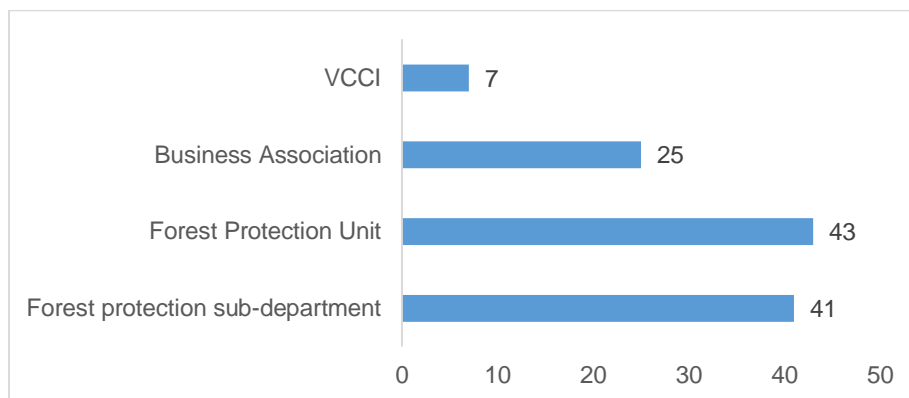


Figure 24. Chart showing the views of the enterprises on the credibility of the agencies involving in the evidence appraisal process in the OCS

Independent monitoring and enterprise support networks

For questions about the need to have an independent monitoring network when implementing OCS, 53% of the enterprises answered that that is not necessary and 9% of the enterprises did not provide answer. In their opinion, state agencies alone need to do a good job at enterprise classification. No other agencies are needed. The more agencies involve, the more inconvenient procedures will be for enterprises. Besides, many enterprises did not fully understand about OCS, therefore, did not understand the role of the independent monitoring network. 38% of the enterprises said that it was necessary to have an independent monitoring network. Organizations recommended to be included in the network include Business Associations, VCCI, independent organizations, and non-governmental organizations.

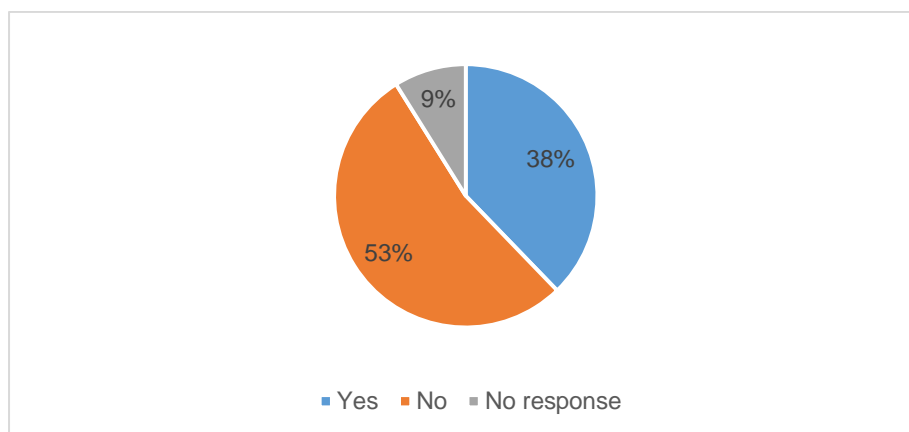


Figure 25. Diagram showing the views of the enterprises on the importance of the independent monitoring network

ii) Evaluation of effective method of providing information to enterprises

Informational materials on VNTLAS and OCS

Regarding the need for informational materials, 44/90 (49%) enterprises did not provide answer, 42 (47%) answered thin books, only a few answered leaflets (5%).

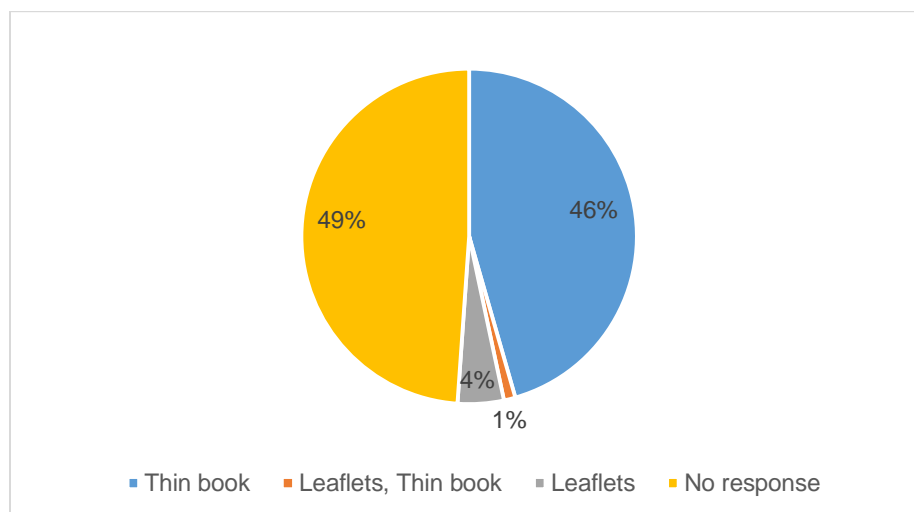


Figure 26. Chart showing the types of publication that the enterprises are interested in

Information channels

Out of the 87 enterprises that provided answers on their current information channels, the majority of which answered that they search information on the Internet (Google), websites about wood (Go Viet Company's website or websites of wood companies/partners), or online newspaper (online news websites related to the wood market or the forestry sector). There are very few enterprises that read newspapers or watch television. The results are shown in the figure below:

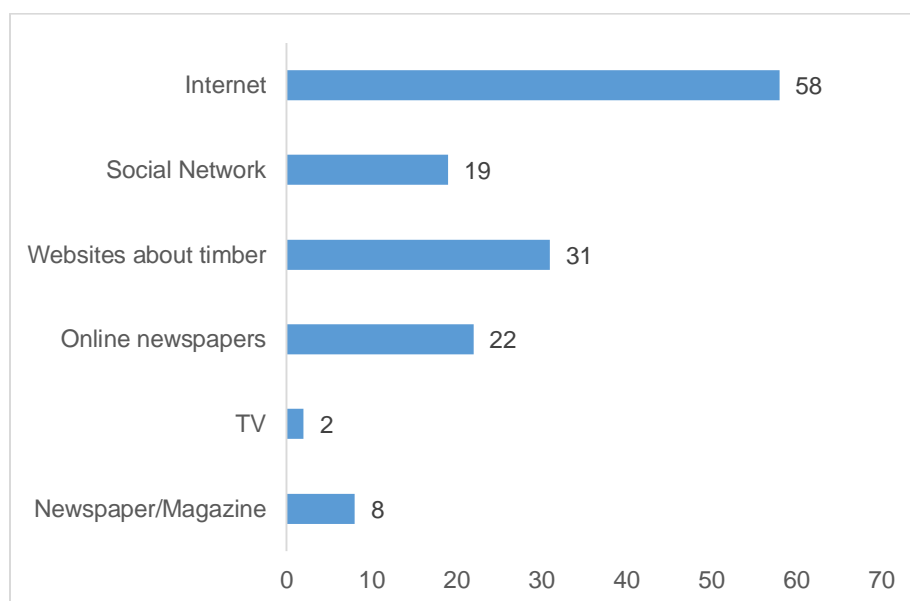


Figure 27. Chart showing information channels commonly used by the enterprises

The most effective method to provide information to enterprises

78 enterprises gave their opinions on the effective method of providing information, out of which, 41 enterprises said that workshops or trainings were effective methods for providing information on VNTLAS and OCS, which was followed by providing information over the Internet (18/78 enterprises) or publications (16/78 enterprises).

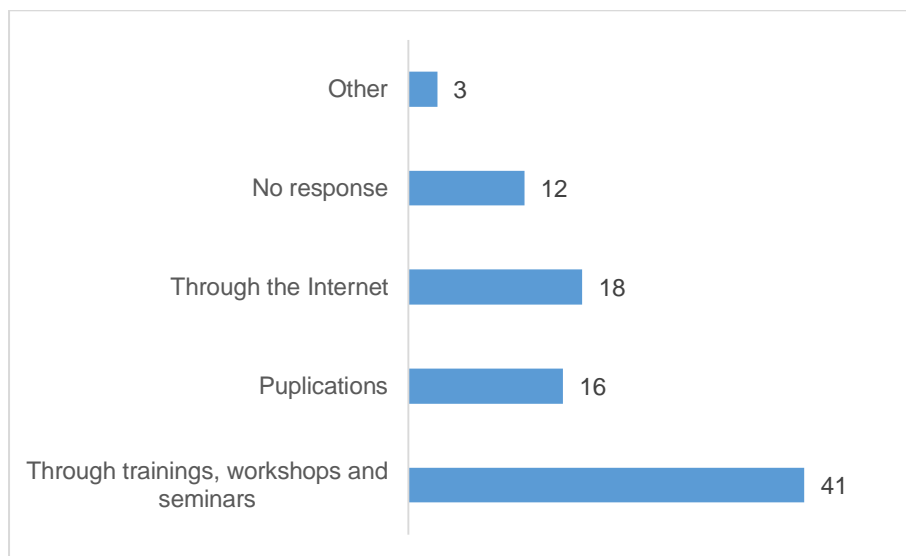


Figure 28. Chart showing effective methods to provide information to enterprises

4.2. Survey and needs assessment results from concerned agencies in the provinces

4.2.1. General information about the agencies surveyed

In Quang Tri, the survey team consulted 16 representatives from 10 agencies, namely Forest Protection Department, Association for Forest Products Processing and Export, Forestry Club, Department of Industry and Trade, Department of Natural Resources and Environment, and Department of Labour, War Invalids and Social Affairs. In Dong Nai, 13 representatives from 6 agencies were consulted, namely Dong Nai Forest Protection Department, Dong Nai Wood and Handicraft Association, and Ho Chi Minh VCCI in charge of Dong Nai:

100% representatives from the surveyed institutions were management staff. Some agencies had two or more participants such as Vietnam Wood and Rubber Association, Dong Nai Forest Protection Department, Quang Tri Department of Industry and Trade, and Quang Tri Department of Labour, War Invalids and Social Affairs.

Roles, functions and related activities of concerned agencies surveyed in Quang Tri province:

- Quang Tri Forest Protection Department: This agency is involved in controlling the whole supply chain of enterprises, especially the checking of records and procedures proving the legal origin of timber. According to Quang Tri Forest Protection Department, enterprises fairly complied with required documents and procedures on timber legality,

while households paid little attention to fulfilling such required documents. In addition, due to limited human resources, it was difficult for provincial and district forest protection forces to verify the evidences.

- Quang Tri Forestry Club: The main activity of the club is to communicate the matters related to forestry policies. The club easily approaches and works with enterprises; however, the club does not have many opportunities to provide technical support to wood enterprises.
- Quang Tri Union of Science and Technology Associations: Quang Tri Union of Science and Technology Associations has 28 members. The Union has cooperated with the Association for Forest Protection and Biodiversity to support and participate in consultation with related issues; however, the Union has not worked directly with wood processing enterprises and does not have much experience in this field.
- Quang Tri Association for Forest Products Processing and Export: The Association supports enterprises in terms of policies, relationships and acts as an intermediary between governments at different levels and enterprises. The Association also has access to a number of VPA/FLEGT documents; thus, it can provide technical support to local wood enterprises, helping them meet timber legality requirements as well as market requirements.
- Center for Social Development and Enterprise Consultancy: Functions of the Center include management consultancy, technology transfer to enterprises; providing consultancy on business establishment, financial management, business management; providing services to enhance the operation of enterprises, etc. However, the Center does not provide technical support for local wood processing enterprises.
- Consumers Protection Association: One advantage of the Association is that it already performed independent inspection and monitoring of exported handicrafts, discussed with state management agencies and publicized the results. However, the Association has not involved in verifying origin of wood at enterprises.
- Quang Tri Department of Industry and Trade: The industry and trade sector involves in all stages of wood processing enterprises from harvesting to exporting. The Department of Industry and Trade works directly with enterprises on a regular basis or coordinates with other agencies to inspect production and business activities and help enterprises resolve any issues.
- Quang Tri Department of Labor, War Invalids and Social Affairs: the Department is in charge of overseeing employees' benefits, ensuring that enterprises comply with business regulations. According to the representative of the Department, few enterprises

comply with the requirement to pay social insurance for employees or insurance payments is insufficient due to the unstable number employees.

