



# Risks related to Vietnam's imports

Supporting Legal Timber Trade





# NEPCon: a non-profit organisation

## Value-based:

To ensure the responsible use of natural resources and secure sustainable livelihoods by transforming land-use, business practises and consumer behaviour.

We have been working on  
**sustainable land use**  
and  
**responsible trade of  
forest commodity**  
for over

**20 years**



We have **evaluated  
forest legality** in

**70  
countries**



We provide FSC and  
PEFC certification to around

**1500** forest  
operations and  
companies  
and over

**31 million ha**  
of  
**FSC certified forestland**



**Thousands**  
of **delegates** from over  
**30 countries**  
have joined  
**our training events**



We contribute to the  
**establishment**  
of over

**100  
protected  
areas**  
around the world





## **Vision:**

A world where human choices ensure  
a sustainable future

## **Mission:**

To build commitment and capacity for  
mainstreaming sustainability

# NEPCon in Vietnam

- Legal entity established June 2016
- Office in HCMC
- Three permanent, full-time staff
- Collaborate with key industry associations on capacity building of their members on timber legality
- FSC and PEFC certification clients
- Actively engaged in the VPA process
- Two ongoing projects: FLEGT and climate adaptation



# Risk Assessments

- NEPCon have been working on National Risk Assessments for timber legality, and other issues since 2007.
- Conducting timber legality risk assessments for over 60 countries
- Now expanding into Working on timber, palm oil, beef/leather and soy.

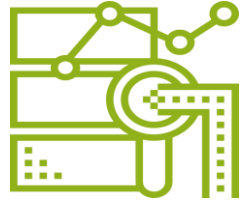


Supporting Legal  
Timber Trade



The mark of  
responsible forestry  
FSC™ A000535

# National risk assessments



**Analysis of each of these 19 sub-categories**



## Taxes and fees

- Payment of royalties and harvesting fees
- Value added taxes and other sales taxes



## Legal rights to harvest

- Land tenure and management rights
- Concession licenses
- Management and harvesting planning
- Harvesting permits

## Timber harvesting activities



- Timber harvesting regulations
- Protected sites and species
- Environmental requirements
- Health and safety
- Legal employment
- Management and harvesting planning
- Harvesting permits

## Trade and transport



- Classification of species, quantities, qualities
- Trade and transport
- Offshore trading and transfer pricing
- Custom regulations
- CITES

## Third parties' rights



- Customary rights
- Free prior and informed consent
- Indigenous/traditional peoples' rights



The **legality assessment considers** the risk of illegality across

**5** categories with an additional **19** sub-categories

# National risk assessments

## ● Defining source types

*(where timber can be sourced)*

Forest type (natural or plantation), ownership (private, public or communal), land classification (permanent forest estate or non- permanent forest estate), management regime (private concession or state management) or a combination of all of these

## ● Identifying and documenting

Applicable laws and regulations, legal authority & the relevant competent authority responsible for legal compliance, and legally required documents or records that can be used to indicate legality

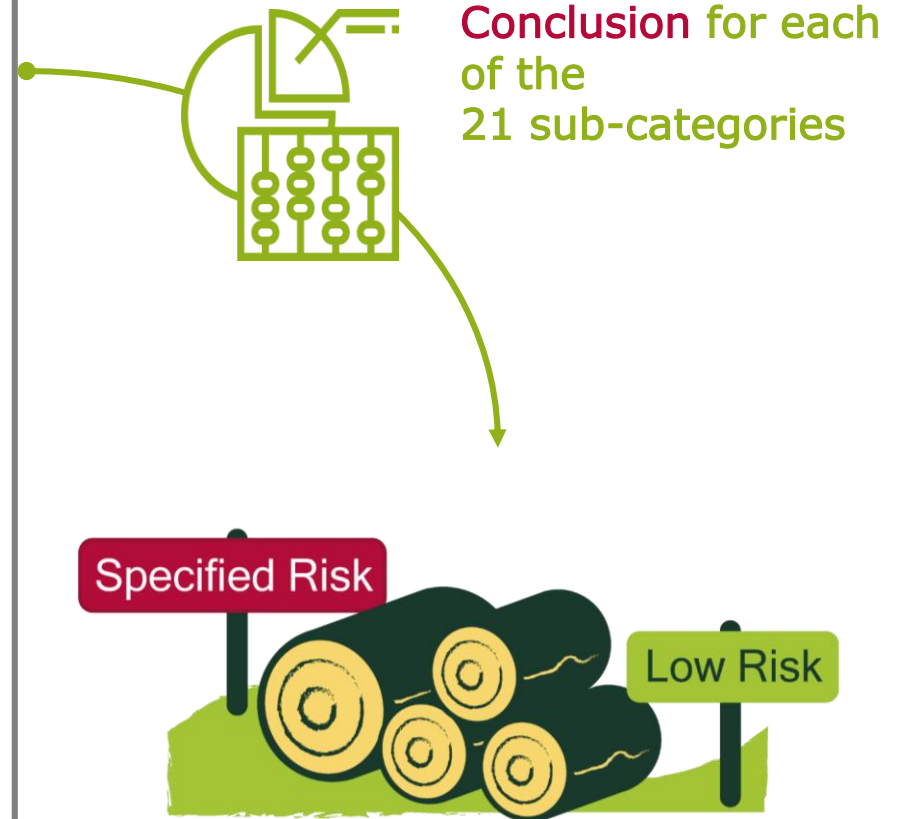
## ● A record of the sources of information

