PENDING FINANCE

1. General Description:

ID:CN-25040
Project resulting from this CN: N/A
Note: CNs are developed into project proposals following consultation with donor(s).

1.1 Project Title:

Driving Forest-based Bioeconomy in Viet Nam's Acacia Forestry: Development of guidance and dialogue platform for cross-border Vietnamese acacia value chain stakeholders

1.2 Submitting Country/ies:

Viet Nam

1.3 Specific Location & Country/ies/regions/areas benefitting from the project:

Viet Nam

1.4 Endorsement from ITTO Focal Point:

Endorsement letter of the concept note Vietnamese Acacia.pdf

1.5 Intended Project Duration (in months):

24

1.6 Indicative Budget (in US$):

ITTO	280,000
Counterpart	6,000
Total	286,000

1.7 Programme Line Focus

Legal and Sustainable Supply Chains (LSSC)

1.8 Project Type

Analytical work/studies, Workshop/meeting/seminar, Market/product development

1.9 Proposal Summary:

It has been observed that growing importers' demand for products made from acacia small-diameter wood such as wood chips, wood pellets, plywood, is promoting extremely short-cycle logging by smallholders in Viet Nam. Such short rotation causes sustainability problems such as a decline in the productivity of acacia plantations, ecosystem services, and biodiversity. At the root of this problem is a "lock-in" structure that reinforces negative environmental impacts, originating from the continuation and strengthening of existing businesses by stakeholders in Viet Nam and overseas. Currently, no effective solution has been found. The ultimate goal of this project is to transition the value chain which starts from acacia plantations in Viet Nam, to a forest bioeconomy that achieves carbon neutrality, nature positivity, and a circular economy. This initiative will also contribute to improving the livelihoods and expanding the capabilities of small holders in Viet Nam. To achieve this goal, this project aims to accelerate voluntary initiatives by companies. By analyzing the interrelationships among stakeholders, this project will clarify how the procurement practices of importer companies significantly impact the sustainability of the entire value chain, including plantations in Viet Nam. Based on this analysis, the project will develop guidance to encourage changes in their procurement practices. To enable these changes, the project will provide opportunities for dialogue (a platform) to promote collaboration among stakeholders in the acacia value chain system. In addition, in order to ensure equal and constructive dialogue at the platform, we will implement capacity building for stakeholders to promote a common understanding of sustainability issues and improve their ability to collaborate, based on the guidance developed.

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2. Proponent Information:

2.1 Executing Agency Information:

Name of Agency/Organization/Institution:

Association of Vietnam Timber and Forest Product (VIFOREST)

Name of main Contact Person:

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2.2 Type of Organization:

Private Sector/Industry Association

2.3 Collaborating Agency/ies:

Name of Agency/Organization/Institution:

Institute for Global Environmental Strategies (IGES)

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2.4 Relevant experience of EA:

VIFOREST, an association of Vietnamese forest and wood industry enterprises, has collaborated with domestic and international organizations to promote sustainable forest management, responsible wood processing, and trade. It has implemented ITTO projects “Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam” and “Promotion of Sustainable Domestic Consumption of Wood Products in Vietnam,” demonstrating strong capacity in project implementation.

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3. Relevance:

3.1 Conformity with ITTO objectives (ITTA, 2006) and priorities (current SAP):

The project fully supports the overarching objectives of the International Tropical Timber Agreement (ITTA) 2006, which aims to promote both the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests, and the sustainable management of tropical timber-producing forests.

In addition, the project aligns with and contributes to the ITTO's Strategic Priorities and Actions (2022-2026). It fully conforms with Strategic Priority 1: Governance and Investment and Strategic Priority 2: Economies and Tropical Timber Trade, and will also contribute to Strategic Priority 3: Resilience, Restoration and Conservation.

3.2 Relevance to the ITTO Programme Lines:

By enhancing acacia value chains that originate from rural smallholders in Vietnam and cover its exports to Japan, the proposed project is closely aligned with the ITTO Programme Line: Legal and Sustainable Supply Chains (LSSC). This directly supports ITTO's objectives of promoting legal and sustainable timber trade and strengthening supply chain capacity.

