FAO FLEGT PROGRAMME

Food and Agriculture Organization of the United Nations

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REPORT ON

WORKSHOP

"INTERNATIONAL REQUIREMENTS FOR TIMBER EXPORTATION - OPPORTUNITIES AND CHALLENGES FOR TRADITIONAL TIMBER PRODUCTION VILLAGES"

PROJECT: "PROMOTING PRIVATE SECTOR ENGAGEMENT WITH THE VOLUNTARY PARTNERSHIP AGREEMENT (VPA) IMPLEMENTATION PROCESS IN VIETNAM"

Bac Ninh, November 2017

1. Introduction

The project *"Promoting private sector engagement with the Voluntary Partnership Agreement (VPA) implementation process in Vietnam"* is funded by FAO-UN. The project is designed to enhance the understanding of and compliance to legal frameworks, to promote legal production and the best management practices throughout the timber product value chain in Vietnam, and to strengthen public-private dialogues to advance the VPA process in Vietnam. There are two specific objectives: to increase business access to information on legality requirements according to Vietnamese laws and the regulation on Timber Legality (TL); to strengthen public – private dialogues in advancing the VPA process**.** The objectives will be achieved by the following activities: organizing and planning workshops with stakeholders in Da Nang; reviewing and adjusting training materials for enterprises; organizing training courses for enterprises in Binh Duong, Ho Chi Minh, Binh Dinh and Hanoi; establishing regional and national forums; communicating through the network of correspondents and press agencies.

The workshop *"International requirements for timber exportation – Opportunities and Challenges for Wood Villages"* was held by the Center for Education and Development (CED) and Dong Ky Furniture Association on 22th November 2017 in Bac Ninh as one of the project activities. The objective of the workshop was to strengthen the capacity of small businesses in wood villages to meet the requirements of FLEGT-VPA and to guide businesses in meeting the legal requirements of timber to comply with VPA requirements.

2. Workshop contents and process

The one-day workshop was held with participants representing Dong Ky Furniture Association members and other timber businesses in Bac Ninh. The content of the workshop focused on providing international requirements for small and micro businesses for timber trade, assessing businesses's readiness to engage VPA, and guiding business practices group exercises to better understand how to meet VPA requirements in the future (see attached workshop agenda in Annex 2).

The workshop applied practical methodologies, focused on discussion, exchanges and sharing among businesses and specialists, and facilitated learning among participants through group work and discussions.

Participants were 40 business owners and employees from small and micro enterprises in Dong Ky, Bac Ninh.

Part 1: Presenting international requirements for small and micro enterprises to adapt to timber trade and the declaration of the origin of the timber.

After the opening speech of the representative from Dong Ky Furniture Association, participants heard the business and development plan of the Dong Ky wood village for in the future. This gives them an overview of the future development of Vietnamese timber villages.

Then, the expert briefly introduced the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA-FLEGT) by presenting a short video. Based on the received information about VPA-FLEGT, participants listened to the expert's presentation on the international requirements when small and micro businesses engage in global timber trade. In particular, the speaker focused on the declaration of the legal origin of timber in her presentation.

Specifically, for timber exploited in the country to be considered legal timber, the forest owner (1) must present one of the following evidences: a land use right certificate, decision on land allocation, decision on forest allocation together with land allocation, decision on forest allocation, one type of papers on land use rights as stipulated in Article 100 Land Law 2013 (households), confirmation of the Commune People's Committee that land is currently used and free to dispute subject to the cases (households), Forestry boọk (households) or Forest protection contracts with other forest holders,…; (2) has harvesting documents or a timber origin dossier, including: a Sustainable Forest Management Plan, decision on approving Sustainable Forest Management Plan, silviculture project or scientific research proposal, decision on allowing forest land conversion to other land uses, harvesting design statement, decision on approving harvesting design, harvesting permit, minutes of placing forest hammer marks, parking list and some other papers depending on the type of forest and the mode of harvesting; (3) has evidences of environmental protection in harvesting, including an Environmental Assessment Report or Environmental protection plan. These are not new requirements but still need to be repeated so that enterprises understand and comply.

To prove that handling confiscated timber is legal, evidence of compliance should be provided with the following documents: (1) sales contract/contract on purchase and sale of property put up for auction, (2) certificates of ownership or use right of auctioned property, (3) invoice in compliance with the regulation of the Ministry of Finance, (4) packing list, (5) minutes of placing forest hammer marks.

To prove that importing timber is legal, the importer must provide the following documents: (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, (6) CITES Permit, (7) FLEGT license, (8) self-declaration demonstrating due diligence on the legality of timber (new requirement), (9) voluntary certification or national certification schemes recognized by VNTLAS (new requirement), (10) alternative additional documentation demonstrating legality of timber in accordance with the legislation of the country of harvest (in case the harvesting document is not required in the country of harvest for primary products, or importers cannot obtain a harvesting document for complex products), (11) minutes of placing forest hammer marks, (12) plant quarantine certificate for round timber, sawn timber, pallet, sawdust.

Legal timber must meet requirements in supply chain, including: legal transportation, legal trade and legal processing. In order to be considered as legally transported or traded, the subject must comply with the legal timber product dossier in transporting, exporting, and sales contracts. Legal processing is required to present evidence of compliance with timber product dossier, compliance with environmental protection (with a Decision on approving environmental impact assessment report or Environmental protection plan) and proof of compliance with fire protection (approved design on fire prevention and firefighting).

In order to export abroad, timber must have the required documents in the export wood file. The dossier shall include: (1) customs clearance declaration for export timber products made by the exporter (original); (2) sales contract or equivalent (if exported timber and timber products, if not paid export tax); (3) invoice as regulated by the Ministry of Finance; (4) packing list of forest products for export; (5) permit of CITES MA of Viet Nam; (6) FLEGT license

for the EU market; (7) quarantine certificate for round timber, sawn timber, pallet, sawdust of the Vietnamese in case of request of the importing country.