- Quang Tri Cooperative Alliance: Co-operatives have many forestry-related activities, willing to provide information to its members to help them meet the timber legality requirements.
- Quang Tri Department of Natural Resources and Environment: The Department is involved directly, or together with other agencies, in all stages in the supply chain of wood enterprises. According to the representative of the Department of Natural Resources and Environment, most enterprises only comply with production regulations. They do not pay as much attention to environmental issues, leading to frequent environmental violations during production and operation.

Roles, functions and related activities of concerned agencies surveyed in Dong Nai province:

- Ho Chi Minh City VCCI (in charge of Dong Nai Province): Dong Nai is the target province of Ho Chi Minh City VCCI. Functions of VCCI include activities related to issuance of certificates of origin to wood enterprises. The advantage of Ho Chi Minh City VCCI is that their functions include, among others, conducting survey, assessment and classification of enterprises. Ho Chi Minh City VCCI participated in classification of enterprises by industries (21 industries) for the whole region.
- Dong Nai Wood and Handicrafts Association: Dong Nai Wood Association has 50 members, of which 10 members are big enterprises. According to its representative, the Association can support the management and provision of enterprise classification information to enterprises if they are trained and have access to information on LD, VNTLAS and OCS.
- Dong Nai Trade Promotion Center (under Department of Industry and Trade): The Center may provide advice, host and conduct trade promotion activities across a wide range of industries, including wood processing. For the project, the Center may participate in the organization of programs, workshops, and training courses, whose focus are related to trade promotion or enhancing competitiveness for enterprises.
- Dong Nai Forest Protection Department: The Department is currently involved in and responsible for controlling the timber supply chain in the province. The main difficulty in working with enterprises is that it is difficult for the Department to collect reports because information sharing from enterprises is very limited.
- Vietnam Rubber Association (Office of Dong Nai Province): Scope of operation of the Association include rubber industry and other related industries in Vietnam. The Association support its members in matters related to production and business, and protect their legitimate interests. The Association also involves in other activities related

to forestry. Many of its members are enterprises involved in planting, exploiting, preliminarily processing, and processing of rubber wood.

- Dong Nai Wood and Handicrafts Association (Dai Huy Hoang Company - Member of the Executive Committee): according to representative of Dai Huy Hoang Company (a member of the Executive Committee), members of the Executive Committee of the Association have access to information on VPA/FLEGT through training courses and workshops organized by Vietnam Timber and Forest Products Association (VIFORES) as well as information on Go Viet online magazine, however, they have yet to have a good understanding of OCS.

Details of the roles, tasks, advantages and disadvantages in activities related to enterprises of the above agencies and organizations are provided in Appendix 3e.

4.2.2. Assessment of the needs for improvement of technical capacity on VNTLAS, OCS

When discussing issues related to VPA/FLEGT, VNTLAS, OCS, except for Forest Protection Department, which directly manages the wood supply chain, and timber associations, which have participated in workshops, trainings or regularly updated with relevant legal documents, the remaining agencies, despite having participated in workshops, trainings or searched for information online by themselves, have not yet understood about VNTLAS, OCS. Therefore, in order to enable agencies and organizations to participate in and support future data collection activities of the project or future monitoring activities of VPA implementation process, they should be provided with information about LD, VNTLAS, OCS.

100% of the interviewed agencies were very supportive of the project activities because they realized that enterprises need to be supported to comply with regulations of the law and to perform necessary monitoring activities. Organizations who provided information about organizations or members who may participate in the independent monitoring network and who have enough experience with monitoring activities to participate in the network and may conduct independent monitoring activities in the coming time, include Cooperative Alliance; Forestry Club; Members of the Provincial Union of Science and Technology Associations; Quang Tri Association for Forest Products Processing and Export; Dong Nai Timber Association; and Provincial Trade Promotion Center (under the Department of Trade and Industry).

Many agencies express their willingness to work with the project team to provide technical support for enterprises, helping them to adapt to VNTLAS, OCS. However, in order for them to participate effectively in the above activities, the organizations have the following opinions:

- Ho Chi Minh City VCCI: in order to classify enterprises it is necessary to set specific criteria and to have the participation of multiple stakeholders, in which one competent agency, for example, the Forest Protection Department, should take the overall responsibility and neutral parties, such as civil society organizations, to take monitoring role. In agreement with Ho Chi Minh City VCCI, Dong Nai Wood and Handicrafts

Association can support enterprises to adapt to TLAS, OCS. However, monitoring should be headed by a competent authority in forestry with the participation of the Association. The agencies might be those directly under the Department of Agriculture and Rural Development, specifically, the Forest Protection Department.

- These organizations need to be provided with information, knowledge about VPA-FLEGT, improve their communication capacity related to VPA, specific forestry sector, particularly wood producing, processing and trading;
- The need for improving capacities in line with the criteria for classification of enterprises; method of classifying enterprises.

Other comments on independent monitoring:

- Monitoring of classification of local wood enterprises is necessary to facilitate FLEGT licensing.
- Monitoring the classification of local wood enterprises should be performed with approval from State management agencies and in cooperation with related associations and industries. Agencies that may participate in monitoring the classification process are Forest Protection Department, Department of Agriculture and Rural Development, and Department of Industry and Trade.
- Forest Protection Departments are working with enterprises to develop a database serving the classification of enterprises. However, the monitoring and evaluation of the independence of the database as required by WTO requires the participation of stakeholders.

As such, stakeholders play a role in supporting wood enterprises, and are willing to participate in monitoring VPA-FLEGT including TLAS, OCS as well as support enterprises in adapting to this process. For effective enterprise support, stakeholders may set up a "multi-party committee" with the participation of stakeholders but this must be led by a state agency with leadership function such as Trade Promotion Center or Forest Protection Department. There should be a clear protocol of responsibility as well as access to information by the parties. In addition, relevant databases such as business or legal regulation databases should be developed.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

Forestry, wood production and wood processing in Vietnam has continued to grow in recent years.

- The government has policies in place to support sustainable forestry development, to support infrastructure development for forest enterprises. They are the foundation to

help organizations and households to rest assured and invest in forest plantation and forest product processing. The target program for sustainable forestry development from 2016-2020 in Vietnam was approved and implemented in 2017. The aim of the program is to improve productivity, quality and promote the value of each type of forest, increase value for production forests, thus mitigating natural disasters, protecting the ecological environment, responding to climate change, creating jobs, generating income, contributing to poverty alleviation, and to improve the livelihoods of people working in forestry.

- The production and consumption of timber products in 2017 grew strongly both in terms of quantity and quality, mainly consumption growth in traditional markets such as the US, Japan, China and South Korea. African countries, China, the United States, the EU and Cambodia are markets with largest turnovers.
- Along with investing in the improvement of quality, cooperation of production and consumption, wood and forestry product processing enterprises in the country are actively developing a cooperative and connecting economy by the product value chain.

Generally speaking, the wood processing industry in Quang Tri is still at a low level and in early stages. Products are only processed at preliminarily stage, are limited and lack of added values.

- Most enterprises are at small and medium scale with average processing technology and high consumption of raw materials. Most of the province's timber products are preliminarily processed products, including wood chips, sawn timber, wood tablets, finger-joint boards, MDF boards, wood by specifications, furniture, wardrobe, beds, fine wood art, etc. for domestic consumption.
- Labor capacity, quality, productivity is rather low. Market for export is limited. Domestic market lack sustainability. Therefore, it can be said that the wood processing industry of Quang Tri is much less developed in comparison with the wood processing industry in general in Vietnam. In addition, management of forests following the model of sustainable planted forest management is limited, exploitation of forests is inefficient and unsustainable, and effectiveness of forest planting and harvesting is not high.
- The market for wood consumption of Quang Tri is mainly domestic, in provinces such as Binh Duong, Binh Dinh, Ho Chi Minh City, Quang Nam, Nam Dinh, Dong Nai, Hanoi, Nam Dinh, Bac Ninh, Hai Phong, Hung Yen, Hai Duong, etc.

The wood processing industry of Dong Nai province employs advanced technology to make wood products of high quality and appealing to the market.

- Dong Nai's wood processing establishments are located mostly in Bien Hoa, Trang Bom, Nhon Trach, Long Thanh and Vinh Cuu.
- The export turnover of timber and timber products in the South East region in 2015 accounted for over 75% of the total export turnover of the whole country, of which Dong Nai accounted for about 17.4% of the total wood export turnover of the country with the

value of USD 1.2 billion. According to available data, the total number of processing establishments and enterprises in the province is 942.

- Raw materials and markets in Dong Nai are quite diverse (both domestic and foreign markets).

Among the 90 enterprises surveyed, most of them are small scale with diverse business lines.

- Based on turnover, among the 90 surveyed enterprises, 28% are microenterprises, 66% are small enterprises and 5% are SMEs. The surveyed enterprises have small labor size (mostly less than 10 employees), the number of seasonal labor is equal to full-time labor.
- The surveyed enterprises have diverse business lines registered, in which the main business lines are in-country trading of wood and wood products, preliminary wood processing, and wood import. Enterprises buy wood from suppliers for processing and sell for domestic consumption (only 22 enterprises processing for export).

The 90 enterprises surveyed mainly use wood from two sources:

- 59/90 enterprises use imported wood;
- 30/90 enterprises use wood from production forests.

The remaining enterprises use wood from sources such as home gardens and farms (24/90 enterprises), domestic rubber wood (15/90 enterprises), wood after confiscation processing (5/90 enterprises), reclaimed wood from protection forests (2/90 enterprises), reclaimed wood from natural forests (2/90 enterprises).

The level of compliance with timber traceability requirements of enterprises that use domestic timber is low. The tracing of timber origin face many challenges because most of the timber is purchased from household forest growers without list of forest products or from second-hand transactions without documents of any kinds.

- Regarding proof of domestic timber origin: The level of compliance among enterprises that use domestic wood is rather low. Only 34.5% of enterprises involved in domestic wood and wood products trading complied and only 35.5% of enterprises involved in wood products manufacturing, preliminary processing, processing and assembly complied.
- Regarding regulations on traceability of imported timber and timber products: In general, imported timber complies better with traceability requirement than domestic timber. Among 33 out of 90 enterprises specializing in timber import and trading of imported timber, 97% of which comply with the basic traceability requirements, such as Customs declaration for imported timber, Sale contracts or equivalence, Commercial invoices for transactions, Bills of lading, etc. On average, among 26 out of 90 enterprises that process or use imported timber, 70% of which can provide the above documents.

The level of compliance with customs procedures and regulations on circulation of wood and wood products for export is low

- There are 22/90 (9%) enterprises exporting timber and timber products; 100% of them meet requirement about export documents, which include such documents as customs declaration for export goods, sale contracts, invoices as required by the Ministry of Finance, etc.

Requirements on declarations and supply chain control reports were not fully complied

- Proof of origin for wood: 60/90 (67%) of enterprises have all such documents.
- Proof of processing and manufacturing activities of enterprises: not many enterprises paid attention to maintaining documents for their production and business activities. Most of the enterprises maintain documents in a passive, non-systematic way. Making it difficult to explain the wood origin when being inspected or requested. Only 12% of the 90 enterprises have a complete documentation system for their production and business activities.

Regarding regulations on the establishment and operation of enterprises: 78% of surveyed enterprises comply with regulations on the establishment and operation of enterprises, 67% of enterprises complied with environmental regulations, only about 38% of enterprises complied with regulations on fire safety system design and approval, 99% of enterprises maintain books of incoming and outgoing forest products, and 100% of enterprises complied with tax regulations.

Regarding violations: 19/90 (21%) of surveyed enterprises (4 enterprises in Quang Tri, 15 enterprises in Dong Nai) has been administratively sanctioned for some violations such as incomplete papers and documents, non-compliance with tax declaration deadline, lack of import goods paperwork, mismatch product specifications, invalid documents, insufficient invoices, etc.

