RESPONSIBLE SOURCING INITIATIVE CASE STUDY



Strengthening compliance across Viet Nam's recycling value chain

BACKGROUND

Navigating formalization in Viet Nam's recycling value chain

Viet Nam's informal recycling sector operates largely outside the country's formal legal and administrative systems. Scrap shop owners and small aggregators who buy from local waste collectors and sell on to processing and recycling facilities routinely run their businesses without registration, formal bookkeeping, or a clear understanding of local tax obligations. As Viet Nam's tax and business registration requirements evolve, closing this compliance and safety gap is becoming increasingly essential for informal businesses to continue operating legally and safely within the supply chain.

For Dinh Hai Truong Son, the daily rhythm of his facility has long been familiar: the creaking bicycles of informal waste collectors arriving at the gate, the clatter of scrap materials, and the smell of plastic mixed with iron dust. He runs a scrap shop in Tiền Giang province, purchasing recyclable materials from informal waste collectors and selling them to Khanh Nga, a large aggregator that supplies plastic waste to Duy Tan Recycling, one of the largest plastic recycling companies in southern Viet Nam.

His scrapyard is not large, with monthly revenue below VND 50 million (approximately US$ 1,912), but his steady relationship with Khanh Nga has given him a measure of stability that many informal traders lack.

This stability, however, masked significant compliance gaps. For more than five years, the shop had operated without a business licence, with transactions recorded by hand, no formal bookkeeping or separate business bank account, and limited understanding of tax requirements. Processes such as tax declarations, e-invoices, and household business registration were difficult for him to navigate. Toward the end of 2025, as new tax regulations were due to come into effect and discussions about the changes increased, these gaps became a growing concern. The more Truong Son heard, the more uncertain he became: What records did he need to maintain? Which tax category applied to his business? What did he need to do to register or update his business information?

Without clear guidance, navigating these requirements felt increasingly complex, raising concerns about his ability to continue operating legally.

INTERVENTION

Strengthening business and workplace practices

Truong Son found an opportunity to share the challenges he faced in the supply chain and in running his business at a 2025 consultation workshop in Ben Tre, organized by UNDP Viet Nam and Duy Tan Recycling under the Responsible Sourcing Initiative (RSI).

At the workshop and subsequent training sessions, he was introduced to two key topics: (1) occupational safety and health and basic labor rights, and (2) legal and tax compliance. The new tax requirements were unfamiliar and difficult to navigate, but training alongside other businesses, combined with support from the Duy Tan Recycling team, made the information easier to understand and created valuable opportunities for peer learning. For the first time, he gained a clearer understanding of tax compliance requirements and how to properly record purchases from informal waste collectors.

The project also led to practical safety improvements at his facility. The project provided first-aid equipment, tetanus vaccinations for workers and waste collectors, support for repairing the warehouse floor, and occupational safety guidance on site.

OUTCOMES

Building better practices and inspiring others

Following the training and practical support, Truong Son went to the local authority and completed the process of registering as a household business.[1] Registering or updating his business had become increasingly important as Viet Nam introduced new tax requirements for small businesses.

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[1] In Viet Nam, a household business is a distinct registered form of business, separate from a company or enterprise.

Many scrap businesses had outdated or incomplete registration and tax information, creating potential compliance risks. While navigating these administrative processes was challenging, he now understood what steps he needed to take and why they mattered, giving him greater confidence to formalize his business and meet the new requirements.

Next, he opened a separate business bank account, submitted the relevant tax applications, and engaged a local accountant for initial support. Project partner VECA continued to support him through online sessions and consultations, helping him navigate tax requirements and other changes affecting the recycling sector.

Alongside these steps towards formalization, the project led to other practical improvements in his day-to-day operations. Safety equipment and first-aid provisions became part of routine work, the repaired warehouse floor improved material storage, and a small resting area created a more welcoming space for waste collectors.

Most importantly, the impact began to extend beyond his own business. He shared his experience and the changes he had made with other aggregators in his network in Tiền Giang, encouraging more of them to engage with the program. In doing so, he moved from being a participant in the project to helping scale its impact, enabling other businesses to begin their responsible sourcing journey.

LEARNINGS

Accessible tax-compliance information, practical support, and sustained follow-up can help smaller supply-chain businesses formalize their operations and adopt more responsible practices.

Truong Son's experience highlights three broader lessons for supporting small recycling businesses to adopt responsible practices:

Make information accessible: Technical requirements are more likely to translate into action when they are communicated through simple, practical formats – such as short videos, visual guidance, and facilitated discussions – rather than lengthy technical documents.



Leverage existing supply chain relationships to build trust: The involvement of the Duy Tan Recycling team alongside implementation partners helped reinforce the relevance and credibility of the training. Engaging trusted buyers and local partners has proven effective in encouraging smaller suppliers to participate and adopt new practices.

Combine training with tangible support: Training alone may not be enough. Practical support for businesses – such as first-aid equipment and small improvements to working facilities – helped translate learning into visible changes.

Truong Son's experience also highlights challenges that individual businesses or projects cannot address alone. Gaps in documenting materials sourced from informal collectors, the cost of accounting and tax compliance, and investments required to meet infrastructure and safety requirements remain significant barriers. As regulatory requirements continue to evolve, sustained support and collaboration across the value chain will be important to help smaller businesses transition toward more formal and responsible practices.

> **"The project did not only teach me about tax. It also showed me that I can follow the proper procedures without being afraid. I hope the project will continue to expand so that other scrapyard owners can benefit the way I have."**
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> Dinh Hai Truong Son, a junk shop owner, Tiền Giang province

This initiative is supported under The Circulate Initiative's Responsible Sourcing Initiative (RSI) in Viet Nam within Duy Tan's recycling value chain. The RSI implementation in Viet Nam is carried out with support from UNDP Viet Nam, in collaboration with grassroots partners. The RSI engages with all stakeholders across the recycling value chain to advance responsible sourcing practices that respect human rights and strengthen circularity.