COMPLETION REPORT OF ITTO PROJECT PD 815/16 REV.2 (I)

"INCREASING EFFICIENCY OF ACACIA PLANTATION AND TIMBER PROCESSING INDUSTRY IN VIETNAM"

VIETNAM TIMBER AND FOREST PRODUCTS ASSOCIATION (VIFOREST)



Project number	:	PD 815/16 Rev.2 (I)
Project title	:	Increasing efficiency of acacia plantation and timber processing industry in Vietnam
Host Government	:	Vietnam Administration of Forestry (VNFOREST)
Executing Agency	:	Vietnam Timber and Forest Product Association (VIFOREST)
Starting date	:	1 August 2018
Project duration	:	24 months (actual: 36 months)
Total project costs	:	USD 146,480



Acknowledgements

With this completion report, the Executing Agency of the project would like to express heartfelt gratitude to the International Tropical Timber Organization (ITTO) for valuable support and guidance during the implementation of the ITTO project PD 815/16 Rev.2 (I) *"Increasing efficiency of acacia plantation and timber processing industry in Vietnam"*.

We take this opportunity to convey sincere thanks to Dr. Tetra Yanuariadi, ITTO Projects Manager, for his professional advices and patient guidance needed for the project to arrive with expected outcomes.

We feel happy and indebted to reiterate gratitude to the Government of The Republic of Korea for valued grant aid to enable the project implementation.

Particular gratitude goes to Prof. Dr. Pham Van Dien, Deputy Director General of VNFOREST, Mr. Tran Hieu Minh, Deputy Director and Mr. Luu Tien Dat, Senior Staff, DOSTIC, VNFOREST, for their leadership and direction upon the overall project implementation from year 2018 - 2021.

Deepest gratitude goes to Mr. Nguyen Ton Quyen, Ex-Vice Chairman and Secretary General of VIFOREST (2000 – 2019) for his leadership and direction on the project implementation.

The project coordinator would also like to record his special appreciation and gratitude to Dr. Nguyen Thanh Cao, Vice Director of the Southern Brand of VAFS, Mr. Nguyen Tien Lam, Deputy Director of Nghe An DARD, Mr. Nguyen Thanh Binh, Chairman of Thanh Lam Plantation Co-op for their wonderful partnership and collaboration with the project.

The project also expresses appreciation for the hard work and active collaboration extended by all consultants and experts who were assigned to work in different project periods and successfully implemented all activities based on project schedule.

Executing Agency of
ITTO PD 815/16 Rev.2 (I)

List of Abbreviations and Acronyms

B2B	Business-to-business
BIFA	Binh Duong Furniture Association
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DARD	Department of Agriculture and Rural Development
DOWA	Dong Nai Wood and Handicraft Association
DOSTIC	Department of Science, Technology and International Cooperation of VNFOREST
EA	Executing Agency
EU	European Union
EUTR	European Union Timber Regulations
FLEGT	Forest Law Enforcement, Governance and Trade
FPA Binh Dinh	Forest Products Association of Binh Dinh
FPD	Forest Protection Department
GIZ	Deutsbit Gesellschaft für Internationale Zusammenarbeit,
HAWA	Handicraft and Wood Industry Association of Ho Chi Minh City
ILP	Australian Illegal Logging Prohibition Act
ITTO	International Tropical Timber Organization
JICA	Japan International Cooperation Agency
MSME	Micro small and medium enterprise
MARD	Ministry of Agriculture and Rural Development of Vietnam
Preferred by Nature	NEPCon
SFM	Sustainable Forest Management
TLAS	Timber Legality Assurance System
ToT	Training of Trainer
UN	United Nations
VAFS	Vietnam Academia of Forest Sciences
VFC	Vietnam Forester Club
VIFOREST	Vietnam Timber and Forest Products Association
VNFOREST	Vietnam Administration of Forestry
VNTLAS	Vietnam Timber Legality Assurance System
VNUF	Vietnam National University of Forest
VPA/FLEGT	Voluntary Partnership Agreement/ Forest Law Enforcement, Governance and Trade
WIC	Wood Industry Collage

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1. Project identification

1.1 Context

Vietnamese wood industry has been experiencing fast growth over the last 2 decades. In 2020, the turnover of wood and wood product export was reported at USD 12.3 billion with wooden products being exported to almost 140 countries/territories. Wood and wood products are amongst 6 top export commodities and providing considerable contribution to economic development of Vietnam.

However, the wood industry sector is still facing certain challenges and problems. Due to the limited supply of larger-size and certified timber from domestic sources (farmers are cutting acacia within too much short rotation of 4 – 5 years), wood industry of Vietnam are severely dependent on imported raw materials. Meanwhile, acacia dominates planting species, accounting for 80 – 90% of the commercial plantations established so far in Vietnam. As a result, most of commercial plantation target at woodchip and wood-based panel production rather than down-stream processing for value addition. At present, there are over 6,000 enterprises engaged in the wood industry and most of them are MSMEs. Lack of appropriate technologies and business-governance capacity in furniture manufacturing and marketing makes the sector even more vulnerable to local and overseas uncertainties. With VPA/FLEGT becoming effective from 2019, the Government of Vietnam has made strong commitment to avoid illegally sourced wood from all supply chains and timber legality assurance has placed another challenge on the sector.

Acacia, as an exotic planting species, was introduced to Vietnam in mid of the last century. With fast growth and site adaptive advantage, acacia has become the most dominant planting species in Vietnam. While small acacia wood is predominantly used to feed woodchip and wood-pellet factories, larger-size wood is extensively used for furniture making for domestic markets and export. Therefore, the project decided to target at improving acacia plantation performance and acacia wood processing.

This very first Vietnam's project funded by ITTO has been found consistent to forestry and wood industry development policies applicable in Vietnam. Following are the key policies that are in favor of project implementation:

✓ Decision No. 18/2007/QD-TTg dated 05 February, 2007 of the Prime Minister approving Vietnam Forestry Development Strategy 2006 – 2020 with specific emphasis on "*promote forestry development to provide significant contribution to economic growth, poverty reduction and environmental protection*" and "*forest product export reaches USD 7.8 billion, including USD 7.0 billion of wood products and USD 0.8 billion of NTFPs*".

✓ Decision No.124/QD-TTg dated 02 February, 2012 of the Prime Minister promulgating Master Plan on Development of Agricultural Production by 2020 and Vision toward 2030 stipulating the need for "*Reorganization of wood working industry to balance production capacity and stable supply of raw material*."

✓ Decision No. 1393/QD-TTg dated 25 September, 2012 of the Prime Minister to issue the National Strategy on Green Growth advocating for efficient resource utilization, green industry development, climate smart agriculture development and environment-friendly agro-industry development.

✓ Decision No. 2728/QD-BNN-CB dated 31 October, 2012 of the Ministry of Agriculture and Rural Development adopting "The Master Plan for Vietnamese Wood Industry Development up to 2020 and vision towards 2030". In this Master Plan, wood processing industry and wood product trade is seen as one of key sectors which can provide substantial contribution to the national economic development. To achieve the objectives defined by the Master Plan and utilize the competitive advantage of abundant labor and plantation resources, efforts need to be made to strengthen collaboration between the wood growers and wood processing companies.

✓ Decision 899/QD-TTg dated 10 June, 2013 of the Prime Minister specifying the scope of further forestry development by "*Restructuring the forestry sector to increase economic value and enhance capacity to protect environment, and improve people's livelihoods*". With wood industry, the restructure advocates for a switch from short-rotation to an extended rotation of acacia plantation business to produce larger-size timber for value-added wood product manufacturing while assuring wood legality and responsible trade.

1.2 Origin and problems

Wood industry sector of Vietnam has been experiencing a high growth and creates employments for about 600,000 workers, and indirectly, it contributes to provide employments for millions of farmers who are involved in plantation forestry. Wood processing and trading has become the key driver for reforestation in Vietnam. The further development of the sector, however, is facing problems in limited capacity to source timber of larger size and higher quality, lack of forest certification and absence of systemized legal evidences to assure timber legality. In addition, the limited awareness of timber growers, timber processors and traders on VNTLAS and FLEGT/VPA requirements are hampering the continued growth of this export-oriented industry.

To secure timber supply for wood processing and mitigate dependency on imported raw materials, the forest sector of Vietnam seeks to facilitate plantation rotation extension, improved seedling propagation and plantation management and so on. On the other hand, as the Government of Vietnam has made strong commitment to go forward with sustainable forest management and responsible wood processing and trading, wood legality assurance has become imperative.