To describe, identify and evaluate risk, such as reports, laws, regulations, articles, etc.

## ● A risk determination

Overview of the legal requirements, description of risk, and risk conclusion

● Control measures and verifiers





A vertical photograph of a dense forest. The scene is filled with tall, slender evergreen trees, their dark trunks standing against a backdrop of lush green foliage. The forest floor is covered in a thick layer of moss and fallen branches, with some rocks visible in the foreground. The lighting is soft, creating a serene and somewhat mysterious atmosphere.



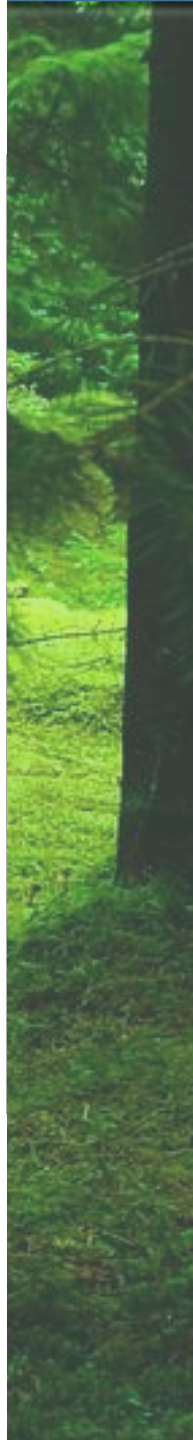
A vertical photograph of a dense forest. The scene is filled with tall, slender evergreen trees, their dark trunks and green needles creating a layered canopy. The forest floor is covered in a thick carpet of green moss, with some fallen branches and small rocks visible. The lighting is soft and diffused, typical of a deep forest.



