



# Project "Support to the Implementation of FLEGT VPA in Viet Nam"

## Policy Brief Decree 120

*What is new for the Viet Nam Timber Legality Assurance System since November 2024?*



**Published by the**

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH,

**On behalf of the**

German Federal Ministry for Economic Cooperation and Development (BMZ)

**Registered offices**

Bonn and Eschborn, Germany

**Project**

Support to the Implementation of FLEGT VPA in Viet Nam

**Responsibility**

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## What is new for the Viet Nam Timber Legality Assurance System since November 2024?

Ensuring the traceability of legality along the entire timber supply chain involves “using legal wood sources, certified with chain of custody (CoC) management” (*Viet Nam Forestry Development Strategy for the 2021-2030 period, with a vision to 2050*). To address some outstanding issues, the Government of Viet Nam updated the legal framework governing its timber legality assurance system (TLAS). Decree No. 120/2024/ND-CP (Decree 120) came into effect on 15 November 2024, amending and supplementing a number of articles of Decree No. 102/2020/ND-CP (Decree 102). The new contents are aligned with the Voluntary Partnership Agreement (VPA) between Viet Nam and the European Union (EU) on Forest Law Enforcement, Governance, and Trade (FLEGT) and the Agreement between the Government of the Socialist Republic of Viet Nam and the Government of the United States of America on Illegal Logging and Trade.

This policy brief summarises key updates for the Vietnamese TLAS and its impacts on the sector. It also highlights some challenges recognised by different stakeholders and emphasises approaches to address these in different fora.

### New contents of Decree 120

#### ❖ Management of imported timber

- The sequence for publishing the list of timber species imported into Viet Nam has increased from six months to one year, before 31 December every year.
- Cases have been added where a country or territory is considered a non-positive geographical region. This is a country or territory that meets the criteria for a positive geographical region as specified in Clause 1 of Article 5, but where there is evidence of illegal timber harvesting, illegal timber trade, or the use of fraudulent documents in accordance with the legal regulations of relevant countries.
- Form No. 01 (packing list of imported timber), Form No. 02 (packing list of imported timber products) and Form No. 03 (self-declaration of origin of imported timber) of Appendix I of Decree 102 have been combined into a new Form No. 01. (packing list of imported timber) of Appendix I of Decree 120. The following has also been added:
  - Detailed regulations on determining the country and territory of export for declaring information (Section 11).
  - Regulations on complex timber products that contain at-risk timber species: information must be declared for these species.
  - Information about the country and territory of harvest in the details section (Sections 12 and 13).
  - Regulations on declarations in section D of Form No. 01 for timber that is (i) from low-risk species and positive geographical regions, and (ii) from high-risk timber species or non-positive geographical regions to increase the due diligence of all timber importers.
- Regulations have been supplemented so that, after completing customs clearance procedures, the customs office shall return the paper-based dossiers of imported timber to the timber owners for archiving to serve the inspection and traceability of timber origin by authorities, when necessary.

#### ❖ Management of exported timber

- The subject of timber origin verification should be adjusted before export so that it does not discriminate against the market. Accordingly, the regulation "[a] timber shipment originating from domestic plantation forests exported to markets outside the EU do not need verification" should be removed.