Part 2: Group discussion to improve understanding how to meet the VPA requirements for the businesses

Exercise 1. VPA Readiness Assessment

Companies answered 13 questions designed to check their compliance possibility with FLEGT-VPA (Please see annex 1). The form is available online and companies can use it to check if they are compliant with the VAP requirements as a first step: http://flegtvpa.com/doanh-nghiep-ban-san-sang-voi-flegt-chua.html

The assessment checklist results will be calculated according to the following results:

10 - 13 times 'Yes': You are on the right track!

6-9 times 'Yes': You have a lot of work to do to ensure your business is ready to adapt to FLEGT-VPA!

0-5 times 'Yes': You should plan to adapt to FLEGT-VPA immediately!

With 24 assessments from participants, 6 businesses are on the right track and ready to meet the VPA/FLEGT, 13 have a lot of work to ensure their businesses are ready to adapt to VPA/FLEGT, and 5 should immediately plan to prepare for VPA/FLEGT. Specific responses are listed below:

With the question, *"Is your business legally registered and licensed according to relevant laws and regulations?"*, 19 participants said yes, 1 participant said no and 6 participants did not answer.

23 participants said their companies fulfill all obligatory taxes and fees required by laws, only 1 participant said no.

19 participants said their companies are compliant with regulations and relevant environmental requirements; 4 participants said no and 1 participant said unsure.

There were 19 participants who said their companies are compliant with all occupational health and safety requirements, 3 participants said no, only 1 participant was unsure and 1 participant did not answer.

11 participants said their companies are compliant with all labor laws and regulations, 8 participants said no, 4 participants said unsure and 1 participant did not answer.

21 participants said their companies are compliant with transport, trade, import or export regulations, procedures and restrictions, 1 participant said no, 1 participant said unsure, 1 participant did not answer.

15 participants have said that their businesses have maintained their filing of trade transactions throughout the supply chain and know their supply chain, 7 participants said no, 1 participant said he was unsure and 2 participants did not answer.

16 participants said that they know their businesses use legal timber, 6 participants said no, 2 participants said they were unsure.

4 participants said that they have had access to information about their forest product supply chains to a level that allows them to confirm and document that the material/products

originate from forest sources with low risk of legal violations or that potential risks have already been mitigated. 4 participants were unsure and 12 participants said they do not have access and 4 participants did not answer.

7 participants said their businesses have avoided high risk sources, including wood from countries with imposed sanctions by the UN Security Council or the EU Council on timber imports or exports and wood from countries or areas with prevalence of armed conflicts. 6 participants were unsure and 11 participants said no.

3 participants said their businesses have a necessary and/or appropriate system of segregation or a chain of custody system (CoC). 6 participants were unsure and 13 participants said no and 2 participants did not answer.

17 participants said that their businesses have a comprehensive record keeping the system in place. 5 participants said no. 2 participants did not answer.

12 participants said that their businesses have maintained the records for at least 5 years. 6 paritcipants said no and 6 participants did not answer.

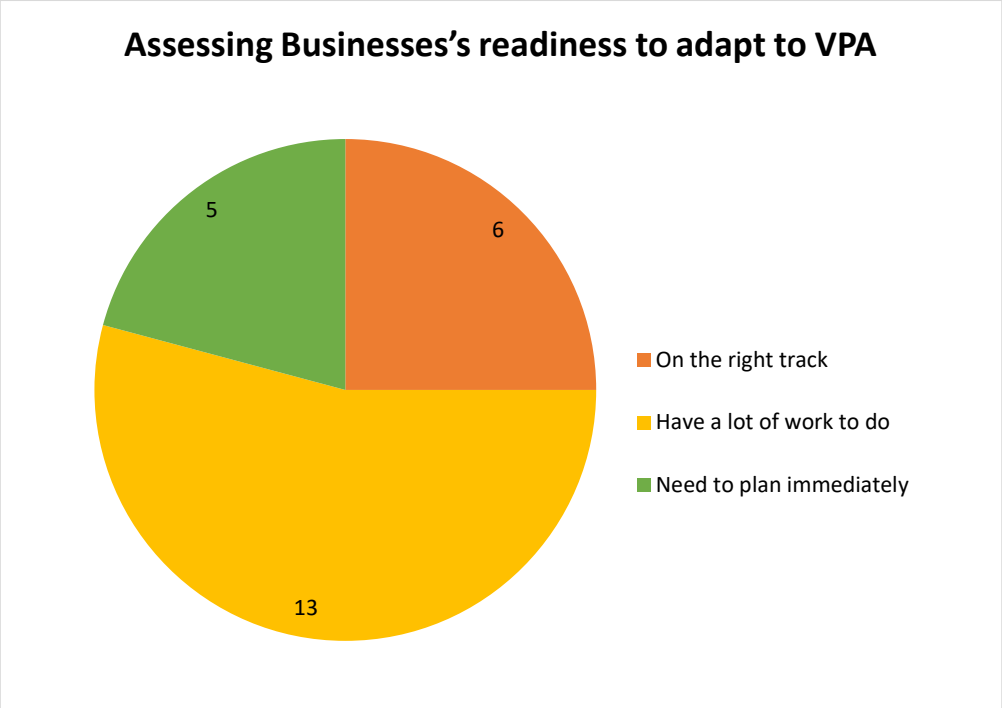

Figure 1. Result of Assessing Businesses's readiness to adapt to VPA

According to the statistics, only 6 out of 24 enterprises are on the right track and able to adapt to VPA-FLEGT, while 18 enterprises have not yet complied with VPA/FLEGT (including 5 enterprises that need to plan to adapt to VPA immediately and 13 businesses that need to spend a lot of time and resources to complete procedures to help businesses be ranked high to meet the requirements of the VPA (see Figure 1)). From the assessment, we can conclude that most of the enterprises participating in the workshop were not prepared to meet the VPA/FLEGT requirements. This shows that participation in VPA/FLEGT will be a big challenge for Dong Ky village and other wood villages in the country.