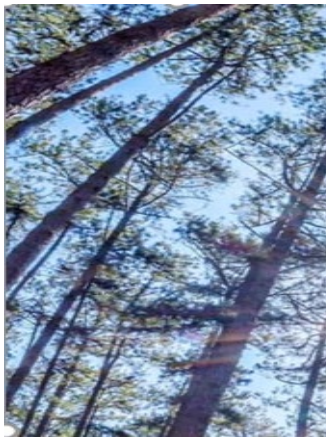
Of great significance is the improvement of the efficiency of acacia plantation business and acacia timber processing and trading. Vietnam, as a new member of ITTO, therefore, is seeking ITTO support for implementation of this project.

2. Project objectives and implementation strategy

The project was expected to provide contribution to increase the efficiency of the acacia industry in both plantation establishment and wood product manufacturing and trading and, thereby, enhance socio-economic and environmental benefits generated by Vietnam's forestry and wood industry. To reach this goal, project activities will be focused on:

- ✓ Increasing the proportion of acacia larger diameter timber (> 15 cm) and the share of certified timber in 3 selected provinces to meet wood demand from wood processing industry in the context of VPA/FLEGT and VNTLAS implementation.
- ✓ Enlarging the value of acacia timber-based products in 3 pilot provinces and, thereby, contribute to improve the efficiency of the forest sector and its contribution to the development of Vietnam's economy.

To reach this goal and objectives, the project was expected to reach the following indicators:



- ✓ Production of acacia larger diameter (> 15cm), improved quality and certified timber in 3 selected provinces will be increased by 35% - 45% in 3 years following project termination.
- ✓ Export value of acacia plantation products in 3 pilot provinces will be increased by 20% - 25% in 3 years after project completion.

As it was mentioned above, Vietnam's forestry and wood industry are experiencing very dynamic processes and initiatives toward sustainable forest management and responsible wood product manufacturing and trading. Central to these processes and initiatives is the improvement of efficiency of acacia plantation and acacia timber processing industry. As Vietnam's forestry and wood industry development is highly export oriented, efficiency improvement would not be succeeded without timber legality assurance. Due to the limited lifespan and funding, the project applied the following strategies:

- Concentrated on prioritized field interventions and policy framework improvement, whenever possible, on-ground activities will be conducted to provide feedbacks to policy makers;
- Facilitation/catalyzation of on-going processes/initiatives toward SFM and improvement of the efficiency of acacia plantation and acacia timber industry;
- Maximum utilization of the Executing Agency's existing networks and relations to reach project outcomes and enlarge project impacts;
- Cost effective by utilizing every available opportunity to cooperate with relevant stakeholder groups to proceed with project planned activities.

The outputs of the project have been produced and multiplied with following assumptions:



- ✓ As acacia plantation business has been driven by wood processing industry/wood product market, wood growing farmers were expected to pro-actively engage in project activities;
- ✓ Demands on acacia timber was increasing, wood processing enterprises continued their willingness to participate in all project activities and contribute to achieve project objectives.
- ✓ The Government of Vietnam would be further determined to improve the economic, social and environment benefits to be generated by SFM and responsible wood processing and trading and undertake every effort to fulfil its commitment to go forward with timber legality assurance.

3. Project performance (Project elements planned and implemented)

i) the realized performance versus the planned performance, indicating precisely the differences between planned and realized Project elements.

(a) Specific Objective(s)

The specific/short-term objective of the project was "to increase efficiency of acacia plantation business and timber processing industry in Vietnam".

(b) Outputs and related Activities:

Output 1: Increased local supply of lager-size, certified and higher quality acacia timber to meet the demand from wood processing enterprises by:

- The number of plantation owners (mostly small households) who will produce larger acacia timber by extending plantation rotation in 10 selected districts of 3 targeted provinces will be increased by 20%.
- 100% of acacia wood processors who are involved in project implementation get access to proper acacia timber processing technologies and be trained in sorting, sawing, drying and preserving acacia timber.
- 100% of these business companies have ability to comply with TLAS.

Activity 1:

- Support forest owners to get access to preferential loans and other incentives/subsidies for extending plantation rotations (8-10 years instead of currently applied 4-5 years).
- Introduce silvicultural technologies needed for high-yield plantation establishment by facilitation of improved seedling propagation and application of intensive plantation management techniques.
- Facilitate partnership between timber growers/plantation farmers and wood processing enterprises to promote forest certification and improve acacia timber supply chain.

Output 2: Improved capacity to increase efficiency of acacia timber processing industry

Activity 2:

- Provide information and connect potential wood-working machine manufactures with wood processing enterprises to deliver advanced sawing devices and automatic lumber drying technologies.
- Arrange training courses on timber classifying, sawing, drying and preserving for material procurement staffs and technical workers.
- Build a database of acacia plantation and acacia timber to support design, marketing and development of new acacia timber products.

Output 3: Raised awareness on VNTLAS applicable for acacia plantations

Activity 3:

- Provide guidance on VNTLAS for stakeholders who are engaged in acacia timber processing industry.
- Evaluate and simplify procedures to reduce the costs of VNTLAS practice applicable for acacia plantations.
- Provide short-term training courses on VNTLAS.

(c) Schedule:

Starting date; 1 August 2018
Duration: 2 years (original); 3 years (actual)

(d) Total amount of expenditures: USD 146,480

4. Project outcome, target beneficiaries' involvement

Photo 1: Meeting at VNFOREST to start up project project implementation

The project has arrived with the following outputs:

4.1 Output 1: Increased local supply of lager-size, certified and higher quality acacia timber to meet the demand from wood processing enterprises:

4.1.1 Policy consultation on acacia plantation development

Photo 2: Prime Minister Nguyen Xuan Phuc visiting the show of acacia-timber furniture during the National Conference on Promoting Sustainable Wood Processing Industry held by VNFOREST with project support, 22 Feb, 2019 in Hanoi

With support of the project, VIFOREST has maintained contacts with VNFOREST and MARD to advocate for policies and policy tools to improve the performance of acacia plantation. As a result, various policies have been issued by the Government to provide preferential credits for farmers to endure acacia cutting cycle, strengthen research on acacia seed and seedling improvement and expand acacia-plantation area to increase acacia timber sourcing.

The project also supported VIFOREST to participate pro-actively in preparation of the National Strategy on Forestry Development 2021-2030 and vision to 2050. According to this National Strategy, in the period 2021 - 2025, 0.5 million ha of plantation will be FSC certified and in the next period between 2026 - 2030 the FSC certified plantation area will be added with 1.5 million ha. In addition, preferential credits will be applied to support farmers' effort to extend acacia cutting rotation for larger-size timber production.

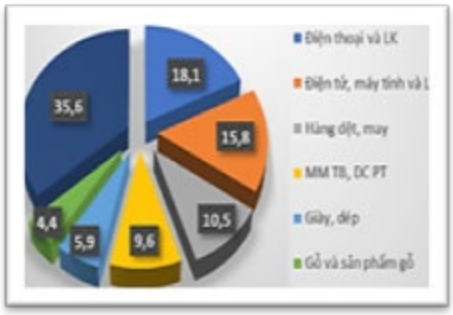
Project coordinator speaking at the National Workshop on facilitation of private investments in sustanable

In In particular, the project supported VIFOREST and MARD to co-hold 2 national forums on further development of wood industries. These events were followed by Government decisions to allocate state budget for plantation development (Decision 38/2016/QĐ-TTg dated 14 September 2016 and Degree No 57/2018/NĐ-CP of Government on policies to encourage private sector to invest in agriculture and rural development).

Prime Minister Nguyen Xuan Phuc visiting the shiw of acacia-timber furniture and delivering speech at the National Forum on Sustanable Development of Wood Industry jointly held by MARD and VIFOREST with project support, 8 August 2018, HCM City

Photo 3: Mr. Ngo Sy Hoai, Project Coordinator, delivering speeach on the further development of Vietnam's wood indutry by facilitating farmers and private sector to improive efficienicy of acacia plantation business

Project coordinator updating project progress at VNFOREST workshop, 11 July, 2020



Wood export ranked No. 6th amongst top export commodities in 2020

Project staffs at a panel discussion co-organized by VNFOREST and JICA, May 2018

Project expert sharing silvicultural knowledge at a workshop on household-based acacia plantation business, Oct 2018

With the introduction of DARD, Nghe An Province, project contracted Nghe An Center for Forest Development to provide technical assistance for a newly established Platation Co-op to shift from small-size to bigger-size timber production. Trainings on sylvicultural techniques, starting from seed orchard establishment, nursery practice, thinning and prunning of young plantation etc. were provided to staffs of the Co-op and selected local farmers.