Furthermore, the project is highly relevant to the ITTO Programme Lines for Conservation of Biodiversity and Ecosystem Services and Forest Landscape Restoration and Resilient Livelihoods. By promoting sustainable forest management and enhancing acacia value chains through integrating environmental and social considerations, the project will contribute to resilient rural livelihoods and biodiversity conservation.

3.3 Relevance to the Sustainable Development Goals (SDGs) and the Global Forest Goals (GFGs) and other forest related global agenda:

The proposed project is closely aligned with several United Nations Sustainable Development Goals (SDGs): SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, and SDG 15: Life on Land. A core aspiration of this project is to ensure inclusivity by engaging smallholders who manage acacia plantations and Small and Medium-sized Enterprises (SMEs) as key value chain actors, thereby complying with the 'Leaving No One Behind' principle central to the SDGs.

The proposed project comprehensively addresses the objectives outlined in all Global Forest Goals (GFGs), with a particular focus on:
• GFG 4: Promote governance frameworks to implement sustainable forest management.
• GFG 5: Enhance cooperation, coordination, coherence and synergies on forest-related issues at all levels.

In addition, the project is fully aligned with the concept of nature positive as articulated in the CBD Kunming-Montreal Global Biodiversity Framework, and will directly support several key targets, including:
• TARGET 10: Enhance Biodiversity and Sustainability in Agriculture, Aquaculture, Fisheries, and Forestry
• TARGET 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts.

The proposed project aligns closely with and will be guided by two key ITTO policy instruments:
• ITTO Environmental and Social Management Guidelines (ESG): The project promotes sustainable forest management and inclusive value chains. It seeks to improve smallholder livelihoods, encourage stakeholder collaboration, and support climate change mitigation and biodiversity conservation. It aligns with ESG principles such as environmental sustainability, social equity, and good governance.
• ITTO Guidelines for Gender Equality and Empowering Women: The project promotes balanced participation of women in the acacia value chain. Inclusive approaches are emphasized, and gender considerations will be systematically incorporated to ensure equitable outcomes.

3.4 Relevance to submitting country's policies:

The proposed project provides comprehensive support for the policies of Vietnam. It also facilitates the implementation of the Memorandum of Cooperation in the field of forests and forestry, which was signed between Japan and Vietnam in May 2024.

The proposed project is fully aligned with Vietnam's Law on Forestry No. 16/2017/QH14 and the Forestry Development Strategy 2021–2030, with a vision to 2050. Both frameworks emphasize sustainable forest management, long-term plantation planning, large-diameter timber production, and the full utilization of timber and forest land to enhance plantation value. By promoting these priorities, the project will contribute significantly to advancing a more efficient and value-driven plantation sector and establishing a sustainable wood-based bioeconomy.

In addition to the forestry sector, the project also supports the implementation of key cross-sectoral national strategies, including: National Action Plan on Circular Economy by 2035, National Strategy on Climate Change to 2050, and National Green Growth Strategy (2021–2030, Vision to 2050).

In addition, the project is closely aligned with, and supports, the commitments set out in the Memorandum of Cooperation (MOC) between the Forestry Agency, the Ministry of Agriculture, Forestry and Fisheries, Japan and the Department of Forestry, the Ministry of Agriculture and Rural Development, the Socialist Republic of Viet Nam in the field of forests and forestry. The project directly supports and advances the priority areas identified in the MOC, including:

- Sustainable Forest Management:
- Effective Utilization and Management of Forest Resources: and.
- Legally Harvested Timber and Associated Trade.

3.5 Linkages to previous/ongoing ITTO and other projects/activities (if any):

This proposed project builds on three ITTO projects and IGES's 2024 study on wood pellets from Vietnam.

• ITTO PD 815/16 Rev.2 (I): "Increasing Efficiency of Acacia Plantation and Timber Processing Industry in Vietnam."
Enhanced efficiency by promoting large-diameter, certified timber, improving processing technologies, and raising VNTLAS awareness. It trained workers, supported farmers, piloted large-diameter supply, and linked farmers with processors, contributing to a more legal and sustainable wood trade.

• ITTO PP-A/56-342: "Analysis of Timber Legality Assurance Systems and Good Practices in China, Myanmar and Viet Nam."
Found low legality risks in Vietnam's plantation timber, but challenges with multi-layered supply chains and paper-based traceability. Identified good practices and recommended a platform to connect supply and demand actors for sustainable trade expansion.