Exercise 2. The organization's ability to adapt to the seven LD principles (KHÔNG CÓ THÔNG TIN)

The seven LD principles are shown in the figure below:

LD Principles	Government agencies	Main responsibility
Principle I: Harvesting of domestic timber complies with regulations on land use rights, forest use rights, management, environment and society	MONRE	Land use rights and forest use rights; Environmental regulation
	MPI	Business/enterprise registration
	District and Commune Peoples Committee	Land use rights and forest use rights; Supply chain control
	MARD/FPD	Origin of timber; Supply chain control
Principle II: Compliance with regulations on handling confiscated timber	MOF	Handling and auction of confiscated assets
	District and Commune Peoples Committee	Handling and auction of confiscated assets
	MARD/FPD	Origin of timber; Supply chain control
Principle III: Compliance with regulations on importing timber **[EU suggests checking MoIT's responsibility; VN will check]**	MOF/GDC	Customs procedures and regulation
	CITES	CITES permits
	MARD	Plant quarantine
	MARD/FPD	Origin of timber; Supply chain control
Principle IV: Compliance with regulations on timber transportation and trade	MPI	Business/enterprise registration
	Management boards of industry parks/export processing zones	Business/enterprise registration (on industry parks/export processing zones)
	MARD/FPD	Supply chain control
Principle V: Compliance with regulations on timber processing	MPI	Business/enterprise registration
	Management boards of industry parks/export processing zones	Business/enterprise registration (on industry parks/export processing zones)
	MONRE	Environmental regulation
	Province, District Peoples Committee	Environmental regulation
	MARD/FPD	Supply chain control
	MOF/GDC	Customs procedures and regulation

Principle VI: Compliance with regulations on export	CITES	CITES permits
	MARD	Plant quarantine
	MARD/FPD	Supply chain control
Principle VII: (Organisations) Compliance with regulations on tax and labour	MOF/GDT	Tax regulation
Principle VII: (Households): Compliance with taxation regulations	MOLISA	Labour, health and safety regulation

Figure 2. Seven LD principles

Participants were given questionnaires in the form of yes/no questions and were explained the reasons, providing a reference document for each specific criterion (see Annex 3).

Exercise 3. Development, verification and approval of verifiers at all stages of supply chains (establishing a supply chain diagram, review the current compliance requirements of enterprises)

In this section, the participants were divided into groups to discuss, establish a supply chain and review the current compliance requirements of enterprises. Each group will nominate one company as a case study for the group work. This enterprise will provide information for the group discussion. After the introduction about the supply chain, each group will be asked to develop a supply chain of selected companies. Upon completion of the supply chain, the groups will review their operation and practices against LD principles and criterions.

After the groups completed the exercises, each group presented the results at the group discussion. Other groups listened and added comments. The results of the group exercise are presented in Annex 4 of this report (see Annex 4).

3. Results of the workshop

At the end of the workshop, 22 enterprises completed the assessment form.

General assessment

There are 22 assessment forms for 4 contents (Materials, Methods, Specialist/Speaker and Logistics) and 5 levels (Excellent, Very Good, Good, Fair and Poor). Materials for the workshop were evaluated with 11 excellent reviews, 9 very good reviews, 1 good review and 1 fair review. Specialists/Speakers presenting at the workshop were evaluated with 10 excellent reviews, 10 very good reviews, 1 fair review and 1 was not evaluated. Methods have 10 excellent reviews, 7 very good reviews, 3 good reviews, 2 fair reviews. The logistics for the workshop has 11 excellent reviews, 9 very good reviews, 1 good and 1 fair review. See details in Figure 3.

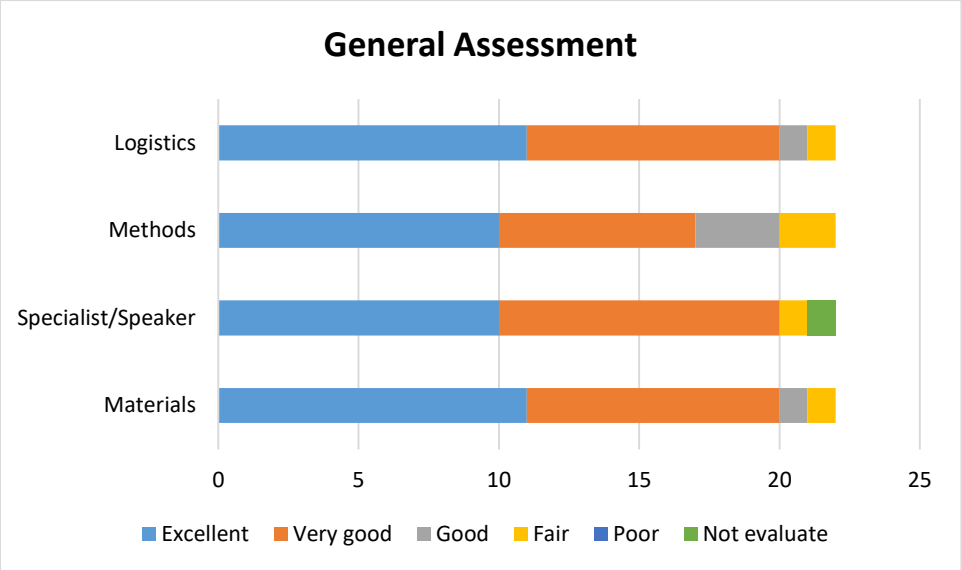

Figure 3. Results of the General Assessment

14 participants indicated that the duration of the workshop was adequate. 2 participants expressed that the duration was too short and not enough to transmit and receive all necessary information. 6 participants did not evaluate the duration. See Figure 4.

