TIMBER LEGALITY ASSURANCE
SYSTEM OF VIETNAM
NEW POINTS

Jakarta, 06/12/2016
Annex V
TLAS of Vietnam

1. Backgound
2. Scope of application
3. Legality definition
4. Generation and approval of evidence
5. Organization classification and risk-based verification
6. Control of supply chain
7. Export verification
8. FLEGT licensing
9. Inspection, internal check and complaint handling mechanism
10. Independent evaluation
11. Management and storage of data
12. Strengthening of mechanism for VNTLAS implementation
13. Independent evaluation
BACKGROUND AND OBJECTIVES OF VNTLAS

VNTLAS aims to ensure that timber and timber products (included in Annex I) are legal. Timber to be exported to EU is licensed FLEGT.

VNTLAS is developed to ensure the compliance with the regulations related to individual stages of timber supply chain, including logging, importation, transport, processing, procurement and export. The whole supply chain will be legally controlled.

VNTLAS is built on the current legislation of Vietnam, composed of some new relevant regulations to implement VPA, and involved by ministries, sectors, provinces, private sector and civil society organizations related to forestry and timber trade.
This system is set up for VNTLAS, including 7 components:
1. Timber legality definition (LD): Organizations and Households;
2. Generation, verification and approval of evidence at all stages of the supply chain;
3. System for organization classification and risk-based verification;
4. Management of supply chain;
5. Issuance of FLEGT license;
6. Inspection, internal check and complaint handling mechanisms;
7. Independent evaluation.
SCOPE OF APPLICATION

- All sources of timber
  - Imported timber
  - Handled confiscated timber
  - Domestic natural timber
  - Domestic timber from concentrated planted forests
  - Timber from private gardens, farms and scattered plants
  - Domestic rubber timber
Timber and timber products (referred to as timber) of Vietnam are considered legal if their sources include: domestic logging, handling after confiscation, importation, transport, procurement, processing and exportation which comply with the relevant legislation of Vietnam.

All principles, indicators and evidence in the Legality Definition (Organizations and Households) are part of VNTLAS, including 7 major components, and their relationship is presented in Diagram 1:
## VNTLAS Components

<table>
<thead>
<tr>
<th>National system to be applied to all markets</th>
<th>(1) Legality Definition (LD): Organizations and Households</th>
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<tbody>
<tr>
<td></td>
<td>(2) Generation, verification and approval of evidence at all stages of the supply chain</td>
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<td>(3) System for organization classification and risk-based verification</td>
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<td>(4) Supply chain management</td>
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<td>Additional measures are applied to exports to the EU</td>
<td>(5) FLEGT licensing</td>
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<td>(7) Independent evaluation</td>
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Additional measures are applied to exports to the EU
LD is divided into 2 parts, LD for Organizations and LD for Households, because: (i) of the difference in regulations for the two groups; (ii) of the difference in their investment scale, operation scope and organization; and (iii) it aims to ensure the LD compliance of the two groups, and make VNTLAS clear, specific and applicable. The difference between LD for Organizations and LD for Households is described in introduction of Appendix II.
<table>
<thead>
<tr>
<th>Principles of LD</th>
<th>Government agencies</th>
<th>Major responsibilities</th>
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<tr>
<td>Principle I: Compliance of domestic timber logging with regulations on land and</td>
<td>MONRE</td>
<td>Forest land tenure; Environmental assessment and</td>
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<tr>
<td>forest tenure, management, environment and society</td>
<td>MPI</td>
<td>protection</td>
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<td></td>
<td>District / Commune</td>
<td>Forest land tenure; supply chain management</td>
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<td>MARD/FPD</td>
<td>Timber origin; supply chain management</td>
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<td>Principle II: Compliance with regulations on handling confiscated timber</td>
<td>MOF</td>
<td>Handling and auctioning of confiscated assets</td>
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<td>MARD/FPD</td>
<td>Timber origin; supply chain management</td>
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<tr>
<td>Principle III: Compliance with regulations on timber importation [EU suggested</td>
<td>MOF/GDC</td>
<td>Customs procedures</td>
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<td>a review of MoIT responsibilities; Vietnam would check]</td>
<td>CITES</td>
<td>CITES license</td>
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<td></td>
<td>MARD</td>
<td>Plant quarantine</td>
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<td></td>
<td>MARD/FPD</td>
<td>Timber origin; supply chain management</td>
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<tr>
<td>Principle IV: Compliance with regulations on timber transport and procurement</td>
<td>MPI</td>
<td>Enterprise registration</td>
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<td>Management units of</td>
<td>Registration of enterprises operating in industrial</td>
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<td>industrial parks and</td>
<td>parks and export processing zones</td>
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<td>MARD/FPD</td>
<td>Supply chain management</td>
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<tr>
<td>Principle V: Compliance with regulations on timber processing</td>
<td>MPI</td>
<td>Enterprise registration</td>
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<td>Management units</td>
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<td></td>
<td>MARD/FPD</td>
<td>Supply chain management</td>
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<tr>
<td>Principle VI: Compliance with regulations on exportation</td>
<td>MOF/GDC</td>
<td>Customs procedures</td>
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<td></td>
<td>CITES</td>
<td>CITES license</td>
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<td>MARD/FPD</td>
<td>Supply chain management</td>
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<tr>
<td>Principle VII (Organizations): Compliance with regulations on tax and labourers</td>
<td>MOF/GDT</td>
<td>Tax regulations</td>
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WHICH NEW POINTS WILL AFFECT TIMBER MANAGEMENT, PRODUCTION AND TRADE IN VIETNAM?