Visiting piloted acacia hybrid plantation in Binh Dương Provicne in 2019

In May 2019, Vietnam became 51st member of PEFC and the Vietnamese Forest Certification Scheme (VFCS) was endorsed by PEFC. This means that from now on large area of acacia plantation established in Vuietnam may be certificated by PEFC via VFCS.

Project has facilitated acacia timber processors to work with farmers to improve acacia plantation business. NAFOCO, WOODLANDS and Scancia Pacific, among others, are working with plantation farmers in the Northern Vietnam to set up joint venture for production of large-size and FSC certified acacia timber.

As an innovative financing mechanism, PFES (Payment for forest environmental services) help to collect about USD 130 million a year mostly from hydropower plants, ecotourism and water supply to remunerate the farmers who contribute to SFM by protection of existing forest resources and reafforestation of baren lands and denuded hills.

Prof.Dr. Pham Van Dien, Vice Director of VNFOREST and Prof. Dr. Nguyen Van Chuong, Vice Director of VNUF, addressing participants of project workshop on acacia plantation management

Project staffs meeting with students of Silvicultural Faculty, VNUF

Study tour of acacia plantations for JICA and VNFOREST visitors, July 2018, Hoa Binh Province

4.1.2. Technical assistance for improving the performance of acacia plantation

- In September 2018, project cooperated with FSC Asia Pacific to introduce FSC standards to plantation holders and acacia timber processors through a series of training workshops. Representatives of plantation farmers and wood processing companies from Hanoi, Nam Dinh and Bac Ninh Provinces were invited to attend workshops. These 2 selected groups of stakeholders were facilitated to have intensive dialogues.

Participants of FSC certification workshop wood enterprises, August 2018 at VIFOREST office

Ms. Jayco Fung, Head of Market Development of FSC Asia Pacific, with the participants of workshop

From 2018, project has been facilitating Hoa Phat Co. to work with selected plantation companies and co-ops in the North of Vietnam to invest in larger-size and certificated acacia timber production. As a result, Hoa Phat has developed over 50,000 ha of intensive acacia plantation which are concentrated on larger-size and FSC certified timber production. This company is expected to become a major provider of larger-size acacia timber for NAFOCO, Woodlands and some other companies for wooden furniture manufacturing for export to EU markets.

Acacia mangium and Acacia auriculiformis propagation at Laboratory of VNUF, 2019

Project coordinator and Director of Hoa Phat Co. during a toour of FSC certified acacia plantation, May 2019

Project promoted connection between Sozits, a Japanese owner of 10,000 ha of acacia plantation, and Hoa Phat Co. for exchanging experience and know-how on plantation management for larger-size acacia timber production.

A saw mill nearby plantation owned by Hoa Phat Co., May 2019

FSC certificate has been granted to acacia plantation owned by Hoa Phat Co.

Project also supported Hoa Phat Co. to conduct feasibility study for acacia plantation business in Thanh Hoa province. As a result, the authority of Thanh Hoa Province has allocated 30,000 ha of forest land for Hoa Phat Co. to develop acacia plantation.

In 2019, project started supporting Ham Yen Forest Company to link with local farmers for setting up joint venture on larger-size acacia timber business.

Exposure visits to acacia plantation of Ham Yen Forest Company in Tuyen Quang Province

Photo 4: Delegation of Indonesian forestry and wood industry officials visiting Ham Yen Forest Co. (upland area of the Northern Vietnam) to exchange experience on acacia plantation business, 16 May 2019

Round table dicussion with forest sciencitists on improving acacia plantation performance in Vietnam

3 year acacia plantation in Bac Giang

VIFOREST, BIFA, DOWA, FPA Binh Dinh and HAWA meeting with representatives of Government and MARD to discuss the draft of the National Strategy on Forest Development, HCM City.

Prof. Dr. Pham Van Dien, Vice Director General of VNFOREST speaking at a project workshop on acacia seed/seedling improvement

Acacia trees planted on slope lands in Ham Yen Forest Co.

- South-Eastern part of Vietnam is a major cluster of acacia-timber industry. However, acacia plantation is concentrated far away in the Central Coast and the North mountainous area of Vietnam. At present, small size and core rotten acacia timber are major problems facing furniture industry. Lack of plantation certification, either by FSC, PEFC or VFCS, is another problem.

3 year plantation with thinning practice in Bac Giang Province

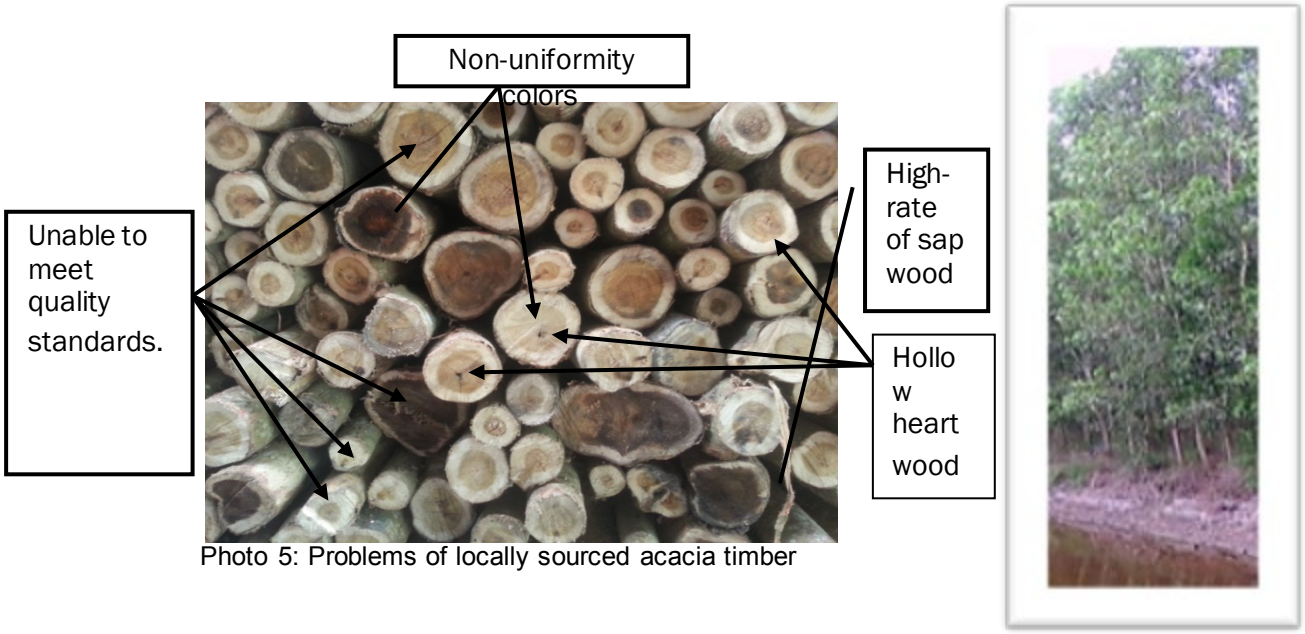


Photo 5: Problems of locally sourced acacia timber

In January of 2019, project contracted Southern Branch of VAFS to conduct a survey on acacia timber utilization in Southern Vietnam. This assignment aimed to get feedbacks from practitioners and find solutions on improving acacia timber processing in the Southern part of Vietnam.

Dr. Kieu Tuan Dat, Director of Southern Branch of VAFS presenting the results of the study at a workshop, 17 June, 2019.

