

Project Completion Report

ITTO Project PP-A/56-342B

**“Analysis of Timber Legality Assurance Systems
and Good Practices in China and Viet Nam
for Sustainable Timber Trade”**

Host Government: Government of Japan

Executing Agency: Institute for Global Environmental Strategies (IGES)

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- Project staff
 - Project coordinator: Taiji FUJISAKI (IGES)
 - Project professional staff: Makino YAMANOSHITA (IGES), Hiromitsu SAMEJIMA (IGES), André MADER (IGES)
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Executive Summary

In recent years, the domestic and international socio-political and business environments surrounding the forestry industry and trade have been changing significantly and rapidly, calling to address both legality and sustainability throughout timber supply chains and seeking contributions to the achievements of the Sustainable Development Goals (SDGs). Given growing concerns about the impacts of illegal logging and associated trade on climate change, biodiversity, and revenue-generating opportunity, there is an increasing number of countries with timber trading regulations requiring importers to demonstrate the origin and legality of timber and timber product. In 2017, the Government of Japan enacted the Clean Wood Act to promote the distribution and utilization of legally harvested wood products in the country. Under the Act, importers are required to take measures to ensure that wood products they import into Japan have been legally sourced in compliance with the laws and regulations of the countries of origin.

In general, supply chains have become more complex, with more processing and/or mixing of timber sources. This makes it more challenging to determine a product's source. Also, high-value wood species inherently involve the risk of illegal logging due to high economic interests, often drawing international attention. These complexities create difficulties in enhancing the legal and sustainable timber trade. Timber importers dealing with processed timber products and high-value wood species seek more information on sourcing countries and evidence of legal and sustainable timber supply chains. The lack of information and knowledge could hinder the trade of legal and sustainable timber and timber products.

Given this challenge, the project's development objective is to contribute to enhancing importers' commitment to the legality and sustainability of timber and timber products. Specifically, this project is to systematically analyze existing legality assurance systems/equivalent schemes and good practices in China, Myanmar, and Viet Nam to support both Japanese and international stakeholders for the legal and sustainable timber trade.

Given their essential roles in supplying high-valued timber and finished and processed timber products on a global scale, China, Myanmar, and Viet Nam were selected as the target countries to be studied. Both China and Viet Nam import raw wood materials from several tropical countries, process them and then export the processed and finished wood products globally. Myanmar plays a significant role in the global market in supplying teak wood, considered a high-value hardwood species and vulnerable to excessive harvest. Accordingly, the project could provide valuable information to promote the trade of legal and sustainable timber products globally.

The expected outputs of the project were

1. Challenges for importers in assuring the legality and sustainability of timber and timber products from the target countries are identified;
2. Existing timber legality assurance systems/equivalent schemes in the target countries are analyzed, with identification made of their strengths and weaknesses;
3. Good practices of upstream and downstream operators in the target countries in ensuring and verifying the legality and the sustainability of timber and timber products are collected and reviewed; and
4. Regional collaboration, information sharing, and knowledge management are strengthened for Japanese and international stakeholders.

Since the project started, the project team has faced challenges related to COVID-19 in target countries. Unfortunately, the problem of COVID-19 was more significant and longer-lasting than anticipated. The field survey could not be implemented in the project's first year in Viet Nam, and the situation in China did not allow IGES researchers to travel and survey in China during the project period, which eventually led to the non-cost expansion of the project period. However, close communication with the local consultants has enabled the effective implementation of the project survey to collect good practices in China and Viet Nam. The political situation in Myanmar was also beyond the project's control. Following the decision of the Government of Japan, the Project Steering Committee (PSC) decided not to include Myanmar in the project as one of the target countries at the 2nd PSC meeting held in August 2021. As such, close communication with ITTO and the Japanese Forestry Agency enabled the project to make early decisions to mitigate the impact, find solutions for effective project implementation, and deliver outputs.

Consequently, the project has achieved the Project Specific Objective against the outcome indicators and the planned activities, except for some delays in disseminating the project outputs. With collaboration with national consultants in China and Viet Nam, the project successfully conducted studies and produced the below outcomes:

Four technical reports in English and corresponding Japanese -translated versions

- Legislation and other initiatives for legal timber trade in China
- Status of Timber Legality Verification by Business Entities in China
- Viet Nam's Timber Exports to Japan: Analysis of Products Made Using Imported High-Risk Species during 2018–2021
- Viet Nam's Plantation Timber Supply Chain: Good Practices to Promote Trade of Legal and Sustainable Timber Products

Two summaries for business entities of technical reports in English and corresponding Japanese-translated versions

- Summary for Business Entities: Revised Forest Law and Status of Timber Legality Verification by Business Entities in China
- Summary for Business Entities: "Viet Nam's Timber Exports to Japan: Analysis of Products Made Using Imported High-Risk Species during 2018–2021" and "Viet Nam's Plantation Timber Supply Chain: Good Practices to Promote Trade of Legal and Sustainable Timber Products"