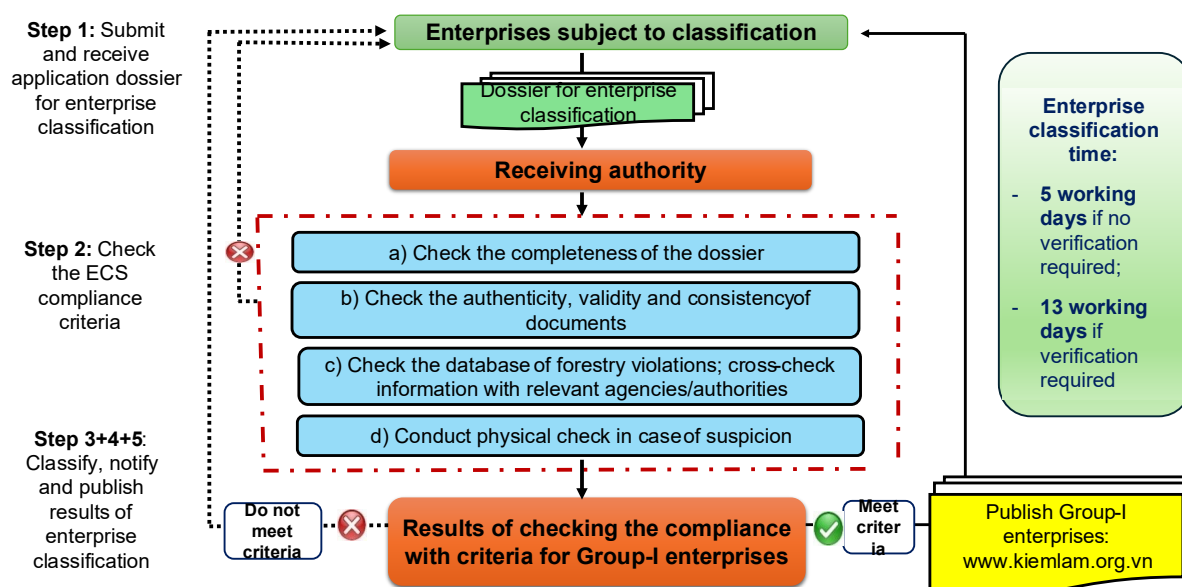
- The customs office shall return the paper-based dossiers of exported timber to the timber owners for archiving after completing customs procedures to serve the inspection and traceability of timber origin by the authorities, when necessary.

## ❖ Enterprise classification system

An “enterprise classification system (ECS)” means a system for receiving, processing, storing, and publishing information about enterprise classification. The ECS will apply to all enterprises in the VNTLAS supply chain to ensure the feasibility and effectiveness of VNTLAS. Based on the ECS’s compliance criteria, enterprises are classified into Group-I enterprises, which are those that meet the criteria, and Group-II enterprises, which are those that do not fully meet the criteria or which are newly established enterprises.

Decree 120 became effective as of 15 November 2024 while the expanded scope of the ECS will become effective 18 months later, i.e. in March 2026. The Enterprise Classification Information System (ECIS) will be set up within this timeframe so that it can be implemented by March 2026.

**Diagram of enterprise classification process**



- ECS subjects have been added. These include enterprises engaged in forest plantation, harvesting and supplying planted timber, timber processing, timber import, and timber export.
- The subsequent classification for Group-I enterprises has been changed from every year to every two years.
- Cases have been added where enterprises are moved from Group I to Group II:
  - (i) Where re-classification dossiers have not been submitted within 30 days.
  - (ii) Where an incorrect declaration of information has been detected.

## ❖ Amending and supplementing the definition of legal timber

- **Confiscated timber** has been discarded from the definition. This means that confiscated timber is not put into commercial use. Currently, confiscated timber is governed by Decree No. 29/2018/ND-CP concerning the procedures for establishing state ownership of assets and for handling assets under state ownership.
- The definition has been amended so that legal timber will comply with national laws of the country or territory where timber is harvested, transited, and exported to Viet Nam.
- The phrase “timber type” has been replaced with “timber species”. This is important to ensure the clarity of language and address shortcomings which occurred during the implementation of Decree 102.

## ❖ FLEGT licensing



- Regulations have been eliminated on granting FLEGT licenses for temporarily imported and re-exported timber shipments and confiscated timber. This means that temporarily imported and re-exported timber and confiscated timber are not subject to FLEGT licensing.

