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Research title:

**Local state actors and institutions and forest certification in
Vietnam**

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Abstract

The notion of Non-State-Market-Driven governance, which is used to conceptualise third-party forest certifications, appears to be limited in many ways, particularly, in the context of the state's emerging involvement and roles in reshaping private governance regimes. Recent studies have tended to focus on understanding interactions of the two-global leading forest certification schemes FSC and PEFC and their interactions at the national state level. Yet little is known about how certification systems interact at the local state level, especially in situations characterised by uneven and insufficient market pulls of certified timber products and the critical need of smallholder tree grower inclusion. This research has revealed that in Vietnam, both FSC and PEFC have not only interacted with the central state but also with local authorities in complex but quite different ways. I investigate the case of FSC group certification in Central Vietnam and the attempt of the Vietnamese states in linking agricultural cooperatives into the newly established Vietnamese Forest Certification Scheme (VFCS), which is proposed for endorsement by PEFC (VFCS/PEFC). The findings illustrate that local states actors, with their structural and political powers, are capable of constraining or leveraging the development of many centrally-designed policies and programs, and forest certification is not an exception. This shows another scale or layer of institutional challenges for the upcoming expansion of FSC group certification for smallholders, which go beyond technical complexities and certification cost issues. Equally importantly, by linking agricultural cooperatives into VFCS/PEFC, the new system expects to be smallholder inclusive and cost effective. However, there are many potential challenges, particularly related to historical collective institutional issues, weaknesses in 'enterprise culture' among cooperative leaders, and a sense of independence of a majority of agricultural cooperatives. Broadly, the notion of sustainable forest management, combining private governance and national ownership under PEFC approach deserves to be considered carefully by associated actors who aim to promote this approach, because of the degree to which of state involvement and its impact and the fuzzy future of agricultural cooperatives in Vietnam's agrarian transformation.

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Acronyms list

SFM	Sustainable Forestry Management
ACIAR	Australian Centre for International Agricultural Research
DARD	Department of Agriculture and Rural Development
DFD	Department of Forestry Development
FPD	Forestry Protection Department
FOSDA	Forest Owner Sustainable Development Association of Thua Thien Hue
FSC	Forest Stewardship Council
GoV	Government of Vietnam
KfW	German government-owned development bank
MARD	Ministry of Agriculture and Rural Development
NSMD	Non-State-Market-Driven
PEFC	Programmer for Endorsement Forest Certification
PPC	Provincial People Committee
SVLK	Sistem Verificasi Legalitas Kayu,
The Association	Quang Tri's Smallholder Forest certification Groups Association
The Quang Tri Group	Quang Tri FSC Group Certification
The Hue Group	Hue FSC Group Certification
VFCS	Vietnam Forest Certification Scheme
WWF	World Wild Fund for Nature

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1. Introduction

Sustainable forest management (SFM) is a major challenge for local and global governance and forest certification is one of many tools to address that challenge (Marx & Cuypers, 2010). Forest certification is defined as ‘*a process through which transnational networks of diverse actors set and enforce standards for the management of forests around the world*’ (Meidinger, 2003, p.265). There are two global leading forest certification schemes, Forest Stewardship Council (FSC) and Programme for Endorsement Forest Certification (PEFC), which were both established in 1990s. Cashore (2002) has conceptualised forest certification as a form of as Non-State-Market-Driven (NSMD) environmental governance. However, the way in which these schemes are operating could be differentiated in many ways, of which this paper focuses on two dimensions. The first is the degree to which each scheme allows countries to accommodate international notions of sustainability in certification schemes through their domestic governance structures. FSC has a set of Principles and Criteria (P&C) applying internationally for all types of forests. It also allows countries to establish national standards that meet the FSC P&C, however, this approach has so far only exercised in few countries which have relatively high level of forest management capacity, such as Germany and Sweden (Buckingham & Jepson, 2013). Therefore, FSC is seen by some national governments as a threat to state sovereignty. By contrast, PEFC is an umbrella organization which is based on its seven meta-standards to mutually recognise and promote national standards through endorsement processes. In doing so, PEFC allows countries to accommodate international sustainability program within their domestic governance structures (Buckingham & Jepson, 2013). The number of PEFC endorsed national certification systems is on the increase, reaching 39 countries by 2017 (PEFC, 2017a). The second is the scheme’s capability to address the need for the inclusion of smallholder tree growers. This is related to the importance of smallholders in forest management and global wood supply, and their potential to be excluded from global sustainable initiatives (Midgley et al., 2016). Though its own definitions, PEFC claims that this model itself is responsive to small forest owners as the PEFC endorsed national standards is able to tailor its system to local priorities and conditions (Midgley et al., 2016, PEFC 2017a). In comparison, despite several efforts have made by FSC to be smallholder inclusive such as Small or Low-Intensity Managed Forest (SLIMF) standard, FSC is often criticised as favouring for large-scale forest companies rather small-scale holding tree growers because of its technical complexities and high costs (Buckingham & Jepson, 2013).

The differentiation between FSC and PEFC in the way in which they operate their systems also reflects a broader divergence regarding the state's roles in private governance. Particularly, existing literatures tend to overstate the actual magnitude of private actor's influences and institutions, whilst underestimating the power of states' continued rule-making authority (Giessen, et al., 2016). Giessen et al., (2016), Bartley (2014) and Gulbrandsen (2014) also argue for a renewed recognition of the state's involvement in the emergence, diffusion and even reshaping of non-state certification systems (in terms of both legality and sustainability standards). This is what has happened in many countries, where state bureaucracies are both strong, and less democratic, such as Indonesia, China and Vietnam.

The Government of Vietnam (GoV) has worked with FSC since 1998, not only in relation to sustainability concerns but also on the rise of procurement policies of many exported markets more generally, such as the EU timber regulations (EUTR) (To et al., 2017). Despite significant supports from both the GoV and international donors, FSC' growth remains slow and far lower than the GoV's goal (MARD, 2016). Moreover, forest consultants and experts such as Midgley, et al., 2016, Flanagan et al., 2017, and To, 2015 argue that FSC is less likely to meaningfully engage with Vietnamese smallholder growers, who represent about 1.2 million households and manage approximately 25 percent of total national forestry land. In fact, among about 230,000 ha. of FSC certified forest-land in Vietnam (as of June/2017), only 2 percent belongs to smallholder's plantation, held under five group certificates (To et al., 2017). It appears to be a further understanding of FSC Group Certification scheme and its potential for greater inclusion of smallholder tree growers are critical, yet little is known by existing literatures. This gap will be examined in detail through this paper.

At the same time, the GoV started collaborating with PEFC in 2014 (PEFC, 2014). This cooperation marked a milestone in January, 2016 when the Vietnam Forest Certification Scheme (VFCS) was formally established. VFCS is expected to be endorsed by PEFC by end of 2017, to become VFCS/PEFC (MARD, 2016). Amongst many tasks for the newly established VFCS, identifying the core forest management unit for organizing the scheme is amongst the most crucial. Linking forest certifications to revitalised Agricultural Cooperatives (*Hop tac xa nong nghiep*) appears to be one approach that MARD (*Ministry of Agriculture and Rural Development*), the implementing agency, is considering. However, the potential of this approach is uncertain and associated challenges should not be overlooked. Agricultural cooperatives have a contentious history in Vietnam, related to the process of

collectivization and de-collectivization of agriculture cooperatives over six decades, contested political interactions with local authorities, and the unclear prospects of the recent transformation of cooperatives from highly government subsidised entities into more autonomous ones (Kerkvliet, 2005, Cox & Le, 2014).

Central Vietnam is a good study site for better understandings of the development of forest certification at the local level in Vietnam. Particularly, Quang Tri province is interesting as it is where the first FSC group certification scheme of Vietnam was established in 2007. However, the growth of this scheme has been notably slow, about 1,700 ha. certified over a 10-year effort which is mainly funded by WWF and Swiss Agency for Development and Cooperation (Auer, 2012, Hoang et al., 2015a). The existing literature on this FSC Group certification has tended to focus on issues of technical complexity and running cost, yet, these factors may not necessarily be sufficient to explain this slow rate of expansion (Auer, 2012, Hoang et al., 2015a). This is especially the case when the scheme is placed into the context of other newly established FSC Groups in the same region, such as Thua Thien Hue province, which shared many similarities but have enjoyed a fast rate of expansion in areas of smallholder certified plantations (WWF, 2016). These facts illustrate a possible hypothesis is that the missing puzzle of the slow growth of FSC group certification in Quang Tri could be related to local state actor's influence.

Therefore, this study aims to have a better understanding of the role of local states in the implementation of forest certification in Vietnam for both FSC group certification and VFCS/PEFC initiative. In doing so, the research addresses two main questions, (1) How, and to what extent do local state authorities influence the implementation of FSC smallholder group certification in the Vietnamese context? and (2) what are potential opportunities and challenges of using agricultural cooperatives as forest management unit for the VFCS/PEFC?