Mr. Dien Quang Hiep, Chairman of BIFA, speaking at the project workshop, 17 June, 2019 at Southern Branch of VAFS

Mr. Cao Xuan Thanh, Project Secretary, updating project progress at the workshop

Photo 6: Planting acacia trees in U Minh Ha, Ca Mau, the Southern-most Province of Vietnam

Photo 7: Dr. Tetra , ITTO Projects Manager, visiting a pilot larger-size timber acacia plantation established by VAFS in Binh Duong Province, 23 March, 2019

Dr. Tetra, ITTO Projects Manager, visiting a pilot larger-size acacia timber plantation established by VAFS at Binh Duong Province, 23 March 2019

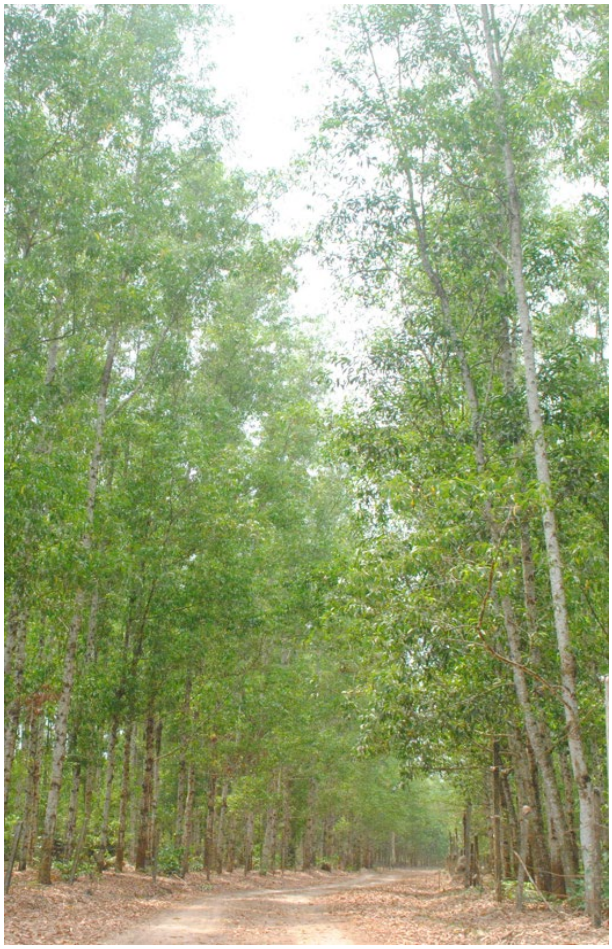
Show of acacia seedlings propagated by tissue culture at a project workshop, 22 August, 2019

Guidance on silvicultural techniques applicable for acacia plantation management in the Southern Vietnam was published by VAFS. Experts of VAFS continue working with U Minh Forest Companies to support local forest owners to upgrade productivity of acacia plantation and improve quality of acacia timber.

A nursery established and operated jointly by Scansia Pasific Co., a member of VIFOREST, and a plantation Co-op in Thua Thien Hue Province.

Tour of an 6 year acacia plantation in Thua Thien Hue Province, 25 October, 2018

Piloted thinning of a woodchip intended short-term and high-density acacia plantation to convert plantation into larger-size timber production in Thua Thien Hue Province



Acacia hybrid plantation (cross breed of Acacia mangium and Acacia auriculiformis) piloted by VAFS in Binh Dương Province

WORKING WITH DARD OF NGHE AN PROVINCE

In 2019, Project decided to engage DARD of Nghe An, a province with the largest area of acacia plantation in the Central Vietnam, in project implementation. In particular, project provide technical and modest financial support for the province to improve plantation yield and quality of acacia timber.

Meeting with leader of Nghe An forestry to start pilot activities

Dr.Tetra , ITTO Projects Manager, visiting DARD of Nghe An Province, 27 November, 2020

Meeting at DARD to brainstorm project interventions, 15 April, 2019

Acacia plantation established by farmers of Thanh Thuy Plantation Co-op

Following DARD guidance, project contracted Nghe An Center for Forest Development to provide technical assistance for the newly established Plantation Co-op to shift from small-size to bigger-size timber business. Trainings on sylvicultural techniques, starting from seed orchard establishment, nursery practice, thinning and prunning of young plantation etc. were provided to staffs of the Co-op and selected local farmers.

Director of Centre for Forest Development of Nghe An Province with local participants

Site selected for piloted pruning and thinning practice

With project support, two training courses for local farmers were conducted by Centre of Forest Development of Nghe An province in February 2020

SUPPORTING FARMERS OF THANH THUY PLANTATION CO-OP TO IMPROVE PLANTATION PERFORMANCE

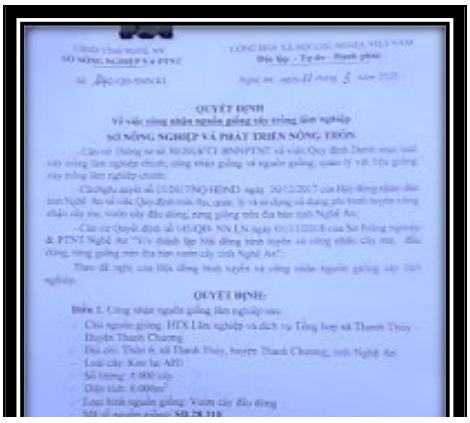
Thanh Thuy Plantation Co-op was established to represent plantation farmers of Thanh Thuy Commune. The Co-op has over 100 members who own, in average, about 3 ha of acacia plantation. Along with technical assistance, VIFOREST has supported the Co-op to install a watering system for the Co-op's nursery. At this nursery high quality seedlings of hybrid acacia (cross-breed of *Acacia mangium and Acacia auriculiformis*) are propagated by cutting. In March, 2020, acacia hybrid seedlings, produced by Thanh Thuy Co-op's nursery, were certified by Nghe An Province.

The project has supported to promote the link between the Co-op and a lead company to endure cutting cycle up to 12 years for larger-size timber production. In addition, project experts have worked with the Co-op to apply for group FSC certification. All interventions taken by the project are expected to contribute to improve the efficiency of acacia plantation business and acacia timber processing industry.

Larger-size timber production is the way to improve efficiency of acacia timber supply chain

Co-op's nursery equipped with a watering system funded by the project

Thanh Thuy Co-op's nursery specialized on hybrid acacia seedling propagation



QUYẾT ĐỊNH

Về việc công nhận nguồn giống cây trồng lâm nghiệp

SỞ NÔNG NGHIỆP VÀ PHÁT TRIỂN NÔNG THÔN

QUYẾT ĐỊNH:

Dr. Tetra, ITTO projects Manager, at the nusery of Thanh thuy Plantation Co-op.

Photo 8: Certificate of acacia seedlings produced by Thanh Thuy Co-op.

Mr Ngo Sy Hoai, Project Coordinator, visiting larger-size timber plantation of local farmer in Nghia Dan District of Nghe An Province, May 2020

4.1.3. Facilitating private investment in plantation forestry and large-size acacia timber consumption

Project supported Woodlands and NAFOCO to promote large-size timber plantation and consumption. Woodlands and NAFOCO are amongst the leading wooden furniture manufacturers in the North of Vietnam who are cooperating with forest farmers and forest companies to produce larger-size and FSC certified acacia timber by joint ventures.

Chairs made of acacia hybrid timber for export to EU, WOODSLAND

Dr. Tetra, ITTO Projects Manager, and project staff meeting with WOODLANDS on using acacia timber

Director of Hanoi-based Sozits Corp. visiting Nafoco to explore potential cooperation for acacia planation development

Mr. Vu Hai Bang, President of WOODSLAND, introducing wooden furniture made of acacia timber for export to US

Project works wood companies to promote using acacia timber in the Middle and Southern of Vietnam.

Field visits to investigate current use of acacia timber in the Southern Vietnam

Mr. Tuan, Vice Director of Nafoco, visting furniture show to share experience on acacia timber treatment and processing

Dr. Tetra, ITTO Projects Manager, meeting with SADACO to study acacia timber utilization in the Southern Vietnam

Mr Nomura, Director of Biomass Fuel VN, discussing with plantation farmers

Harvesting acacia timber in Nghe An Province

Forest owned by small households

in Nghe An Province

Exposure visits to forest planation in Nghe An Province

MoU signed between Biomass Fuel VN and Plantation Co-op for acacia timber supply

Dr. Tetr, ITTO Projects Manager, visiting Biomass Fuel VN

VNFOREST officers visiting Quang Nam Co. to inspect acacia timber processing, 27 April, 2019

Project guided a Delegation of Japanese Timber Product Export Association to investigate DDS practice at Au Viet Veneer Co., 23 Dec, 2019

Exposure visit to a houshold-based acacia plywood factory to study supply chain and exchange information on VNTLAS

Dr. Tetra, ITTO Projects Manager, meeting with VIFOREST and FEREC, 23 Nov, 2019

Project staffs visiting wood village to link micro businesses with lead companies in producing wooden furniture parts

Cooperation with Seedling Research and Biotechnology Center under VNUF

The project supported VIFOREST to establish two commodity-focused sub-associations, including Woodchip Sub-Association (50 members) and Plywood Sub-association (40 members). Members of these sub-associations are consuming the majority of acacia timber produced in Vietnam. Through these sub-associations, VIFOREST intends to promote links between plantation farmers and wood processors to improve efficiency of acacia industry. Many woodchip and plywood companies are helping farmers to get group FSC certification and provide cash for them to extend cutting cycle.