Gender factor: 67 enterprises reported about their employee. The number of full-time female workers was 40.4% and the number of seasonal female workers was 29.8%. No agencies or enterprises mentioned gender issues in this industry.

Limited understanding of enterprise classification

- The survey showed that only 22 enterprises knew about the classification system. Self-assessment results showed that only 13/22 enterprises fully met all the criteria of type-1 enterprises.
- 9/22 enterprises did not meet the criteria (due to unstable workload, seasonality, fluctuation of order, unstable job market, challenges in market linking and expansion for development).
- Not aware of the criteria and conditions for type-1 and type-2 enterprises.

The role of provincial stakeholders was highly regarded

- The Forest Protection Department and the Timber Associations are frequently updated with the latest legal documents so they have quite a clear understanding of VPA, FLEGT and LD. They also know their roles in the supply chain (but they need to be provided with updated information and trained).
- Monitoring of OCS implementation at local level is necessary to facilitate FLEGT licensing, and should be done through a State management agency in collaboration with related associations and branches.
- It can be seen that the relationship between forest rangers and enterprises was quite good (70% of enterprises said that only forest protection agency is needed to be involved in OCS and 48% said that it is not necessary to have an independent monitoring system because state agencies are doing well)

Relevant agencies are interested in and supportive of project activities and confirm their future participation in the implementation of VNTLS/OCS.

- 100% of the interviewed agencies were very supportive of the project activities because they realized that enterprises need to be supported to comply with regulations of the law and to perform necessary monitoring activities.
- Agencies that provided information about organizations and members that may participate in the independent monitoring network and that have experience in monitoring activities to be able to participate in the independent monitoring network as well as conduct independent monitoring activities in the future.
- Many agencies express their willingness to work with the project team to provide technical support to enterprises, helping them to adapt to VNTLAS, OCS.

5.2. Recommendations

Development strategy for the wood processing industry in Quang Tri

- Mobilize all resources and all economic sectors to participate in the wood processing industry, promote attraction of foreign investment in the wood processing industry, maintain stable development and be in line with the socio-economic development plan.
- Develop wood products in combination with efficient use of resources; conduct forest plantation, forest restoration, diversification of forest resources, exploitation and processing of forest products (focus on FSC certification to meet market requirements, especially export markets such as EU, USA, etc.)
- From now to 2025, it is necessary to assess, consolidate and upgrade small and medium forest product processing establishments, and developing large-scale forest product processing after 2025 (develop and expand forest product processing clusters in areas capable of maintaining stable supply of raw materials; develop the wood processing industry in line with domestic and foreign markets; develop the wood processing industry by adopting advanced technology, importing high-tech machinery and equipment from developed countries).

- Shift the use of materials from natural forests to planted forests; upgrade equipment and technology to increase the added value for wood products; minimize the volume of waste wood by manufacturing additional products such as engineered wood, pellets, by-products.
- Promote advertising and branding for wood products in the province; step by step develop e-commerce platform for wood products transactions in line with market trend.

Development strategy for the wood processing industry in Dong Nai province

- Wood processing will be a priority industry of Dong Nai province in the 2020-2025 period. Priority is given to in-depth development, coupled with sustainable industrial development, make raw material sources available, adopt advanced technologies to enhance competitiveness of products on domestic and international markets in the context of international economic integration, contributing to increasing the value of industrial production.
- Invest in advanced, efficient technologies; manufacture premium wood products; promote export, fine processing; manufacture engineered wood, which combines wood and other materials. Promote and support the development of fine art wood products; promote the existing processing capability of the industry.
- Focus on intensive investment, upgrading equipment and technology to manufacture furniture for export and other household items (beds, cabinets, shelves, kitchen utensils, etc.).
- Improve capacity of local organizations to support enterprises in meeting the needs of demanding markets.

Effectively implement timber legality assurance system and enterprise classification systems (VNTLAS/OCS) to ensure the supply of legal timber to all markets.

- The research team will continue to survey about 330 enterprises in the two provinces of Quang Tri and Dong Nai, focusing on small enterprises and households to better understand their constraints and needs of support to comply with Vietnamese regulations on timber/timber product legality.
- Enterprises need support to improve their business management (management system, information system). The survey shows that the records management and maintenance are the weakest part of the enterprises. The project should consider providing technical support for enterprises in this regard so that they can keep information in a more systematic way.
- In Dong Nai, most of the enterprises import wood and wood products and then sell to other parties. Thus, it is difficult to check timber origin. Therefore it is necessary to establish a provincial enterprise support network to help them comply with the requirements of VNTLAS, LD and OCS.

- At present, forest owners and local wood suppliers are reluctant to provide proofs of origin such as list of forest products. Enterprises and household forest growers should be connected to ensure a source of legal timber with sufficient documents proving timber origin.
- Develop training materials for trainers and support on-demand capacity building programs that can be tailored to the schedule of stakeholders. In particular, it is necessary to focus on improving communication skills for stakeholders and continue to develop training materials for SMEs in the two provinces.
- Strengthen the cooperation and information exchange between stakeholders at provincial level, associations and civil society organizations in order to efficiently provide information and technical assistance to enterprises. The advantages of the Forest Protection Department are technical knowledge of the wood industry and close connection with Vietnam Administration of Forestry. Meanwhile, associations, VCCI, and local civil society organizations representing enterprises, who have the opportunity to provide inputs during the development of policies related to the legal environment for enterprises, have little access to information about VPA/FLEGT, VNTLAS. Therefore, it is necessary to further the connection between State management agencies, associations and local civil society organizations to promote the strengths of these organizations.
- Business associations have good influence on enterprises. It is necessary to promote the role of local business associations. Information could be provided to enterprises through local business associations to help enterprises, especially small enterprises, to meet VNTLAS requirements.
- Monitor the classification process of wood enterprises at locality is necessary. It should be done through a State management agencies in collaboration with relevant associations. In addition to Forest Protection Department (Department of Agriculture and Rural Development (DARD), Provincial Trade Promotion Center (Department of Industry and Trade), agencies and organizations proposed to participate in the local independent monitoring network include: Cooperative Alliance, Forestry Club, Members of the Provincial Union of Science and Technology Associations, Association of FSC certified households. In addition, Dong Nai has Timber Association and Quang Tri has Association for Forest Products Processing and Export.
- At present, small and medium enterprises, especially microenterprises and households, have limited awareness in terms of the role of non-state organizations and civil society organizations. They have little understanding of these organizations among other organizations in Vietnam. These organizations would later play a role in monitoring VPA implementation, OCS monitoring, or participate in the implementation to ensure that VPA is implemented effectively, fairly and transparently. Therefore, the project should

promote communication programs to raise awareness of local communities and enterprises about the role and activities of non-state organizations in the coming time.

6. APPENDICES

6.1. Appendix 1. References

1. Decree No. 39/2018/ND-CP dated March 11, 2018 by the Government detailing some articles of the Law on Support for small and medium enterprises.
2. Ministry of Agriculture and Rural Development, 2013, Forestry Sector Restructuring Scheme
3. Vietnam Administration of Forestry, Lacey Office, FLEGT (2017), unofficial translation of the initialed text of VPA/FLEGT Agreement
4. Forest Trends, Vietnam Timber and Forest Products Association (VIFORES), Binh Dinh Timber and Forest Products Association (Binh Dinh FPD), Ho Chi Minh City Handicraft and Wood Industry Association (HAWA), March 2018, Report: "Vietnam Imports and Exports of Wood and Wood Products: Situation and Trend of Sustainable Development".
5. Department of Agricultural Economics - Ministry of Planning and Investment, December 25, 2017, Report on Agricultural, Forestry and Fishery Production in 2017.
6. Quang Tri province Department of Industry and Trade, Provincial Statistical Yearbook for 2014, 2015, 2016.
7. Dong Nai province Department of Industry and Trade, Provincial Statistical Yearbook for 2014, 2015, 2016.
8. Tran Van Hung, 2015, Research: "Current situation and solutions for development of wood processing industry in the South East", Journal of Development and Integration.

The legal bases for the wood processing industry includes:

- Circular No. 12-TT/TW dated July 20, 2017 by the Standing Committee of Dong Nai Provincial Party Committee on implementation of Directive No. 13-CT/TW dated January 12, 2017 by the Secretariat on strengthening the leadership of the Party on forest management, protection and development.
- Decision 07/QD-UBND dated January 4, 2017 by Quang Tri Provincial People's Committee approving forest inventory results in Quang Tri province.
- Decision No. 4186/QD-UBND dated December 8, 2016 by Dong Nai Provincial People's Committee approving forest inventory results in Dong Nai province in 2016.
- Decision No. 919/QD-BNN-TCLN dated May 5, 2014 by Ministry of Agriculture and Rural Development approving the Action Plan for increasing value added of processed wood products for the 2014-2020 period, raising the value of planted forests, linking forestation, processing and marketing of products to enhance the value of forest products, contributing to the successful implementation of the "Forestry Restructuring Project".
- Decision No. 2728/QD-BNN-CB dated October 31, 2012 by Ministry of Agriculture and Rural Development approving the plan for Vietnam's wood processing industry until 2020 with strategy to 2030.

- Decision No. 496/QD-UBND dated February 20, 2012 by Dong Nai Provincial People's Committee approving the plan for industry development in Dong Nai province up to 2020 with a vision to 2025.
- Decision No. 2662/QD-UBND dated September 17, 2009 by Dong Nai Provincial People's Committee approving the plan on wood processing development in Dong Nai province for the 2008-2015 period with vision to 2020.

6.2. Appendix 2a. Survey schedule and officers participating in the interview with stakeholders in the two provinces

Province	Date of survey	Surveyor	Unit
Quang Tri	June 14, 2018 (1st stage) June 26-27, 2018 (2nd stage)	1. Truong Quang Hoang 2. Nguyen Van Nam	Centre for Rural Development in Central Vietnam
Dong Nai	June 25-28, 2018	Phan Trieu Giang	Center for People and the Environment of the Central Highlands

6.3. Appendix 2b. Survey schedule and officers participating in the survey of organizations (enterprises, cooperatives) and households in the two provinces

Province	Date of survey	Surveyor	Title	Unit
Quang Tri	Stage 1: August 2-3, 2018 Stage 2: August 15-17, 2018	Phan Van Hung	Officer	Center for Rural Development in Central Vietnam
		Nguyen Van Hung	Vice President	Quang Tri Union of Science and Technology Associations
		Pham Van Thien	Deputy Director	Center for Environmental and Agricultural Development Research
		Phan Cong Tam	Investigator	Freelance investigator
		Nguyen Dinh Nhuan	Officer	Center for Environmental and Agricultural Development Research
		Le Thi Minh Hai	Officer	Center for Rural Development in Central

				Vietnam
Dong Nai	August 7-10, 2018	Dang Hai Phuong	Lecturer	Ho Chi Minh City University of Agriculture and Forestry
		Nguyen Quoc Binh	Lecturer	Ho Chi Minh City University of Agriculture and Forestry
		Tran Thi Minh Phuong	Officer	Center for People and the Environment of the Central Highlands
		Nguyen Dang Hao	Forest ranger	Forest Use and Development Division, Dong Nai Forest Protection Department