## Challenges

### 1. Forest protection

- ❖ The participation of various stakeholders in complicated timber supply chains, such as forest owners, foresters, timber manufacturers, transporters, traders, importers and exporters, for traceability of legal wood origin.
- ❖ ECS involves many fields: fire prevention and fighting, land, environment, investment, labour, tax, customs, and so on. This affects coordination and effective information sharing in management, verification, and enterprise classification.
- ❖ Lack of resources to invest in technology, monitoring tools, and updated and synchronised database management. A lack of human resources and the pressure of being responsible for large and complicated workloads at functional agencies affects the collection, monitoring, and processing of legal timber information, tracing and verifying the origin of timber, and effectively handling violations.
- ❖ Sources of imported timber are increasingly large and diverse, with the timber supply chain going through many countries. In 2024, Viet Nam's timber and timber product import turnover reached over USD 2.81 billion, an increase of 28.1% compared to 2023. Of this, round wood imports reached over 1.83 million m<sup>3</sup>, reaching USD 497.83 million, an increase of 13% in volume and 9.5% in value. Sawn timber imports increased to nearly 2.39 million m<sup>3</sup>, reaching USD 923.05 million, an increase of 66.9% in volume and 66.4% in value (VIFOREST 2025). Some timber origins are unclear, lacking legal certification documents. This causes difficulties for relevant inspection and supervision forces.
- ❖ The organisational system of forest protection agencies is still inconsistent. Many localities have merged and dissolved their forest protection agencies. This has led to difficulties for forest protection agencies in exercising their competence to ensure law enforcement and perform their functions, tasks, and powers.
- ❖ The functions, tasks and powers of provincial and district-level forest protection agencies have not been clearly defined, and differences in decentralisation and competence have not been shown. It is unclear which tasks fall under the competence of provincial-level forest rangers and which fall under district-level forest rangers, as well as the responsibility for reporting and verifying the origin of forest products according to each competence.
- ❖ There is no clear regulation on the tasks of forest protection agencies in presiding over and coordinating with other agencies, such as tax authorities, on the inspection and traceability of forest products. Current regulations only mention the verification and certification of the origin of forest products.

### 2. Enterprises in the timber industry

- ❖ It is difficult to collect complete documents and to identify and take responsibility for proving the origin of imported and legal domestic timber (involving harvesting licenses, contracts, purchase and sale invoices, and transportation). Those involved may be subject to legal risks, such as being penalised for violations related to illegal timber in the long and complex timber supply chain, affecting reputation and causing financial losses.
- ❖ High costs are required to comply with, maintain, and improve due diligence and traceability systems. These include information systems, verification, quality management, and personnel training of input and output timber products throughout the timber supply chain.
- ❖ Small and Medium Enterprises may lose business and export opportunities if they do not update, understand, and comply with the new regulations in a timely manner.

## Recommendations

### 1. Forest Protection and Customs Departments

- ❖ Revise Circular 21 on the ECS with criteria for new types of enterprises in accordance with legal changes of relevant sectors and updated administrative procedures.
- ❖ Link the ECS with the Customs risk management system for timber and timber products.
- ❖ Periodically update and publish the lists of timber risk species, positive geographical regions, and recognised certification schemes.
- ❖ Provide documents and share specialised knowledge with border customs agencies to check declarations for the completeness or accuracy of information to ensure due diligence.
- ❖ Implement regulations on verification for export and FLEGT licensing in a timely manner.

### 2. Enterprises in the timber industry

- ❖ Build a corporate due diligence system, strengthen the management and supervision of suppliers, collect legal documents, and ensure transparency throughout the supply chain.
- ❖ Increase investment in advanced information technology: software, legal timber data, and certificates.
- ❖ Increase training activities, providing adequate knowledge and capacity on how to implement due diligence and record the results in the declaration (information collection, risk assessment, and risk mitigation).

### 3. Timber associations

- ❖ Improve support for timber flow management systems at processing facilities to ensure reliable traceability (for example, in wood craft villages).
- ❖ Enhance roles in (i) consulting and training businesses to comply with and adapt to new regulations and standards on domestic and international timber legality assurance systems (VPA/FLEGT, EUDR, Lacey Act, etc.), and; (ii) bringing the challenges and feedback of enterprises to policy and decision makers.

## References

- Decree No. 102/2020/ND-CP dated 1 September 2020 of the Government regulating the Viet Nam Timber Legality Assurance System.
- Decree No. 120/2024/ND-CP dated 30 September 2020 of the Government amending and supplementing a number of articles of Decree No. 102/2020/ND-CP dated September 1, 2020 of the Government regulating the VNTLAS.
- Circular No. 21/2021/TT-BNNPTNT dated 29 December 2021 of the Ministry of Agriculture and Rural Development: Regulations on classification of timber processing and exporting enterprises.
- Circular No. 26/2022/TT-BNNPTNT dated 30 December 2022 of the Ministry of Agriculture and Rural Development: Regulations on management and traceability of forest products.
- Report on assessment of the implementation of Decree No. 102 and its impact on the management of imported timber, Nguyen Tuong Van and Tran Le Huy, June 2022.
- Report on capacity needs assessment of forest rangers in the implementation of FLEGT VPA and VNTLAS, Vu Thi Bich Thuan, December 2024.

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