• ITTO PD 922/21 Rev.1 (I): "Promotion of Sustainable Domestic Wood Consumption in Vietnam."
Promoted domestic market diversification under the regional SWU program. Consultations highlighted the need for large-diameter timber, stronger collaboration between processors and plantation owners, incentives for sustainable production, and better use of residues for biomass.

• IGES 2024 Study:
Based on the case study, showd overseas demands may shape acacia plantation sustainability. Smallholders depend on markets, with demand for small-diameter timber shortening harvest cycles. It stressed that sustainable outcomes require not only domestic efforts but also engagement of import-side actors.

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4. Project synopsis:

4.1 Objectives (reflecting reference to elements within all ITTO Guidelines as applicable):

Until now, sustainable timber has been undervalued in markets, limiting the spread of Sustainable Forest Management (SFM). Producers lack incentives to cover additional SFM costs. Recently, private companies began voluntary efforts toward sustainable value chains aimed at carbon neutrality, nature positivity, and circular economy. Demand is shifting from “using wood” to “using sustainably produced wood,” but individual efforts are insufficient; broad collaboration is needed.

The Vietnamese acacia value chain shows these challenges. Forest cover has improved mainly through smallholder acacia plantations, driven by strong overseas demand. However, this demand has unintentionally encouraged excessively short rotations (4–5 years), risking productivity, carbon sequestration, ecosystem services, and biodiversity. Most exports (wood chips, fuel) primarily use small-diameter logs with limited cascading use of residues.

Though Vietnam’s government and overseas companies pursue sustainability, collaboration is fragmented, and differing views maintain “lock-in” systems, blocking systemic solutions.

The ultimate goal of this project is to promote a forest bioeconomy achieving carbon neutrality, nature positivity, and circular economy by integrating Viet Nam’s acacia value chains as one system. This approach embeds sustainability from tree growing to product use and disposal while improving smallholder livelihoods and capacity through SFM. To do so, the project seeks to accelerate voluntary corporate initiatives.

The project’s uniqueness lies in viewing multiple acacia product value chains as one integrated forest bioeconomy system, targeting cross-border stakeholders in Viet Nam and importing countries. While smallholder capacity building is not direct, their role and interests remain central.

4.2 Key problem(s) to be addressed:

• Problem 1: Structural problems in the acacia value chains that hinder sustainability (e.g., excessive shortening of rotation periods in plantations due to demands from overseas) are not sufficiently understood by stakeholders.

• Problem 2: There is a lack of a common vision and concrete action plans for the transition to a forest bioeconomy. A vision for a sustainable acacia value chains that considers carbon neutral, nature positive, and circular economy (e.g., promotion of sawmilling operations to prevent excessive shortening of the cutting cycle in acacia plantations and promotion of cascade utilization of waste materials) and a concrete pathway to achieve this vision (cooperative actions by stakeholders) have not been shared among stakeholders. In particular, acacia wood importers and users lack practical information and support to take concrete actions.

• Problem 3: There are insufficient opportunities for dialogue among stakeholders in the acacia value chain. Coordination among the various parties involved, which is necessary for systemic change, is not sufficient.

• Problem 4: Varying levels of understanding among stakeholders in the acacia value chain regarding sustainability issues make constructive dialogue for collaboration challenging.

4.3 Main stakeholders and beneficiaries:

• Vietnamese businesses dealing with acacia plantation wood (traders, processors, exporters, etc.)
• Oversea businesses dealing with or using Vietnamese acacia wood (trading companies, manufacturers, etc.)
• Vietnamese acacia plantation owners (indirect beneficiaries)

4.4 Key activities:

• Activity 1: Detailed analysis of the current status and problems of the acacia value chains
Through mapping cross-border stakeholders, analyzing causal relationships, and analyzing unexpected negative impacts, we will clarify the “lock-in” structure of the system and conduct a detailed, multifaceted analysis of the current sustainability issues facing acacia value chains. A case study will also be conducted targeting Japanese businesses that are major importers and users of Vietnamese acacia wood.

• Activity 2: Formulation of practical guidance on forest bioeconomy for companies
Formulate guidance to support acacia wood importers and user companies in incorporating goals such as carbon neutrality, nature positivity, and circular economy into their business operations and linking them to concrete actions (e.g., collaboration between different wood industries for cascade utilization, provision of incentives for sustainable production through long-term contracts with plantation owners who are mostly smallholders. This guidance will be based on stakeholder interviews and will include clarification of the vision, feasibility assessments based on existing best practices, and evaluations of risks and opportunities associated with the transition.