- Management of imported timber
- Enterprise classification
- Verification and control of the supply chain
MANAGEMENT OF IMPORTED TIMBER

Scope of regulation:

- **Management agencies:** Customs, Forest Protection...agencies control imported timber on the basis of import related dossiers.

- **Timber importing organizations and individuals:** consistent application to all importers (including importation for processing, domestic trade or export to non-EU market).

Dossier of imported timber:

- (i) Relevant customs dossier;
- (ii) Additional documents: applied to different types of imported timber and exporting countries (except for timber with CITIIS or FLEGT license)
BASIS TO IDENTIFY DOSSIERS OF LEGALLY IMPORTED TIMBER

- Identification of species groups
  (i) Name of species
  (ii) Groups at risk
  - Species at risk:
    - species included in Appendices I, II and III of CITES;
    - endangered, precious, and rare species as specified in Groups I and II in the relevant legislation of Vietnam;
    - illegally traded species listed in the forest law violation database of the Forest Protection Department and the database of the Customs agency.
    - endangered species or illegally traded species as notified from reliable sources, including official information from Vietnam and EU, and information from international organizations such as UNODC, Interpol; CITES Secretariat, WCO
  - Species not at risk are the species which are not listed above
BASIS TO IDENTIFY DOSSIERS OF LEGALLY IMPORTED TIMBER

- Identification of geographic location
  (i) Which country is the timber imported from?
  (ii) In which groups of risk is the country identified?

- Countries with low risk are those which:
  . are ranked 0 or higher for Government Effectiveness indicator in annual World Bank Governance Indicator evaluation and ranked I for CITES legislation or
  . has TLAS with FLEGT licenses
  . the logging countries have national legal frameworks on liability for legal timber, recognized by Vietnam to comply with VNTLAS criteria; or
  . have signed bilateral agreements with Vietnam on timber legality, recognized by Vietnam to comply with the declared VNTLAS criteria; or
  . have compulsory timber certificates, recognized by Vietnam to comply with VNTLAS criteria

- The countries which do not meet the above criteria are considered the countries with risk
<table>
<thead>
<tr>
<th>No</th>
<th>Risk ranking of an imported timber lot</th>
<th>Means of verification, based on risks of the imported timber lot</th>
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<tbody>
<tr>
<td></td>
<td><strong>Risks by species</strong></td>
<td><strong>Originating from geographical areas with low risk</strong></td>
</tr>
<tr>
<td>1</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>High</td>
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<tr>
<td>3</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>4</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>
A dossier of imported timber in the case of “Yes” includes:

(i) A dossier of imported timber as regulated by the relevant legislation;

(ii) A statement

(iii) And at least one of the 3 following documents:

➤ (1) Voluntary certificate or national certificate recognized by VNTLAS;
➤ (2) Logging document as regulated by the logging countries for the lot of material timber;
➤ (3) The substitute of the documents that prove the legal origin of the timber in accordance with the relevant legislation of the exploiting countries, if the exploiting countries do not require exploitation documents for material timber or if the importer cannot obtain logging documents for mixed products.
A dossier of imported timber in the case of “NO” includes:

(i) A dossier of imported timber as regulated by the relevant legislation;

(ii) A statement

Conclusion:

- As Vietnam is importing timber from 115 nations and territories, we will have different legal requirements for imported timber dossiers for different nations, different territories and different types of timber.
Position, role and purpose:
- Organizational classification is an integral component of VPA/FLEGT.
- About 4800 businesses across the country are now involved in the wood supply chain.
- Forest product import-export constantly occurs, anytime, anywhere to meet the local market and export demand.
- To ensure the proactiveness of production and business
- Businesses are encouraged to comply with the law, while ensuring that timber production and distribution follow the definition of legal timber.
- Risk-based classification is an optimal solution, under which, organizations are classified by their risk level in order to meet these requirements.
Scope of application:
Organizational classification system applies to every forest product exploring, processing and trading enterprise (regardless of domestic or exporting business);

Content
- The organizational classification is based on a set of criteria, including:
  . Compliance in terms of static evidence;
  . Compliance in terms of dynamic evidence;
  . Criterion of legal violation;
  . Criterion of supply chain control reporting.