Acacia auriculiformis (AA15)

Acacia auriculiformis (BVlt 25)

Rừng Keo lai tự nhiên dòng TB7

Naturally hybridized breed of Acacia mangium and Acacia auriculiformis - TB 7

Rừng Keo lai nhân tạo dòng AM_2

Hybrid variety AM2 by assisted hybridization of Acacia mangium and Acacia Auriculiformis

Ceremony of Plywood Sub-Association establishment, 5 Oct, 2019

Ceremony of Woodchip Sub-Association establishment, 16 November, 2020

To exchange experience in plantation forestry and wood industry development, the project received Indonesian delegation of forestry/wood industry officials to visit Vietnam in May 2019. Following the courtesy meetings at VIFORESRT and VNFOREST, the delegation was guided to have an extensive field tours of acacia plantations planted by farmers and state/private companies in the mountainous areas of the Northern Vietnam and visit several wood processing factories around Hanoi.

Indonesian delegation meeting with leaders of Ham Yen Forest Enterprise to share experience on acacia plantation management in Tuyen Quang Province.

Indonesian delegation having discussion with Yen Binh District Authority to learn experience on forest land tenure, allocation of land to farmers and extension service to develop acacia plantation.

Mr. Hilman Nugroko, Director General, Department of Sustainable Production Forest Management under Ministry of Environment and Forest of Indonesia on a field visit to acacia plantation of Hoa Phat Company in Yen Bai Province.

A household-based acacia plantation developed in Bac Giang Province

Connecrting Japanese Biomass Fuel Company with acacia growers in Nghe An Province

Hight density (4,000 stems/ha) and shor-term (4-5 year cutting cycle) acacia plantation established by farmers in Nghe An Province

Promoting larger-size acacia timber plantation

DIFFERENCE OF LARGER-SIZE AND SMALL-SIZE ACACIA TIMBER BUSINESS

Non-improved seedlings and short-term plantation;
Less tending;
Cutting at age 4-5 years;
Small timber for woodchips, wood pellet and wood-based panel production.

High standard seedlings used;
Intensive plantation establishment;
Thinning and pruning practice (2 – 3 times in year 3 and year 5 - 6);
Final cutting at age of 8-10 years;
Larger stems used for furniture manufacturing and veneer production, smaller for woodchip, MDF and wood pellet.

CABINET

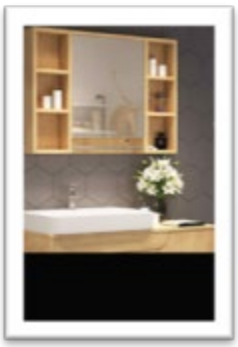
SUPPLY/VALUE CHAIN, 2020

High density and short-term plantation

Small logs of 5 cm - 10cm

Woodchip
- ✓ Export volume: 11.6 million tons BDT (23,2 mil m3 of logs)
- ✓ Export value of USD 1,48 billion

Woodpellet
- ✓ Export volume: 3.2 mil tons (5.7 mil m3 of logs)
- ✓ Export value: USD 0.35 billion



Used 18.5 millon m3
Export value USD 5.87 billion

4.2 Output 2: Enhanced capacity to increase efficiency of acacia timber processing industry

4.2.1. Activity 2.1: Under this Activity, project was focused on linking wood processors and wood-working machine manufactures with special attention on advanced sawing devices and automatic lumber drying technologies.

In this direction, project supported BIFA and Pablo Publishing & Exhibition to hold trade fair BIFA WOOD VIETNAM 2018 in Binh Duong Province, 24-27 Oct, 2018. This event attracted 70 domestic and 150 woodworking machine firms.

Opening cenemony of the wood working machine trade fair, Binh Duong Province

Project coodinator guiding particants to meet with Thuong Nguyen Wood Wooking Machine Co.

Thuan Hien Woodworking Machine Co.

Opening session of the Woodworking Machine Trade Fair

Furniture made of acacia timber laminated board

Exchange experience on how to support Vietnamese acacia wood processors to access appropriate woodworking technologies and machines

Project also supported VIFOREST to work with BIFA and Pablo Publishing & Exhibition to hold VietnamWood Trade Fair for the first time in Hanoi, 28 – 13 April 2020. Due to COVID-19 outbreak, this event has been postponed to June 2022.

Advertising for VietnamWood Trade Fair on VIFOREST Website

Advertising for VietnamWood Trade Fair at a highway to Hanoi

- The project pro-actively engaged in preparing the Decree on Incentivizing agriculture, forestry and aquaculture to apply advanced and environment-friendly technologies.
- In November 2020, project supported woodworking machine producer Victar to get in touch with wood processing enterprises to introduce advanced lumber sawing devices and automatic lumber drying technologies.

Sawn timber produced with Victa sawing machine

Woodworking machine show at a trade fair

4.2.2. Activity 2.2: Arrange training courses on timber classifying, sawing, drying and preserving for procurement staffs and technical workers.

To proceed with this planned activity, project contracted Wood Industry Collage (WIC) under VNUF to conduct a survey of current status and explore technical solutions to improve acacia timber processing in Vietnam.

Project coordinator accompabnied ITTO staff to visit WIC and share information on wood industry training

Dr. Tetra visiting WIC, 20 March 2019

Checking humidity measurement of acacia timber products at NAFOCO Company

Workshop on acacia timber classification and sawing and down stream processing at VNUF

Project supported wood processors to visit WIC and share experience on wood industry training

Visiting laboratory of WIC

Bedroom furniture made of acacia timber, Lam Viet Company Co.

Acacia timber product showroom of LamViet Co. and Woodsland

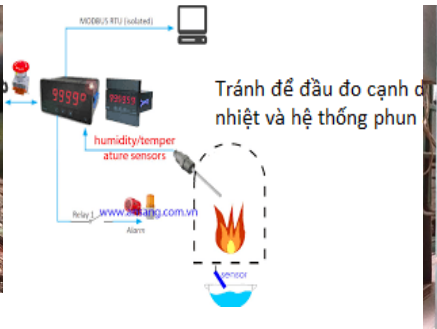
Furniture made of acacia laminated board

Table made of acaia joint-finger laminated timber

Bed-room furniture made of acacia laminated timber

Following project assignment, a report on classification and processing of acacia timber was prepared by WIC with recommendations on applicable sawing technologies and classification of acacia timber used for furniture making.

Timber classification/sawing



Drying

Further processing at Woodlands JSC

4.2.3 Activity 2.3: Building a database needed for acacia timber product designing, manufacturing and marketing

Project supported VNFOREST to represent member companies at the national workshop on forest product statistics and database formulation. This workshop was attended by ITTO expert, Vietnam's General Statistics Office and participants from wood processing and trading companies. Presentation on domestic wood consumption statistics was delivered by project staff.

Participants of the workshop joined a side event vistiing Quang Nam Forest Company.

Project supports VNFOREST to hold workshop or forest product statistics, Da Nang, 12 April 2019

4.3 Output 3: Raising awareness on VNTLAS enforcement applicable for acacia plantation

4.3.1. Activity 3.1 Training on VNTLAS compliance for relevant stakeholder groups engaged in acacia timber supply chain

In accordance with VPA/FLEGT, in the late 2018 MARD started preparing VNTLAS. From June 2019, project coordinator was assigned to be Co-chair of the Core Group on implementing VPA/FLEGT. Taking advantage of this set-up and in collaboration with VNFOREST, project hold a series of training workshops to disseminate VNTLAS and timber legality compliance.