2. Literature review

2.1. Conceptual frameworks

Forest certification has been understood as a form of market based regulation, particularly, transnational regimes such as the FSC and PEFC are conceptualised through the notion of Non-State Market Driven (NSMD) (Cashore, 2002). It interprets forest certification as a means to promote non-state actors to use market power to establish international institutions

based on norms and rules that are largely beyond state involvements. This approach emerged from the failure of many transnational initiative such as Earth Summit (1993) to ameliorate tropical deforestation (Klooster, 2005). Cashore & Stone (2012) have further developed this concept beyond sustainability certification, by forming a theoretical framework for assessing the scope of NSMD in the context of the emergence of forest legality initiatives.

However, Gale and Haward, 2009; Cadman, 2011 argue that NSMD does not necessarily mean there is no state contribution to the governance process, but rather there is a *cross fertilization* between state and non-state actors in environmental governances. Furthermore, Vandergeest and Unno (2012) claims that some Southeast Asian countries have viewed sustainability certifications in terms of concerns over the challenge to state sovereignty introduced by private governance regimes such as the Marine Stewardship Council. This may drive states and industries who may share different interests from mere environmental sustainability to establish competing programs. By examining forest certification operations in Mexico, Klooster (2006) also criticised that FSC has been used as an instrumental rather a voluntary tool by global retailers, to align producers into compliance with FSC's standards without any economic premium. This not only highlights the equity issues of forest certification but also implies a broader limitation of NSMD to environmental governance in the situation of asymmetric powers between local producers and global retailers; and calls for continued roles of government-centred approach.

More directly, Buckingham & Jepson (2013); Bartley (2014); Gulbrandsen (2014); and Giessen et al., (2016) have all argued that the roles of state actors in the emergence, diffusion, and reshaping of seemingly private, non-state certification systems are decisive, in relation to sustainability and timber legality. In contrast to Cashore & Stone (2012), who suggest that legality verification could lead to expansion of SFM certification, Bartley (2014) claimed that *'the rise of timber legality regimes could constrict, rather than expand, the space for global private authority'* (p.93). This rise also marked the partial re-centring of the state over last decade (p.104).

Regarding sustainability, Gulbrandsen (2014) illustrates dynamic interactions between state policies and private governance programs at multiple governance levels and in multiple-ways, resulting in either strengthening or weakening certification programs in forestry and fisheries sectors. He argues that states are able to facilitate or impede these programs at distinctive stages of the regulatory process, particularly, agenda-setting and negotiation;

implementation; and monitoring/enforcement. Furthermore, Giessen et al., (2016) has demonstrated how Indonesia's timber legality assurance system (Sistem Verifikasi Legalitas Kayu, SVLK) has been possible to be developed from a domestic scheme into a globally accepted standard, in both sustainability and legality, because of substantial backups of Indonesian bureaucracies. This poses a significant threat to FSC, which remains limited in the certified area covering in Indonesia. The paper concludes that '*bureaucratic politics could reshape certifications from a transnational regime to new mandatory state systems*' (p.81). However, it is highly uncertain what the real impacts of this sort of nationally-regulated certification systems will be on forestry sustainability and legality in practice (Fishman & Obidzinski, 2015).

Buckingham & Jepson (2013) criticises that FSC-PEFC dynamics at national levels in state-led market oriented or authoritarian nations are understudied. They argue that while FSC is no longer supported by Chinese government, PEFC has made gains with legitimacy in China by endorsing the China Forest Certification Scheme which allows Chinese government to be able to maintain their authority over the mechanism and its operations, yet under certain conditions of meeting PEFC meta-standards and operations. This is particularly similar to the situation which is happening in Vietnam. However, this process should not be over-simplified as Auld (2014) argues that the interactions between forest certification schemes and states are rather more complicated, with numerous concerns over sovereignty, standards, effectiveness and legitimacies. Each scheme appears to have both advantages and disadvantages, therefore, to a certain extent, it is the matter of state's power in either promoting or rejecting a certain scheme over another.

The next section will examine in detail the states in Vietnam at both national and local levels and their systems of forest management.

2.2. Local state institutions and Vietnam forest management

The central-state of Vietnam, on the one hand, holds exclusive authority in passing legislation and executive practices, which are enforced at the national scale. However, even during the period of high-socialism, it was never fully in control over local scales, because of continuing on-the-ground non-violent resistances by residents (Kerkvliet, 2005). Essentially, decentralisations after the Doi Moi, in 1986, not only have transferred significant powers to local levels, but also have added another layer of complexity to this already complex central-local relationship in Vietnam (Pincus, 2015). Therefore, the actual implementations of a

majority of central government issued policies are largely depended on local governments. The famous proverb “*phep vua thua le lang*” or “the King’s law stops at village gates” is an evidence of the case that local government authorities could stymie central authorities (Malesky, 2004, p.285).

Local states in Vietnam constitute four subnational levels of residency and administration: province; district, commune and village (Kerkvliet & Marr, 2004). While these governance systems are highly hierarchical, to a certain extent, local officials are more responsive to *horizontal linkages* within their communities rather than to *vertical linkages*, especially when local economic interests outweighs centrally-defined environmental intentions (Sikor, 2004, p. 169). Local authorities are accountable for many activities and interests within their jurisdictions such as education, health care, social welfare, physical infrastructures and tax collection. Moreover, they are also responsible for implementing the laws and programmes of the central government. For example, Vietnamese law states: ‘*all land belongs to the entire people and is managed by the state*’. However, in fact, much of that management is done by provincial and district governments. To implement these all responsibilities, local governments also require funding which are usually well beyond their budgetary capacities. The implications are that local governments have to either increase their budgetary sources locally or prioritise their limited expenditures to certain areas of social and economic development (Kerkvliet & Marr, 2004).

In addition, Malesky (2004) claims that provincial governance is considerably varied in qualities and characters within Vietnam. These differences are key explanatory factors for the uneven social-economic development among provinces after taking other structural conditions such as geography; proximity to markets and auspicious infrastructure into consideration.

In forest sector, the new Forest Protection and Development Law was first introduced in 1993, and revised several times in 2000s. These laws have outlined decentralized responsibilities of forest protection and development to local levels. Over nearly three decades, the nationally-designed afforestation and land allocation programs have made significant achievements in landscape restoration and poverty reduction (McElwee, 2016). Yet, the drawbacks of those programs deserve critical views. For instance, the work by Coe (2012) has well demonstrated how ‘*local actors and structures could assert their powers on implementation of national policies*’ (p.77).

Moreover, the dependence of the central government on locals to implement forest management policies is obvious. For instance, the decision 38/2016/QĐ-TTg claims a support of 300.000 VND (USD15) per each certified ha of forest, which is increased from the amount of 100.000 VND stated at the decision no. 147/2007/QĐ-TTg since 2007. Yet, these supports have not been applied in practice yet. One reason is that these decisions are issued by the central government but without sufficient or any financial support attached. Therefore, the possibility of turning these centrally-designed policies into practices is largely depended on local financial capacities, and politics, most essentially, the provincial level.

The implications of these state-related factors in the forestry management could be seen clearly in the case of how forest certification has been developed in Vietnam.

2.3. Forest certification in Vietnam

As PEFC is rather new in Vietnam, this discussion of the development process of forest certification will focus mainly upon the FSC. The ministerial decision no. 18/2007/QĐ-TTg outlined the target of certified plantation by 2020 would be 2 million ha. However, this target was recently scaled back to 500,000 ha by 2020 under the decision no. 2810/QĐ-BNN-TCLN, 2015. Yet, after nearly two decades of operating in Vietnam, the FSC certified forest remains at a relatively small area of about 230,000 ha (FSC, 2017). In 2007, the Swiss State Secretariat for Economic Affairs (SECO) and the World-Wide Fund for Nature (WWF) developed a project to support plantation smallholders in pursuing a FSC sustainable forest management certificate. Since then the project has developed through 5 phases and the 6th has just been approved for the period of 2017-2020 (Auer, 2012; Interview 1, July 2017). Under this project, the Quang Tri FSC Group Certification (hereinafter the Quang Tri Group) has been established and studied by several scholars.

In 2010, the Quang Tri Group has certified about 300 ha of plantation for its first time (Auer, 2010). The figures of certified areas are increasing slowly and reach an area of 1700 ha. certified by 2017 (Nguyen & Tran, 2017). Auer (2012) provided a well-rounded examination of this Group and posed some critical questions relating to its self-sustaining potentials. The researches by Hoang et al., (2015 a, b) focused on analysing costs and benefits implementing FSC group certification for farmers under this Group. The authors argued that FSC certification provides economic values for farmers only in the case that associated certification costs are not borne by farmers themselves. In contrast to promising economic

benefits of applying forest certification is by far often reported by the WWF, in reality, the number of farmer members of the Quang Tri Group fluctuated significantly over last 10 years of operating. Therefore, the question of why farmers engaged differently to this Group in particular and FSC group certification in general was examined by these authors, although with limited numbers of informants. Recent research by Vu (2016) has argued for more active roles of governments through different levels into the Quang Tri Group in order to overcome numbers of common government-related barriers such as land tenure, insufficient resources and inadequate policies in sustainable forest management. However, these issues are rather overtly common for many aspects of environmental governance in Vietnam. In other words, specific analysis of these challenges in forest certification context are critical. In addition, Vu's research methodology has relied upon telephone interviews, without concreted empirical investigations. Hence, these gaps will be addressed through my research.