Two manuscripts for ITTO's Tropical Forest Update (TFU) Volume 32 Number 2

- The growth of timber legality verification in China
- Identifying high-risk timber exports from Viet Nam to Japan

In addition, the project held a public online seminar to disseminate the project outcomes to timber business entities and related stakeholders. It was attended by 210 people (primarily business entities) from 15 countries (mainly Japan). Seminar recording and presentation materials are available to the public on IGES's website. Also, the project outcomes were presented to stakeholders in China and Viet Nam through the conference and workshop. In this way, the project results have been informed to various stakeholders, including Japanese business entities as primary target beneficiaries and stakeholders in China and Viet Nam, such as government agencies and relevant industry groups. It is expected that the produced information could support the due diligence practice of Japanese importers and help implement policies to address challenges by filling knowledge gaps and encouraging innovations. IGES will continue to disseminate project results to interested parties.

1. Project Identification

1.1 Context

The project analyzed legal frameworks and good practices of business entities concerning timber legality and sustainability in China, Myanmar¹ and Viet Nam intending to provide helpful information to support importers (considering Japanese timber importers as primary target beneficiaries but not limited). China and Viet Nam are timber-processing and timber-trading countries, importing timber from tropical countries to manufacture products. China and Vietnam are essential suppliers of timber products to many countries, including Japan.

As the project background, the domestic and international socio-political and business environments surrounding the forestry industry and trade have been changing significantly and rapidly, calling to address both legality and sustainability throughout timber supply chains and seeking contributions to the achievements of the Sustainable Development Goals. In 2017, the Government of Japan enacted the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (Clean Wood Act), the main policy instrument to address illegal logging and trade in Japan. Under the Act, all business entities must endeavor to use legally-harvested timber and timber products, not only in government procurement but also for private-sector purchases. Japanese importers have to take measures to ensure that timber and timber products they import into Japan have been legally sourced in compliance with the laws and regulations of the countries of origin.

In general, supply chains have become more complex, with more processing and mixing of timber sources. This makes it more challenging to determine the product's sources. Also, high-value wood species inherently involve the risk of illegal logging due to high economic interests and often draw international attention. These complexities create difficulties in enhancing the legal and sustainable timber trade. Timber importers dealing with processed timber products and high-value wood species seek more information on sourcing countries and evidence of legal and sustainable timber supply chains. There is a risk that this lack of information and knowledge could hinder importers' commitments to engage with the trade of legal and sustainable timber and timber products.

1.2 Origin and problem

This project originated from an idea to promote the trade of legal and sustainable timber and timber

¹ Considering the political situation in Myanmar since the coup of February 1 2021 and its influence on the project, the Project Steering Committee (PSC), at its second meeting held on August 30 2021, decided not to include Myanmar in the project as one of the target countries following the decision of the Government of Japan.

products in the region, and contribute to achieving the objectives of the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products (the Clean Wood Act) and the Sustainable Development Goals (SDGs). Under this context, the original idea for this project emerged from dialogues and discussions with the Forestry Agency of Japan, ITTO, Japanese importers of timber and timber products, related industry associations and Registering Organizations of the Clean Wood Act. The idea was also shaped on findings from previous studies by IGES on timber producing and importing countries, funded by the Forestry Agency and by ITTO, and studies on the implementation status of the Clean Wood Act funded by the Japan Federation of Wood Industry Associations (JFWIA). The dialogues and findings suggest the following situations that may prove to be challenges for timber importers.

- Diversity of legal requirements at the point of harvest across timber producing countries, types of forests and management, permit types and etc.
- Diversity and/or different stages of development and timber legality assurance systems/equivalent schemes in several timber producing countries
- Limited capacity and resources of small-medium upstream and downstream operators in timber producing countries hindering the application of new systems/schemes
- Differing levels of complexity/transparency in timber supply chain because of third-party processing trade or, across timber producing countries types of products, permit types and etc., when trying to identify the legal origin

2. Project Objectives and implementation strategy

2.1. Project rationale, the Development Objective and Specific Objectives of the Project

Timber importers dealing with processed timber products and high-value wood species are seeking more information on sourcing countries and evidence of legal and sustainable timber supply chains. There is a risk that this lack of information and knowledge could be barriers for importers' commitments to engage with the trade of legal and sustainable timber and timber products.

China, Myanmar and Viet Nam were selected as the target countries to be studied, given their important roles in supplying timber and timber products on a global scaled. China and Viet Nam are the major suppliers of finished and processed wood products: Japan imports wooden furniture and boards such as blockboard, veneer laminated wood and plywood from China, and imports wooden furniture and wood chips from Viet Nam. It should be noted that both China and Viet Nam are the world's largest traders and producers of forest products, importing raw wood materials from a number of tropical countries, processing them and then exporting the processed and finished wood products. In addition, it is generally recognized that timber supply chains in both countries are complex involving

a number of upstream and downstream operations and the traceability to confirm the legal origin might be challenged. Even in the very early stages of the implementation of the Clean Wood Act, in FY2018, some Japanese importers registered under the Clean Wood Act reported that they could not confirm the legality of harvest of Laminated Veneer Lumber (LVL) and furniture sourced from China, and of furniture sourced from Viet Nam. While there is only limited timber trade between Myanmar and Japan, Myanmar plays a significant role in supplying teak wood to the global market, which is considered one of the high-value hardwood species.