6.4. Appendix 3a. List of enterprises and households interviewed

No.	Name of organization/household	Name of the interviewee	Title	Address of the institution
3 households in Quang Tri Province				
1	Le Phuoc Tao Forest Product Business and Processing	Le Phuoc Tao	Owner of the establishment	Sa Nam Village, Vinh Long Commune, Vinh Linh District, Quang Tri Province
2	Le Tuan Thanh Forest Product Trading Business Household	Le Tuan Thanh	Owner of the establishment	Sa Bac village, Vinh Long commune, Vinh Linh district, Quang Tri province
3	Ho Ngoc Minh Timber Sawmill	Nguyen Thi Dien	owner of the establishment	Sa Nam Village, Vinh Long Commune, Vinh Linh District, Quang Tri Province
42 enterprises in Quang Tri province				
1	Hong Ngoc Trading Service Engineering Company Limited	Giap Thi Quynh	accountant	South Dong Ha Industrial Park
2	Quang Tri wood pellet	Le Quang Vu	Head of Technical Office	Industrial cluster of Cam Hieu commune, Cam Lo district, Quang Tri

				province
3	Ngan Phat Company Limited, Quang Tri	Ha Van Chien	Deputy director	KM8, 9D Road, Cam Hieu, Cam Lo, Quang Tri
4	CHAU HUNG ONE MEMBER CO., LTD	Dao Van Viet	Foreman	Km9, 9D Road, Cam Hieu, Cam Lo, Quang Tri
5	Hieu Tinh Trading One Member Company Limited	Le Van Tinh	Director	KP3, Ward 3, Dong Ha, Quang Tri
6	An Thai Forest Product Joint Stock Company	Nguyen Thi Thanh Ha	General Accountant	An Thai village, Cam Tuyen, Cam Lo, Quang Tri
7	Viet Chan Hung One Member Co., Ltd	Pham Viet Ha	Director	KP5, Ward 2, Quang Tri Town, Quang Tri
8	Huy Phong Forest Products Processing Co., Ltd	Le Van My	Accountant	Ai Tu Industrial Zone, Trieu Phong, Quang Tri
9	Sy Tien Private Enterprise	Dang Sy Trung	Director	Trieu Ai, Trieu Phong, Quang Tri
10	Huy Phong Wood Processing Company Limited	Pham Van Chi	Director of the company	Ai Tu, Trieu Phong, Quang Tri
11	Doan Nga Private Enterprise	Trinh Dinh Doan	Director	Tra Lien Tay Village, Trieu Giang, Trieu Phong, Quang Tri
12	Nguyen Phong Timber One Member Company Limited	Le Van Huong	Director	Trieu Ai Commune, Trieu Phong District, Quang Tri Province
13	Thong Phat One Member Co., Ltd	Pham Xuan Can	Branch Manager	Sub-area I, Ai Tu Town, Trieu Phong District, Quang Tri Province
14	Tien Phong - Cam Lo Company Limited	Nguyen Thi Thu Huong	Accountant	Cam Hieu Commune, Cam Lo District, Quang Tri Province
15	Cam Lo Forest Product Joint Stock Company	Nguyen Quoc Thi	director	Cam Chinh commune, Cam Lo district, Quang Tri province
16	Quang Tri Forest Product One Member Company Limited	Tran Xuan Hiep	Managing Director	Block 1, Quan Bau Ward, Vinh City, Nghe An
17	Nam Viet Company Limited	Le Xuan Vuong	Director	Quarter 5, Ward 1, Dong Ha City, Quang Tri

				Province
18	Manh Trieu One Member Company Limited	Dang Tho	Director	Ai Tu Industrial Cluster, Trieu Phong District, Quang Tri Province
19	Son Dung One Member Co., Ltd	Dang Van Tinh	Sale staff	km 6 - Dien Bien Phu street - Dong Ha city
20	AL-VN One Member Company Limited	Trinh Dinh Loc	Director	Ha Xa Village, Trieu Ai Commune, Trieu Phong District, Quang Tri Province
21	Quang Tri Wood Co., Ltd	Phan Thanh Lam	Director	Cau Lon Industrial Park, Quarter III, Ward I, Quang Tri Town, Quang Tri Province
22	Tam Tam Trading Co., Ltd	Le Hong Phong	Sales staff	km 6 - Dien Bien Phu street - Dong Ha city
23	Phuong Thao Company Limited	Phan Tien Ngoc	Sales Manager	South Dong Ha Industrial Park
24	Quang Ha One Member Company Limited	Tran Quang	Director	213 Ly Thuong Kiet Street, Ward 5, Dong Ha, Quang Tri
25	Tran Duc One Member Co., Ltd	Tran Bao Dao	Director	205A Ly Thuong Kiet Street, Ward 5, Dong Ha, Quang Tri
26	Quang Tri VINAFORT Joint Stock Company	Duong Thanh Ngoc	accountant	Km3. National Road 9, Dong Ha, Quang Tri
27	Huong Thao Thanh One Member Co., Ltd	Le Viet Huong	Director	45 Ly Thuong Kiet, Dong Luong Ward, Dong Ha, Quang Tri
28	Hoang Linh Forest Products Processing Establishment	Hoang Chi Linh	Enterprise owner	37 Mac Dinh Chi, Dong Ha City, Quang Tri Province
29	Viet Hong Son Private Enterprise	Pham Thi Hue	Director	4 Con Co, Dong Ha City, Quang Tri Province
30	Nhat Minh Private Enterprise	Pham Manh Cuong	Production manager	Co Thanh Village, Trieu Thanh Commune, Trieu Phong District, Quang Tri Province

31	Tho Phung One Member Co., Ltd	Nguyen Thi Kieu Suong	Chief Accountant	175 National Road 9 - Dong Ha city
32	Hieu Tuan Co., Ltd	Duong Thi Hai Yen	Accountant	Hoa Binh Village, Vinh Long Commune, Vinh Linh District, Quang Tri Province
33	Cam Giao Company Limited	Vo Van Giao	Director	Bac Ho Xa Cluster, Vinh Linh District, Quang Tri Province
34	Lam Duong Quang Tri Company Limited	Nguyen Quang Lam	Director	Tien An Village, Vinh Son Commune, Vinh Linh District, Quang Tri Province
35	Phuong Dong One Member Co., Ltd	Nguyen Van Phung	Director	Group 7, Ho Xa Town, Vinh Linh District, Quang Tri Province
36	Thanh Tin One Member Company Limited	Nguyen Dinh Tien	Director	Phu An Village, Hai Thai Commune, Gio Linh District, Quang Tri Province
37	Cuong Hai Company Limited	Tran Xuan Hai	Director	Giang Xuan Hai Village, Trung Son Commune, Gio Linh District, Quang Tri Province
38	Kim Long Quang Tri Company Limited	Tran Khanh Toan	Chief accountant	Quan Ngang Industrial Park, Gio Quang Commune, Gio Linh District, Quang Tri Province
39	Lam An Dat Co., Ltd	Nguyen Thi Thuy	Accountant	Phu An Village, Hai Thai Commune, Gio Linh District, Quang Tri Province
40	Hai Phu Private Enterprise	Van Ngoc Bon	Director	Long Hung Village, Hai Phu Commune, Hai Lang District, Quang Tri Province
41	Minh Phu Private Enterprise	Tran Thi Hoa	Accountant	Phu Hung Village, Hai Phu Commune, Hai Lang District, Quang Tri Province

42	Thu Hang One Member Co., Ltd	Le Ba Hoc	Director	Hai Thuong Industrial Cluster, Hai Lang District, Quang Tri Province
48 enterprises in Dong Nai province				
1	Ngoc Lam Phuoc Tan One Member Co., Ltd	Dinh Van Trung	Deputy Director	Group 9, Tan Cang Hamlet, Phuoc Tan Commune, Bien Hoa, Dong Nai
2	Thien Vu Toan One Member Company Limited	Do Thi Thuy	Director	10/3, Street 58, Tan Bac Hamlet, Binh Minh Commune, Trang Bom District, Dong Nai Province
3	Lam Son Company Limited	Pham Thi Thu Nguyet	Accountant	11/1, KP6, Tan Hoa Ward, Bien Hoa, Dong Nai
4	Tuyen Tien Company Limited	Vu Thi Kim Tuyen	Director	52/3 KP6, Tam Binh Ward, Bien Hoa City, Dong Nai Province
5	Hai Khue Timber One Member Company Limited	Nguyen Van Huy	Workshop manager	Hamlet 3, Song Trau Commune, Trang Bom District, Dong Nai Province
6	Phuong Nam Hieu Co., Ltd	Dinh Van Nam	Director	240, Dieu Xien, KP3, Tam Binh Ward, Bien Hoa, Dong Nai
7	Lam Tam Loc Co., Ltd	Vu Duy Khanh	Director	202/21 Alley 3, KP4A, Tan Hoa Ward, Bien Hoa, Dong Nai
8	Manh Hung Cuong Wood Private Enterprise	Le Hung Manh	Enterprise owner	Group 1, Village 7, Song Trau commune, Trang Bom, Dong Nai
9	Kim Truong Wood Private Enterprise	Nguyen Kim Truong	Enterprise owner	17/1 Loi Ha Hamlet, Thanh Binh Commune, Trang Bom District, Dong Nai Province
10	Yuan Chang Company Limited	Nguyen Thi Thu Trang	Sales staff	Tam Phuoc Industrial Zone, Bien Hoa, Dong Nai
11	Phuong Thanh Phat Trading One Member Company Limited	Nguyen Quang Hoa	Director	45 LT2 Binh Duong Quarter, Long Binh Tan Ward, Bien Hoa, Dong Nai
12	Sinh Quoc Phat Loc Trading and Service	Phung Thanh Tam	Accountant	85 National Highway 1A, Long Binh Tan Ward, Bien

	Company Limited			Hoa, Dong Nai
13	Good Wood Import & Export Co., Ltd	Dinh Thi Thu	Director	B5 Tan Bien 2 Residential Area, KP9 Tan Bien Ward, Bien Hoa, Dong Nai
14	Sanlim Furniture (Vietnam) Company Limited	Nguyen Ngoc Em	Head of Export Department	Bau Xeo Industrial Park, Song Trau commune, Trang Bom, Dong Nai
15	Van Thanh Quy One Member Co., Ltd	Nguyen Thanh Van	Director	19/8T KP3 Tan Hoa Ward, Bien Hoa District, Dong Nai Province
16	Hoa Viet Wood One Member Co., Ltd	Vu Tien Dung	Director	184/31 KP3 Tan Bien Ward, Bien Hoa City, Dong Nai
17	Y Thien Co., Ltd	Nguyen Quang Chinh	Director	36/2, KP7, Tan Hoa Ward, Bien Hoa City, Dong Nai
18	Phuoc Ngan One Member Co., Ltd	Nguyen Huu Phuoc	Director	22/3, Doc Lap- Giang Dien, Trang Bom, Dong Nai
19	Thanh Dat Production Trading Service Co., Ltd	Dang Van Hung	Director	416/T KP3, Tan Hoa Ward, Bien Hoa, Dong Nai
20	Thanh Phat Hong Company Limited	Do Thi Thach	Director	234 - KP3 Tan Bien Ward - Bien Hoa, Dong Nai
21	Import Export Production Trading Service Co., Ltd	Nguyen Tuan Vinh	Director	B6 - Dieu Xien, KP 9, Tan Bien Ward, Bien Hoa, Dong Nai
22	Doan Tien Loc Company Limited	Cao Thi Bich Nhen	Chief accountant	540, Ngu Phuc Hamlet, Ho Nai 3, Trang Bom, Dong Nai
23	Uu Viet Wood Pallet Co., Ltd	Le Trong Anh	Accountant	No. 112, KP 5, Tan Hoa Ward, Bien Hoa City, Dong Nai Province
24	Phuong Sinh Production Trading Co., Ltd	Tran Thi Mai Trang	Accountant	24/1, KP5, Tan Hoa Ward, Bien Hoa, Dong Nai
25	Thien Phuong Sinh Co., Ltd	Tran Phan Thu Uyen	Accountant	Floor 1, 8/1, KP 7, Tan Hoa Ward, Bien Hoa City, Dong Nai
26	Kieu Cong Hoai Company Limited	Kieu Cong Hoai	Director	338 Tan Bac Hamlet, Binh Minh commune, Trang district, Dong Nai province
27	Hong Dai Phat One	Vu Thi Mai Xuan	Director	66/8T, KP3, Tan Hoa, Bien