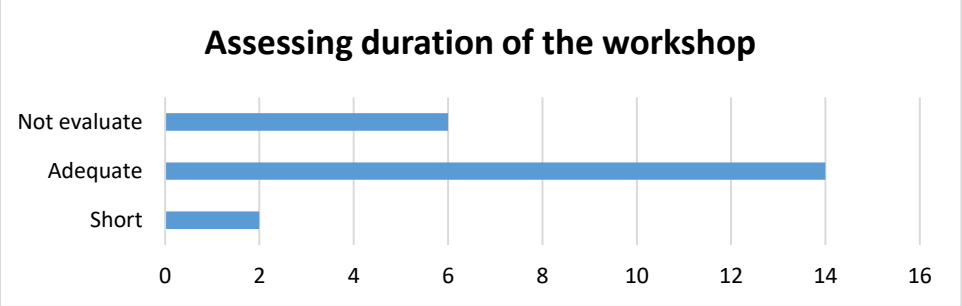

Figure 4. Result of Assessing the duration of the workshop

8 participants have said that the workshop's objectives were achieved on a very good level, 14 assessed at a good level. No one assessed at a poor level. See Figure 5.

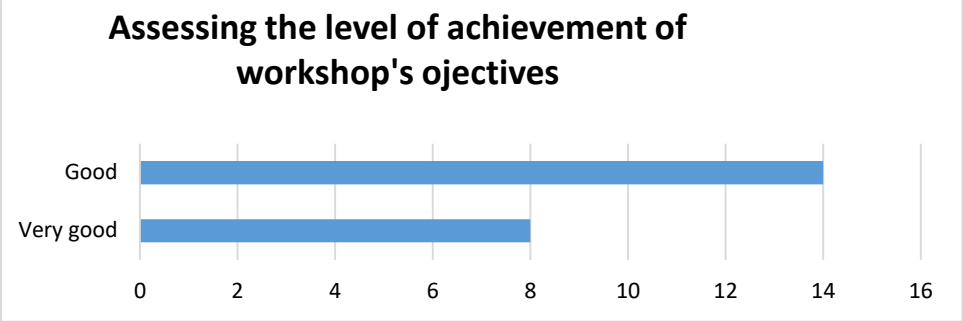

Figure 5. Results of assessing the level of achievement of workshop's objectives

In response to questions about the most impressive content in the workshop, most businesses expressed their satisfaction with the in-depth content helping businesses be aware of the export timber market, labor management, environmental issues, etc. 13 of the participants also commented that the speakers of the workshop were very enthusiastic and expressed their message clearly. 1 business expressed the wish to have more seminars and training in the future.

With questions about the content that businesses can apply immediately for themselves, most businesses expressed that they can adjust the management to trade legal timber as required by international integration, fulfill taxes and buy insurance for workers.

Assessing the level of interest of the business in the workshop's content

22 participants evaluated 2 topics presented in the workshop by 5 levels (Excellent, Very Good, Good, Fair, Poor). The results are as followed: The topic of *"How do small and micro businesses adapt to current legal timber requirements?"* archived 10 excellent reviews, 6 very good reviews, 1 good review, 1 fair review and 4 participants did not answer this issue. The topic *"Declaration to ensure the legal origin of timber"* was evaluated excellent by 11 participants, very good by 6 participants, good by 1 participant and fair by 1 participant, 3 participants did not evaluate. See Figure 6.

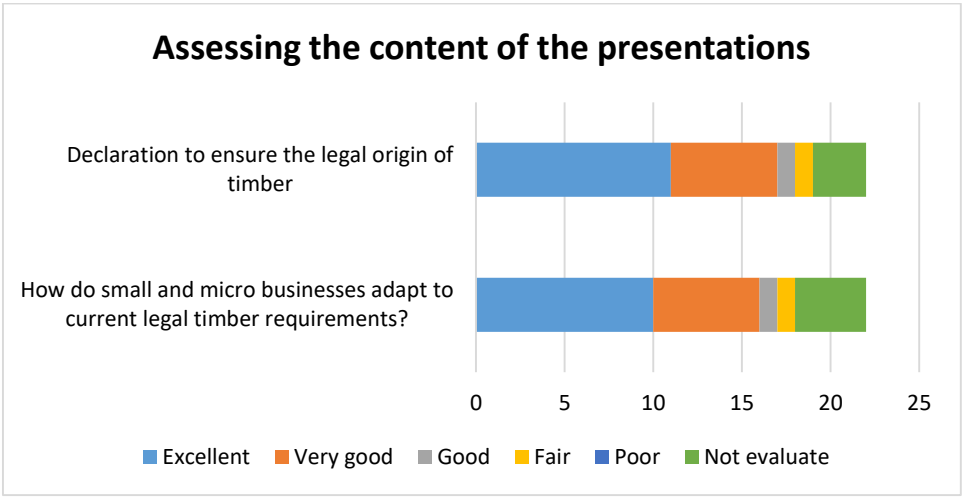

Figure 6. Results of assessing the content of the presentations

As for the practice exercises of the enterprises, the form offers 3 topics with 5 levels of assessment. Exercise 1 *"Assessing the business readiness to adapt to the VPA"* has 1 excellent review, 16 very good reviews, 1 good review, 1 fair review and 3 participants did not evaluate.

Both topics: *"The organization's ability to adapt to the 7 LD principles"* and *"Development, verification and approval of verifiers at all stages of supply chains (as required by TLAS)"* are evaluated excellent by 1 participant, very good by 18 participants, fair by 1 participant and 2 participants did not evaluate these topics. See Figure 7.