2.4. Agricultural cooperatives in Vietnam and Quang Tri province

Cooperatives are a common economic form in Vietnam. By end of 2014, there were over 18,500 cooperatives, classified under many types. Amongst them, agriculture cooperatives are by far the most popular, about 10,000 active cooperatives in Vietnam. Yet, despite the fact of continuing political and financial supports from GoV, this sector's contribution to national economy is modest and on the decrease (Nguyen & Ngo, 2015). This paradox is explained due to the fact that agricultural cooperatives are not merely a form of economic organization but also a vehicle in which the Vietnamese communist party has tried to manifest its socialist ideology (Kerkvliet, 2005 & Cox & Le, 2014).

Kerkvliet (2005) has developed the concept *everyday politics* of Vietnamese peasants to illuminate the process of collectivization and de-collectivization in Vietnam from its establishment in 1950s to the final collapse in 1980s. *Everyday politics* significantly matters because collectivisation started nationally by the government with powerful support by the Communist Party government, yet de-collectivization began locally, and led by villagers themselves, consequently the government just merely followed local villagers' leading. It also marked the win of family-based farming as it was what farmers preferred. These understandings could shed the light for upcoming policies that seek to connect cooperatives as a basis unit for forest certification schemes.

Cox & Le (2014) offered a comprehensive analysis of the evolution of Vietnamese agricultural cooperatives from an economic perspective. The paper argues that significant institutional supports from central governments, mostly in terms of legal frameworks and institutional and regulatory systems, are usually either distorted or adapted by local levels. Consequently, policies have not consistently implemented across agencies and administrative levels. Therefore, these supports appear to be dependent on efforts of local government officials or cooperative leaders. It is noted that agricultural cooperatives are typically not profitable entities, thus they are largely a drain on the state budgets and resources even until the time of transforming into autonomy entities.

Another important aspect is the lack of entrepreneurship culture of agricultural cooperatives, which is crucial for new agricultural cooperative models after recent transformation policies. The major functions of new agricultural cooperative model aimed at providing services including marketing to its members. However, the shortage of '*enterprise culture*' is inherited from the former socialist period. In fact, Vietnamese agriculture cooperatives are still struggling in the transition process to become an effective and self-sustaining model.

In Quang Tri province, agricultural cooperatives are an indispensable part of the agrarian context. About 70,000 households, accounted for nearly three quarters of total number households of the province are members of agricultural cooperatives. Under instructions of the new Law on Cooperatives (2012), 260 out of 290 cooperatives have completed their registration processes, and have been transformed into the new model (MCNV, 2017). This transformation has made positive impacts on some cooperatives, particularly in term of production and business management and market linkages for their member's products. These services are key functions to differentiate between old and new cooperative models. However, about 95 percent of these transformed cooperative are still relatively weak in many dimensions such as market linkages for their member's production or being sufficiently competitive in provision input services; and have not able to fulfil expected roles of new cooperative model as requirements in the Cooperative Law (MCNV, 2017).

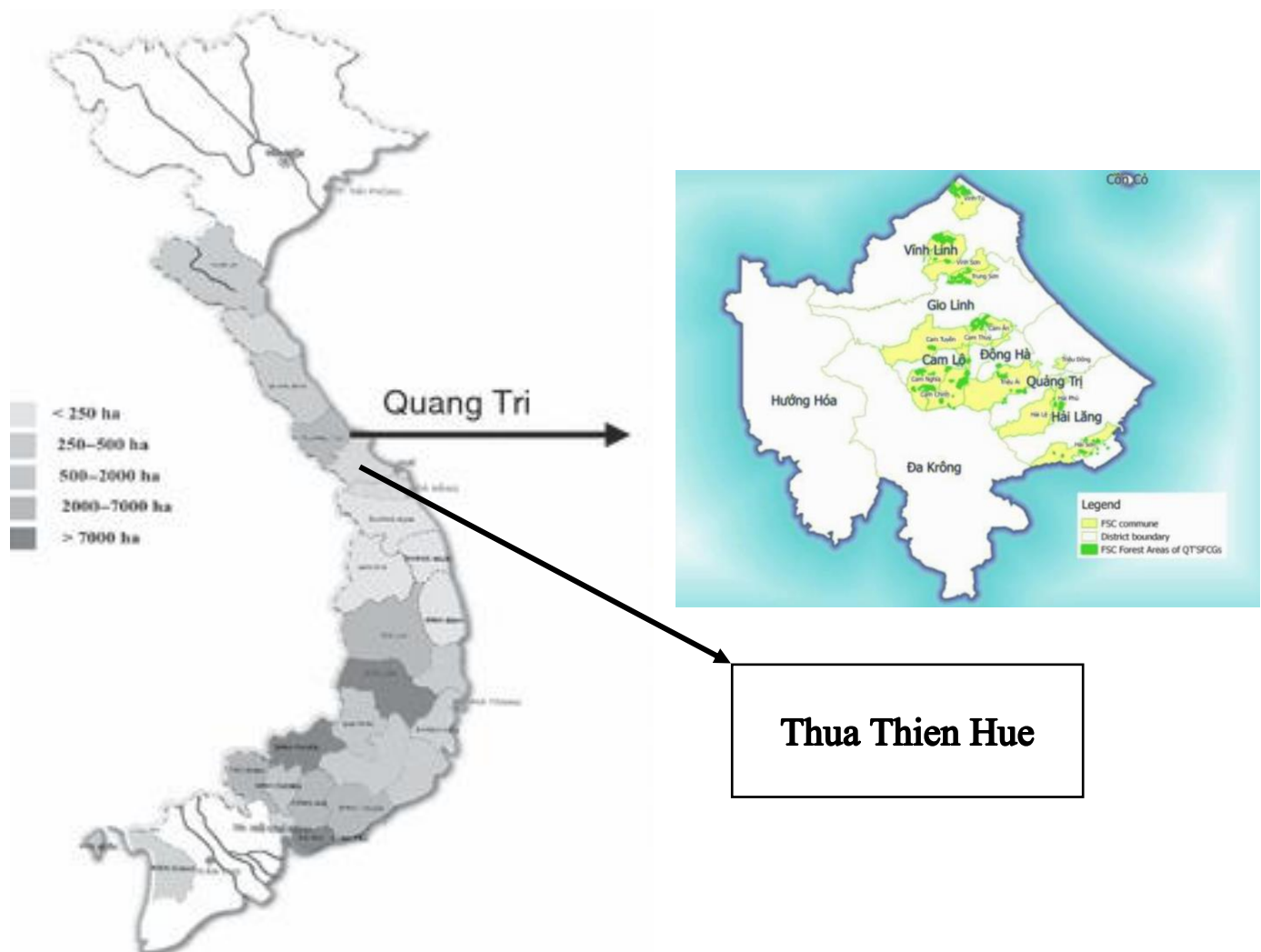
3. Research method

To address the research questions, Non-State Market Driven (NSMD) environmental governance is used as an organizing concept. I seek to understand the influences of local state

actors and institutions on the implementation of forest certification in the context of a state-led market driven forest regime in Vietnam.

3.1. Case selection

Quang Tri FSC Group Certification was chosen for this study. This is because Quang Tri is the province has largest area of FSC certified forest in Vietnam; and this is the first FSC Group scheme established for smallholding plantation growers in Vietnam and Southeast Asia. In addition, a short visit was made to another FSC Group Certification in its neighbouring, Thua Thien Hue province. Although my fieldwork does not allow for a comprehensive analysis between the two Groups, it is still useful to provide a broader understanding about the FSC smallholder certification in Vietnam and help to contextualise influenced factors of the Quang Tri Group.



The map shows the location of Quang Tri and Thua Thien Hue provinces. There is also a map of the Quang Tri Group. It is noted that the green sections are certified areas under this Group.

3.2. Research design and data collection

Qualitative research methods were employed for collecting data for this research. This included desk-reviews of available literature; in-depth interviews with key informants in Vietnam, and field observations. The desk-study was completed by studying key donor project and consultant reports; available information on private sector entities; state policy documents; and government decisions on forest certification, FSC Group certification; and agriculture cooperatives in Vietnam. I also communicated with other researchers who have recently done their researches at these study sites such as Vu (2016) and Australian Centre for International Agricultural Research (ACIAR) research team to avoid unnecessary repetitions of informants.