	Member Co., Ltd			Hoa, Dong Nai
28	Thai Tien Cuong Company Limited	Pham Thi Tuyet	Deputy Director	44/8, KP3, Tan Hoa Ward, Bien Hoa City, Dong Nai Province
29	Hoang Dai Nam Co., Ltd	Phan Minh Chien	Director	216 Quarter 3, Tan Hoa, Bien Hoa, Dong Nai
30	Say Loc Phat Import Export Co., Ltd	Vu Xuan Sung	Director	264 Quarter 3, Tan Hoa Ward, Bien Hoa, Dong Nai
31	Nam Tan Hoa Trading and Service Co., Ltd	Nguyen Van Tuyen	Director	90H/10 Quarter 9, Tan Hoa, Bien Hoa, Dong Nai
32	Phat Loc Hung Thinh Trading and Manufacturing Joint Stock Company	Khuong Thanh Dung	Manager	85 National Highway 14, Long Binh Tan Ward, Bien Hoa, Dong Nai
33	Thuy Ngan Trading and Service Co., Ltd	Nguyen Thi Thuy	Director	National Road 14, Long Binh Tan Ward, Bien Hoa City, Dong Nai Province
34	Hoang Tai Private Enterprise	Phi Thi Thu	Director	5/5, Quarter 3, Tam Hoa, Bien Hoa, Dong Nai
35	Minh Anh Wood One Member Co., Ltd	Nguyen Thanh	Director	5/5, Quarter 3, Tam Hoa, Bien Hoa, Dong Nai
36	Thuan Nhan Phat Co., Ltd	Nguyen Duc Thien	director	29A8, Quarter 1, Tan Phong Ward, Bien Hoa City, Dong Nai Province
37	Dinh Hoang Phong Company Limited	Dinh Hoang Phong	Director	272 Quarter 3, Tan Hoa, Bien Hoa, Dong Nai
38	Quoc Tin Co., Ltd	Nguyen Quoc Son	Director	270 Tan Bac Hamlet, Binh Minh Commune, Trang Bom District, Dong Nai Province
39	Hung Dung Phat Co., Ltd	Nong Van Le	Production manager	Km2, Nguyen Hoan Road, Hamlet 4, Song Trau, Trang Bom, Dong Nai
40	Song Tho Phat International Co., Ltd	Ho Nhuc Sau	Director	Tan Lap Hamlet, Cay Gao Commune, Trang Bom District, Dong Nai Province
41	Nghia Son Wooden Furniture Company Limited, Dong Nai Branch	Pham Thi Ngoc Anh	Head of Planning Department	Lot 7, 10AB, Ho Nai Industrial Zone, Ho Nai 3 Commune, Trang Bom District, Dong Nai
42	Kien Phuc Co. Ltd	Tran Van Thanh	Director	50/3 Thanh Hoa, Ho Nai 3, Trang Bom, Dong Nai

43	Thanh Cong 1 Cooperative	Nguyen Dinh Phuoc	Head of Human Resource Department	Ho Nai 3 Building Materials Manufacturing Industry Cluster, Trang Bom District, Dong Nai Province
44	Binh Thang Co., Ltd	Vo Hoang Minh Dung	Chief accountant	Thai Hoa Hamlet, Ho Nai 3 Commune, Trang Bom District, Dong Nai Province
45	Thong Nhat Forest Product Processing Co., Ltd	Vu Ngoc Minh	Director	Bui Chu, Bac Son, Trang Bom, Dong Nai
46	Kim Thanh Trung Private Enterprise	Tran Van Thanh	Enterprise owner	30A National Highway 1A, Thai Hoa Hamlet, Ho Nai 3 Commune, Trang Bom District, Dong Nai Province
47	Minh Nguyen J.B Trading Wooden Company Limited	Nguyen Thi Ngoc Bich	Branch Director	Floor 1, 24/6 Tran Quoc Toan, Quarter 4, Binh Da Ward, Bien Hoa City, Dong Nai
48	Gia An Phuc One Member Co. Ltd	Nguyen Thi Thu Hong	Director's wife	79/10 Quarter 9, Tan Hoa Ward, Bien Hoa City, Dong Nai Province

6.5. Appendix 3b. Summary of survey results from 3 households

The three interviewed households are located in Quang Tri province with an investment capital of less than VND 3 billion. Le Phuoc Tao Forest Product Business and Processing Establishment and Ho Ngoc Minh Timber Sawmill were established in 2014. Le Tuan Thanh Forest Product Trading Business Household was established in 2008. Both of these 3 households employ 2 full-time workers, 1 man and 1 woman. Le Phuoc Tao Forest Product Business Household in particular has 4 seasonal male workers. The origins of the materials and products of the three households are summarized in the table below.

Origins of the materials and products of three households

Name of establishment	Origin of materials	Method of materials purchase/import	Raw materials buying price in 2017 (VND million)	Products	Selling price in 2017 (VND million)	Consumption Markets
Le Phuoc Tao	Imported	Purchased	800	Manufacturing	850	100%

Forest Product Business and Processing	wood	through other companies		tables, chairs, cabinets		domestic
Ho Ngoc Minh Timber Sawmill	Imported wood	Purchased through other companies	400	Preliminary processing of timber into round timber, lumber	550	100% domestic
Le Tuan Thanh Forest Product Trading Business Household	Wood after confiscation processing	Purchased from other companies	420	Preliminary processing of wood into household items, lumber	462	100% domestic

When asked about criteria to meet the requirements of the timber legality definition, all three households had the following documents: invoices as required by the Ministry of Finance (for households using domestic timber) and commercial invoices (for the two households using imported timber), list of forest products, or internal delivery orders. However, except for the three types of documents above, the households do not keep any other documents related to the origin of the materials. For example, for imported wood, although households imported wood through other companies, they need to keep some documents such as the certificate of forest ranger hammer seal, certificate of origin (C/O) in order to comply with the criteria for keeping records on wood origin. The remaining criteria about the establishment and operation of the enterprise do not apply to these business households.

Understanding of VNTLAS: Although two out of three households have participated in training organized by state agencies on timber regulations or by looking for information on online newspaper, wood websites or directly from customers, they did not know about VNTLAS or OCS. Although households are not subject to classification, meeting VNTLAS requirements is mandatory. It is very necessary to provide information about laws or provide technical assistance to help them prove the legal origin of timber.

6.6. Appendix 3c. List of stakeholders interviewed in the two provinces

No.	Name of Agency/Organization	Address	Participants	Title	Telephone	Email
Quang Tri province						
1	Quang Tri Forest Protection	39 Tran Hung Dao Street,	Tran Hiep	Deputy Director	0913408549	

	n Department	Dong Ha City, Quang Tri	Bui Quang Linh	Deputy Head of Department of Legal Inspection	0914699234	phongttpc@gmail.com
2	Quang Tri Forestry Club	39 Tran Hung Dao Street, Dong Ha City, Quang Tri	Hoang Quang Ha	Officer	01699230892	ha.hoang1415@gmail.com
3	Quang Tri Union of Science and Technology Associations	204 Hung Vuong Street, Dong Ha City, Quang Tri	Nguyen Van Hung	Vice President	0913485503	
			Nguyen Van Nhiem	General Secretary	0932496300	nguyenvannhiem1963@gmail.com
4	Quang Tri Association for Forest Products Processing and Export	151 Tran Hung Dao Street, Dong Ha City, Quang Tri	Vo Thai Hiep	Chairman	0914252222	
5	Center for Social Development and Enterprise Consulting	Floor 3, Mien Trung Building, Dien Bien Phu Street, Dong Ha City, Quang Tri	Le Ha	Director	0941008777	leha3011@gmail.com
6	Consumers Protection Association	43 Le Loi Street, Dong Ha City, Quang Tri	Nguyen Van Hung	Chairman	0913485503	
7	Quang Tri Department of Industry and Trade	313 Hung Vuong Street, Dong Ha City, Quang Tri	Le Tien Dung	Deputy Director	0913485942	
			Hong Anh Tuan	Deputy Head of Department of Industrial Management	0935144799	honganhtuanctqt@gmail.com
8	Quang Tri Provincial Department of	131 National Highway 9, Dong Ha,	Duong Thi Hai Yen	Deputy Director	0949756368	

	Labor, Invalids and Social Affairs	Quang Tri	Le Van Trac	Head of Occupational Health and Safety Department	0915649627	
9	Quang Tri Cooperative Alliance	178 Ly Thuong Kiet, Dong Ha City, Quang Tri	Kim Thanh Cable	Chairman	0914220550	
			Nguyen Van Chien	Director of Cooperative Support Center	0914214551	nguyenduongchien@gmail.com
10	Quang Tri Provincial Department of Natural Resources and Environment	227 Hung Vuong Street, Dong Ha City, Quang Tri	Nguyen Huu Nam	Deputy Director	0914022762	
			Bui Thi Thuy Nhi	Officer	0913665332	buithuynhi@gmail.com
Dong Nai Province						
1	Vietnam Rubber Association	236 Nam Ky Khoi Nghia, Ward 6, District 3, Ho Chi Minh City	Phan Tran Hong Van	Chief of the Office of Vietnam Rubber Association	0918215319	hongvan@vra.com.vn
			Tran Thi Thuy Hoa	Head of Advisory Committee for Rubber Industry Development	0903383564	office@vra.com.vn
			Nguyen Van Danh	Economic Specialist		office@vra.com.vn
2	Dong Nai Timber Association	Nhat Nam Joint Stock Company, Road No. 9, Bien Hoa 1 Industrial Zone	Phan Van Binh	President of Association	0913623404	Binhphan55@yahoo.com
3	Dong Nai Timber Association	Dai Huy Hoang Company 36/3 Quarter 4, Tan Hoa Ward, Bien Hoa City	Ms. Diem, Ms. Huong	Vice President of Association	0913684850	Daihuyhoang2013@gmail.com

4	Dong Nai Handicraft and Wood Association	Dong Khoi Street, Quarter 3, Tan Hiep Ward, Bien Hoa, Dong Nai	Phan Thi Thanh Truc	Deputy General Director of Nhat Nam Joint Stock Company	090 2577938	
5	Dong Nai Forest Protection Department	Quarter 3, Tam Hoa, Bien Hoa City, Dong Nai	Ngo Van Vinh	Deputy Director	0986573317	
			Vu Tru Phuong	Head of Legal Department	0913179228	
6	Ho Chi Minh City VCCI in Dong Nai		Nguyen Doan Thong, Ho Chi Minh City VCCI	Head of Department of Membership and Training	0903857520	

6.7. Appendix 3d. The role of provincial authorities in relation to operation of wood enterprises

Group of Unit	Use of domestic wood	Use of imported wood	Transport and exploitation	Processing, manufacturing	Export
Department of Natural Resources and Environment	<ul style="list-style-type: none"> - Land use right - Environmental regulations (Environmental Protection Plan, Environmental Impact Assessment) - Conversion of land use purpose from forestry to other purpose 			Environmental regulations (Environmental Protection Plan, Environmental Impact Assessment)	
Department of Agriculture and Rural Development	<ul style="list-style-type: none"> - Forest use right - Sustainable forest management 	Phytosanitary			Phytosanitary
Customs Department		<ul style="list-style-type: none"> - Customs regulations and procedures - Phytosanitary 			<ul style="list-style-type: none"> - Customs regulations and procedures - Phytosanitary
Department of Industry and Trade		Regulations on trading of timber for export/import	Regulations on trading of timber for export/import	Regulations for the processing industry	Regulations on trading of timber for export/import
Department of Planning and Investment	Enterprise/business registration	Enterprise/business registration	Enterprise/business registration	Enterprise/business registration	Enterprise/business registration

Department of Finance	Handling and auctioning of confiscated assets	Customs regulations and procedures			Customs regulations and procedures
Department of Labor, Invalids and Social Affairs				<ul style="list-style-type: none"> - Regulations on safety, health and labor - Regulations on insurance (social insurance, health insurance, unemployment insurance, etc.) 	
Department of Taxation				Tax regulations	
Provincial fire prevention police				Fire Fighting and Protection	
Forest Protection Department	Supply chain management	Supply chain management	Supply chain management	Supply chain management	Supply chain management

6.8. Appendix 3e. Roles, tasks, advantages and disadvantages when organizations work with enterprises

No.	Organization name	Roles and responsibilities in the timber supply chain	Advantages in approaching, working with enterprises	Disadvantages in approaching, working with enterprises
Quang Tri province				
1	Quang Tri Forest Protection Department	<ul style="list-style-type: none"> + Verifying the origin of land to certify that forest products on land are legal + Verifying input varieties + Checking the use of chemicals in forest planting + Controlling diseases, monitoring fire prevention and fire fighting + Checking and certifying the legality of forest products: list of forest products + Checking the updating of books on origin and volume of incoming and outgoing forest products. + Checking business licenses of forest product processing and trading establishments + Checking documents and procedures related to proving the legal origin of timber. 	<ul style="list-style-type: none"> + Every year, the Forest Protection Department holds conferences to disseminate the laws and holds dialogues with enterprises. + Maintaining sufficient documents and completing procedures about timber legality procedures are well done by enterprises, whereas most households did not pay attention to the completion of these documents and procedures. 	<ul style="list-style-type: none"> + Despite the fact the communes have local forest rangers, who are responsible for forest monitoring and inspection, it is difficult for them to verify evidences because their forces are limited in numbers. + Inspection shows that enterprises are yet to fully comply with requirements on establishment and verification of evidences. They still lack some paperwork.
2	Quang Tri Forestry Club	<ul style="list-style-type: none"> + The main activities of the club are communication about forestry-related issues. 	<ul style="list-style-type: none"> + The club can easily access and work with enterprises during their support activities. After working with enterprises, the club will write news/articles related to the enterprises. 	<ul style="list-style-type: none"> + The club worked with enterprises about technical matters, but not regular