PRO-ACTIVE ENGAGEMENT IN SETTING UP AND OPERATION OF VPA/FLEGT CORE GROUP

FLEGT-VPA
CORE GROUP - VIETNAM

Logo designed by Project is used as officially

FLEGT-VPA
CORE GROUP - VIETNAM

http://coregroup.flegtvpa.com/

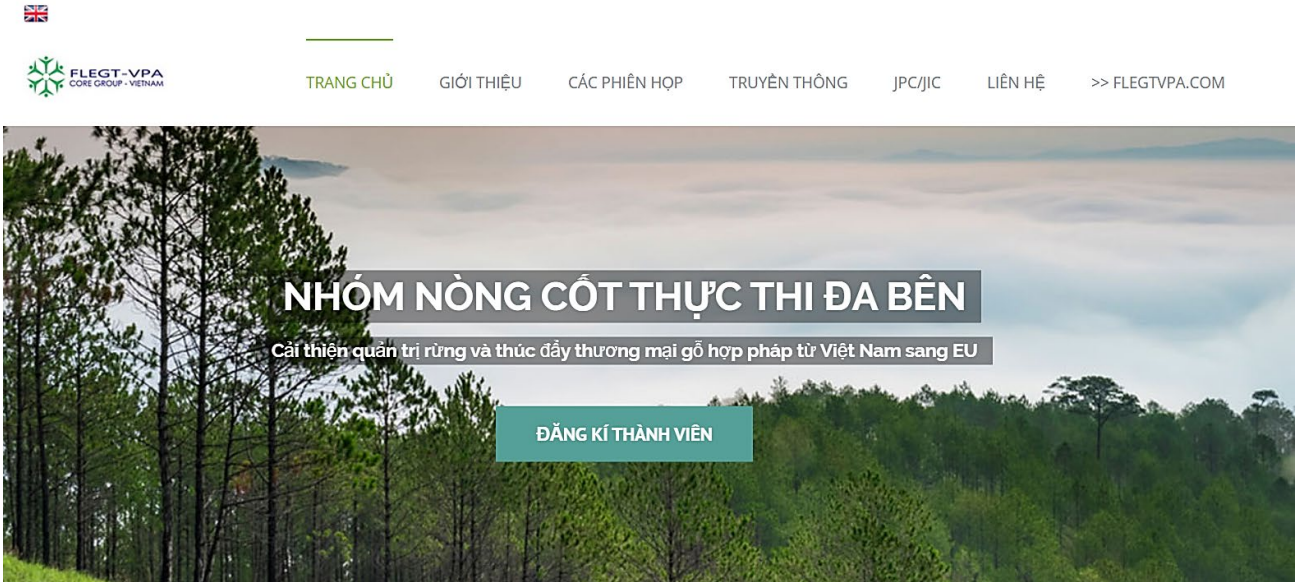


Photo 9: Core Group Meeting, Da Nang City, 7 July, 2019. Project coordinator and leader of VNFOREST facilitating discussions on VPA/FLEGT implementation

Project activities aimed at improving acacia timber value chain and legality assurance through VPA/FELGT implementation. VIFOREST was supported by the project to play a pro-active role in Core Group Forum.

Multi-stakeholder brainstorming on implementation of VNTLAS

EU VPA/FLEGT facilitator at a Core Group Meeting

Representative of BIFA at a Core Group Meeting

4.3.2. Activity 3.2: Evaluate and simplify the procedures to reduce the costs of VNTLAS implementation applicable for acacia plantations

Cooperation with MARD and VNFOREST to go forward with VPA/FELGT implementation

Meeting with FPD and GIZ to prepare training materials for VNTLAS

Project coordinator at an opening section of DDS workshop in Binh Duong Province

4.3.3 Activity 3.3: Conduct short-term training courses on VNTLAS

On 19 - 20 October 2020, in collaboration with BIFA, Forest Protection Department (FPD) and local customs departments, project hold a two-day training on VNTLAS for wood processing enterprises in Bình Dương Province. In day 1, participants were provided with guidance on implementation of VNTLAS by Mr. Tang Xuan Phuong, Vice Director of FPD. In day 2, participants visited Hoang Thong Wood-processing Company.

Mr. Huynh Quang Thanh, Vice Chairman of VIFOREST, addressing the participants at the workshop

FLEGT Lisencing

Participants from local FPD, customs offices and wood processing enterprises of Binh Dương Province attended the workshop

Mr. Dien Quang Hiep, President of BIFA, addressing the participants of the workshop

Project guided the customs delegation to visit wood processing enterprises to learn about timber legality assurance

Leaders of the General Department of Customs with acacia timber joint-finger board produced by Hoang Thong Company.

Local custom officers visiting production site of Hoang Thong Company.

Hoang Thong Wood Processing Company

In October 2020, in collaboration with GIZ and NepCon, project conducted 5 training workshops on VNTLAS for wood processing enterprises in Hanoi, Hai Phong, Nghe An, Vinh Phuc and HCM City for over 200 enterprise participants and 20 trainers.

Discussions at the VNTLAS training, Hanoi, 26 and 27 Oct 2020

Project coordinator and leader of VIFOREST answering questions raised by participants

Mr. Tang Xuan Phuong, FPD, at VNTLAS training in Nghe An Province, 17 Oct 2020

ToT traing on VNTLAS

BIFA staff at ToT Training in Vinh Phuc Province, 18 - 19 January 2021

Project staffs at ToT traing on VNTLAS

Participants at ToT training on VNTLAS

In Nov 2018, project staff joined a training course cum study tour in selected EU countries to learn experience on VPA/FLEGT implementation.

Visiting Dekker Company to learn about wood import from Indonesia and FLEGT licencing.

Meeting at European Union in Brussels to study FLEGT requirements, 13 Nov, 2018.

Meeting with Rotterdam Customers to learn about FLEGT licence and customs clearance

Project staff attended 7th regional training workshop on timber legality assurance (TLA-7) held in Jakarta, Indonesia in November 2019. The workshop was conducted for participants from 10 countries of South-East Asia plus representatives of Japan's and South Korea's timber associations. At present, Indonesia is the only VPA signatory country that has FLEGT licensing in place. Representing the community of Vietnamese wood processors, VIFOREST was desire to learn Indonesian experience on enterprise classification and FLEGT licensing.

Map of SVLK operation

Vietnamese participants at the training course in Jakarta, Nov 2019

SVLK labeling on wooden furniture

On October 2020, VIFOREST collaborated with local associations (HAWA, BIFA, FPA BĐ, DOWA) to prepare the report on VNTLAS implementation.

VNTLAS news on VIFOREST website

VietWood magazine

Improved acacia seedlings advetised on Vietwood Mangzine

Project regularly organized exposure visits for wood enterprises to exchange information on EUTR, Lacey Act, Clean Wood Act, VPA/FLEGT and VNTLAS. In addition, VIFOREST's website and Vietwood magazine regularly update progress of VNTLAS implementation.

Working with wood importer to inspect wood import control.

Japanese experts visiting sawmill to investigate timber legality enforcement, Sep 2019

Group consultation of VNTLAS

Meeting with acacia timber panel producers to disseminate VNTLAS requirements.

Meeting at Thanh Hoa Wood Products Association to seek opportunity for investment in acacia plantation

Project Coordinator and Chairman of TH Forest Products Association exchanging information on potential improvement of wood industry

Output 1:

INCREASED LOCAL SUPPLY OF LAGER-SIZE, CERTIFIED AND HIGHER QUALITY ACACIA TIMBER FOR WOOD PROCESSING ENTERPRISES.

- Over 100 famers in Nghe An Province trained on plantation management technologies and got awareness on the benefits from larger-size timber acacia plantation.
- 30 wood companies and plantation farmers trained on forest certification and timber legality compliance.
- A pilot nursery for propagation of high yield hybrid acacia (cross breed of *Acacia auriculiformis* and *Acacia mangium*) established in Nghe An Province. Thanh Thuy Forest Co-op provided with technical support to improve nursery practices. In March, 2020, acacia hybrid developed by Thanh Thuy Plantation Co-op was recognized by Provincial Committee of Nghe An as qualified for commercial production.
- A report on current use of *Acacia auriculiformis* and *Acacia mangium* timber with recommendations on improving the performance of acacia plantation in the Southern Vietnam prepared. Technical solutions to match acacia plantation to acacia wooden product manufacturing also proposed.
- A training workshop on acacia timber processing and acacia plantation management attended by 40 participants from wood processing and plantation co-op.

- Thanh Hoa Province supported by the project to get investment from Hoa Phat Forest Company for larger-size timber plantation. Local famers motivated to work towards forest certification.
- Project contributed in formulation of the National Strategy for Forest Development 2021 - 2025 and vison toward 2030. This strategy was promulgated by the Government in April, 2021. Under this Strategy, the average yield of commercial plantation is expected to increase from 15 m3/ha/yearn in 2020 to 22 m3/ha/year by 2025 and 90% of acacia plantation established with high quality and certified seedlings. In addition, with the newly endorsed Strategy, the Government committed to encourage private investments in larger-size timber plantation through land-tenure transforming and preferential loan providing and market promotion.