Villages and their engagements to smallholder group certifications are the key analysis units of this research. Community informants were selected based on three main criteria, including (i) length of village's participation in the Group; (ii) classification of agriculture cooperatives (weak, medium and strong) and (iii) physical accessibility. Six villages were visited, in which two villages were focused on more intensively. This is because of time constraint and these two villages have two agricultural cooperatives which are particularly met three criteria just mentioned above. A detailed description of these cooperatives is provided in Appendix 1.

Farmers were divided into four groups, based on their Group member status and the time length of their participation into the Quang Tri Group. Four groups are named: long-term member (more than 1 year joining); short-term member (less than 1 year joining); non-member (never joined); and drop-out member (people who have previously been members but are no longer).

This investigation relied primarily on the usage of semi-structured questionnaires. Key informants at provincial level were identified through my own contacts as well as through ACIAR project¹. A snow-balling technique was employed at both provincial and village levels. Moreover, numbers of consultations with Vietnam forestry experts were conducted for securing and triangulating a diversity of views and feedbacks on the research key findings.

¹ ACIAR Project ADP/2014/047: Improving policies for forest plantations to balance smallholder, industry and environmental needs in Lao PDR and Vietnam

Note-taking was the primarily methods to record field work interviews. There were some interviews which were recorded by voice recording devices. However, I found that in many contexts, the latter would create an unnecessary and overly formal atmosphere, which could prevent informants from engaging to more open discussions. Daily reflection diaries and summary reports were generated to highlight key information; modify questionnaires, research strategies; and identify key emerging themes.

Confidentiality of key informants is treated strictly following the ANU ethnic protocol. Particularly their anonymities are ensured through all research-related publications.

A summary of this research findings will be returned to some key informants who are interested in, for example: WWF, the Group representations of Quang Tri and Thua Thien Hue Groups. A brief summary of key informants is provided in the Table 1 below and a detailed coding of the interviews with these informants is referred to Appendix 2.

Table 1: Summary of key informant interviews	
Key informants	No. of Interviews
WWF Vietnam	3
Quang Tri Group representative	1
Thua Thien Hue Group representative	1
Sawmill owners (FSC buyers)	2
Technical staff of Scania Pacific (private sector FSC buyers)	1
Chairman of 6 village cooperatives	6

The research was conducted under the ANU ethics protocol. This research was made possible with funding assistance from ACIAR Project and New Direction for Environmental Governance project, York University, Canada and Asian Development Bank scholarship.

3.3. Data analysis

A five-phrase cycle in qualitative data analysis suggested by Yin (2011) has primarily been applied in analysing data of this research. This includes data compiling; dissembling; reassembling; interpretation and conclusion.

4. Research results

4.1. Market pull of FSC certified products and the Quang Tri FSC group certification.

As the concept NSMD constitutes two aspects, market pull and state involvement (Cashore, 2002). This section will unpack these dimensions to demonstrate the nature of the market pull for FSC certified plantation forest products in central coast Vietnam, and the critical involvements of local states into the Group.

4.1.1 The demand of FSC certified product in the context

The current market demand for FSC certified timber in Vietnam at the national scale is quite strong. In 2016, Vietnam imported about 80 percent of the domestic demand for FSC certified timber for furniture production, in which plantation acacia timber accounted for a significant portion. The imported amount of FSC certified plantation timber is likely to increase due to the emergence of legality requirements in public procurement policies of many countries that are major exported markets for Vietnam (To et al., 2017 & WWF, 2016). For instance, in May 2017, Vietnam and Europe finally signed onto a Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (FLEGT) provisions (Vietnam News, 2017). Equally important, global retailers also put more pressures down to wood supply chains by increasing their proportion of certified timbers. For instance, IKEA corporation, one of main consumers of Vietnamese timber products, has requested for 100 percent FSC certified timber products from Vietnam since September, 2017 (To et al., 2017). In relation to these trends, MARD's recent policies have aimed to promote more saw-log productions and larger areas of third-party certified forest plantation (Maraseni et al., 2017). However, Vietnam's aspirations to move up the value chain into a more advanced manufacturing should be deliberately considered in the context of the reality of strong market demands, and comparative advantages for Vietnam, in exporting low-valued timber products such as particleboard, artificial wood boards, melamine-faced chipboards (MDF) and wood chips and pellets, to international markets, especially to China and Japan (Vietnam News, 2017).

At the regional and provincial levels, market demands of FSC certified timber is geographically uneven. It is largely depended on various broader factors other than the availability of raw materials. While the South and the North regions of the country are major furniture production hubs, the Central coast is less developed with only one medium-scale

export-based furniture factory, located in Binh Dinh province (Merforth, 2016). Quang Tri is also a central province. Its existing wood processing infrastructure is largely favourable for low-valued products and small-scale furniture factories for domestic users, which do not require to use FSC certified raw materials. By contrast, there are no large-scale wood processing and furniture factories so far in the province. The province currently has about 10 operating low-value wood product factories, which demand of approximately 700,000 m³ of timber annually, while there are also 15 small-scale processing furniture factories with an annual material demand of about 180,000 m³. It is noted that a majority of these current factories does not need FSC certified raw material because their output productions are used domestically.

There are also a number of additional low value wood processing factories which are under construction in Quang Tri province, which would need approximately 1.3 million m³ timber annually when they are all operated. In contrast, there are only 7 new furniture processing factories that are going to build that will only require 35,000 m³ annually (Quang Tri DARD, 2015).

Furthemore, the market demand for FSC certified timber is not strong in Quang Tri. It is estimated that about 200,000 m³ of FSC certified timber is produced annually from over 20,000 ha of FSC certified plantations. A 90 percent of this area of certified plantation is belonged to two plantation companies, while about the remaining 10 percent is under the Group certification of smallholders (Maraseni et al., 2017). On the one hand, this amount exceeds the current capacities of all furniture factories in this province regardless of FSC certified or non-certified material requirements. On the other hand, it also reveals that FSC is by far more suitable for large-scale plantation companies than smallholding growers in the Quang Tri case, as elsewhere in the world.

In short, the demand of FSC certified timber in Quang Tri province is relatively weak and much less than its supply. Particularly, the current and future infrastructure developments in Quang Tri province appear to be more favour for short-rotation and non-certified production rather long-rotation and certified plantation. This development direction of the province is also somehow against what the national policies aim for the increase of certified and long-rotation timber products.

The next section will examine the market pull at the Quang Tri Group level and economic incentives of smallholders in applying FSC group certification practice.

4.1.2. The market of FSC certified product under the Quang Tri Group and farmer's economic incentive.

Other aspects of market pull could be seen at the Quang Tri Group level, including the market for certified timber products which are produced under the Quang Tri Group and economic incentives of smallholders who are members of the Quang Tri Group towards FSC group certification.

i. Market for certified timber production produced under Quang Tri FSC Group

All timber producing by the Quang Tri Group is currently consumed by Scania Pacific company, a supplier of IKEA Corporation. The cooperation agreement between this company and the Quang Tri Group is substantial and considered as one of the greatest success of the Project (Interview 1 and 4, July 2017). This agreement was signed in 2015 between the two parties, which mutually agreed that the Company would financially support the Quang Tri Group to maintain its certificate and purchase all timber produced by the Quang Tri Group from current 1700 ha up to 3,000 ha by 2020. A 15-17 percent premium over the normal purchase price is also guaranteed for FSC certified timber produced by the Quang Tri Group, under conditions that their products must be a minimum wood diameter of 10 centimetres and at least 8-year rotation plantation. This level of price premium is higher compared to the price paid by other companies who come from other provinces (Interview 9 and 10, July 2017)

The degree to which these arrangements can be maintained in the long run is uncertain. As the agreement only lasts to 2020, there is a lack of clarity whether the agreement would be renewed, therefore the market sustainability of the Quang Tri Group timber production is uncertain. In addition, the current price premium paid by Scania Pacific is significantly higher in comparison with the rate are applied elsewhere ((Laity et al., 2016). This is, on the one hand, understandable because there are not many producers have a guaranteed purchaser or market, extending many years into the future. On the other hand, it also reflects the limitation of the dependence on market incentives in promoting sustainability. Moreover, there is no contract farming programme between Scania Pacific and individual farmers under the Quang Tri Group, therefore these smallholders are taking risks to participate into this practice. This is particularly the case given that the areas of certified plantations in other provinces, such as Thua Thien Hue and Quang Nam which are closer to the company's factory, are on the increase. In other words, the company may need less wood supply from the Quang Tri FSC Group in the near future.

It is important to note that the market for products which are produced under Quang Tri Group is not constrained to selling exclusively to Scania Pacific. However, farmer's experiences indicate that they receive much lower prices from other buyers who come from other provinces such as Woodlands from Vinh Phuc province (Interview 9 and 15, July 2017). More essentially, there is no prospect that these buyers could cover certification cost for the Quang Tri Group, as Scania Pacific has been doing.