• Activity 3: Promoting dialogue among stakeholders.
Establish the foundation for a platform (“Acacia Plantation Bioeconomy Platform”) to promote dialogue for collaboration and cooperation among diverse stakeholders involved in the acacia value chains.

• Activity 4: Capacity Building for Stakeholders
For the first step of the platform, to hold meetings in Viet Nam and Japan as pilot to implement capacity building for enhanced understanding, enabling future equal dialogue.

4.5 Expected outcomes and impacts, including innovation/transformation:

• Output 1: Report on the current status of the acacia value chain
A comprehensive analysis report on the current status of the acacia value chain system, mapping of stakeholders in the entire value chain system, existing lock-in structures, problems related to sustainability, and the impact of overseas demand. This includes causal analysis and insights into unexpected negative impacts.

• Output 2: Practical Guidance on Forest Bioeconomy for Companies
Practical guidance for acacia wood user companies on specific roles, opportunities, and best practices for incorporating forest bioeconomy principles into their businesses. This includes collaboration between different wood industries for the utilization of waste wood, engagement with plantation owners, and technology transfer needed locally.

• Output 3: Basic Framework for Stakeholder Collaboration
A concrete framework and plan for establishing a future platform to promote dialogue and collaboration among diverse stakeholders involved in the acacia value chain system. This includes a report on capacity building for businesses to increase their understanding.

• Output 4: Follow-up Plan
Create a plan that clarifies the actions necessary after the project completion.

Upon completion of this project, the following results and impacts are expected in the medium to long term. These results will contribute to the sustainable transformation of the acacia value chain and to broad social, environmental, and economic benefits.
Short-term results and impacts (during the project period)
• A common understanding of the current state of the acacia value chain system and its lock-in structure will be fostered among stakeholders, and problems will be shared.
• Opportunities for dialogue and collaboration among key stakeholders in the value chain will be created, understanding of the importance of collaboration will deepen, and concrete actions will be considered.

4.6 Existing funding for (related) initiative(s)/established contacts to potential donors:

NA

4.7 Any other information deemed necessary/important:

NA

4.8 Risk mitigation measures:

Risk 1: Disagreements among stakeholders and difficulties in establishing a cooperative framework
This project is based on collaboration among diverse stakeholders, so it may take time to reach consensus and establish a cooperative framework.
Risk mitigation measures:
• VIFOREST, an industry association representing Viet Nam's forestry sector, will serve as the local partner for this project and coordinate with Vietnamese stakeholders.
• At present, cooperation for this project has been secured from Japanese importers interested in sustainable acacia wood production in Viet Nam.
• To secure cooperation from more companies, we will strive to build good relationships through stakeholder interviews conducted as part of the project and maintain transparent communication.
• Experienced facilitators will be employed for stakeholder meetings.

Risk 2. Changes in government policy
Risk mitigation measures:
• We will share project progress and results with the governments of Viet Nam and other importer countries including Japan and ITTO, and strive to collect information and provide insights.

Risk 3. Difficulty in collecting data related to the value chain, including small-scale farmers
Risk mitigation measures:
• We will collaborate with reliable local partners (NGOs, research institutions, regional organizations, etc.) in Viet Nam to establish a local data collection system. VAFS, which has already accumulated a significant amount of information, is the local partner for this project. Additionally, the aforementioned Japanese companies have also accumulated data and are willing to share information.

5. Indicative Budget (in US$):

Indicative Budget (in US$):

Description	ITTO	Counterpart	Total
Personnel	132,560	3,000	135,560
Sub-contracts	60,000	0	60,000
Travel and DSA	20,000	0	20,000
Capital Items	0	0	0
Consumables	1,000	0	1,000
Publication / Dissemination	13,000	3,000	16,000
Miscellaneous	0	0	0
Total	226,560	6,000	232,560

ITTO Project Monitoring & Review	18,000	-	18,000
Annual/Final Audit	10,000	-	10,000
ITTO Programme Support	25,440	-	25,440
ITTO Ex-post Evaluation	0	-	0
GRAND TOTAL	280,000	6,000	286,000