Classification order, procedure and competence
(i) The organization carry out self-evaluation and proposes the classification;
(ii) Provincial FPD verifies, submits to the FPD for its decision;
(iii) FPD decides and posts the classification results on its website.
ORGANIZATIONAL CLASSIFICATION IN THE VPA/FLEGT IMPLEMENTATION CONTEXT (cont’)

Organization
- Register in OCS
- Self-evaluation/re-evaluation according to OCS criteria

Register and submit the self-evaluation form

Provincial FPD
- Receive the registration and self-evaluation form
- Verify the risk category of the organization according to OCS criteria

FPD
- Develop OCS Guideline
- Decide the risk category of the organization
- Manage the database

OCS database
- Inform the risk category of the organization

Register and submit the self-evaluation form

FPD’s forest law violation database
- Inform verification result
- Inform non-compliant or violating case and change of the risk category

Provincial FPD’s forest law violation database
- Monitor and verify the organization’s compliance by document and fact check
- Contact with the applicant and other relevant agencies for verification
Classification results:
- Category 1: Organizations complying with the law (in full compliance with the criteria and no legal violations during the review period)

- Category 2: Organization having not fully complied with the law (not fully meet the criteria and newly established organizations).

Frequency of classification:
- Organizations of category 1: once every two years
- Organizations of category 2: once every year

Move from category 1 to category 2:
Violating organization will be automatically moved from category 1 to category 2
ORGANIZATIONAL CLASSIFICATION IN THE VPA/FLEGT IMPLEMENTATION CONTEXT (cont’)

Rights and obligations of businesses in forest product circulation?

- CATEGORY 1:
  certify forest products list for all types of wood (domestic natural forest timber, timber imports, timber later confiscated, plantation timber, unprocessed timber and wood post-processing)

- CATEGORY 2:
  When implemented in forest products manufacturing enterprises must request the Provincial Forest Protection Agency certified forest products list for all types of forest wood (domestic natural forest timber, timber imports, timber later confiscated, plantation timber, unprocessed timber and wood post-processing)
SUPPLY CHAIN MANAGEMENT

PRINCIPLE:
(i) The forest product dossier of one stage is extracted from the forest product dossier of the previous stage;
(ii) Assure the continuity in all stages of the supply chain;
(iii) The forest product list verifier must ensure the continuous filing of the dossier for origin check when necessary
(iv) Forest product dossier must be match with the product and the actual quantity, type of product must be consistent with the quantity and type recorded in the dossier
Origin of timber dossier:

- Domestic timber: in accordance with current regulation (Circular 21/2016/TT-BNNPTNT);
- Imported timber: in accordance with current regulation + specific dossier for each species, country.

Circulation dossier:

(i) Phase 1:
- Comply with the list preparation and current regulation;
- Verification in accordance with origin of timber

(ii) Phase 2 (3 years later)
- Comply with the list and dossier preparation as per current regulation;
- Verification of forest product list by enterprise category, individual category
VERIFICATION FOR ALL MARKETS
3 YEARS FROM THE EFFECTIVE DATE OF THE AGREEMENT

Organization

Prepare forest product list

Timber from:
Natural forest, import, seize

Import, seize
(post processing)

Natural forest, import, seize
(prior processing)

Org. of category 2
FPD verification

Org. of category 2
Self-verification

Org. of category 1
FPD verification

Org. of category 1
Self-verification

Domestic and non-EU market

Timber from planted forest

EU
+ FLEGT license issue

Org. of category 2

Org. of category 1
VERIFICATION FOR ALL MARKETS
FOR THE PRESENT DATE

Organization

Timber from:
Natural forest, import, seize
Prepare forest product list

Timber from:
Planted forest
Self-verification

Import, seize (post processing)
Natural forest, import, seize (prior processing)

Org. of category 2

FPD verification

Org. of category 1

Self-verification

Domestic and non-EU market

Ex-im log

EU + FLEGT license issue
VERIFICATION FOR EXPORT

DIAGRAM EXPORT VERIFICATION

EXPORTER

Export timber dossier

CUSTOM

EU MARKET

Export timber dossier and FLEGT license application form

FLEGT LICENSOR

FLEGT license
VERIFICATION FOR EXPORT

> Businesses of Category 1:

- Export to non-EU market:
The organization submits the verified forest product export dossier and Custom dossier to the border Custom authority for timber export (prepared and verified by the enterprise for all types of timber).
- Export to EU market: The organization submits the forest product export dossier and request to FLEGT licensor to obtain the license. The organization submits the forest product export dossier, FLEGT license and Custom dossier to the border Custom authority for timber export (prepared and verified by the enterprise for all types of timber).

> Businesses of Category 2 and individuals:

- Export to non-EU market:
The organization submits the verified forest product export dossier and Custom dossier to the border Custom authority for timber export (prepared by the enterprise, and verified by the local Forest Protection Agency for all types of timber).
- Export to EU market: The organization submits the forest product export dossier and request to FLEGT licensor to obtain the license. The organization submits the forest product export dossier, FLEGT license and Custom dossier to the border Custom authority for timber export (prepared by the enterprise, and verified by the local Forest Protection Agency for all types of timber).
The treatment to violators will be integrated in the database system

Objective:
- Identify re-offenders;
- Used as a basis for organizational categorization and change
- Reporting and statistical works
THANK YOU