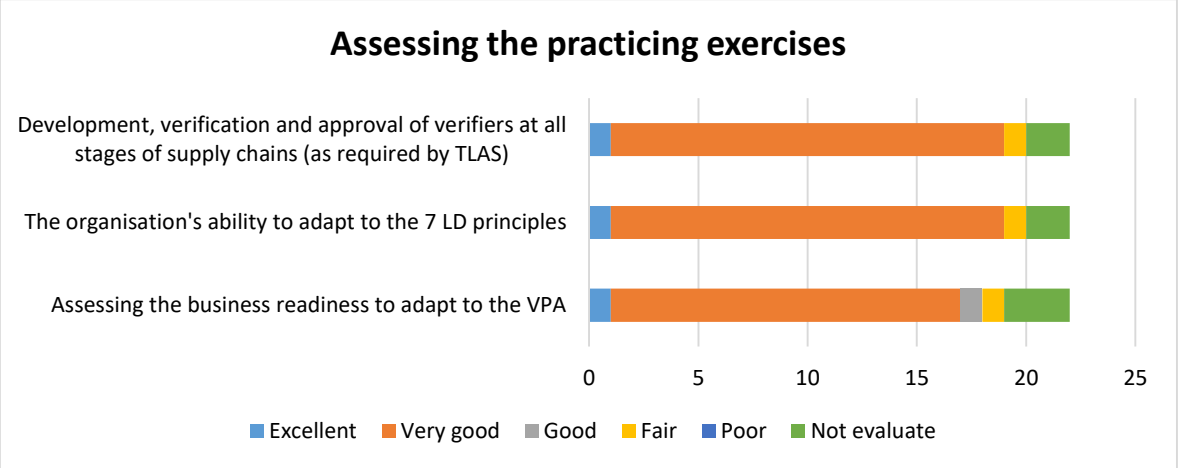

Figure 7. Results of assessing the practicing exercises

Assessing the change of businesses's readiness to adapt to VPA after participation in the workshop

4 participants said they were ready to adapt to the VPA after the workshop (evaluated "excellent"). 15 participants assessed that their understanding of VPA was "better than before the training". 4 participants said that their knowledge about VPA "changed compared to prior to attending but need to improve" and 4 participants did not evaluate. No participants assessed that their understanding of VPA was unchanged compared to before the training. See Figure 8.

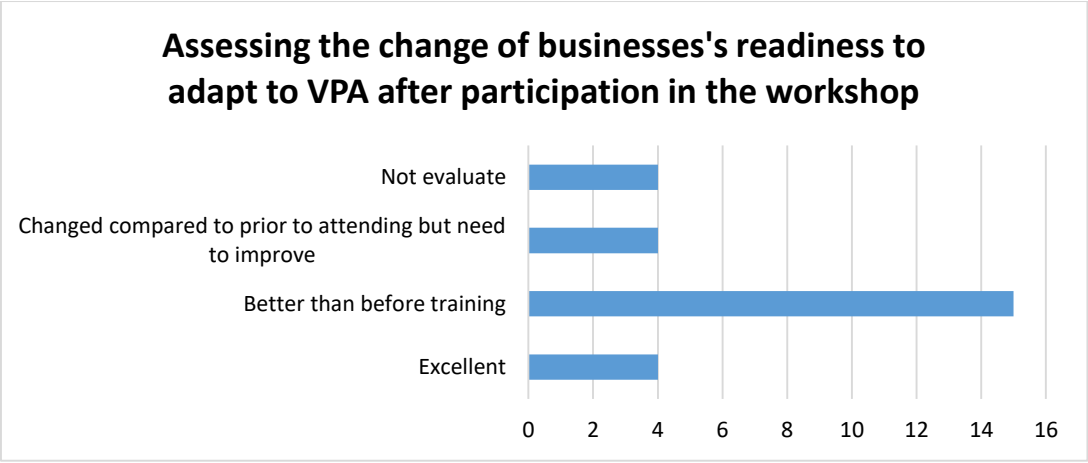

Figure 8. Results of assessing the change of businesses's readiness to adapt to VPA after participation in the workshop

Assessing the demand for support from the businesses to meet VPA requirements

To the question, *"What additional support is needed for businesses to comply with VPA/FLEGT requirements?"*, 16 participants wanted to continue to be trained, 4 participants said they need technical support from experts, 5 participants expected to receive support and an

explaination from Government agencies, forum, customs office and forest protection department, etc. 4 participants did not answer. See detail in Figure 10.

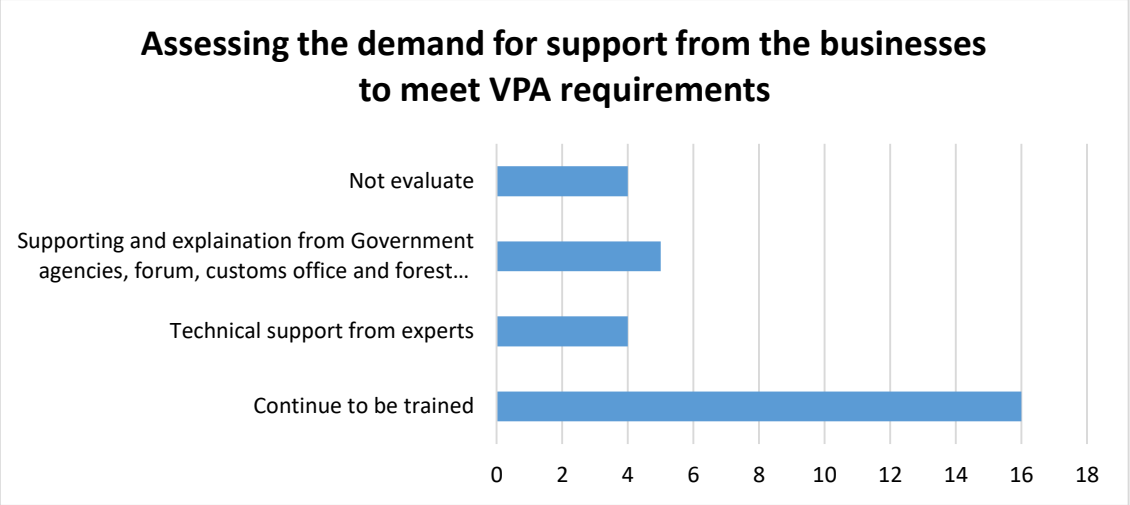

Figure 9. Results of assessing the demand for support from the businesses to meet VPA requirements

Assessing the level of businesses's interest in information

16 participants indicated that the "VPA Compliance Guidance for Enterprises" and "Q&A Vietnam-EU Voluntary Partnership Agreement (VPA)" were needed. 3 of them want to receive online materials and 15 people would like to have printed materials. See Figure 10.