Output 2:

ENHANCED CAPACITY TO INCREASE EFFICIENCY OF ACACIA TIMBER PROCESSING INDUSTRY

- By attending training workshops, over 300 non-skill workers employed by wood processing enterprises have improved skill. After the trainings, these workers are able to operate equipment for classifying, sawing and preserving acacia timber.
- With enhanced and improved working skill, access to new technologies, trained workers will be able to increase the utility of wood material and reduce waste in wood product processing. It is expected that the utility rate would increase by 30 – 40%. In project covered areas, almost 100% of planted biomass is utilized with the larger-size (about 40%) used for furniture making and plywood/finger-joint wood production, while the remainder of about 60% going to woodchip and wood-pellet factories.
- The research report on technological properties and characteristics of acacia timber was prepared and circulated at the end of first project year, while the guidance on production and marketing of acacia timber products was disseminated at the end of the 2nd year of the project life.
- Over 100 wood companies enabled to access modern wood working machines and technology though two wood working fairs in Binh Duong and Ho Chi Minh City and various B2B meetings and exposure visits facilitated by the project.
- An online meeting to share knowledge and experience between woodworking machine manufacturer and wood machine traders and users in Vietnam facilitated by the project.
- Research report on technical properties of acacia timber and technological solutions to improve acacia timber utilization prepared and disseminated.
- Workshop on acacia timber processing held by WIC with support of the project for a large number of participants from wood companies.

Output 3:

AWARENESS ON TIMBER LEGALITY ASSURANCE SYSTEM (TLAS) APPLICABLE FOR ACACIA PLANTATIONS RAISED

- Over 200 participants from wood companies trained VNTLAS and able to practice due diligence.
- A guidance on VNTLAS compliance prepared by the project to support wood processing and trading companies to deal with due diligence practice.
- Through intensive consultations, 100% of enterprises engaged in project implementation well represented in formulation of the Decision on enterprise classification and FLEGT licensing.

In addition, project cooperated with FPD, WIC, VNFU, VFC, VAFS, DARD and Center for Forest Development of Nghe An province to reach this output.

- Project and experts worked with FPD to prepare training materials on VNTLAS for wood companies.
- Companies, which have been engaged in project implementation, introduced with VNTLAS and due diligence. They got access to high-tech woodworking machines.
- Report on current use of acacia timber in the South and solutions to upgrade efficiency of acacia business prepared under the contract between project and VAFS.
- Project contracted WIC to provide training on acacia timber processing technologies for participants from selected wood processing enterprises. Report and training materials prepared with project support target at students of WIC and wood industry faculties of other forestry universities.
- Thanh Thuy Plantation Co-op able to produce high quality and certified acacia seedlings, equipped with plantation management knowledge, well trained on VNTLAS compliance, obtained bargaining skill, well connected with consumers of both larger-size and small timber and got readiness to apply for group FSC. This Plantation Co-op can demonstrate the viability of an organizational structure/grouping to unite plantation farmers.
- Test conversion of short-cutting cycle/small acacia timber production to longer-cutting cycle/larger-size timber plantation began with Thanh Chuong Forest Management Board under the contract between the project and the Center for Forest Development of Nghe An Province. About 100 households have been trained on thinning/pruning and other sylvicultural interventions to match acacia plantation to timber end uses.

5. Assessment and analysis

To produce planned outputs and reach the designed objectives, the project has engaged a large number of stakeholder groups in project implementation. Table below shows the stakeholder groups/partners who have participated in project implementation.

Activity	Stakeholder groups/Partners
Activity 1	✓ DARD of Nghe An ✓ Center for Forest Development of Nghe An ✓ Southern Branch of VAFS ✓ VNUF ✓ VFC ✓ BIFA ✓ Thanh Thuy Forest Co-op ✓ Plantation companies ✓ Wood processing companies
Activity 2	✓ WIC ✓ BIFA ✓ HAWA ✓ Wood processing companies
Activity 3	✓ FPD ✓ BIFA ✓ GIZ, Preferred by Nature ✓ Wood processing companies

Within Activity 1, in close cooperation with VNFOREST and MARD, the project has proposed policies to improve the efficiency of acacia plantation business. Project has also supported VIFOREST to link lead companies/well developed wooden product manufacturers with local farmers to extend cutting cycle and apply for certification. To ensure the appropriate technological interventions applied, the project has also engaged research and training institutions, including VNUF, VAFS, Nghe An Center for Forest Development etc. in field activities. As farmer households own very small and fragmented area of plantation, project assistance was delivered to them through their Co-op. Propagation of improved/higher yield acacia seedlings

and proper plantation management have been seen as key to succeed with enhancing efficiency of acacia plantation business.

A series of training workshops and cross visits for acacia wood processors and acacia plantation farmers have been conducted.

Under Activity 2, the project has cooperated with local associations (BIFA, HAWA, DOWA) to organize woodworking machine trade fairs, facilitate B2B meetings between machine manufactures and wood processors. Furthermore, support has been provided by the project for HAWA to develop web-based platform HOPE Fair for online wooden product marketing. With support from the project, several articles on wood industry development have been placed in Furniture Today and Mobel Mark Magazines. For reference purpose, Report on acacia timber properties and solutions to improve efficiency of acacia timber industry was prepared and disseminated to relevant stakeholder groups.

Regarding Activity 3, the project has cooperated with VNFOREST and local associations to conduct training workshops on VNTLAS for over 200 plantation and wood processing enterprises. To avoid duplication of efforts, the project has cooperated with GIZ and NepCon to prepare the Guidance on DDS practice and VNTLAS implementation.

5. Lessons learned

Acacia, an exotic planting species among others, was introduced to Vietnam in the mid of the last century. With prominent ability to adapt to various site conditions, extremely fast growth, pest/disease tolerance and multiple use of wood, acacia gradually took over eucalyptus to dominate planting species in Vietnam. In the last 2 decades, *acacia hybrid* (cross breed of *Acacia Mangium* and *Acacia Auriculiformis*) has got prevailing preference of farmers. The success of acacia seed selection and improvement and the reform of land tenure by allocation of forestry land previously owned by state enterprises to farmers have had Vietnam converted into a “kingdom of acacia”. At present, Acacia hybrid and Acacia mangium share up to 90% of commercial plantation in Vietnam and cover about 3,0 million ha of land designated for forestry. Following the robust development of acacia plantation, Vietnam has become one of the top wood product exporters in the world.

The extensive development of acacia-bias plantation forestry and wood industry, however, would not proceed without problems and challenges. Low quality seedlings, improper plantation management, extremely high planting density (4,000 stems per ha) and short cutting rotation (at age 4 – 5) leads to massive, but low profit production of small wood for woodchip export with limited value addition. On the other hand, due to the shortage of bigder-size and higer-quality wood supply, Vietnamese wooden product manufacturing deeply depends on imported raw material.

As the first support provided by ITTO to a new member country (Vietnam joined ITTO in 2015), ITTO funded project PD 815/16 Rev.2 (1) *“Increasing Efficiency of Acacia Plantation and Timber Industry in Vietnam”* was designed with various intended interventions to solve problems facing both forestry and wood industry sub-sectors.

Vietnam is seen as a country of dynamic processes toward sustainable forest management and responsible wood industry development. As Vietnam recently became a VPA/FLEGT signatory and Vietnamese wood industry highly targeted at overseas markets, efficiency improvement also means timber legality assurance.

The implementation of the project reveals the following lessons learned:

5.2. Precise identification of most needed and urgent interventions

PD 815/16 Rev.2 (1) is seen as a technical cooperation with quite limited resources in term of funding, staffing and lifespan, while the problems associated with the inefficiency of Vietnamese acacia plantation forestry and acacia timber wood industry is immense and relating to livelihood of over one million of Vietnamese households. Through field surveys and intensive dialogues with various stakeholder group engaged in acacia value chain, the project decided to be focused on (1) Improving nursery practice and plantation management by introduction of applicable sylvicultural interventions to improve plantation performance; (2) Linking lead companies/wooden product manufacturers and farmers, as inter-dependent interest groups, to work together and enjoy benefit/reach win-win-situation; (3) Facilitate wood industry SMEs and traders to get quick access to updated/advanced technologies and equipment by connecting them with appropriate wood-working machine firms through trade fairs, B2B match meetings and cross visits; (4) Improve skill and confidence of small plantation households and wood industry workers through various

training workshops on nursery practice, plantation management, wood working technologies and forest certification and timber legality assurance as well.