The development objective of the project is to contribute to enhancing importers' commitment to the trade of legal and sustainable timber and timber products.

The specific objective of the project is to systematically analyze existing legality assurance systems/equivalent schemes and good practices in China, Myanmar and Viet Nam to support importers for the legal and sustainable timber trade.

2.2. Project implementation strategy

The project analyzed existing legal timber systems/equivalent schemes and good practices in the target countries, with particular attention to interests and challenges that the Japanese private sector has regarding imports of timber and timber products. The approach, therefore, was needs-oriented, ensuring that the project results would be beneficial for timber importers to overcome their challenges in order to confirm the legality of imported timber and timber products from the target countries and to address sustainability in the supply chains. With this objective, the following steps were taken as the project implementation strategy:

Output 1: The project identified interests, needs and challenges of importers, by conducting a interview survey with them. The results were served as a basis of the assessment framework to examine timber legality assurance systems/equivalent schemes (Output2), as well as to collect and review good practices (Output 3) in the target countries. In addition, to better understand the perspectives of importers and gain further expert knowledge, the project established an advisory group, which involved Japanese, relevant industry association, Registering Organizations of the Clean Wood Act, Forest Certification organizations and academicians/experts on timber legality, ESG investments and the SDGs. The advisory group meetings were held regularly to share and discuss project activities, progress and results as well as to provide advice for project activities.

Output 2: The project analyzed how existing timber legality assurance systems or equivalent schemes in target countries actually work to help verify the legality of timber products, and whether and how such systems/schemes could help identify aspects of sustainability. The analysis considered different types of timber products, sizes of operators and supply chains. The project applied a desk review of

available information, a questionnaire/interview survey with key stakeholders in the target countries such as relevant government agencies, industry associations, donors, researchers/experts and upstream and downstream operators, and conducted a field survey.

Output 3: Based on Output 1 and Output 2, the project identified and reviewed good practices undertaken by upstream and downstream operators in the target countries. The analysis considered different types of timber products, sizes of operators, supply chains and export destinations such as the EU and the US. It first created a list of potential upstream and downstream operators to be interviewed in the target countries based on available information such as FSC certificate database, PEFC database and the list of certified plants of timber products under the Japan's Agricultural Standards (JAS). Then, the project applied a questionnaire/interview survey with operators, industry associations and other stakeholders in the target countries and conduct a field survey.

Output 4: The results and key findings were disseminated to a range of stakeholders both in Japan and other countries, while targeting mainly the Japanese private sector through publications and an online seminar. The project produced practical and user-friendly summaries for the private sector in both Japanese and English.

In order to effectively conduct the survey in China and Viet Nam, qualified consultants with extensive experience and in-depth knowledge on the subject were contracted. The consultants supported the project team in communication with relevant stakeholders, collection and analysis of data, information and materials, coordination of a questionnaire/interview and field visits.

The project collaborated with existing ITTO programmes/projects such as the “Legal and Sustainable Supply Chain programme” and “Enhancing Conservation and Sustainable Management of Teak Forests and Legal Sustainable Wood Supply Chains in the Greater Mekong Sub-region”, as well as the projects supporting the implementation of the Clean Wood Act, which are funded by the Japanese Forestry Agency. Collaboration with those programmes/projects will increase the effectiveness of the project implementation and scale up the impacts even after completion.

2.3. Identified assumptions and risks

The key assumption was that the situation surrounding the COVID-19 pandemic would be under control in the target countries and would allow for interviews and field surveys. In order to mitigate the risk of being unable to collect the necessary information and data due to restrictions or bans on international travel, the project identified and contracted qualified consultants with extensive and in-depth knowledge in the target countries, and closely collaborate with relevant government agencies and industry groups/associations. Also, the project conducted a questionnaire and interview survey using online meeting platforms.

Other assumptions that would guarantee the success of the project implementation were that stakeholders (government agencies, donors, industry associations, and upstream and downstream operators) in the target countries support the survey and provide necessary information and data in a timely manner and that relevant stakeholders in Japan are committed and actively participate in dialogues. The risks of failure in this respect were mitigated as IGES established good cooperative relationships with relevant Japanese stakeholders and the key stakeholders in the target countries through previous projects in this field. Also, the project contracted qualified consultants with extensive experience and in-depth knowledge in the target countries and closely collaborated with ITTO and the Forestry Agency of Japan, which have strong networks with key stakeholders in the target countries.