3	Quang Tri Provincial Union of Science and Technology Associations	+ The Union worked with the Association for Forest Protection and Biodiversity to support and participate in consultations on related issues, but has not worked directly with wood processing enterprises.	+ The Union now has 28 members and many centers operating well, such as Center for Environmental and Agricultural Development Research, Center for Business Development and Consultancy, Quang Tri High School, and Association for Forest Protection and Biodiversity. These units are also involved in many FSC forest planting projects. They may provide technical assistance to enterprises.	+ They have no experience of working with wood processing enterprises
4	Quang Tri Association for Forest Products Processing and Export	+ Assist enterprises in terms of policies, networking, acting as intermediary between government of different levels and enterprises. + Provide support on market-related issues but no technical support activities. + The Association participated in activities related to FSC forest planting.	+ The Association also has access to a number of VPA/FLEGT documents and has a large network of wood enterprises; thus, it can engage in technical assistance for enterprises to help them meet the timber legality requirements and market requirements.	+ At locality, forests are mainly planted to be used as material for paper production. Forest is harvested after three to five years and sold wood to companies to make wood chips. They do not want to grow big timber forests for fear of factors such as natural disasters, floods, etc. + Local forest is planted in small scale, often scattered. Timber is then sold to traders at high prices. So it is difficult to keep and maintain records proving origin of timber.
5	Center for Social Development and Enterprise Consultancy	+ The Center does not provide technical support to local wood processing enterprises.	+ Functions of the Center include consulting on management, transferring technology to enterprises; consulting on business establishment, financial management, business management; and providing support services to enhance the operation of enterprises. Thus, it can participate in providing technical support to	The Center has no experience in working with wood enterprises

			enterprises to comply with timber legality requirement.	
6	Consumers Protection Association	+ The Association has conducted activities such as inspection of export handicrafts, plywood, boards. Currently, the Association is responsible for inspection of agro-forestry and fishery products, electrical appliances.	+ The Association has cooperated with relevant state management agencies to conduct independent monitoring and supervision, discuss with state management agencies, and disseminate information on the supervision results to the public. + The Association's information may be published and shared on the website of Quang Tri Union of Science and Technology Associations.	+ The Association has not participated in wood origin inspection at enterprises.
7	Quang Tri Department of Industry and Trade	The industry and trade sector involves in all stages of wood processing enterprises from harvesting to exporting. Main activities include: <ul style="list-style-type: none"> • Market management • Providing market information • Participating in the evaluation at the time of establishing the factory • Providing support related to market and production 	+ Department of Industry and Trade regularly works directly with enterprises or coordinates with other agencies to inspect the production and business activities of enterprises. + Issues will be solved through the coordination between agencies.	None
8	Quang Tri Department of Labor, Invalids and Social Affairs	The Department of Labor, War Invalids and Social Affairs in charge of managing benefits for labor, ensuring that enterprises comply with business regulations: <ul style="list-style-type: none"> • Salary scale 	Many wood enterprises in Quang Tri comply with the basic labor regulations such as: <ul style="list-style-type: none"> • Signing labor contracts with employees • Making full pay for employees in 	+ Very few enterprises comply with the requirement to pay social insurance for employees or insurance payments is insufficient due to the unstable number employees.

		<ul style="list-style-type: none"> • Payroll • Social insurance benefits • Evaluating salary scales and payrolls • Advising the Provincial People's Committee on the payrolls of enterprises 	<p>the companies</p> <ul style="list-style-type: none"> • Negotiating, signing and reporting Collective Labor Agreements • Preparing and registering Labor regulations • Reporting salary scales and payrolls 	
9	Quang Tri Cooperative Alliance	<p>The Cooperative Alliance has very few activities related to enterprises, especially wood enterprises.</p> <p>However, the Cooperative Alliance participated in activities such as improve income for FSC-certified forest planting cooperatives, Capacity building and forestry production planning.</p> <p>The Cooperative Alliance participated in 3-4 activities related to FSC.</p>	<p>The Cooperative Alliance has many forestry-related activities, is willing to provide information to members to help them meet the timber legality requirements.</p>	
10	Quang Tri Department of Natural Resources and Environment	<p>Similar to the Department of Industry and Trade, the Department of Natural Resources and Environment involves directly, or through collaboration with other agencies, in all stages in the supply chain of wood enterprises:</p> <ul style="list-style-type: none"> • Granting land use right certificates • Granting environmental licenses (depending on the scope of operation of the enterprise) • Being a member of the steering committee forest management 	<p>+ Department of Natural Resources and Environment regularly works directly with enterprises or coordinates with other agencies to inspect the production and business activities of enterprises.</p>	<p>+ Enterprises' environmental violations: enterprises only comply with production regulations, they pay less attention to environmental issues.</p> <p>+ Large companies/enterprises comply well with environmental regulations whereas small-scale enterprises do not comply with these regulations well.</p>

		<p>to inspect forest area</p> <ul style="list-style-type: none"> Coordinating with inter-sectoral agencies to inspect the management of exotic species for imported timber 		
Dong Nai Province				
1	Ho Chi Minh City VCCI (in charge of Dong Nai enterprises)	Ho Chi Minh City VCCI supports small and medium enterprises in the South, including the target province of Dong Nai. Ho Chi Minh City VCCI help with networking among enterprises. Ho Chi Minh City VCCI plays an important role in the process of issuing certificates of origin (including enterprises in the wood industry). However, only enterprises that need to complete procedures related to products origin are supported by Ho Chi Minh City VCCI. However, Ho Chi Minh City VCCI does not have specialized division on forestry or wood industry.	<p>+ Ho Chi Minh City VCCI has the function and capacity to conduct survey, assessment and classification of enterprises. Ho Chi Minh City VCCI participated in classification of enterprises by industries (21 industries) for the whole region.</p> <p>+ Ho Chi Minh City VCCI is suitable and can participate in classification of enterprises (wood industry).</p>	<p>+ Difficulties facing Ho Chi Minh City VCCI when working with enterprises are that enterprises are reluctant to or do not share information about their activities.</p> <p>+ Ho Chi Minh City VCCI may not conduct activities related to controlling the wood supply chain, except for wood origin verification and inspection to issue certificates of origin to enterprises.</p>
2	Dong Nai Wood and Handicrafts Association	<p>More than 900 enterprises in the Dong Nai wood industry involve in forest plantation, processing and trade. Most of them are small enterprises (over 90%).</p> <p>Dong Nai Wood and Handicrafts Association has 50 members, of which 10 members are big enterprises.</p>	The Association can manage and disseminate information about enterprise classification to enterprises, provided that it receives necessary training and have access to information.	+ Small enterprises are quite passive, independent, not ready, not aware of the benefits of joining the Association. The Association has no control over the wood supply chain.
3	Dong Nai Trade	Dong Nai Trade Promotion Center	With regards to the project:	+ The Center does not have the function

	Promotion Center	may provide advice, host and conduct trade promotion activities across a wide range of industries, including wood processing.	<ul style="list-style-type: none"> • The Center may participate in the organization of programs, workshops, and training courses, whose focus are related to trade promotion or enhancing competitiveness for enterprises. • The Center can implement programs to provide business-focused information to enterprises. • The Center cooperates with branches and associations to study and propose policies, measures or recommend policies of partner countries. 	to monitor VPA/FLEGT process.
4	Dong Nai Forest Protection Department	+ The function and task of Dong Nai Forest Protection Department is exercise state management over the forestry sector. Dong Nai Forest Protection Department conducts social monitoring according to its functions and tasks.	+ Dong Nai Forest Protection Department's main responsibility is controlling the timber supply chain.	<p>+ The main difficulty in working with enterprises is to collect information for reports because enterprises do not cooperate with the Forest Protection Department for fear of revealing their business secrets; some enterprises provide misleading information. Information shared by enterprises is very limited.</p> <p>+ Most of the small enterprises in Dong Nai are previously business households. As a result, their sustainability is not high and they can dissolve at any time if conditions are not favorable and their benefits are not guaranteed.</p>
5	Vietnam Rubber Association	+ The Association is a unit operating in the rubber industry of Vietnam and related industries to support	+ The Association is currently a member of the Vietnam Chamber of Commerce and Industry (VCCI), the	The Association is facing some difficulties in supporting enterprises, including:

		<p>members in production and business, protecting legitimate interests of its members, and contribute to the sustainable development of the rubber industry.</p> <p>+ In addition, activities of the Association are related to forestry and many of its members are enterprises involving in planting, exploiting, preliminary processing and processing of rubber wood.</p>	<p>International Rubber Association (IRA), and the ASEAN Rubber Business Council (ARBC). The Association regularly exchanges information and participates in international conferences and seminars. As a result, the Association is able to keep itself updated about the world rubber market in a timely manner, and to gather experiences from countries with developed rubber industry. The Association also provides information and advice to its members and contributes to developing strategy for the rubber industry.</p> <p>+ The Association has data related to its members. It has collected information from the Customs on the export of rubber wood products. The Association can assist the project in sending official letters to collect data, publish information, and participate in interviews with its members.</p>	<p>+ Lack of experienced staff to timely catch up with the support needs of enterprises.</p> <p>+ Lack of funds to carry out surveys and evaluations of enterprises who need support.</p> <p>+ Lack of in-depth information and data to devise markets and products strategies for enterprises.</p> <p>+ The Association has not yet participated in controlling the supply chain of local enterprises.</p>
6	Dong Nai Wood and Handicraft Association (Dai Huy Hoang Company - Member of Executive Committee)	+ The Executive Committee of Wood and Handicraft Association has 16 staff and 50 members.	Members of the Executive Committee of the Association have access to VPA/FLEGT information through seminars and training sessions of Vietnam Timber and Forest Products Association (VIFORES) or online wood magazines of Vietnam; however, interviewed representatives said that they have heard and read about OCS but did not have a clear	<p>+ More than 90% of enterprises in the wood industry in Dong Nai are small enterprises. The percentage of enterprises maintaining complete documents, such as proof of timber origin, is very low (only about 2%).</p> <p>+ Because most of them are small enterprises and focus on production for domestic consumption or export to non-demanding markets, they do not pay</p>

			<p>understanding yet.</p> <p>The Association has about 50 members.</p>	<p>attention to strict compliance with the laws.</p> <p>+ At present, small enterprises are more interested in profitability, economic issues, and other issues (institutional, legal, environmental, social issues). They do not really pay much attention to the classification of enterprises.</p> <p>+ Dong Nai does not have good mechanisms and policies in place to support small and medium enterprises.</p>
--	--	--	--	--

6.9. Appendix 4. Survey tools

Questionnaires for businesses

Introduction (for investigators)

After six years of negotiation, in May of 2017, Viet Nam and the European Union (EU) signed the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT). The widely publicized VPA documents shall be used by the Viet Nam forest sector to improve its legal framework on forest management and protection, increase regional capacity to enact forest laws and manage forests, and ensure the legality of timber exports to the EU market. The Viet Nam Timber Legality Assurance System (VNTLAS) is being established so that it can apply to all organizations and families that participate in the timber supply chains in Viet Nam. At the same time, the Vietnam Administration of Forestry (VAF) is completing the detailed design and practical instruction of the Organizational Classification System (OCS), an integral part of VNTLAS.