The abovementioned analyses have shed the light that a meaningful cooperation between the buyer and the Quang Tri FSC Group certification plays essential role and the buy-in of private sector is significant to support smallholders in applying FSC certification. However, associated risks of these partnerships deserve a careful consideration for the future growth of the Quang Tri Group.

ii. Economic incentives in the decision-making matrix of Group members

About 90 percent of informants in this research, including WWF representatives, government officers, village leaders and farmer members, have reported that receiving economic gains through the price premium is the most important incentive to join the Quang Tri Group. This finding has also been reported elsewhere (Hoang et al., 2015a & b and Nguyen & Tran, 2017). However, this 15-17 percent price premium deserves some further explanations. Flanagan et al., (2017) illuminates that *'the 15-17 percent FSC premium from these sales may be actually only 6.8 percent, from which the Association membership fee must be deduced. Therefore, the net benefit is something less than 5%'* (p.6). My empirical investigation reveals this estimated calculation is sound and well-representative for the general case that the age of FSC certified plantation is about 7-8 years at the time of harvesting. It is noted that there are some exceptions, in which group members would enjoy a higher net benefit of 5 percent. For example, the plantations of some farmers or cooperatives which are already about 7-8 years old by the time of joining the Quang Tri Group. By maintaining those plantations up to year 10 or 12 years, they produce a much higher proportion of saw log over wood chips, therefore significant profit rates are earned (Interview 20 and 25, July 2017). In addition, Phu Hung forestry cooperative also proves a substantially high of profitability from applying FSC certification. This is explained by the facts that their plantations are usually at the age of 12 when are harvested; and the cooperative has an efficient management plan so that all associated transaction costs of the certification and plantation management are reduced significantly (Interview 9, July, 2017). However, it is essential to note that these exceptional

cases are not popular under the Quang Tri Group, yet, they are largely used in a majority of communication materials to promote the FSC Group certification models by many organizations, particularly, WWF. These have likely attributed to a misperception of real benefits that FSC certification could bring to smallholders.

While, economic benefits that FSC certification could provide for farmers are not that attractive, their decisions of whether or not participating into the Quang Tri Group are complicated with influences of many factors rather just mere economic incentives. Firstly, the risks come from natural disasters as typhoon, forest fire; diseases; even local thieves are likely to be higher under FSC practices. Because the Quang Tri Group regulation requires their member's plantation need to be maintained up to aged 8 at least, that is considerable longer than normal practices of 5-6 year-old plantation (Hoang et al., 2015 a and b, Nguyen & Tran, 2017; Interviews 16, 17, 18, 25 and 28, July 2017). These external risks are significant and that gradually shape the perception of risk-adverse culture among many Vietnamese peasants, who may not be necessary that poor but still prefer to maintain their short-rotation rather to become "professionalised" tree growers (Interview 19 and 20, July, 2017). Secondly, farmers, especially poor ones, are usually in shortage of cash for other priorities such as house fixing, children's education and employment or urgent events of health issues. Given the fact that, pocket costs for health and education of Vietnamese people are amongst the highest in the Southeast Asian region, poor farmers often prefer their smallholder plots for accessing quick cash when the need arises (Pincus, 2012; Interview 18, 21, 22, 23, 31, 32, July, 2017). Lastly, farmers share a consensus that their current participation into the Group is driven by the fact that they do not have to bear associated costs of certifications which are believed as significantly high and beyond their capacity to cover. Nguyen & Tran, 2017 reported that about USD 28,000 is the cost of a 5-year group certificate under the case of Quang Tri Group, while Laity et al., 2016 estimated an amount of one million US dollars has spent for this Group since its first establishment in 2007. While these costs have been covered by external donors so far, yet, this may not be the case in the near future since these sources of funding are going to be reduced significantly. WWF project director reports that external donors through WWF is on the decrease, and that the majority of their funding is now come from IKEA, who chiefly aims for expanding resourcing material area. Therefore, the new 6th phase of the Project is no longer focused exclusively on the Quang Tri Group, but to other two newly established groups in Thua Thien Hue and Quang Nam provinces. Interviewees also report that the potential scenario for the Quang Tri Group

is that they will receive technical supports only from WWF and IKEA funding, while financial resources should come from the Group itself, either its members or other external resources which would be mobilised by the Quang Tri Group management board (Interview 1 and 2, July, 2017).

Put simply, the market pull of FSC certification is quite strong at the Quang Tri Group level, however, it may not be the case when it is put under the broader contexts of timber processing infrastructure of the province; and a large area of FSC certified plantation under two plantation companies. Equally important, the current level of price premium as a monetary reward for farmer's extra efforts in following FSC practices under the Quang Tri Group is not sufficiently strong to outweigh other factors in their decision-making matrix. The issues of self-sustainability of the Group are critical in the prospect that external supports are getting smaller while farmers are less likely to be ready to bear associated costs and FSC requirement compliance.

4.2. The roles of local states

While market pull appears to be not the fundamental driver, local governments are significantly involved into the Quang Tri Group, which can be seen in numerous aspects and via provincial and village levels. The research findings show that the role of local state authorities in the Quang Tri Group is still under expectation of associated actors, and is considered as one major attribution for the slow diffusion of the Quang Tri Group over last 7 years.

To demonstrate, the next analysis will be divided into two steps. The first is the Provincial People Committee (PCC) with its highest authority in setting and prioritising social-economic development of the province, therefore it indirectly influences the growth of forest certification. The second section focuses on Department of Forestry Development (DFF), and Forestry Protection Department (FPD) at the province, commune and village levels as they involve directly into the operation of the Quang Tri Group. The analysis focuses on three steps of the Quang Tri Group development, including: initial establishment; current operations and future diffusion. The final section will refer to the Hue Smallholder FSC Group Certification to provide a fuller picture of local state's roles in FSC group certification in Central Vietnam.

4.2.1. The indirect power of Provincial People Committee (PPC)

In Vietnam, the PPC is responsible for the annual provincial social-economic development plan (SEDP) resolution which outlines main targets of different sectors for the provincial orientation development. It is also the main reference for the People's Committee at the district and commune levels, to release their annual SEDP resolutions. However, as discussed in the literature section, government budgetary shortages are always problematic, so that prioritising between projects is usually unavoidable for all levels. Throughout the year, the PCC will also release other resolutions for specific sectors with detailed targets.

The policy reviews have shown that forest certification is not mentioned in the 2017 Quang Tri Provincial Social Economic Development Plan Resolution No. 21/2016/NQ-HDNN. It also means that the development of forest certification is not a priority of the province in 2017, and therefore, no financial resources are attached. In fact, forest certification has never been mentioned in any provincial SEDP of Quang Tri so far.

However, increasing certified plantation area is mentioned in another resolution issued by the Quang Tri PPC in May 2017 (Decision No.03/2017/NQ-HDND) which aims for the supporting development of numerous competitive crops and livestock production in the province up to 2020. Plantation timber is identified as one eight key commodity products, with targets of maintaining a stable area of 80,000 ha acacia plantations, and importantly, increasing the area of FSC certified up to 42,000 ha by 2020, from the current area of 20,000 ha.

Ironically, while other crops on the list are specifically indicated in terms of financial supports that would be allocated, there no such resources are allocated for the development of forest certification. In fact, the Quang Tri PPC has shown a rather limited interest towards supporting the Quang Tri Group, regardless of considerable efforts of advocating by WWF. There are two key informants note that the Quang Tri Group certification project has not yet succeeded in attracting more attention and active involvement from the Quang Tri provincial authorities over last 7 years of operations and advocates (Interview 2 and 9, July, 2017).

By contrast, Quang Tri PPC always aims to attract more private sector investment to the province, and has set up an intensive support programme for infrastructure developments of the province, includes increasing numbers of wood chip and MDF factories (Quang Tri, 2017). In return, these factory constructions could contribute a significant tax revenues to the provincial budgetary. The implication is that such development direction in Quang Tri, which in effect supports low value-added, short rotation plantations, could act as a constraint upon

national policies that are promoting saw-log production and forest certification. As the literature review has shown provincial development preferences usually wins over the national ones.