3. Project Performance (Project elements planned and implemented.)

(a) Specific Objective:

To systematically analyze existing legality assurance systems/equivalent schemes and good practices in China, Myanmar and Viet Nam to support importers for the legal and sustainable timber trade

Specific Objective 1 was achieved, the project fulfilled the outcomes indicators (Table 1)

Table 1. Outcomes indicators and achievements

Outcomes indicators	Achievements
Quality and availability of information is increased, contributing to resolving the challenges for timber importers to ensure the legality and sustainability of timber and timber products sourced from China, Myanmar ² and Viet Nam	<ul style="list-style-type: none"> ● Completed studies in China and Vietnam and produced 4 technical reports in English and Japanese: <ul style="list-style-type: none"> ➢ Legislation and other initiatives for legal timber trade in China ➢ Status of Timber Legality Verification by Business Entities in China ➢ Viet Nam's Timber Exports to Japan: Analysis of Products Made Using Imported High-Risk Species during 2018–2021 ➢ Viet Nam's Plantation Timber Supply Chain: Good Practices to Promote Trade of Legal and Sustainable Timber Products ● Produced two Summaries for business entities of

² The PSC, at its second meeting held on August 30 2021, decided not to include Myanmar in the project as one of the target countries following the decision of the Government of Japan.

	<p>technical reports in English and Japanese</p> <ul style="list-style-type: none"> ● The seminar was recorded and made available to the public at https://www.iges.or.jp/en/events/20230331 ● Published 2 manuscripts for ITTO's Tropical Forest Update (TFU) Volume 32 Number 2 https://www.itto.int/tfu/2023/08/14/tropical_forests_relief_for_a_scorched_earth/ <ul style="list-style-type: none"> ➤ The growth of timber legality verification in China ➤ Identifying high-risk timber exports from Viet Nam to Japan
Number of Japanese importers with a better understanding on how to ensure and verify the legality and sustainability of timber and timber products from China, Myanmar and Vietnam is increased.	<ul style="list-style-type: none"> ● The project held a webinar on March 31st, 2023, to present the project outcomes. There were 248 attendees from 15 countries (mainly from Japan), of which 205 were from the business sector.

(b) Outputs and related Activities:

Output 1: Challenges for importers in assuring the legality and sustainability of wood products from the target countries are identified.

Output 1 was achieved, considering the close completion of the planned activities (Table 2)

Table 2. Planned activities and achievements of Output 1

Planned activities	Percentage executed	Achievements/Note
1.1: Establish the Advisory Group with the engagement of the private sector	100%	Advisory group was established, involving the Japan Lumber Importers' Association, two Registering Organisations of the Clean Wood Act, two Forest Certification organisations, two NGOs, experts on timber legality and sustainable procurements, and the financial organisation who is working on ESG.
1.2. Hold the Advisory group meetings (5	80%	Meeting were held 4 times.

times)		Considering the content of findings of the studies in China and Viet Nam, the discussion to be needed, and the possible timing, the Advisory Group has held four meetings instead of five.
1.3 Prepare and conduct a survey of Japanese importers through a questionnaire and focused interview	100%:	The semi-structured interview was conducted with 19 Japanese business entities.
1.4. Identify interests, needs and challenges for importers to confirm the legality and sustainability of timber and timber products imported from the target countries	100%	Needs and challenges were identified based on the interview survey

Output 2: Existing timber legality assurance systems/equivalent schemes in the target countries are analyzed with the identification of their strengths and weaknesses

Output 2 was achieved, as the project fulfilled the planned activities (Table 3).

Table 3. Planned activities and achievements of Output 2

Planned activities	Percentage executed	Achievements/Note
2.1. Review the structure of forestry and forest products industries and major timber supply chains in the target countries	100%	Structure of forestry and forest products industries and major timber supply chains of China and Viet Nam were reviewed.
2.2. Develop an assessment framework for the target country studies	100%	Assessment framework was developed
2.3. Identify and contract with national consultants in the target countries (for Output 2 and 3)	100%	National consultants in China and Viet Nam were identified and contracted.
2.4 Collect data and information and analyse existing timber legality assurance systems or equivalent schemes, and identify their strengths and weaknesses by conducting a questionnaire/ interview survey with government agencies, timber industries and other stakeholders, as well	100%	Data and information on China and Viet Nam were collected and analyzed.

as field observation ³		
2.5. Prepare a technical report on existing timber legality assurance systems or equivalents schemes in Japanese and English	100%	Completion of two technical reports and Japanese translations: <ul style="list-style-type: none"> ● Legislation and other initiatives for legal timber trade in China ● Viet Nam's Timber Exports to Japan: Analysis of Products Made Using Imported High-Risk Species during 2018–2021

In addition to the analyses of existing timber legality assurance systems, the study in Viet Nam identified the value of products containing high-risk species exported from Viet Nam to Japan, following the legal framework of Viet Nam and based on customs data and interview surveys and provided insights to promote the trade of legally harvested timber and timber products. This study had not been planned in the project document. However, it was designed and realized by the discussion with the consultant and by available budgets, which had been initially allocated to the study of Myanmar following the decision of the PSC.