The Center for Rural Development in Central Vietnam (CRD), the Center for Education and Development (CED), and the Center for People and Environment in Vietnam's Central Highlands (COPE) have collaborated in the project "Supporting small business holders in complying with timber legality requirements in order to effectively participate in national and global legal timber supply chains" to:

- i) Understand the technical capacity needs of provincial stakeholders such as business associations, local civil society organizations (CSOs), and the provincial Forest Protection Department (FPD) in order to assist small business holders;
- ii) Increase CSOs' and business associations' capacity to provide technical support to small business holders;
- iii) Establish an effective approach to monitoring, either independently or participatory, the VNTLAS/OCS implementation process by CSOs and business associations.

This survey has the goal of assessing the needs for improving the capability of CSOs and business associations to monitor and support business enterprises, helping them comply with VNTLAS requirements. At this point, the project group shall propose recommendations to the VAF and the FPD regarding the establishment of regulations and guidelines of OCS operation, supervision of OCS, as well as complaint mechanisms and the dissemination of information relating to OCS.

Survey content

Interview code:

Date:/...../2018

Name of interviewer:

Duration:

Name of interviewee:Position:

Phone:Email:.....

PART I: Organisation's information

1.1.Organisation's name

(in Vietnamese).....

.....

(in English).....

.....

1.2. Year founded.....

1.3. Mailing Address

.....

.....

Branches or representative offices (if any)

.....

.....

1.4. How to communicate with the business

Name of person in charge:

Tel:

Mobile:

Fax:

Email:

Website:

1.5.Type of business (tick the appropriate box)

☐ Private enterprise

☐ State-owned enterprise

☐ Co-operative

☐ Limited liability company

- ☐ Limited partnership company
- ☐ Share-holder company
- ☐ Joint stock company
- ☐ Joint venture company
- ☐ Foreign Direct Invested

Economic sector of business:

- ☐ *Private* ☐ *State-owned* ☐ *Foreign Direct Invested* ☐ *Individual households*

1.6. What is your company's revenue?

- ☐ Less than 3 ty VND
- ☐ From 3 ty VND – less than 50 ty VND
- ☐ From 50 ty VND – less than 200 ty VND
- ☐ Above 200 ty VND

Number of employees:

Seasonal			Permanent		
Total	Female	Male	Total	Female	Male

1.7. Business operation sectors

What is the main activity of your business? (Please select just one activity)

- ☐ Forest production
- ☐ Domestic timber trading
- ☐ Timber importation or imported timber trading
- ☐ Transportation and harvesting
- ☐ Primary processing (e.g. processing logs into sawn timber, veneer, boards, plywood, pulp, etc...)
- ☐ Wood manufacturing (e.g. furniture, flooring, doors, etc...)
- ☐ Products assembly and outsourcing
- ☐ Export of wood and products
- ☐ Others (specify):

What other activities is your company involved in? (Select one or more options)

- ☐ Forest production
- ☐ Domestic timber trading
- ☐ Timber importation or imported timber trading
- ☐ Transportation and harvesting
- ☐ Primary processing (e.g. processing logs into sawn timber, veneer, boards, plywood, pulp, etc...)
- ☐ Wood conducts manufacturing (e.g. furniture, flooring, doors, etc...)
- ☐ Product assembly and outsourcing
- ☐ Export of timber and products
- ☐ Others (specify):

What does your company produce? (e.g. indoor furniture / outdoor furniture, laminated wood, MDF board, logs, sawn timber, wood chips ...)

- ☐ Indoor furniture
- ☐ Outdoor furniture
- ☐ Wood chips
- ☐ Laminated timber, MDF boards
- ☐ Logs, sawn timber
- ☐ Others (specify):

1.8. Where does the wood your company uses currently come from?

- ☐ Timber from salvage harvesting and salvage collection from domestic natural forest
- ☐ Timber from main harvesting, salvage harvesting and salvage collection from planted protection forest
- ☐ Timber from main harvesting, salvage harvesting and salvage collection from planted production forest
- ☐ Timber from home gardens, farms and dispersed trees
- ☐ Domestic rubber wood
- ☐ Confiscated timber
- ☐ Imported timber

For imported timber, please provide more information:

- ☐ Direct Import
- ☐ Imported through other enterprises

The Volume of imported timber used in 2016 and 2017

+ By value: 2016.....2017..... USD or VNĐ

+ By volume 2016.....2017.....m³timber (logs, sawn wood, wood-based panels)

List the name of countries which provide timber materials for the company (Name of intermediary enterprises if any)

.....
.....
The Certificate or evidence the company has:

- ☐ FSC Certificate
 - ☐ PEFC Certificate
 - ☐ ISO9001 Certificate
 - ☐ Rainforest Alliance VLC
 - ☐ Rainforest Alliance VLO
 - ☐ No certificates
 - ☐ Other Certificates (specify):
-
.....

1.9. How does the enterprisesell/export?

Domestic selling

- ☐ Direct selling
- ☐ Through other traders

Exportation

- ☐ Direct export
- ☐ Through other enterprises

1.10. Export/domestic selling performance (in 2016 and 2017)

+By value: 2016:.....2017USD orVND

+By volume: 2016.....2017m³ for raw material or m³ final products

Annual Export Markets:

.....% EU.....% USA.....% Japan.....% China% other markets

+List other markets (if any)

.....
.....

1.11. Can you describe the production process and procedures of managing timber material inputs in your company?

.....
.....

PART II: EVALUATING RESPONSIVENESS OF ENTERPRISES WITH The Viet Nam Timber Legality Assurance System (VNTLAS)

2.1. For Forest plantation and domestic timber harvesting enterprises

No.	Verifiers	Yes	No, but have alternative equivalent documents (specify)	If not, why?	Stored (Yes or No)
<i>Legal regulations on land use right and forest use right</i>					
1	Complying with legal regulations on land use right and forest use right, one of the following documents is required: - Decision on land allocation (prior to 15/10/1993) - Decision on land allocation, forest allocation (since 15/10/1993 to 1/7/2004) - Decision on forest allocation (since 2004 to date) - Land use right certificate (since 15/10/1993 to date) - Decision on land allocation (since 15/10/1993 to date) - Decision on land leasing (since 15/10/1993 to date) - Decision on forest allocation together with land allocation, land leasing (since 2011 to date)				
2	Harvesting design statement				
3	Harvesting design statement Map				
4	List of tree marked for harvesting				
5	Minutes on appraising harvesting design in the field				
6	Decision on approving harvesting design				
7	Harvesting Permit				
8	Report on harvesting location and volume				
	Minutes of placing forest hammer marks (For				

9	the round timber with the large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$ and timber sawn or squared in the forest with the length of $\geq 1\text{m}$, thickness of $\geq 5\text{cm}$ and the width of $\geq 20\text{cm}$)				
Environmental regulations					
10	Decision on approving environmental impact assessment report for projects on cleared-cut harvesting for concentrated harvesting area of 200ha or more				
11	Environmental protection plan for projects on cleared-cut harvesting for concentrated harvesting area less than 200ha				

2.2. For direct importing enterprises

No.	Verifiers	Yes	No, but have alternative equivalent documents (specify)	If not, why?	Stored (Yes or No)
Regulations on custom procedures					
1	Declaration for imported timber products				
2	Sales contract or equivalent				
3	Trading invoice in case of commercial transaction				
4	Bill of lading (or other shipping document of equivalent value in accordance with legal regulations)				
5	Packing list of imported forest products				
Regulations on plant quarantine certificate and hammer mark					
1	Plant quarantine certificate for round timber, sawn timber, pallet, sawdust				
2	Round timber with the diameter of larger ends $\geq 25\text{ cm}$ and the length $\geq 1\text{m}$ must be placed with hammer marks or other special signs of exporting countries; otherwise, there must be forest hammer marks in accordance with regulations				
Other regulations for risk timber					
1	CITES Permit of export country				
2	A Self-declaration demonstrating due				

	diligence on the legality of timber				
3	Other documents (e.g. Legal harvesting document in line with law and regulations of country of harvest)				
4	Certificate of Origin				

2.3. For direct exporting enterprises

No.	Verifiers	Yes	No, but have alternative equivalent documents (specify)	If not, why?	Stored (Yes or No)
Regulations on exporting dossier					
1	Customs declaration				
2	Sales contract or equivalent				
3	Invoice as required by Ministry of Finance (copy)				
4	Packing list of forest products for export				
5	Permit of CITES MA of Viet Nam for products made from timber under Appendix II of CITES				
Regulations on plant quarantine certificate					
1	Plant quarantine certificate for round timber, sawn timber, pallet, sawdust				

2.4. For timber/products trading, transporting enterprises

No.	Verifiers	Yes	No, but have alternative equivalent documents (specify)	If not, why?	Stored (Yes or No)
For domestic timber/products trading, transporting enterprises					
1	Invoice as required by Ministry of Finance (copy)				
2	Packing list of forest products				
3	Certificate of ownership and use of timber blocks (for confiscated timber)				
4	Internal delivery bill				
5	Minutes of placing forest hammer marks (For the round timber with the large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$ and timber sawn or squared in the forest with the length of $\geq 1\text{m}$, thickness of $\geq 5\text{cm}$)				

	and the width of $\geq 20\text{cm}$)				
For importing timber/products trading, transporting enterprises					
1	Invoice as required by Ministry of Finance (copy)				
2	Packing list of forest products				
3	Minutes of placing forest hammer marks (For the round timber with the large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$ and timber sawn or squared in the forest with the length of $\geq 1\text{m}$)				
For exporting timber/products trading, transporting enterprises					
1	Timber product dossier				
2	Sales contract or equivalent				
3	Invoice as required by Ministry of Finance (if purchasing timber from Organisations)				
4	Packing list of forest products for export				
5	Documents on tax declaration, registration and payment				
6	Minutes of placing forest hammer marks (For the round timber with diameter of large end $\geq 25\text{cm}$ and the length $\geq 1\text{m}$ and timber that are sawn or squared in the forest with the length of $\geq 1\text{m}$, thickness of $\geq 5\text{cm}$ and the width of $\geq 20\text{cm}$, subject to rare, precious and endangered timber)				

2.5. For processing and manufacturing enterprises

No.	Verifiers	Yes	No, but have alternative equivalent documents (specify)	If not, why?	Stored (Yes or No)
Verifiers of timber sources					
1	Packing list of forest products				
2	Sales contract or equivalent				
3	Invoice as required by Ministry of Finance				
4	Minutes of placing forest hammer marks (For the round timber with the large end diameter $\geq 25\text{cm}$, length $\geq 1\text{m}$)				
Environmental regulations					

1	Decision on approving environmental impact assessment report for processing facilities of timber and woodchips from natural forests with capacity of from 3,000 m3 product/year or more				
2	Decision on approving environmental impact assessment report for plywood processing facilities with capacity of from 100,000 m2 product/year or more				
3	Decision on approving the environmental impact assessment report for furniture producing facilities with total area of warehouses, factories from 10,000 m2 or more				
4	Environmental protection plan by processing facilities of timber, plywood, particle board which are not subject to environmental impact assessments regulated in verifiers above				
Regulations on fire prevention and firefighting					
1	Approved design on fire prevention and firefighting				
Regulations on making monitoring entry and exit books					
1	Monitoring entry and exit books				
Regulations on labour safety and labour hygiene					
1	Labour hygiene plan is made by the enterprises				

2.6. Compliance with regulations on establishment and operations of enterprises

No.	Verifiers	Yes	If not, why?
Regulations on establishment of enterprises			
1	Business Registration Certificate		
2	Business registration certificate (for enterprise operating in industry parks, export processing zones)		
3	Investment registration certificate (for foreign investors or enterprises in which 51% of charter		

	capital is held by foreign investors)		
Regulations on tax			
1	Compliance with regulations on tax declaration, registration and payment		
Compliance with Labour Code			
1	Having Labour Contract between enterprises and employees in the payroll of the organisations		
Compliance with regulations on insurance (Social Insurance and Health Insurance)			
1	Having social insurance books for employees whose labour contract duration is from 1 month or more		
2	Public information on social insurance contribution		
3	Having health insurance for employees whose labour contract duration is from 3 months or more		
4	Payroll of the enterprise to demonstrate the health insurance contribution		
5	Having unemployment insurance for employees whose contracts are for a full of 3 months or more		
6	Payroll of the enterprise to demonstrate the payment of monthly unemployment insurance		

2.7. Record of violations

Has the enterprise ever been subject to administrative or criminal sanctions for non-compliance or breach of the law?