5.3. Catalyzing the integration of efforts toward SFM and responsible wood processing and trading

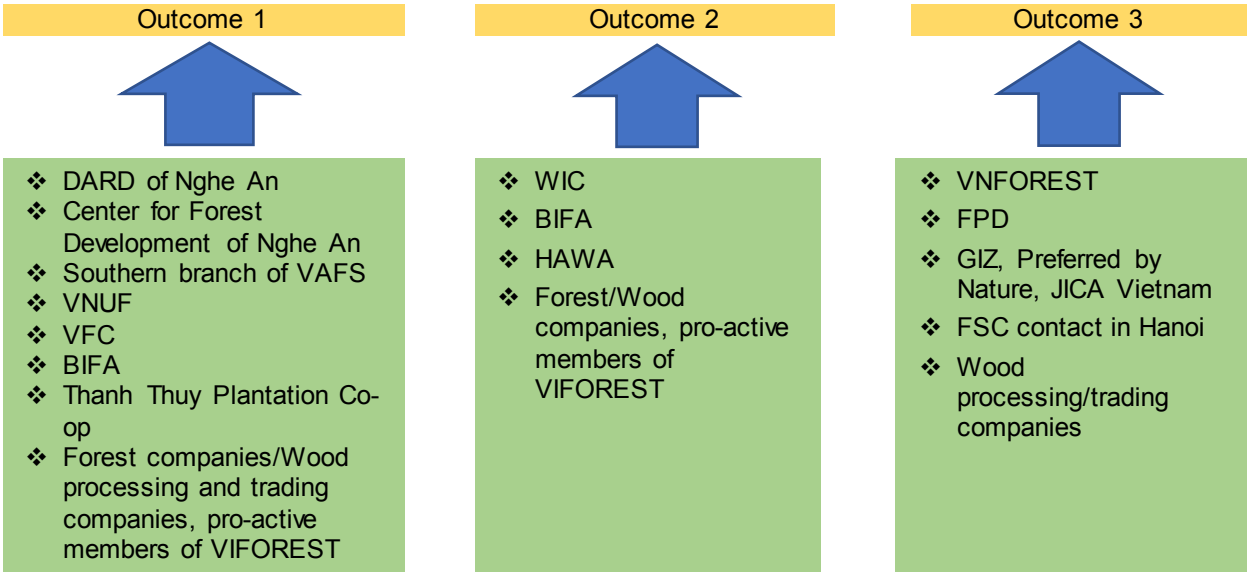
As mentioned earlier, there are plentiful initiatives and processes toward SFM and responsible wood processing and trading taking place in Vietnam. With Vietnam becoming one of the very first countries which are engaged in VPA/FLEGT and VNTLAS in place, these initiatives and processes turn even more dynamic. For the sake of illustration, the project started up intended activities with on-the-ground interventions to facilitate a newly set up plantation co-op in Nghe An province (Vietnam is still at the early stage of piloting plantation/forestry co-ops with hard prejudice of the pro-former Soviet Union copied system of agriculture co-ops, and Vietnamese Government is eager to develop plantation/forestry co-ops of innovative style). The field progress has enabled the project to feedback policy improvement covering the preparation of Decree 102 to operate VNTLAS, the classification of enterprises to get readiness for FLEGT licensing, the formulation of the National Strategy for Forestry Development 2021 – 2025 and vision toward 2030 and so on.

5.4. Linking 3 key stakeholder groups to work toward SFM and responsible wood processing and trading

In Vietnam, the abbreviate of 3-Nha linking (Nhà Nghiên cứu – Nhà Nông – Nhà Doanh nghiệp: Linking Researcher – Farmer - Entrepreneur) is getting more and more popularity and seen as key to success in agro-forestry development and farmer income improvement. The project has grasped every opportunity to link farmer with farmer through the newly established plantation co-op, lead companies/wood processors with acacia wood growers, wood industry SMEs with wood-working machine manufacturers and traders, researchers/trainers with practitioners and policy makers/forest law enforcement forces to work towards improving efficiency of the entire acacia industry. It is still early to weight and evaluate the impacts of the project, its contribution in this direction, however, is quite obviously reflected in the consolidated and well-connected supply and value chains of the Vietnamese acacia industry. The increment of value-added product export (HS 94 commodities) vs wood export (HS 44) is fast (85% over 15% as of the end of August, 2021).

5.5. Radical utilization of existing networks and connections to maximize project performance and outreach

In the course of project implementation, VIFOREST, the project executing agency, has made use of its traditional connections and close relations with relevant state and non-state institutions as well as local and overseas organizations to produce project outcomes and reach project objective. The following figure shows the names of state authorities, research/training institutions, local and overseas NGOs which have been cooperated with VIFOREST to reach project outcomes.



7. Conclusions and recommendations

The project identified major problems that Vietnam's wood industry encountered and proposed relevant counter-measures to solve them. These countermeasures include Government policies to facilitate forest companies and wooden product manufactures to work jointly towards SFM and large-size timber plantation. Along with policy and technical interventions, of great importance are preferential loans to enable plantation owners to extend cutting cycle and produce larger-size timbers. However, preferential loans are scarce and may be unsustainable. At present, the Government-subsidized low interest loans are directed to ethnic minorities and the poorer segment of farmers who are residing in remote areas rather than most of acacia plantation growers in many areas of the country. Therefore, the project was focused on linking plantation farmers and wood processors, especially lead companies, who may wish to help farmers to keep plantation longer and produce larger-size timber. In this direction, several members of VIFOREST (Woodsland, NAFOCO, Scancia, Hao Hung Corp. etc.) have advanced payment to farmers, who are often cutting their plantation at age 4 – 5, for extending the cutting cycle to 7 – 8 years. On the industry side, the majority of wooden furniture manufacturers are lacking of design and branding skills. Many of them do not have access to appropriate technologies. During the project implementation, VIFOREST has grasped every opportunity to get them accessed to advanced technologies and improved business governance through a series of trade fairs, cross visits and business match meetings.

This first ITTO supported forestry/wood industry development project implemented in Vietnam can serve as a good example of how a technical cooperation with ITTO modest funding can largerly impact SFM and facilitate MSMEs to go forward with responsible wood processing and trading.

Responsible for the Report

Name: Ngo Sy Hoai
Position held: Project Coordinator
Date: August 2021

Annex 1. Project Financial Statement of ITTO

Project No: **ITTO PD815/16 Rev.2 (i)**		Period up to December 2020				
Project title: **Increasing efficiency of acacia plantation and timber processing industry in Vietnam**						
Component		Original	Expenditure To - date			Available
		Amount	Accrued	Expend	Total (D)	Funds (E)
10	**Human resources for the project**	(A)	(B)	(C)	(B+C)	(A-D)
11.1	Project Coordinator	10,500	6,555	3,942	10,500	0
11.2	Secretary	5,000	3,120	1,872	5,000	0
11.3	Experts/Consultants of wood processing and plantation	6,000	4,300	1,700	6,000	0
13.4	Experts/Consultants of TLAS, EUTR, FLEGT, LACEY, ILP (Australian Illegal Logging Prohibition Act)	5,600	3,150	2,450	5,600	0
	Sub-total	**27,100**				
20	**Short-term contract**					
21	Contract No. 1 (Local staffs)	4,500	1,288	3,212	4,500	
23	Contract No. 3 (associations)	10,500	7,500	3,000	10,500	
	Sub-total	**15,000**				
30	**Travel expense**					
31	Daily subsistence allowance					
31.1	Domestic expert/consultant	8,100	2,500	5,600	8,100	0
32	Domestic Travel expense	10,500	4,500	6,000	10,500	0
	Sub-total	**18,600**				
40	**Capital**					0
41	Core	2,000	2,000		2,000	0
44.1	Computer equipment	-				
	Sub-total	**2,000**				
50	**Consumable items**					0
51	Materials	7,500	3,520	3,980	7,500	0
52	Spare parts	1,300		1,300	1,300	0
53	Office equipment	-				
	Sub-total	**8,800**				
60	**Other items**					0
61	Accountant	6,000	3,750	2,250	6,000	0
62	Auditing expense	1,500				1,500
64	Training workshops	-				
	Sub-total	**7,500**				
70	**Total of project**	**79,000**				

OMPLETION REPORT OF ITTO PROJECT

PD 815/16 REV.2 (I)

"INCREASING EFFICIENCY OF ACACIA PLANTATION AND TIMBER PROCESSING INDUSTRY IN VIETNAM"

VIETNAM TIMBER AND FOREST PRODUCT ASSOCIATION