Output 3: Good practices of upstream and downstream operators in the target countries in ensuring and verifying the legality and the sustainability of timber and timber products are collected and reviewed.

Output 3 was achieved, as the project fulfilled the planned activities (Table 4).

Table 4 Planned activities and achievements Output 3

Planned activities	Percentage Executed	Achievements/Note
3.1. Establish review criteria to collect and review good practice	100%	Criteria was established
3.2. Create the list of potential upstream and downstream operators to be interviewed	100%	List was created
3.3. Collect and review good practices of upstream and downstream operators in the target countries	100%	Data and information of China and Viet Nam were collected and analyzed
3.4. Prepare a technical report on good	100%	Completion of two technical reports and

³ The planned field surveys could not be implemented in China, due to the impacts of COVID-19.

practices in Japanese and English		<p>Japanese translations:</p> <ul style="list-style-type: none"> • Status of Timber Legality Verification by Business Entities in China • Viet Nam's Plantation Timber Supply Chain: Good Practices to Promote Trade of Legal and Sustainable Timber Products
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Output 4: Regional collaboration, information sharing and knowledge management are strengthened

Some delays in fulfilling the planned activities (table 5) regarding the dissemination of the technical reports, but Output 4 was generally achieved and will be fully achieved shortly, considering the continuous actions to disseminate the project outputs.

Table 5 planned activities and achievements of Output 4

Planned activities	Percentage Executed	Achievements/Note
4.1. Post the technical reports on the websites of IGES and ITTO		The technical reports of Output 2 and 3 were completed and submitted to ITTO, which will be available on ITTO's website from mid-2023.
4.2. Produce three country summary reports for the private sector (based on technical reports of Output 2 and 3) in Japanese and English and post them on the website of IGES and ITTO	100%	Country summary reports of China and Vietnam for the private sector were finalized in Japanese and English and posted on websites.
4.3. Hold a public seminar targeting Japanese importers and other key stakeholders	100%	A webinar was held on March 31st, 2023. 210 people attended (mostly business entities) from 15 countries (mainly Japan). Seminar recording and presentation materials are available to the public at IGES's website ⁴
4.4. Produce two policy briefs or occasional papers	100%	2 manuscripts were produced and submitted to Tropical Forest Update of ITTO

⁴ <https://www.iges.or.jp/en/events/20230331>

4.4. Disseminate the project’s results and key findings at international, regional, and/or national forum where appropriate	100%	<ul style="list-style-type: none"> • Presentation at Virtual Workshop by ITTO Project PDD/21 Rev. 1 - “Promotion of Sustainable Domestic Wood Consumption in Vietnam” • Presentation at National Council for the Promotion of Legally Harvested Wood Use in Japan (2022), November 9, 2022, Japan • Presentation at 12th China Global Wood Trade Conference, September 5, 2022, in China
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(c) Schedule:

- Starting date; 17th February 2021
- Duration; 26 months (originally scheduled 20 months)

The project was originally scheduled to finalize in October 2022. The field survey could not be conducted as scheduled due to the COVID-19 pandemic, and the PSC, at the third meeting in May 2022, acknowledged the importance of the field survey and approved the no-cost extension of the project period until 31 March 2023 to conduct a field survey in September and/or October 2022.

(d) Total amount of expenditures; analysis of applied input

See attached financial report.

The project used funds effectively to implement the planned activities and to achieve the outcomes and objectives in consultation with ITTO and the Forestry Agency of Japan. At its second meeting held on 30 August 2021, the PSC decided not to include Myanmar in the project as one of the target countries following the decision of the Government of Japan. The budget allocated to implement activities for the study in Myanmar was reallocated based on appropriate discussion and agreement by the PSC. Its budget was mainly used to implement further study in Viet Nam to identify the value of products containing high-risk species exported from Viet Nam to Japan (contracting a consultant), which produced new knowledge. A part of the budget for the travel has yet to be used, as the impacts of COVID-19 did not allow the IGES researcher to travel to Viet Nam in the first year and to China during the project period for the field survey.

4. Project Outcome, Target Beneficiaries Involvement

i) Extent to which the Project Specific Objective(s) was achieved;

The project has successfully achieved the Project Specific Objective against the outcome indicators (Table 1) and the planned activities (Table 2 to 5), except for some delays in disseminating the project outputs.

ii) Situation existing at Project completion as compared to the pre-project situation with respect to: the tangible Outputs of the Project; sectoral policies and programs; and the physical environment.