☐ Yes ☐ Never

If any violations, please list specifically. Has the enterprise complied with the law?

.....

2.8. Tools for information management and supply chain control

2.8.1. Does the enterprise refer to the following documents to actively avoid high risk imported timber sources?

☐ Forestry risk profile of some high risk countries such as Brazil, Malaysia, Indonesia, Myanmar, Cameroon

☐ Buying certified timber booklet

☐ Other references, specify:

.....
.....

2.8.2. Tools for Information Management in businesses

No.	Archiving information	Yes	No
1	Log tag (to identify round wood)		
2	Bundle tag (to identify sawn wood)		
3	Sawmill Control Card		
4	Preliminary process note		
5	Log receiving note		
6	Timber entry and exit record sheets		
7	Quarterly material balance report		
8	Timber origin sheet		
9	Supply chain table (indicating where the level of information is sufficient and insufficient)		
10	Supply chain table – suppliers		
11	Supply chain table – customers		

2.8.3. How does the enterprise record information?

☐ Physical storage (hanging files, plastic filing boxes, metal filing cabinet)

☐ Electronic storage (Documents can be scanned and saved electronically in a system of folders and subfolders on a computer or online applications such as Google Drive, Dropbox, Office365)

☐ Other record methods:

.....

.....

2.8.4. How long is the timber product profile kept?

☐ Less 5 years

☐ More 5 years

PART III: ASSESSING THE NEED FOR TECHNICAL CAPACITY BUILDING REGARDING VNTLAS AND OCS.

3.1. Have you, as the representative of either a family or a business enterprise, ever participated in events/activities relating to the legislation on legal timber? (FLEGT, VPA, LD, VNTLAS, the accountability system EUTR)

☐ No, I have never.

☐ Yes, I have.

Which events/activities relating to the legislation on legal timber have you participated in?

☐ Awareness workshops

☐ Training courses by organizations or the federal government

☐ Exchanging experience

☐ Training courses by customers

☐ Other (please specify):

.....

.....

3.2. If you, as the representative of either a family or a business enterprise, have participated in at least one of the events relating to legal timber, would you please state how well the party or the managing body executes the requirements on legal timber?

☐ Has a clear understanding of and has implemented the relevant requirements into production

☐ Has knowledge of the requirements but is unclear of the implementation process

☐ Has no understanding of the requirements

☐ Has not implemented the requirements

☐ Other (please specify):

.....

.....

3.3. Are you aware of the Viet Nam Timber Legality Assurance System (VNTLAS)?

☐ Not yet

☐ Yes

3.4. Are you aware of the Organizational Classification System (OCS)?

☐ Not yet

☐ Yes

If you answered yes, would you rate your party as satisfying the requirements of Part II?

☐ Yes

☐ No

If you answered no, what are the challenges faced by your party?

.....

.....

3.5. Do you have any requests relating to the tools and guidelines of VNTLAS, OCS, or the independent monitoring body? Please specify accordingly:

.....

.....

3.6. On which channel(s) do you often search for information relating to the regulations and requirements regarding the timber market?

☐ Newspaper/Magazines (please name):.....

☐ Television (please name channel & show):.....

☐ Online publication (please name):.....

☐ Timber-related websites:.....

☐ Social media (Facebook, Youtube,...):

.....

3.7. If the information and/or knowledge on VNTLAS, OCS is needed, which method(s) do you think is most effective for business enterprises to use?

☐ Information & knowledge provided in training courses, seminars, or thematic.

☐ Publications

☐ Internet

☐ Other method(s), please specify:

.....

3.7.1. If business holder chooses option 1, Information & knowledge provided in training courses, seminars, or thematic, then:

The most suitable organizing time is:

☐ 1 day ☐ 2 days ☐ ½ day

Which part(s) of the business shall participate in said training course? *(please specific contact information):*

.....

Would the business be willing to contribute to the funding of the course?

☐ Yes ☐ No

3.7.2. If business holder chooses option 2, Publications, please specify the type of publication:

☐ Leaflets/Flyers ☐ Short books

Method of publication:

☐ Business Association

☐ Other provincial bodies (please specify):

.....

PART IV: ADDITIONAL COMMENTS

4.1. What difficulties in carrying out self-assessment and classification to register for the OCS?

.....

4.2. How often should the revaluation take place?.....

4.3. Which governing body or bodies here do you think has the capability to participate in the verification process of evidence sent the FPD for classifying business enterprises?

☐ Provincial FPD branches

☐ Local FPD branches

☐ Business Associations

☐ VCCI

☐ Other, please specify:

.....

4.4. Do you think an independent monitoring network that assesses and supervises the classification process of business enterprises is necessary?

☐ Yes ☐ No

If you answered no, why?

.....

If you answered yes, which organizations do you think should become part of such a monitoring network?
Please list out their names:

.....

Thank you!

Questionnaire on VNTLAS & OCS

(For local authorities & agencies: the Forest Protection Department (FPD) branch, the District Tax Department, Vietnam Customs Department...)

Information for inspectors

After six years of negotiation, in May of 2017, Viet Nam and the European Union (EU) signed the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT). The Viet Nam Forest sector shall use the widely publicized VPA documents to improve its legal framework on forest management and protection, increase regional capacity to enact forest laws and manage forests, and ensure legal timber export to the EU market.

The main content of VPA is the Viet Nam Timber Legality Assurance System (VNTLAS). VNTLAS assists in verifying legal timber throughout each step of the timber supply chain, from the first stages of logging or import to the last stages of timber export or sales. This system is under construction and shall be applicable to all organizations and households participating in the Viet Nam timber supply chain.

At the same time, the Vietnam Administration of Forestry (VNFOREST) is completing the design details and instructions for the Organization Classification System (OCS), an integral part of VNTLAS. OCS utilizes risk-based verification methods. Its purposes are:

- (i) Assessing the risks of all organizations in VNTLAS regarding compliance to VNTLAS requirements, with the goal of implementing suitable, effective, and timely verification methods;
- (ii) Assessing organization compliance in terms of static and dynamic evidence, as described in Legality Definition (LD);
- (iii) Decreasing administrative procedures, Facilitating production and business, Encouraging compliance to laws and regulations.

OCS shall apply to all organizations within the VNTLAS supply chain.

The project *“Supporting small business holders in complying with timber legality requirements in order to effectively participate in national and global legal timber supply chains”* is a collaborative effort between The Center for Rural Development in Central Vietnam (CRD), the Center for Education and Development (CED), and the Center for People and Environment in Vietnam’s Central Highlands (COPE).

The questionnaire aims to evaluate the capacity-building needs of the state and provincial management agencies in offering technical support to businesses and helping them comply with VNTLAS requirements, OCS included. At this point, the project team shall submit recommendations to VNFOREST and FPD regarding the establishment of regulations and guidelines of OCS operation, supervision of OCS, as well as complaint and information dissemination in implementing VPA.

Content of Questionnaire

Code:.....

Interview date:/...../2018

Interview time.....

Interviewee namePosition:.....

Telephone:Email:.....

PART I: ORGANIZATION INFORMATION

1.1. Full name of organization

(in Vietnamese).....

.....

(in English).....

.....

1.2. Address, telephone, email

.....

.....

1.3. Organization personnel

- Total personnel: people; Male: people; Female: people

1.4. Are the functions, tasks, and activities of your organization related to the forestry sector and in particular, the local timber businesses within your region?

By business classification criteria	Agency/Party responsible (approval and/or confirmation)	Inspecting agency	Activities by your organization
I. Create & discern evidence for locating timber origin (Cut or processed wood after confiscation) (equivalent of 2.1 in business questionnaire)			
<i>I.1. For domestic timber</i>			
Rights to use timber and forest	Commune, District, Province People's Committee Department of Natural Resources and Environment Department of Agriculture and Rural Development	Department of Agriculture and Rural Development	
Business/Enterprise registration	Department for Planning and Investment; Industrial/Manufacturing Area Management	Forest Protection Agency	

Environmental regulations	Commune, District, Province People's Committee Department of Natural Resources and Environment	Forest Protection Agency	
Sustainable forest management	Department of Agriculture and Rural Development	Forest Protection Agency	
Conversion of land use from forest sector to other uses	District, Province People's Committee	Forest Protection Agency	
Supply chain management	Local Forest Protection; Commune, District People's Committee	Forest Protection Agency	
Handling and auctioning of confiscated property	Ministry of Finance; District, Province People's Committee	Forest Protection Agency	
Supply chain management	Local Forest Protection	Forest Protection Agency	
<i>1.2. For imported timber</i>			
Custom regulations and procedures	Ministry of Finance/Viet Nam Customs; Border Gate Customs Branch	Border Gate Customs Branch	
CITES permit	CITES Viet Nam Management Branch	Forest Protection Department	
Phytosanitary	Department of Agriculture and Rural Development; Border Gate Customs Branch	Border Gate Customs Branch	
Supply chain management	Local Forest Protection	Border Gate Customs Branch	
Regulations on timber export-import	Ministry of Industry and Trade	Border Gate Customs Branch	
II. Create & discern evidence on timber transport & purchase (equivalent of 2.2 in business questionnaire)			
Business/Enterprise registration	Department for Planning and Investment; Industrial/Manufacturing Area Management	Local Forest Protection Agency	

Supply chain management	Local Forest Protection; Commune People's Committee	Local Forest Protection Agency	
Regulations on domestic timber purchases	Ministry of Industry and Trade	Local Forest Protection Agency	
III. Create & discern evidence satisfying customs regulations regarding exports (equivalent of 2.3 in business questionnaire)			
Customs regulations and procedures	Ministry of Finance/ Viet Nam Customs; Border Gate Customs Branch	Border Gate Customs Branch	
CITES permit	CITES Viet Nam Management Branch	Forest Protection Department	
Phytosanitary	Department of Agriculture and Rural Development; Border Gate Customs Branch	Border Gate Customs Branch	
Supply chain management	Local Forest Protection; Commune People's Committee	Forest Protection Agency	
Trade regulations on timber export-import	Ministry of Industry and Trade	Border Gate Customs Branch	
IV. Create & discern evidence satisfying regulations regarding timber processing (equivalent of 2.4 and 2.5 in business questionnaire)			
Business/Enterprise registration	Department for Planning and Investment; Industrial/Manufacturing Area Management	Forest Protection Agency	
Environmental regulations	Commune, District, Province People's Committee; Department of Natural Resources and Environment	Forest Protection Agency	
Fire safety	Province Fire Department	Organization head/ President of District-level People's Committee/ Fire Department	
Supply chain management	Local Forest Protection	Local Forest Protection Agency	
Processing industry	Ministry of Industry and Trade	Forest Protection	

regulations		Agency	
Tax regulations	Ministry of Finance/General Department of Taxation; Department of Taxation	General Department of Taxation Department of Taxation	
Safety, health, and labor regulations	Department of Labor, Invalids, and Social Affairs; Viet Nam General Confederation of Labor	Department of Labor, Invalids, and Social Affairs Inspector	
Social insurance	Viet Nam Social Insurance	Viet Nam Social Insurance/Province Social Insurance	

Describe in details the main functions and tasks of the agencies/organizations related to the management of businesses or locations of origin:

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PART II: ASSESSING THE TECHNICAL CAPACITY-BUILDING NEEDS REGARDING VNTLAS AND OCS

2.1. Has your organization participated in any events (seminars, trainings, consultations,...) on forest management and VPA/FLEGT?

☐ Yes, we have ☐ No, we have not

If you answered yes, please mark the topics/theme of attended events:

- ☐ Definition of legal timber
- ☐ System for timber legality assurance
- ☐ FLEGT licensing mechanism
- ☐ Organization Classification System
- ☐ Independent monitoring
- ☐ Other. Please specify:

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Number of people from organization that attended the events above: people.

2.2. Has your organization ever participated in hosting activities on OCS in your region or district?

☐ Not yet

☐ Yes, please specify:

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2.3. What are the difficulties that your organization has faced and/or is facing in hosting activities on OCS (if your district or region has implemented OCS)?

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2.4. Does your organization have any capacity-building needs in order to better execute activities on OCS?

☐ No

☐ Yes. Please specify problems and/or needs:

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