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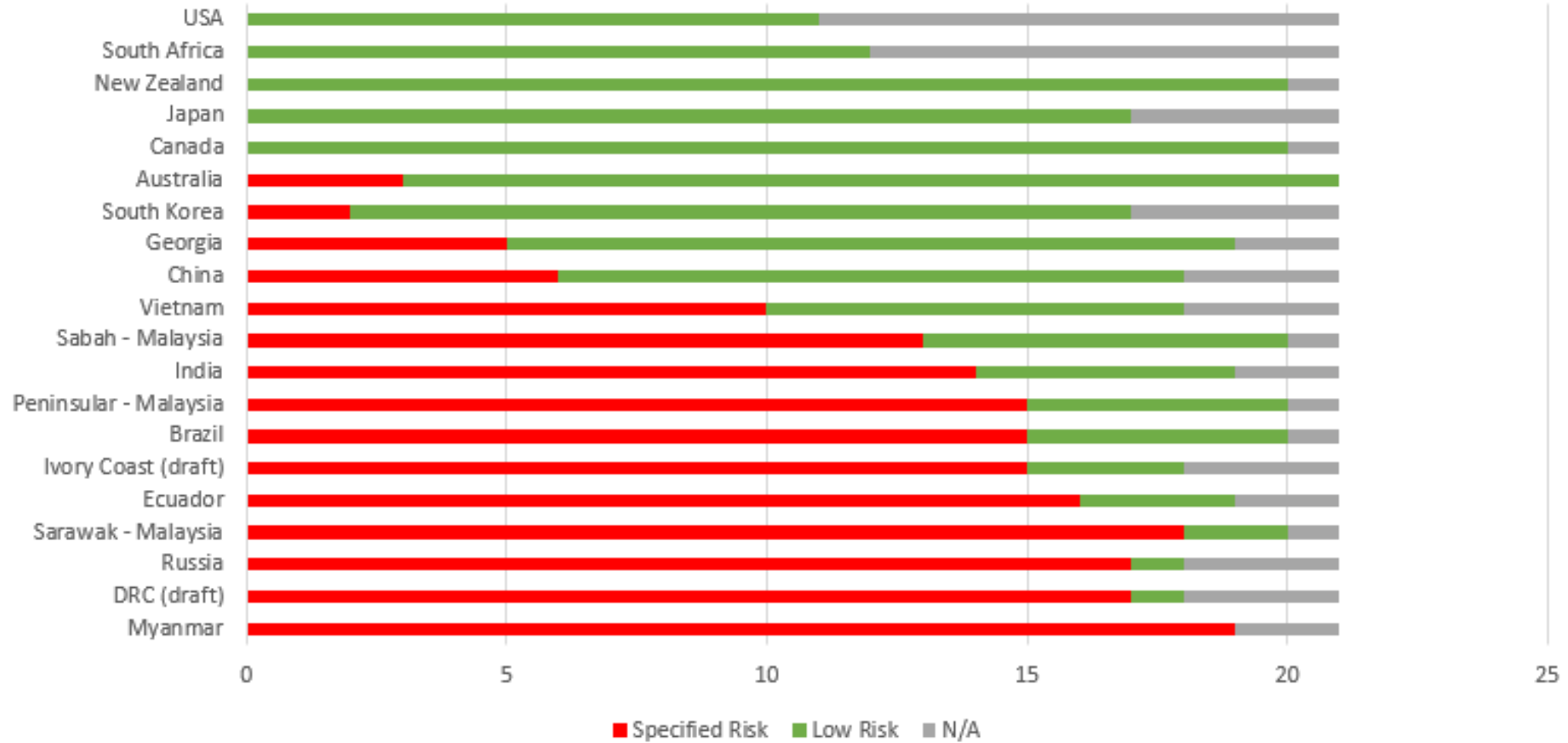


A vertical photograph of a dense forest. The scene is filled with tall, slender evergreen trees, their dark trunks and green needles creating a layered canopy. The forest floor is covered in a thick carpet of green moss, with some fallen branches and small rocks visible. The lighting is soft and diffused, typical of a deep forest.



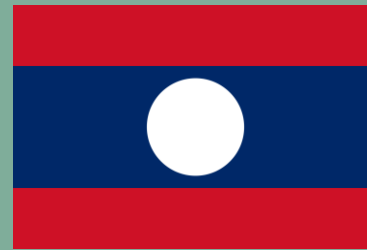


## Non-Europe



Source country:

Laos





# Risk and species in Laos



**ROSEWOOD**  
108 MIL. US\$  
(*Dalbergia cochinchinensis*;  
*Pterocarpus erinaceus*)



**KERUING**  
43 Mil. US\$  
(*Dipterocarpus ssp.*)



**TEAK**  
2 Mil. US\$  
(*Tectona grandis*)



**PAU ROSA**  
8 MIL. US  
(*Swartzia fistuloides*)

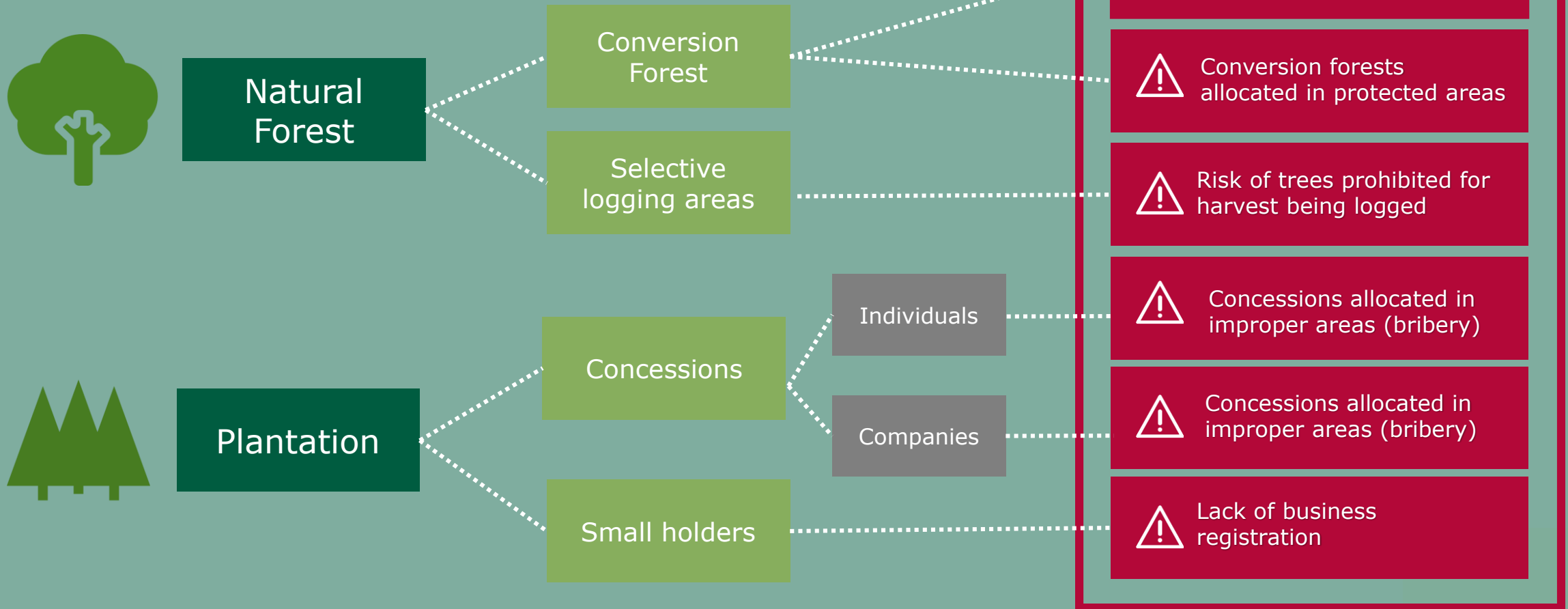


**PAPAO/DOUSSIE**  
21 MIL. US  
(*Afzelia africana*)

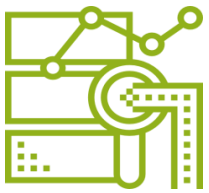


**TALI**  
24 MIL. US\$  
(*Erythrophleum suaveolens*)

# Key risks in source types







## Analysis of each of these 19 sub-categories



### Taxes and fees

- **Administration** (inconsistent application of harvesting fees and taxes; bribes to reduce tax obligations; failure to deduct VAT and other sales taxes)
- **Operators** (Understatement of timber quality and quantity for tax deduction; unofficial sales; and logs not registered in log landings)
- **Smallholders** (evade taxes due to lack of business registration)



### Legal rights to harvest

- **Administration** (lack of land titles; overlapping land classification; concession permits allocated in improper areas; bribery in allocation of permits; improper mapping; and lack of social & environmental impact assessments)
- **Operators** (inadequate inventories; activities starting prior to authorisation and outside approved areas; lack of tree marking in selective logging areas.
- **Smallholders** lack business registration and management plan and/or smallholders borrowing plantation certificates from others

## Timber harvesting activities



- **Operators** (cutting of unmarked trees; logging larger volumes than specified in harvest plan; logging in restricted areas; Lack of harvest plans or plans not complied with; logging species prohibited for harvesting; and sale of natural grown teak as plantation teak)
- **Health & Safety** (overuse of fertilizers and pesticides and use of illegal pesticides in plantations – may result in illness / death of workers; lack of PPE for loggers; exposure to unexploded ordnances (esp. In acacia and eucalyptus plantations); lack of contracts and salary payment; and exclusion of Lao citizens from employment in Vietnamese companies)