The project completed studies in China and Viet Nam and produced the below tangible outputs (Table 3, 4 and 5):

- Completion of four technical reports and Japanese translations
- Completion of two summaries for business entities of technical reports and Japanese translations
- Submission of two articles for ITTO's Tropical Forest Update (TFU) Volume 32 Number 2
- Realization of one public online seminar: 210 people attended (mostly business entities) from 15 countries (mainly Japan). Seminar recording and presentation materials are available to the public at IGES's website
- Presentations in Japan, China, and Viet Nam

The project has produced and disseminated information and knowledge on the practice of business entities and good practices in China and Viet Nam, which may support the due diligence of timber importers from China and Viet Nam. It should be noted that since this project is information gathering and analysis of the legal frameworks and good practices in China and Viet Nam, and dissemination of outputs to stakeholders such as business entities and government agencies, it does not intend to change sectoral policies and programs and the physical environment in Japan as a scope of the project during its implementation.

iii) Participation of the target beneficiaries in the implementation of the Project and how its results have been used by them or will be used in the future.

The project was designed where Japanese timber importers would benefit by receiving information via attending a public seminar and reading publications. It is expected that the project's outcomes contribute to improving the due diligence of importers of timber products from China and Viet Nam and to enhancing importers' commitment to the trade of legal and sustainable timber and timber products.

In addition, other interested parties could benefit from the project by using the information/data generated. These include Japanese trade associations, Registering Organisations of the Clean Wood Act, and the Forestry Agency of the Japanese government, as well as upstream and downstream

operators, forest industry and trade associations, and government agencies in China and Viet Nam. This aspect has been enhanced as the project outcomes were presented in China and Viet Nam (see section 3)

The project results could also be helpful for international stakeholders dealing with timber and timber products from China and Viet Nam. Given the critical roles of these target countries in supplying timber and timber products to the international markets, the project could provide valuable information to promote the trade of legal timber products globally.

iv) Expectation of Project sustainability after Project completion as a result of conditions prevailing at completion and any formal arrangement made with the Project beneficiaries for the Project's implementation and for its continued operation or maintenance after completion.

The project aimed that Japanese timber importers would benefit from the project by receiving information via attending a public seminar and reading publications. IGES will continue to disseminate project results to interested parties. Since there is no continued operation and necessary maintenance, there are no formal arrangements with the project beneficiaries.

5. Assessment and analysis

i) Project rationale and the Project identification process

The project rationale and identification process were appropriate since the project was formulated based on discussion with relevant stakeholders and information from previous related research activities. The project's original idea emerged from dialogues and discussions with the Forestry Agency of Japan, ITTO. It was also built on findings from previous studies on timber-producing and importing countries and the implementation status of the Clean Wood Act funded by the Japanese Forestry Agency and ITTO.

It should be noted that this project is research-based, not implementation-based, with the main target stakeholders being Japanese importers and the wider general public relevant to the timber industry. Those relevant importers and business entities who import/use timber and timber products from China and Viet Nam were identified through dialogues and interview surveys with Japanese industry groups, then semi-structured interviews were conducted with them during the first year of the project implementation. In addition, the Advisory Group, whose members cover a wide range of interests and expertise related to timber production, supply chain, and trade, served as a main mechanism to ensure the participation and engagement of key stakeholders during the project implementation.

ii) Adequacy of the results of the identification process

The identification process were appropriate, as the project addressed the issues directly related to the

business and benefits of many Japanese stakeholders. China and Viet Nam are significant suppliers of timber products to Japan and many other countries. At the same time, timber products from these countries are viewed as challenging to check the timber legality due to the complexity of supply chains. Also, the project was timely for Japanese business entities as the interest in due diligence has been growing, and there is an increased need for information on Vietnam and China.

In order to ensure that the project results would be practical and useful for timber importers, the project first identified and analyzed the interests, needs, and challenges of importers by conducting a questionnaire/interview survey in Japan. The results were used to develop an assessment framework to examine timber legality assurance systems/equivalent schemes and collect and review good practices in China and Viet Nam. In addition, the Advisory Group was used to discuss and share project activities and progress and obtain comments and advice for effective project implementation.

iii) Most critical differences between planned and actual Project implementation

The most critical difference was the cancelation of the study in Myanmar and an additional study conducted in Viet Nam, which identified the value of products containing high-risk species exported from Viet Nam to Japan. This further study was realized through discussions with the consultant of Viet Nam and approval by the PSC to use Myanmar's budget effectively. Although it was impossible to predict a military coup in Myanmar at the moment of the project formulation, it is important to discuss possible options and available information with local experts at the early stage of the project to avoid variations or mitigate the influences of such external factors. Also, close communication with PSC is critical to decide promptly to find solutions for effective project implementation and achievement of outputs.

iv) Adequacy of time and Project Inputs

The project was staffed with IGES researchers with expertise and experience in conducting studies on timber legality, due diligence, supply chain, and forest policy in several countries. In addition, the project's advisory group included relevant experts and organizations (Table 2) to provide critical views and a more comprehensive range of advice and help disseminate project outcomes to various stakeholders.

Regarding the financial resources, the project allocated adequate budgets for contracting consultants to conduct studies in China and Viet Nam.

v) Anticipation and reality of external influences, assumptions and risks etc. and the effectiveness of mitigating measures

The assumptions considered in the Project Document, the adaptive management of the project implementation, and communication with ITTO and the Forestry Agency helped reflect on external

situations and modify Workplan smoothly for effective project implementation.