4.2.2. The direct interaction of the local state agencies and the FSC Groups in Quang Tri and Thua Thien Hue provinces

The dynamic interactions and impacts of local state agencies and the FSC Group certification can be seen through different stages of the Quang Tri Group. Moreover, a brief analysis of the FSC group certification for smallholders in Thua Thien Hue province, which shares many similarities with the Quang Tri Group, however, has enjoyed a much higher rate of expansion. This analysis aims for further demonstration of vital roles of provincial actors and institutions in the development of the FSC Group certification for smallholders.

a. At the initial step

The Quang Tri Group was firstly established in 2007 by WWF, which was the former certificate holder of this Group. This role was handed over to the provincial Department of Forestry Development (DFD) in 2012 and then to the Quang Tri Smallholder Forest Certification Groups Association (hereinafter The Association) in 2014. The Association was established in 2014 by the approval of Quang Tri PCC, with facilitation from WWF. This because of the necessity of engaging local authorities into the Quang Tri Group to build its legitimacy as well as to gradually gain supports from the provincial authorities for the future operations of the Quang Tri Group as WWF's own resources are limited (Interview 1, 4 and 5, July, 2017). It could be seen that the involvement of the provincial authorities to the Quang Tri was not that active from its first establishment. Rather, the role of WWF, an international NGO is the most critical. However, the provincial authority role is also well recognised by WWF. In fact, WWF has tried to engage Quang Tri government to the Quang Tri Group from early days to ensure the Group's legitimacy and the potential of handling the ownership of the Quang Tri Group from WWF, as a NGO, to the Quang Tri government. The latter is critical to the sustainability of the Quang Tri Group, since the support from WWF is just short-term because of its limited resources.

b. Current operations

Local state authorities are involved in numerous aspects of the Quang Tri Group operations, mainly including (i) human resource subsidy at both levels of province and villages; and (ii) good will and provision of a leading role and commitment of provincial authorities, which

have vertical and horizontal influence through government structures. The findings also reveal that the role of local states at village level is vital, while there is insufficient attention of commune level towards the Quang Tri Group and forest certification in general.

The human resources of the Quang Tri Group management board, through the Quang Tri's Smallholder Forest certification Groups Association, are largely subsidized by the provincial state, and therefore it could operate at no employment cost. The key staff in the Association's management board are provincial governors who wear several hats. More importantly, these concurrent governors have political powers which could drive or constrain the growth of the Quang Tri Group. The development of the Quang Tri Group used to be one of Department of Forestry Development's priorities when the Association's chairman was the director of Department of Forestry Development. Yet, this privilege is no longer in place since Department of Forestry Development has been merged with the Forestry Protection Department in 2015, under the national forest sector restructuring policy (Decision No.1565/QĐ-BNN-TCLN). As the result, the Association's chairman has become the vice director of Forestry Protection Department, and this Department has not considered the growth of the Quang Tri Group as one of its main objectives. The less attention for the Quang Tri Group from Forestry Protection Department is the main concern for the future development of the Quang Tri Group as reported by staff of both WWF and the Association (Interview 1, 2, 4 and 5, July, 2017).

Secondly, the goodwill and commitment of the provincial state are essential. This can be presented under various forms of directives, guidelines and annual targets. For example, a cooperative leader claims that *"Cam Lo district started joining the Group in 2014, just a few years after there are over 500 ha. under 5 village groups have joined. This achievement is mostly influenced by a governor, who used to be deputy of Cam Lo district people committee. This official was particularly interested in Group certification, so he then has directed all communes, villages and cooperatives to put the expansion of certification as one of their organizations' target"* (Interview 10, July, 2017). This example was repeatedly mentioned by other key informants, to highlight the importance of the political powers of government officials, and their meaningful engagements. The challenge is that the abovementioned governor is an exception, and the Quang Tri Group needs more than one such patron to support its growth.

At the village level, the roles of local states are more direct and influential on the daily basic activities of the sub-groups. The leaders of sub-groups also hold concurrent positions, typically as village headers; chairman of agricultural cooperatives or other farmer organisations. These positions allow them to gather farmers easier, because farmers would perceive that *'there are state-involved factor(s)* (Interview 12, 13, and 14, July, 2017). However, it is reported by group leaders in 4 out of 6 villages which I have visited that there is very limited involvement and attention to the implementation of FSC certification by the Commune People Committee, which is considered as one explanation to the slow expansion of these sub-groups (Interview 15, 16 and 18, July, 2017).

It appears to show significant roles of local state actors at provincial and village level towards the current operation of the Quang Tri Group via many ways such as the subsidies of human resources of the Group's management; guidelines and leading commitment. Yet, there is a need of more attentions from commune levels towards the matter of FSC group certification in general and the operations of sub-groups at each village and commune.

c. Future diffusion and self-sustainability of the Quang Tri Group

In the matter of future diffusion of the Quang Tri Group, key informants highlight that the role of local state authorities needs to be more meaningful with a greater sense of ownership, compared to the current situation of modest responsibility and ownership to this Group. In responding to the question that *'how likely is the Quang Tri Group to reach their target of certifying 3,500 ha. by 2020'*, the Association's staff stated: *'It is next to impossible to obtain that target unless a more appropriate attention and financial resources from Provincial People's Committee are allocated to do so as we have limited resources for further expansion'*. A similar response was found from WWF, who emphasised that *'WWF resources as a project are limited. We have been looking for a more active responsibility from the provincial government'*.

In summary, the above analysis has shown local state actors and institutions at the provincial and village levels play crucial roles in all stages the development of the Quang Tri Group, particularly at the current operations and future growths. While provincial levels could drive or constraint the development of this Group through many ways both direct and indirect, government actors at villages also are vital as they are working closely with farmers. Respondents at the sub-group level, group leaders and farmers have urged for more attention

from commune governors to the operations of the sub-groups. It is likely that the future diffusion of the Quang Tri Group is highly depended on to what extent the provincial government take their ownership of this Group.

d. A Brief analysis of the roles of provincial government towards the Thua Thien Hue Smallholder FSC Groups

A brief analysis of the smallholder FSC Group certification in Thua Thien Hue (hereinafter The Hue Group) aims to demonstrate that a real meaningful involvement and a high sense of ownership of provincial states towards the FSC certification Group could be the key for the growth of FSC group certification in Vietnam. Moreover, it also illuminates the differences between the two provincial state authorities in the way in which they response towards the FSC group certification initiative.

The Hue Group was formed in 2015 under the cooperation between WWF and Thua Thien Hue Forest Protection Department (Thua Thien Hue FPD) which eventually established the *Forest Owner Sustainable Development Association of Thua Thien Hue* (hereinafter **FOSDA Hue**) which plays as the Hue Group's representative. It shares the same group management structure as the Quang Tri Group, and also receives more or less a similar level of support from the private sector benefactor- Scania Pacific and WWF. Yet in Hue, nearly 1,000 ha. was certified in 2016, and another 2,000 ha. is going to be certified by November 2017 (WWF, 2016; Interview 5, July 2017). The fieldwork shows that the noticeably higher growth rate of the Hue Group is a conjuncture of many factors, yet, the high level of commitment and interest from provincial and village state authorities towards FSC group certification for smallholders was particularly highlighted by key informants and my own field observations by taking part in several meetings between associated actors of the Hue Group development at village levels.

Firstly, the development of the Hue Group is one of key objectives of Thua Thien Hue FPD. They aim for both meaningful horizontal and vertical engagements and cooperation of associated departments in the forestry sector, through policies and directives to support the Hue Group. For instance, this involves horizontal cooperation between the provincial Department of Agricultural and Rural Development (DARD) and provincial FPD; and vertical collaborations between provincial and district DARD; and provincial, district FPD's and communal forestry rangers. More essentially, the Forest Protection Department and FOSDA have also deliberately tried to mainstream all current external supports both in

finance and government policies to implement FSC certification for smallholders. The central government decision No. 1565/QĐ-BNN-TCLN, 2013, has requested all provinces to submit a plan for the implementation this policy, yet, how these provincial plans are implemented on-the-ground again largely depended on each provincial situation. In Quang Tri, it appears that the plan is less likely to be in practice in the near term, whereas, Thua Thien Hue province shows a different approach. The FOSDA's chairman claimed, "*it could be a waste if we do not mainstream FSC certification into the process of completion the government task of transformation plantation. By integration, farmers would be greatly benefitted*" (Interview 5, July, 2017).

Secondly, there has been a signal change in the attitude of provincial states, from a *project-driven approach* into a *government program approach or provincial authority tasks* in applying FSC Group certification for smallholders. In one working section with village head and other associated actors to leverage the participants of villagers, the chairman of the Hue Group publicly shows his direction to local officials, village heads and farmers to change their mindset into the innovative attitude of *provincial authority tasks*. This attitude change is significant because undesired traits based upon *project-driven mindsets*, such as short-term thinking, and high dependence upon external interventions, and a lack of a sense of ownership, have negatively deterred the success of many programs in Vietnam and elsewhere (Poulsen & Luanglath, 2005). While the *government program approach* here refers to positive traits, to encourage farmers to have a sense of ownership, a long-term responsibility towards their participation, and a sense of security, which are crucial for the successful post-WWF expansion of the Forest Group certification.