### Trade and transport



- **Domestic** (lack of documentation or documents carrying incorrect information on volume and species.
- **Export** (poor monitoring of wood-exports; false CITES export permits; export of undocumented timber via official Laos-Vietnam border crossings; contracts made with "ghost" companies; transfer pricing)

### Third parties' rights



- Insecure tenure rights for rural citizens
- Lacking recognition of traditional land rights
- Lacking compensation to villagers when re-allocated
- Lack of formalising complaints from villagers
- Villagers not allowed access to forest concessions
- Concessionaires depleting resources of forest dependent communities

Source country:  
**Ghana**





# Risk and species in Ghana



**ROSEWOOD**  
0.3 MIL. US\$  
(*Dalbergia cochinchinensis*;  
*Pterocarpus erinaceus*)



**KERUING**  
1 Mil. US\$  
(*Dipterocarpus ssp.*)



**OKAN**  
4 Mil. US\$  
(*Cyliclodiscus gabunensis*)



**TALI**  
1 Mil. US\$  
(*Erythrophleum  
suaveolens*)

# Key risks in source types



Natural  
Forest

Forest reserves

Off forest  
reserves

Sub-merged  
forest

Forest reserves  
(president)

Off forest  
reserves  
(Community/Individual  
/public/inst.)



Risk of outlawed concessions  
still operating



Risk of timber sourced from  
protected areas



Inadequate compensation and  
poor implementation of Social  
Responsibility Agreement (SRA)



EPA permits often not  
obtained and nor enforced



Harvest rights bypassing  
required public bidding process

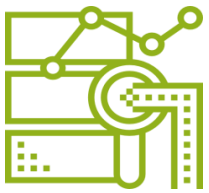


Inadequate compensation and  
poor implementation of Social  
Responsibility Agreement (SRA)



Plantation





## Analysis of each of these 19 sub-categories



### Taxes and fees

- **Operators** (Underreporting of harvested timber for tax deduction; Lacking payment of timber rights fees (TRFs) due to outlawed concessions and leases; Operators not paying TRFs within required time)



### Legal rights to harvest

- **Admin** (Authorities grant Special permits without being legally authorised; Special permits being illegally awarded for expired concessions in forest reserve areas; Salvage and Special permits bypassing required public bidding process, and associated lack of ratification by the Timber Right Evaluation Committee (TREC) and parliament)
- **Operators** (Outlawed concessions and leases still operating, without required Timber Utilisation Contracts (TUCs); Management and harvesting plans poorly implemented for non-TUC holders)

## Timber harvesting activities



- **Operators** (Exceed allowed harvest vol.; non-compliance with Standards; Illegal operators ignoring harvesting regulations (e.g. Harvest in areas prohibited for logging and harvest protected species (e.g. *Pericopsis elata*); harvest of rosewood (*Pterocarpus erinaceus*) prohibited in January 1<sup>st</sup> 2014, however rosewood logs from Ghana appear on Vietnamese import data (2013-15); risk of logging in forest reserves; operators working without required permit from the Environmental Protection Agency (EPA), and is likewise poorly enforced by the EPA)
- **Health & Safety** (Operators not complying with safety requirements; operators do not supply workers with PPE and/or do not enforce use of PPE; Lack of complying with Collective Bargaining Agreements (CBA); Lack of implementation of leave entitlement; workers without contracts and required insurance)

### Trade and transport



- **Domestic** (Falsified classification of timber, e.g. high value species classified as low value species and underreporting of volumes)
- **Export** (Reported gap between timber supply and consumption, due to underreporting of harvested volumes; abuse of Salvage permits by operators to sell and export already felled rosewood (*P. erinaceus*))

### Third parties' rights



- Poor implementation of Social Responsibility Agreement (SRA)
- Affected landowners in off reserve areas are inadequately compensated

Source country:

Cameroon





# Risk and species in Cameroon



**TALI**  
96 Mil. US\$  
(*Erythrophleum suaveolens*)



**OKAN**  
121 Mil. US\$  
(*Cyliclodiscus gabunensis*)

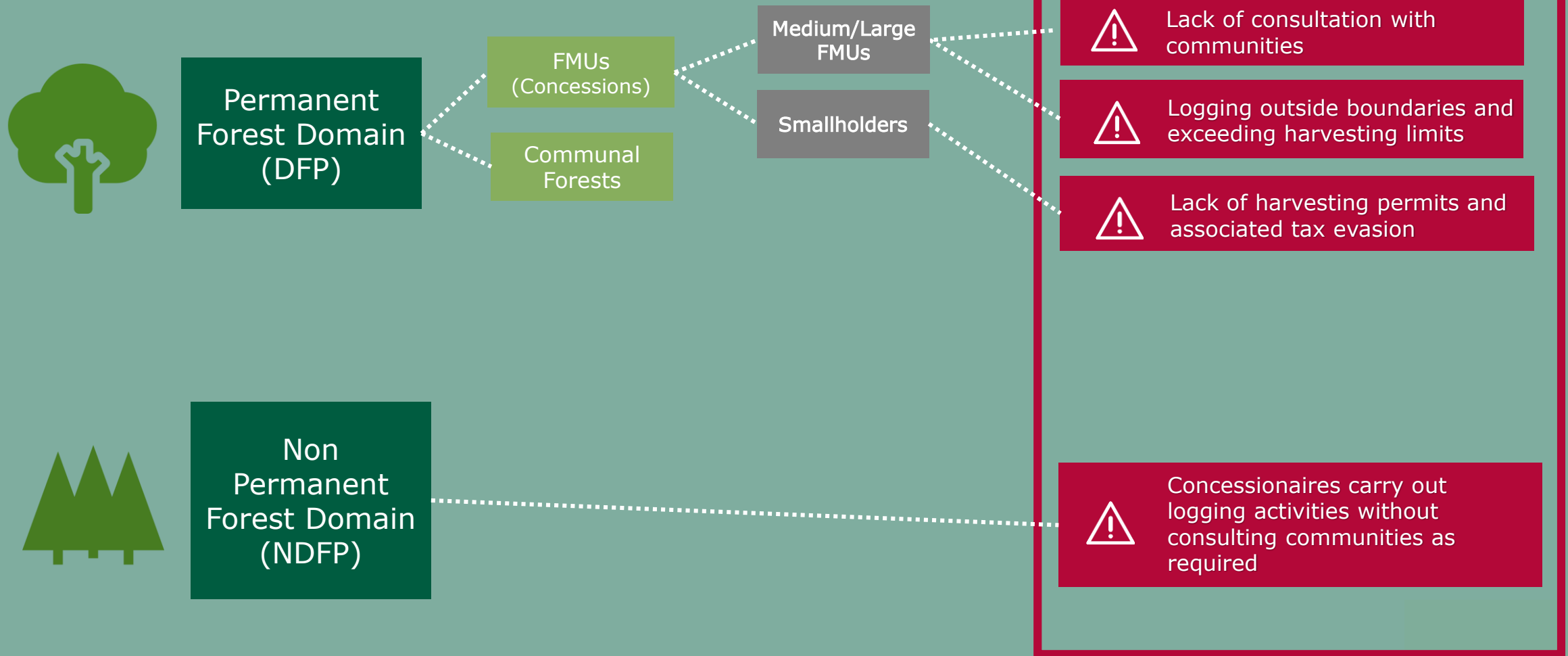


**PAPAO/  
DOUSSIE**  
3 Mil. US\$  
(*Afzelia africana*)

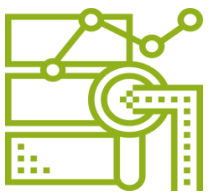


**ROSEWOOD**  
2 MIL. US\$  
(*Dalbergia cochinchinensis*;  
*Pterocarpus erinaceus*)

# Key risks in source types







## Analysis of each of these 19 sub-categories



### Taxes and fees

- **Admin** (Inadequate monitoring of tax payments; Understatement of timber quality/quantity to evade feeling taxes, or conceal illegal logging)
- **Operators** (Risks associated with income and profit taxes due to the system being self-declaratory; Risk of fraudulent practices in the auction of seized wood → evasion of tax; Lacking payments of fees related to exports)



### Legal rights to harvest

- **Admin** (Allocation of concessions outside required public bidding process; Concessions granted without consulting local communities; Poor system to resolve conflicting property rights)
- **Operators** (Lacking management plans for concessions; Logging without harvesting permit esp. for smallholders)