Since the project started, the project team monitored the situation of COVID-19 in target countries and made early decisions because it could severely impact the project implementation. Unfortunately, the problem of COVID-19 was more significant and longer-lasting than anticipated. The field survey could not be implemented in the project's first year in Viet Nam, and the situation in China did not allow IGES researchers to travel and survey in China during the project period, which eventually led to the non-cost expansion of the project period. However, close communication with the local consultants has enabled the effective implementation of the project survey to collect good practices in China and Viet Nam.

The political situation in Myanmar was also beyond the project's control. Following the decision of the Government of Japan, the PSC decided not to include Myanmar in the project as one of the target countries at the 2nd PSC meeting held in August 2021. As such, close communication with ITTO and the Japanese Forestry Agency enabled the project to make early decisions to mitigate the impact, find solutions for effective project implementation, and deliver outputs.

vi) Participation of anticipated and actual Project beneficiaries in Project implementation and how they have and will be benefited from the Project

The project was research-oriented, conducting studies in China and Viet Nam, with the aim to generate helpful information and recommendations for timber importers to conduct due diligence when importing timber products from China and Viet Nam. The project outcomes have been shared with target beneficiaries, mainly Japanese importers and business entities. Summary reports were produced in both Japanese and English, and the public seminar was conducted with simultaneous English interpretation so that project outcomes could reach a broader range of stakeholders.

In addition, the project outputs on good practices and the recommendations have been informed with the government agencies, industry associations, and other stakeholders in China and Viet Nam through the presentations at the conference/workshop, which expect to help implement policies to address challenges by filling knowledge gaps and encouraging innovations.

vii) Sustainability after Project completion

The project results have been informed to various stakeholders, including Japanese business entities as primary target beneficiaries and stakeholders in China and Viet Nam, such as government agencies and relevant industry groups. It is expected that the produced information could support the due diligence practice of Japanese importers and help implement policies to address challenges by filling knowledge gaps and encouraging innovations. IGES will continue to disseminate project results to interested parties.

viii) Understanding and appropriateness of the roles and responsibilities of the institutions involved with the Project Implementation

The advisory group was established as the primary mechanism to ensure the participation and engagement of key stakeholders, fulfilling the below roles, which were critical for effective project implementation.

- Bring about views and ideas from the perspectives of the private sector and/or experts on the subjects
- Provide advice and comments on the implementation of the project activities
- Provide views and comments on ideas for further ITTO projects which will be funded by the Japanese government
- Support dissemination of the project's outputs to relevant stakeholders

The Advisory Group involved adequate actors to fulfill above-mentioned roles, such as the Japan Lumber Importers' Association, two Registering Organizations of the Clean Wood Act, two Forest Certification organizations, two NGOs, experts on timber legality and sustainable procurements, and the financial organization who is working on ESG.

6. Lessons learned

a) Project identification and design matters

Aspects of Project identification and development

Close communication and building trust relationships with key stakeholders are critical for effective project identification and development. Also, the problem analysis needs to be conducted through stakeholder dialogues, including an interview survey and discussion, and based on a literature review, and to be shared with them for verification. Since the project was research-oriented, it was helpful to identify and involve local experts/consultants in discussion to understand available data/information and possible options to achieve outputs.

• Additional arrangements

The advisory group served as an effective mechanism to include perspectives and opinions from diverse groups to implement the project activities.

• Aspects of Project design

The project first identified relevant Japanese business entities importing and/or using timber products from China and Viet Nam and conducted interview surveys with them to understand the interests and challenges that the Japanese private sector has regarding imports of timber and timber products, which

served as a basis of the studies in China and Viet Nam. Such a needs-oriented approach was critical to design detailed project design and activities to achieve Specific objectives.

• ***Actions to be taken to avoid variations between planned and actual implementation***

Identifying local consultants/experts and their involvement in discussion as early as possible can support having detailed plans and options for the project activities, which may support avoiding variations.

There may be avoidable external factors that impact the project implementation, such as COVID-19 and political conflicts. The close communication with ITTO, the Japanese Forestry Agency (donor), and the PSC meetings enabled us to revise and modify the work effectively. Also, the project team regards the adaptive management of the project implementation. The assumptions in the Project Document allowed us to reflect on external situations and modify the Workplan smoothly for effective project implementation.

• ***Factors which will most likely affect Project sustainability after completion***

The project obtained opportunities to share the project outcomes after the project completion in China and Viet Nam invited by industry groups of these countries. Strengthening relationships with relevant government agencies, industry groups/associations, and research institutes in both Japan and the target countries during the project implementation is critical to ensure the dissemination of the project outcomes, even after the project finalization.

b) Operational matters

• ***Project organization and management***

Adaptive management and close communication with ITTO and donor organizations were critical to react to avoidable external factors that impacted the project implementation, such as COVID-19 and political conflicts. Regular meeting with the project team to share the progress against the Work Plan and challenging situation serves as the basis of such adaptive management.