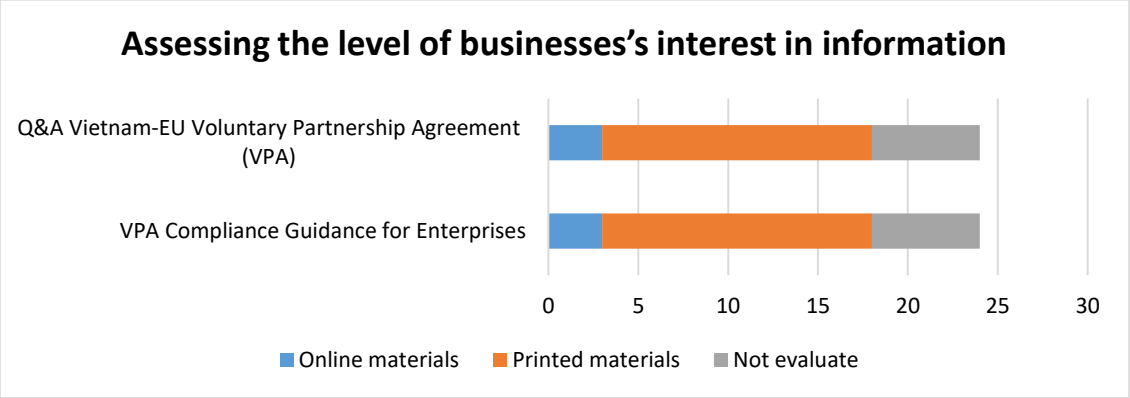

Figure 10. Results of assessing the level of businesses's interest in information

4. Conclusions and recommendations

The workshop has been successful and met the requirements and expectations of the participants. The group of trainers and speakers was diverse and provided a lot of useful updated information, new knowledge and skills for businesses. There was also a lot of sharing among businesses's participants.

There are some recommendations from participants to improve the workshop in the future:

- There will be more workshops, trainings in the future. The workshop should focus on improving the level of people in management and use of machinery.
- In order to be able to adapt to the requirements of the VPA, the businesses need technical assistance from the experts.

- The authorities at all levels, agencies (customs, forest rangers) should have support, answers to questions for businesses.
- Establishing open forums to exchange, discuss and support each other among enterprises, business associations, among enterprises and the state, among enterprises and agencies such as forest protection, customs ...
- More specific options are needed to help households, small businesses and micro-enterprises.
- The Government should take measures to make the competitive environment healthier and more transparent.

5. Annex

Annex. VPA Readiness Assessment Form

No.	Question	Yes	No	Unsure
1	You are legally registered and licensed as a business, and approved for conducting the defined business activities with the relevant authorities as required by law?			
2	You fulfill all obligatory taxes and fees required for conducting the defined business activities?			
3	You are compliant with relevant environmental requirements?			
4	You comply with all occupational health and safety requirements?			
5	You comply with all requirements associated with legal employment?			
6	You adhere to applicable transport, trade, import or export regulations, procedures and restrictions?			
7	You know your supply chains and have the necessary information for them. You have and maintain up-to-date information about products the buy and sell?			
8	You know the timber you are purchasing is legal, or low risk of being illegally harvested?			
9	You have access to information about your forest product supply chains to a level that allows you to confirm and document that the material/products originate from forest sources with low risk of legal violations or that potential risks have already been mitigated?			
10	You avoid high risk sources, including wood from countries with sanctions imposed by the UN Security Council or the EU Council on timber imports or exports and wood from countries or areas with prevalence of armed conflicts?			
11	If necessary and/or appropriate, you have in place a system of segregation or a chain of custody system (Coca)?			
12	You have a comprehensive record keeping system in place?			
13	You are maintaining the records for at least 5 years?			

Assessment checklist results will be calculated according to the following results:

- 10 - 13 times 'Yes': You are on the right track!
- 6-9 times 'Yes': You have a lot of work to do to ensure your business is ready to adapt to FLEGT-VPA!
- 0-5 times 'Yes': You should plan to adapt to FLEGT-VPA immediately!

Adjusted from the questionnaires from NEPCON project.

Annex 2. Workshop agenda

FAO FLEGT PROGRAMME

Food and Agriculture Organization of the United Nations

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Workshop

International requirements for timber exportation - Opportunities and challenges for wood villages

Time: 08:00 – 12:00, 22nd November, 2017

Avenue: Babarina Restaurant, 295B Street, Tu Son, Bac Ninh

Objectives:

- Strengthen the capacity of small businesses in wood villages to meet the requirements of FLEGT-VPA;
- Guide businesses in meeting the legal requirements of timber to comply with VPA requirements.

Participants:

- Small, medium and micro enterprises are members of Dong Ky Furniture Association and timber enterprises in Bac Ninh province.
- Experts and staffs from Center for Education and Development (CED)

Time	Program	Performer
08:00-08:30	Welcome	Organizer
08:30-08:35	Introduction	Organizer
08:35-08:45	Opening Speech Development plan of the Dong Ky wood village in the future	Representative from Dong Ky Furniture Association
08:45-09:00	How do small and micro businesses adapt to current legal timber requirements? Declaration to ensure the legal origin of timber	Ms To Kim Lien – Director of CED Video

09:00-09:15	Assessing the business readiness to adapt to the VPA – Exercise 1	Coordinators: Ms To Kim Lien, Ms Duong Thi Lien All participants
09:15-10:15	Divided into 5 groups: Group (1) Imported businesses; Group (2) Internal Logging enterprises; Group (3) Shipping and trading businesses; Group (4) Processing and furniture manufacturing businesses; Group (5) Exported businesses Exercise 2: Seven principles of LD for organizations Group 1: Compliance with regulations on imported timbers, Customs, business registration, taxes, … Group 2: Compliance with regulations on land use rights, forest use rights, and environment management regulations Group 3: Compliance with regulations on timber transportation and trade, business registration, taxes, … Group 4: Compliance with regulations on timber processing, business registration, environment, taxes and labor issues Group 5: Compliance with regulations on timber exporting, Customs, business registration, and taxes	All groups Using NEPcon documents and toolkit.
10:15-10:30	Break time	
10:30-11:00	Presenting the results of the group discussion	All groups
11:00-11:45	Divided into 5 groups: Development, verification and approval of verifiers at all stages of supply chains (as required by TLAS) Presenting the results of the group discussion	Coordinators: Ms To Kim Lien, Duong Thi Lien Using NEPcon documents and toolkit. All groups
11:45-11:55	Fill in assessment form	All participants
11:55-12:00	Conclusion and Closing speech	Organizer
12:00-13:30	Lunch time	