## Timber harvesting activities



- **Admin** (Lack of monitoring of harvesting activities; Concessions allocated in National Parks; Concessions operating outside boundaries and lacking required harvest documents)
- **Operators** (Lack of effectively protected areas and law enforcement (e.g. timber harvested from nature reserves); Concessions not comply with prescriptions of environmental impact assessment (EIA); Concessions operating without (EIA), esp. smallholders)
- **Health & Safety** (Poor monitoring of health and safety and legal employment esp. for smallholders; Lack of basic needs (e.g. poor access to drinking water and decent housing); Lack of contracts, insurance, use of under aged forest workers, (esp. smallholders)

### Trade and transport



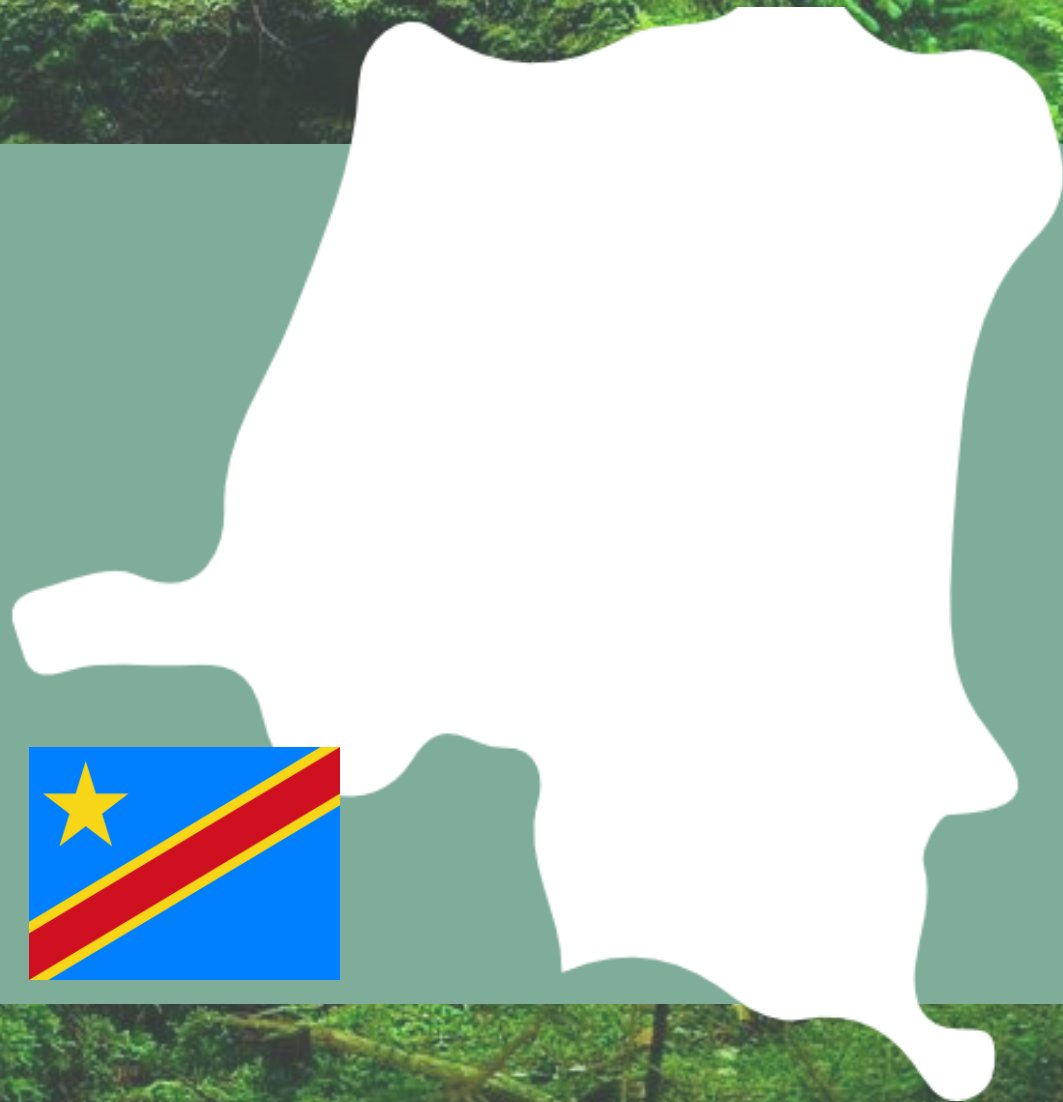
- **Domestic** (Authorities approve overharvesting through bribery; Transporters not carrying secure waybills and booklet sheet signed by authority; Missing certificates on legality of supplier (esp. smallholders); False statements of logging activities in worksite book; Poor timber tracking systems (hampered by bribery))
- **Exports** (Informal exports occurring from private jetties, not monitored by log inspection system; Exports without necessary documents or false documents; Lack of capacity by customs to do proper checks)