Because of time constraints, the research is unable to investigate further to see how this innovative change has impacted on farmers. Yet, I argue that a *project-based attitude* has dominated the Quang Tri Group and it would have been influenced negatively on this Group's development. In several villages in Quang Tri that I visited, the common response from plantation growers to the question "*have you joined the FSC certification group?*", was a clarification: "*Do you mean the Vietnam-German project?*". In Quang Tri, in many cases, smallholder certification is viewed as a KfW (German government-owned development bank) supported project, which is substantially embedded in the mind of many farmers. There are about five respondents further reported that '*We actually decided to join this Group*

because we thought we would be allocated some plantation land, but actually we did not, that why we have dropped out the Group already’.

In conclusion, the Thua Thien Hue provincial government, especially the Forest Protection Department, a leading government agency in forestry sector, have shown their positive support and high sense of ownership towards the Hue FSC Group Certification. As the result, the Hue Group has expanded its area of certified forest at a much higher rate in comparison with the Quang Tri Group, even these both Groups share a great number of similarities. It also reveals that the current highly hierarchy structure of Vietnamese government at all levels could significantly constraint or drive the development FSC forest certification for smallholder initiatives. In particular, the provincial government with its strong policy powers and authorities appear to play as the most crucial driver for the potential development of FSC group certification for smallholding plantation growers in Vietnam. This aspect deserves more attentions from associated actors who aim for supports smallholders in applying forest certification, particularly in the context of the market driver is not fundamentally strong, and the external support from international NGO or donors is on the decrease.

4.3. Agricultural Cooperatives, FSC Group certification and Vietnam Forest Certification Scheme (VFCS/PEFC)

The second research question aims to understand potential opportunities and challenges of reviving agricultural cooperatives (hereinafter cooperatives) to link into forest certification under Vietnam Forest Certification Scheme, which is going to be endorsed by PEFC or VFCS/PEFC. The VFCS/PEFC is still in the preparation process of its key institutional systems. As the consequence, associated information about the scheme is still limited at the centred-government level and there is not much awareness about this new scheme at the level of local governments and communities. To overcome this challenge, instead of asking direct questions about VFCS/PEFC, I tried to understand the perceptions of key informants about what opportunities and challenges that agricultural cooperatives might face if they engaged into group forest certification, based on their existing experience related to FSC group certification.

There are six agricultural cooperatives that I have visited. They are differentiated in various aspects which are described in Appendix 1. The key informants are cooperative chairmen,

who have a certain level of knowledges and experiences related to FSC certification and how it works at the village level. Other key informants include farmers; provincial governors and WWF staff.

This research has identified number of opportunities and challenges of using agricultural cooperatives in implementing forest certification, as described below.

4.3.1. Opportunities

In my field research interviews, informants cited three main opportunities of using cooperatives in promoting and expanding forest certification in Vietnam. The first relates to the management structure and capability of agricultural cooperatives, which can be seen in various dimensions. Firstly, agricultural cooperatives have stable legalised and institutional structures for operation managements of forest group certifications. For example, it is easier for cooperatives to prepare for several types of paper works as forest certification requires, such as forest management planning (planting; harvesting; forest fire protection) and other related working safety equipment and procedures (Interview 9, 12, 18, July, 2017, Hoang et al., 2015a). Secondly, it could be easier to communicate with cooperative management boards to arrange related activities of certification, rather than with each individual farmer or group leaders (Interview 4, 17 and 18, July 2017). Thirdly, as agricultural cooperatives are state-supported organization, therefore, their decisions and commitments are considered as more concreted and firmer, compared to individual farmer's decision (Interview 10, July 2017). Lastly, agricultural cooperatives are a part of existing government hierarchical structure systems so that forest certification could be relatively smoothly integrated into this system without the need of establishment any extra arrangements such as the Association or Group of farmers as existing FSC group certification does.

The second advantage of agricultural cooperatives is drawn upon the example of Phu Hung cooperative, which is one sub-group under the Quang Tri FSC Group certification. This cooperative has been successfully engaged in FSC group certification, and has gained enormous benefits from this activity as analysis in the section (Interview 1, 3, 4 and 9, July 2017). This cooperative's success is chiefly explained by the great capacity of its management board in term of specification and arrange efficient labour and resources from cooperative members. For instance, the cooperative divides their cooperative members into groups depended on their labour and resource availability, such as groups of land preparation;

planting or harvesting and transformation. Therefore, this cooperative could be used as a model to demonstrate and encourage other cooperatives to apply forest certification.

The third point is that agricultural cooperatives are likely to be able to promote and leverage the expansion of forest certification at a much quicker rate compared to the existing slow rate of growth of the group of farmer model which is applied under the Quang Tri Group. This is because (i) the area of plantation under cooperative's management could be large as many agricultural cooperatives own plantations (ii) it may be easier to organize and manage cooperative members who have plantations under the leading of cooperative management boards; (iii) some farmers reported that it is more trustworthy to join group certifications if they are managed by cooperatives rather than several individuals in the Group of farmer models (Group leader and vice leader). However, this opinion may be not necessary always the case because cooperative-preferred perception is ironically against common attitudes of farmers towards cooperatives, such as: a lack of trust, and low transparency and accountability (Kerkvliet, 2005). Additionally, previous section analysis has shown that there are many factors in the farmer's decision matrix in participating to group forest certifications, in which managerial aspect is less likely to be their most concern. Farmers score much higher on potential monetary benefits from applying forest certification and their own financial conditions and sources of income than how and under what structure forest certification would be organised. Therefore, in my view, the expectation that agricultural cooperatives could facilitate greater expansion of forest certifications for smallholders should be treated with caution.

4.3.2. Challenges

Despite numerous potential opportunities, the number of agricultural cooperatives engaged into the Quang Tri FSC Group certification is still modest. This research has documented number of challenges of reviving and using agricultural cooperatives in forest certification.

Firstly, it appears that cooperative leaders of 4 out of six visited cooperatives in Quang Tri province are not interested in implementing group forest certifications. In 2015, WWF and the Quang Tri Association organized numerous workshops at various levels to introduce FSC group certification and encourage all cooperatives which have plantation to join the Quang Tri Group. However, cooperative leaders showed rather a limited interest in forest certifications, and only a few cooperatives have joined into this Group (Interview 3, 4, and 15, July 2017).

There are several explanatory factors for this situation. Agriculture is clearly the central focus for a majority of agricultural cooperatives, and not many have any direct experience with plantation managements. There is a lack of connections and learning exchanges between cooperatives and forestry sector organisations at both provincial and villages levels. As the result, both the Provincial Cooperative Alliances, which is an umbrella government organization to provide services for all cooperative's operation for each province, and individual cooperatives lack forestry staff and expertise within their organizations. Therefore, they are less interested in forest certifications, and more likely to worry about their capacity to fulfill new functions of forestry service providers, especially with respect to forest certifications which involve quite complex administrative procedures and are rather new for them. In addition, the financial condition of cooperatives and the degree to which plantations are contributing to their current financial revenue are important factors. Since agricultural cooperatives have to provide numerous services for their members, they need access to funding capitals. Yet, financial shortages are a common issue for many cooperatives in Vietnam (Cox & Le, 2014). Moreover, after transforming into new and autonomous models, agricultural cooperatives are under even higher financial pressures. Therefore, if they were to become involved in plantation forestry, most of cooperatives would prefer to manage short rotation plantations of 4-5, years rather the 8-10 years as the Quang Tri Group is practicing. The 8-10 years-old plantation practice may not necessarily be an accurate requirement from forest certifications, however, having longer rotations is the most common impression and concern of farmers or cooperative leaders when it comes to forest certifications. Therefore, this issue should be noted for the standard-setting of VFCS/PEFC scheme, which needs to be locally suitable and feasible.

Second, the issue of '*old wine in the new bottle*' still dominates a majority of agriculture cooperatives in Quang Tri. In other words, the transformation from the former model, which was reliant upon government subsidies, into the new model, as a financially autonomous entity, has not really changed the nature and outlook of many agricultural cooperatives in Vietnam (MNCV, 2017). Many agricultural cooperatives are still holding low capacity, highly dependent on government assistance and lacking in '*enterprise culture*' practices (Cox & Le, 2014). In Quang Tri for example, about 95 percent of new model cooperatives are still classified as weak and unable to fulfil their expected roles as of yet (MNCV, 2017). Three out of six cooperative chairmen, who were the chairmen of three weak agriculture cooperatives, report that they are less likely interest in forest certifications or sustainable

forest management, but highly preferred short-rotation plantation practices. This perception could also be linked to political and institutional arrangement of the election at cooperatives. The term of election is four year and a majority of cooperative chairmen or leaders want to be re-elected for the next term. Therefore, in many cases, cooperative leaders may try to please their cooperative members just because of their political sake. Under the common condition of shortage in budgets, cooperative chairman would try to exploit their assets such as keep their plantation as short-rotation in order to enhance financial resource quickly to maintain other urge priorities of cooperative members, such as agricultural input provision (seedlings, fertiliser or chemical).