Annex 3. Questionaire form for Exercise 2 "The organisation's ability to adapt to 7 LD principles"

Criterion/Indicators/ Verifiers	Had	Not have	Explaining	References
PRINCIPLE I: HARVESTING OF DOMESTIC TIMBER COMPLIES WITH REGULATIONS ON LAND USE RIGHTS, FOREST USE RIGHTS, MANAGEMENT, ENVIRONMENT AND SOCIETY				
1. Criterion 1: Compliance with regulations on main harvesting of natural forest timber				

Establishing similar table with other criterions and principles.

Annex 4. Results of group discussion

Group 1

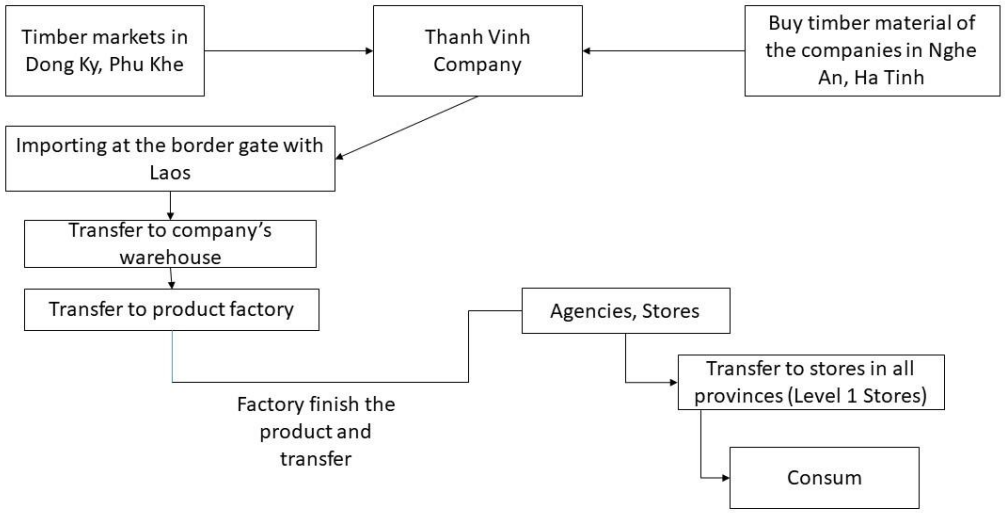

Figure 1. Results of group 1

Group 2