### Third parties' rights



- Customary rights not recognised by law
- Concessionaires not consulting communities when doing EIAs as required
- Concessionaires carry out logging activities without consulting communities
- Limited requirements for free-prior and informed consent and legal protection of Indigenous/traditional people

Source country:  
**Democratic  
Republic  
of Congo**





# Risk and species in Democratic Republic of Congo



**TALI**  
5 Mil. US\$  
(*Erythrophleum  
suaveolens*)



**ROSEWOOD**  
0.5 MIL. US\$  
(*Dalbergia cochinchinensis*;  
*Pterocarpus erinaceus*)



**OKAN**  
2 Mil. US\$  
(*Cyliclodiscus gabunensis*)

# Key risks in source types



Natural  
Forest/Primary  
Forest



Plantation  
Forest/Secondary  
Forest



Logging of protected species  
and in protected areas



Rights of indigenous people  
and communities not  
respected by loggers and  
not compensated for  
damages



Special logging permits  
being granted to frequent  
(bribery)

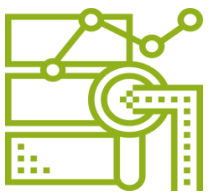


High risk of illegality related  
to this source type



Rights of indigenous people  
and communities not  
respected by loggers and  
not compensated for  
damages





## Analysis of each of these 19 sub-categories



### Taxes and fees

- **Admin** (Absence of appropriate billing and collection of taxes; logging taxes not collected as required by law; controls by customs lacking and hampered by bribery)
- **Operators** (Lacking payment of logging-, reforestation and harvest permit taxes; significant portion of Congolese timber comes from illegal logging; loggers engage in false tax declarations due to weaknesses in control)



### Legal rights to harvest

- **Admin** (Lacking customary rights; Illegitimate land occupation due to lack of legal land titles and use of false land rights; concessions granted against legal procedure for public tender; operators are poorly monitored; granted logging licenses not in compliance with implementation measures)
- **Operators** (Few operators have finalised required concession contracts; few with required management plans (PAs) and signed social clauses; few can't present required preliminary technical and social studies; illegal loggers act as companies and individuals act as artisanal loggers)

## Timber harvesting activities



- **Admin** (Special permits are issued more often than it should; difficult to obtain CITES permit, which encourage export of protected species; corruption in issuing harvesting permits for *Pericopsis elata*; lack of monitoring management plans; issue logging licenses despite poor health and safety for workers)
- **Operators** (Operate w/o approved management plan; Min. harvesting diameters not respected; logging trails/roads created by operators not in compliance with technical standards set by authorities; harvest of protected species without special permit; logging in conservation areas by artisanal loggers, clandestine loggers and members of communities; lacking environmental and social impact assessments; inappropriate equipment for forest workers; risk of under-aged workers; lacking contracts)

### Trade and transport



- **Domestic** (Transporters do not produce field book with species/quantity information or use false field books to evade taxes; lacking transport permits or falsified permit)
- **Exports** (smallholders export timber without obtaining required authorisation; exports are poorly monitored and hampered by corruption and the use of illegal transfer pricing is therefore frequent, e.g. under-invoicing to evade taxes; systematic looting of forest resources and a large tax evasion problem by export; export permits for protected and/or CITES species are bypassed and also difficult to obtain due to the CITES offices located abroad.

### Third parties' rights



- User rights of the local communities and indigenous peoples are not respected
- Logging companies who causes damages or losses to local communities and indigenous people do not compensate as required by law



Questions...?





Find out more at [nepcon.org](https://nepcon.org) 

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*NEPCon works to ensure responsible use of natural resources and secure sustainable livelihoods by transforming land-use, business practises and consumer behaviour.*