• ***Flow of funds***

Proper scheduling of payments in contracts with consultants, considering implementation costs, is critical to the adequate flow of funds to implement the project.

• ***Definition of the roles and responsibilities of the institutions involved in the Project implementation***

The studies in China and Viet Nam were successfully conducted with the collaboration of local consultants. A series of discussions with local experts before contracting is critical to determine and agree on their appropriate roles and responsibilities in project implementation to achieve the objectives.

Prior consultation with ITTO also was helpful in identifying candidates for local consultants.

• ***Project documentation***

The project coordinator scheduled and arranged the required documentation, and the project members provided inputs and necessary support. It is essential to define a note taker at the decision-making and meetings (e.g., PSC meetings and the advisory group's meetings) and interview surveys and use the same format for reporting.

• ***Monitoring and evaluation***

The project applied a monthly internal monitoring system using the Work plan and indicators presented in the Logical Framework Matrix in the Project document, which helped to implement the project effectively, share the progress and challenges with the project team, and discuss solutions. The Project Steering Committee was also imperative for effective project implementation, reporting, and evaluation. The progress report format provided by ITTO was a helpful tool for systematically monitoring the project implementation. In addition, the advisory group was an effective mechanism for obtaining comments and advice for the studies in China and Viet Nam. In order to incorporate such external-type evaluation, it is crucial to define and agree on the advisory group's role when establishing it.

• ***External factors that influenced the Project implementation and that could have been foreseen and that could not have been foreseen***

The external factor that could have been foreseen was the impact of COVID-19. While its impacts were more significant and longer-continued than expected, the project prepared options and measures to reduce the negative influence of COVID-19 on the project implementation. However, the military coup in Myanmar was not foreseen, and there was no other option but to cancel the Myanmar study's activities following the PSC meeting's decision.

Although it is impossible to predict such political conflict at the moment of the project formulation, it is important to discuss possible options and available information with local experts at the early stage of the project to avoid variations or mitigate the influences of such external factors. Also, close communication with PSC is critical to decide promptly to find solutions for effective project implementation and achievement of outputs.

7. Conclusions and Recommendations

• ***Identification***

- Engagement and dialogues with stakeholders are critical for the project identification process.

For research-type projects, Close communication and building trust relationships with key stakeholders are critical for effective project identification and development. Also, the problem analysis needs to be conducted through stakeholder dialogues, including an interview survey and discussion, and based on a literature review, and to be shared with them for verification. Since the project was research-oriented, it was helpful to identify and involve local experts/consultants in discussion to understand available data/information and possible options to achieve outputs.

- For research type project, it is critical to identify candidates for local consultants and discuss with them to assess possible survey options during proposal preparation, contributing to detailed planning and budgeting at an early phase

• *Design*

- For design of the research-type project, it should be based on a needs-oriented approach. For this, identification of stakeholders and interview/discussion with them should be realized at the project formulation or at least the initial phase of the project implementation to understand their challenges and what data/information could support solving the problems.
- The project's impact is more significant if the project activities and results are directly related to the interests, benefits and challenges of the target stakeholders. To increase public awareness, rather than keeping information closed, there may be other ways such as public advisory meetings, Youtube, public symposiums, etc.
- It is crucial to ensure the linkage/implications of outputs (deliverables or activities) to the market and consumers in mind.
- Identification and discussion with local experts (who could be national consultants) at the early project stage are imperative to design the project in detail as they help to identify options for the project activities (e.g., what data could be available/not available, possible sites for data collection, etc.)

• *Implementation*

- Identification and collaboration with qualified local experts with local networks are critical for the effective implementation of project activities.
- Also, having an external body, such as an advisory group consisting of representatives of interested parties and experts of related areas, is imperative for implementing the project as it could provide comments and advice on research activities, support networks for the activities, and dissemination the project results.
- To increase public awareness, rather than keeping information closed, there may be other ways such as public advisory meetings, Youtube, public symposiums, etc.
- Communication with the relevant authorities and stakeholders is critical. For the research activities, it is imperative to explain the objectives and plans beforehand, then share the progress

and research. outcomes with them.

• ***Organization and Management***

- It is important to structure the project organizations with clear definitions of roles and responsibilities, especially decision-making processes and roles, otherwise, the project cannot take prompt and effective actions against unpredicted external factors that could influence on the project implementations.

ii) Comment on the potential for replication and/or for scaling up

The project focused on China and Viet Nam as major timber import and export countries. The same research activities could be replicable in other countries to promote legal and sustainable timber production and trade.

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Responsible for the Report

Name: Taiji Fujisaki

Position: Research manager, Biodiversity and Forests Area, IGES

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IGES Institute for Global
Environmental Strategies

2108-11, Kamiyamaguchi, Hayama, Kanagawa, 240-0115, Japan
Email: iges@iges.or.jp
Website: <https://www.iges.or.jp/>

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