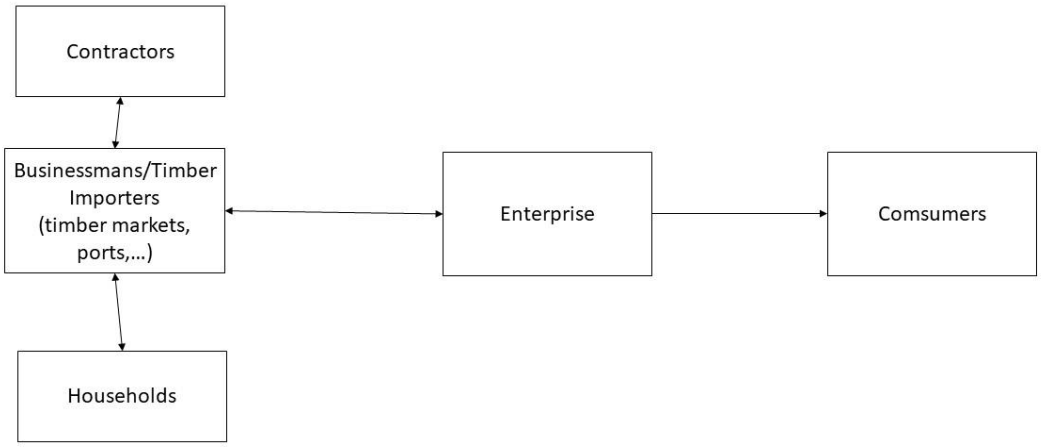

Figure 2. Results of group 2

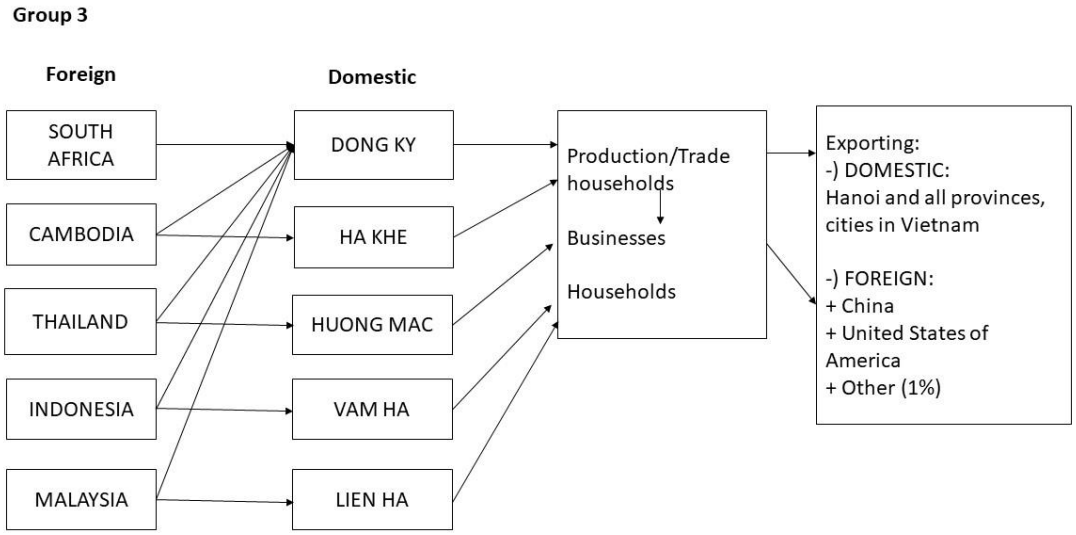

Figure 3. Results of group 3

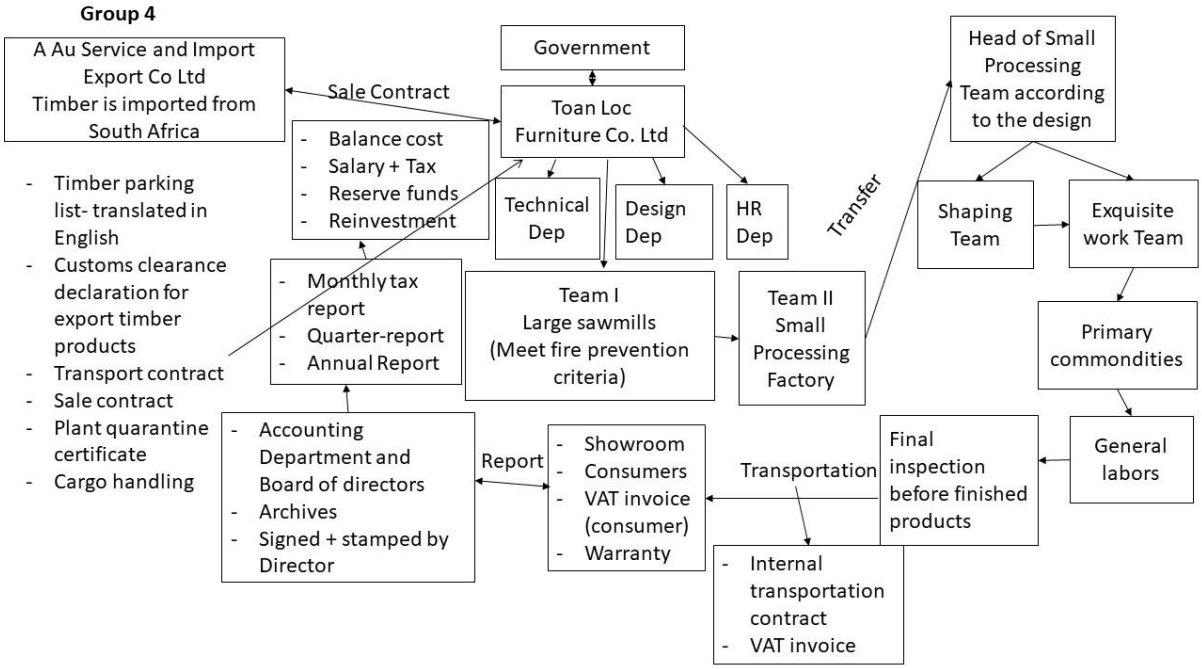

Figure 4. Results of group 4

Annex 4. Some outstanding photos of the workshop

Figure 1. Ms To Kim Lien – Director of Center for Education and Development presented at the workshop

Figure 2. Participants did group exercises

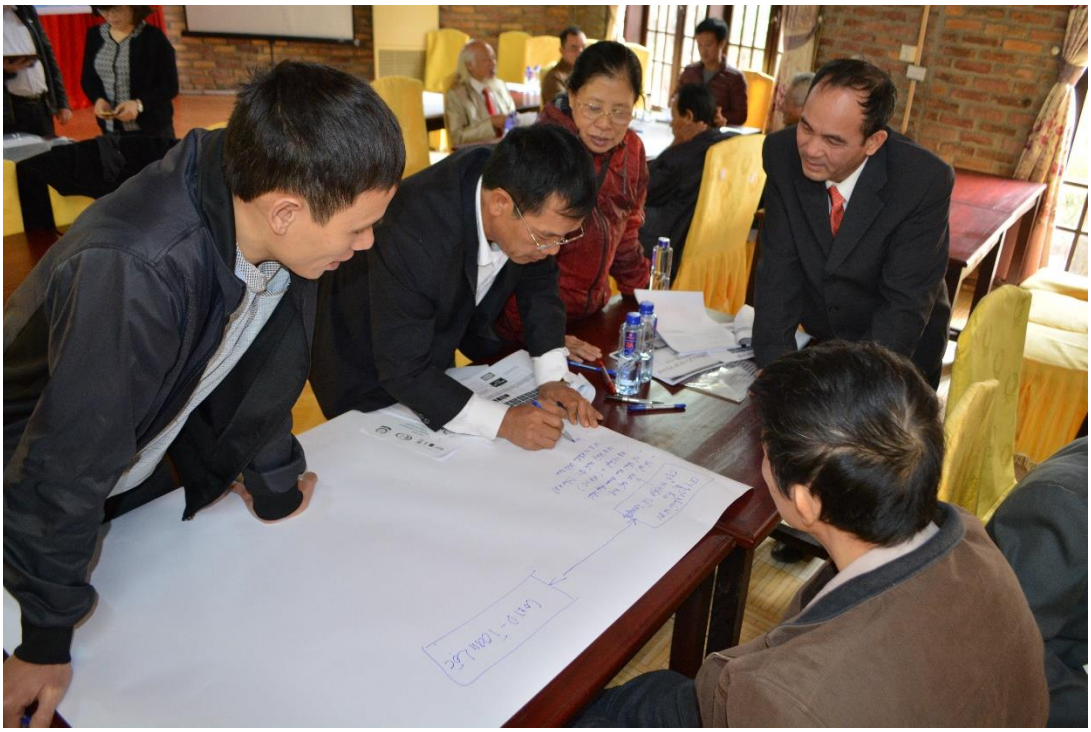

Figure 3. Participants did group exercises (cont.)

Figure 4. Representatives of the groups gave a presentation on the results of the group discussion