Additionally, key informants also report that even agricultural cooperatives have changed into the new autonomy models, their perceptions of agricultural cooperatives are still unconsciously dominated by negative traits such as economic ineffectiveness; lack of trust and accountability and weak governance. Interview 9 (July, 2017) describes the current government cooperative system as follows: *‘Provincial cooperative alliance officials often view cooperatives as their tools to force them to implement the provincial cooperative alliance targets; whereas cooperative chairman considers cooperative as a mean for personal gain, rather for collective benefits. Cooperative members believe the cooperative is a bag of rice without an owner. Thus, everyone just aims to gain benefits for themselves as much as possible, through any means’.*

To summarise, the potential of using agricultural cooperatives for group forest certification appears to be mixed; particularly opportunities are likely to be outweighed by challenges. This is partly because of common difficulties experienced by both farmers and farmer organization in applying the complex FSC forest certification standards and rules, as reported elsewhere (Hoang et al., 2015 a and b; Midgley et al., 2016). More essentially, the complexities of agriculture cooperatives, in term of socialist ideology expectation; their low capacity in particular of human and financial resources; the slow transformation process from old to new cooperative model, as related to weak enterprise cultures and government-dependent attitudes are critical challenges which deserve further investigations and careful consideration before integrating agricultural cooperatives into the VFCS/PEFC, a national forest certification system.

5. Discussion and conclusion

The main findings of this research indicate that in Vietnam, both FSC and PEFC are closely connected to not just national but also local state institutions, in complex but also quite different ways. This contributes to recent findings by other scholars regarding the role of states in the non-state involvement environmental governance, particularly in forestry sector. It also provides new insights of the interaction between local governments and FSC group certification schemes for smallholders in Vietnam.

The research findings reveal that in Vietnam, where is dominated by state led market drive political systems, the framework of Non-State-Market-Driven shows many limitations in understanding the evolution and progress of group certification for smallholders. The case of FSC group certification for smallholders in Central Vietnam has shown the “two-sided coin” experience of FSC in their efforts to connect to smallholder tree growers. Whilst the market pull of FSC certified products is uneven and not sufficiently strong, the complex roles of local states are pervasive and critical. In this paper, I have developed an interpretation and argument that the slow growth of the FSC group certification in Quang Tri can be attributed to inadequate attention and supports by local state authorities in this province, particularly at the provincial level.

This narrative is further backed up by some illustrations and comparisons with the FSC Group Certification in Thua Thien Hue province, where this Group has grown at much faster in a much shorter time frame. Given the fact the both Groups share a significant number of similarities of government structures, economic conditions, and smallholding plantation growers. They also have received external supports from both WWF and Scania Pacific in term of financial and technical assistance, even the Quang Tri Group has much benefitted the support from WWF in such a long period of time, from 2007 until present, in comparison with the Hue group, from 2015.

It is also acknowledged that the result of fast-paced development of the Hue Group could be a conjuncture of many interrelated factors, yet, my empirical investigation has reflected the most critical factor is the high levels of commitment, responsibility and sense of ownership of the provincial authorities towards the growth of FSC group certification for smallholders. The provincial government with its highest authority power in each provincial jurisdiction could direct their lower government levels to engage and support for applying forest certification initiative. The Forest Protection Department is the focal implement agency of this program

has shown their strong commitment towards applying FSC forest certification for smallholders. The plan of expanding certified areas for smallholders has effectively communicated through hierarchical government structures of this department from province to district, commune and village. They also utilised their vertical structures to request for supports from other vertically related departments, such as Department of Agriculture and Rural Development. In contrast, these active approaches have not presented or mentioned by key informants in Quang Tri case. Rather both the representative of the Group, the Association and WWF have put a significant amount of effort to advocate and aim for a greater attention and commitment of the Quang Tri provincial government in promoting FSC group certification for smallholders, or at least in sustaining the Quang Tri Group. However, their effort appears to be not fruitful yet.

The research findings also show that roles of NGO and private sectors in the establishment and running of FSC group certification in Quang Tri Group are crucial. It is acknowledged that without such meaningful support from WWF and other international donors, it is next to impossible for such initiative could be in places and provide positive benefits for smallholders. The buy-in of buyers, particularly, Scania Pacific, with their supports in covering certification fees for the Group is also critical. However, these supports are all uncertain and accompany with associated risks which could threaten the sustainability of the Quang Tri Group in the long run. In particular, WWF's resource is running low for this project, while certified areas are expanding in other provinces which closer to Scania Pacific's factories. More essentially, smallholders' capacity in term of fulfilling forest certification's requirement and certification fee is rather much lower than requested; beside the fact that economic incentives for getting their plantation to be certified is not that attractive and farmers appear to prefer not to be "professionalism" tree growers to obtain sustainable forest certification. In this context, the role of local governments where group certification based is brought to the centre, particularly for the future development of forest certification for smallholders. This is particular to case in Vietnam since there is long history of waiting government to take the lead (McElwee, 2016).

The insights developed in this research highlight a critical trend of how private governance is being implemented in socialist institutional systems, which ironically requires a greater involvement of local state powers and authorities. The research has revealed different layers of challenges for the uptake and expansion of FSC Group Certification for smallholders in

Vietnam, on top of other existing issues of technical complexity and certification costs. This institutional challenge appears to be closely linked to the local state's social economic development priorities, their resource capacity, and local politics. The local states in return, are differentiated from each other in many aspects and have great powers and structures to be able to implement, adapt or disregard centrally-designed policies.

Another key insight relates to PEFC and VFCS, and the ways these systems are likely to be set up. PEFC is seen by the Vietnamese state as having certain advantages compared to FSC, because of how it could be fully integrated into existing hierarchical state structures. By endorsing VFCS, the VFCS/PEFC system will be located more directly under the control of the state. The potential advantages of agricultural cooperatives include its nation-wide applicability; inclusivity to smallholder growers, connections to agricultural cooperatives as farmer-based mass organizations; and economic efficiencies. However, VFCS/PEFC is also likely to encounter certain challenges when they connect with agricultural cooperatives, as the forest certification unit model at the local level. These challenges appear to be many and deserve an appropriate attention. This relates to the long history of problematic collective institutions in Vietnam since 1950s; the complexity of cooperative's structures and institution; and farmer's perceptions of agricultural cooperatives (Kerkvliet, 2005). Equally important, other challenges, which relate to the lack of a sense of enterprise and independence of cooperative leaders and management board, have attributed to the slow process of transforming agricultural cooperatives from old, state-dependent form into new autonomous one (Cox & Le, 2014).

My analysis and interpretation shed a somewhat ironic light on the idea that PEFC, which aims to promote national ownership for sustainable forest management through market mechanisms, may end up working in Vietnam through revived local cooperatives, which are an institution developed out of Vietnam's experience with high-socialist state-building. However, it may be too early to lead any concrete conclusion at this stage, because the VFCS/PEFC is not implemented at the on-ground level yet, and to a certain extent, agricultural cooperatives in Vietnam are still in the transforming process and the its future is unclear.

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6. Appendix

Appendix 1:

Description of six cooperatives under the research			
	Type	Join the Group as sub-group	Classification
Cooperative name	Type	Join the Group as sub-group	Classification
Phu Hung	Forestry	Yes	Strong
Cam An	Agriculture	Yes	Strong
Kinh Mon	Agriculture	No	Strong
Giang Xuan Hai	Agriculture	No	Weak
Vinh Tu	Agriculture	No	Weak
Vinh Thuy	Agriculture	No	Weak

Appendix 2:

Coding of 38 key informants			
No.	Code	Date of interview	Organization/Occupation
1	WWF 01	12 th July 2017	Project Director
2	WWF 02	30 th June	Field Staff
3	WWF 03	4 th July	Former Project Director
4	GoV 01	1 st July	Representative of The Association in Quang Tri
5	GoV 02	15 th July	Representative of The Association in Thua Thien Hue
6	SM 01	1 st July	Thu Hang sawmill
7	SM 02	1 st July	Nguyen Phong sawmill
8	SP01	13 th July	Technical staff of Scania Pacific
9	Coop 01	2 nd July	Phu Hung forestry cooperative

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10	Coop02	2 nd July	Cam An agricultural cooperative
11	Coop03	3 rd July	Kinh Mon agricultural cooperative
12	Coop04	6 th July	Giang Xuan Hai agricultural cooperative
13	Coop05	9 th	Vinh Tu agricultural cooperative
14	Coop06	15 ^h July	Vinh Thuy agricultural cooperative
15	GL 01		Kinh Mon
16	GL 02	6 th July	Giang Xuan Hai
17	GL 03	9 th July	Vinh Tu
18	GL 04		Vinh Thuy
19-38	Farm 01-20	3 rd – 16 th July 2017	Farmers who are in four classifications

WWF: World Wild Fund for Nature

GoV: Government Staff

GL: Goup Leader at villages

Coop: Cooperative chairman

SP: Scania Pacific staff

SM: Sawn mill owners

Farm: Group members are farmers

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