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TRAINING CONTENT

VPA/FLEGT AGREEMENT - WOOD SUPPLY CHAIN CONTROL AND WOOD IDENTIFICATION FOR FOREST RANGERS AND CUSTOMS OFFICERS

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LIST OF ACRONYMS

ASEAN	Association of Southeast Asian Nations
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EU	European Union
EVFTA	Viet Nam - EU Free Trade Agreement
FLEGT	Forest Law Enforcement, Governance and Trade
FAOSTAT	Fao statistical databases
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
MARD	Ministry of Agriculture and Rural Development
MoF	Ministry of Finance
MoLISA	Ministry of Labour - Invalids and Social Affairs
OECD	The Organisation for Economic Co-operation and Development
VPA	Voluntary Partnership Agreement
VNTLAS	Vietnam Timber Legality Assurance System

INTRODUCTION

Illegal logging has destroyed natural forests, causing negative social impacts and losses to state revenue. This issue has been a major concern of the international community since the early 1990s. In this context, a series of initiatives have emerged from national and international commitments. In May 2003, the European Union (EU) adopted the Action Plan on Forestry Law Enforcement, Governance and Trade (FLEGT) with measures to combat illegal logging. One of the most important measures is the signing of the Voluntary Partnership Agreements (VPA) with important timber exporting countries.

After more than six years of negotiations, on 19 October 2018, the Government of Viet Nam and the EU officially signed the Voluntary Partnership Agreement on Forest Law Enforcement, Forest Governance and Trade (VPA/FLEGT). On 12 March 2019, the European Parliament officially ratified the Agreement and on 23 April 2019, the Government of Viet Nam issued Resolution No. 25/NQ-CP ratifying the VPA/FLEGT Agreement, coming into effect on 1 June 2019. The implementation of the VPA/FLEGT Agreement marks the beginning of Viet Nam's and the EU's joint commitment to work together to tackle illegal logging and trade. To implement the Agreement, Viet Nam is completing its legal documents to implement its commitments, including Decree No. 102/2020/ND-CP dated 1 September 2020 by the Government on a Timber Legality Assurance System (Decree 102). This document decreed four new areas for application in Viet Nam: i) Timber import control; ii) Enterprise classification system; iii) Export verification; and iv) FLEGT licensing for timber exported to the EU. Implementation requires the close coordination of competent authorities, such as customs and forestry officers, as well as support from and sharing of experiences with other countries. Viet Nam is a leading market for ligneous material consumption. However, some imported wood has been declared in different names, causing difficulties for customs checks. In addition, the control of the timber supply chain by forestry agencies remains inadequate. Therefore, illegal timber has entered the timber supply chain.

Besides improving the legal framework in Viet Nam, training for competent authorities should also be a high priority to ensure that timber legality becomes a compulsory requirement for the import and export of timber products. Forestry and customs officers have a pivotal role in demonstrating that compliance checks are carried out for imported timber and that post-clearance audit regulations are obeyed along the supply chain until export.

This training manual has been developed with support from the “Support to VPA process in Viet Nam - Towards legal timber supply chains between VPA countries” project co-sponsored by the German Federal Ministry of Economic Cooperation and development (BMZ), the UK's Foreign, Commonwealth and Development Office (FCDO), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Objectives and requirements

On completing the training, participants will:

- Have an overview of the timber trade both globally and in Viet Nam, and understand the obstacles enterprises face regarding regulations to ensure timber legality under the VPA/FLEGT Agreement and Decree 102/2020/ND-CP.

- Gain knowledge concerning the VPA/FLEGT Agreement and a clear understanding of the timber legality assurance system under the VPA/FLEGT Agreement and its internalisation in the

context of Viet Nam, including due diligence, compliance, and risk management in the timber supply chain.

- Understand customs legislation and customs procedures for timber and timber products that are exported, imported, temporarily imported for re-export, transited, and trans-shipped; and be able to perform inspection, identification of origin and risk management in exported and imported timber and timber products.

- Acquire basic knowledge of wood identification; knowledge on how to take samples and use simple equipment to perform wood identification, and identify types of wood commonly imported from Africa.

Training manual structure

The training manual is structured as follows:

Part 1. Overview of the VPA-FLEGT Agreement and Vietnam Timber Legality Assurance System

Part 2. Customs regulations for exported and imported timber and timber products

Part 3. Species risks and wood identification

PART 1. OVERVIEW OF THE VPA-FLEGT AGREEMENT AND VIETNAM TIMBER LEGALITY ASSURANCE SYSTEM

1.1. Overview of timber trade globally and in Viet Nam

1.1.1. The global timber trade

Recent studies (Hetemaki & Hurmekoski, 2016; Wowland, 2020) show that changes are taking place in the global forest product market as a result of the combined effects of:

- (i) Significant investment in the fast-growing markets in Asia and low-cost production regions such as South America is forcing a shift in the global competitive advantage in the production of forest products. In emerging economies, domestic suppliers have been increasing production rapidly to meet growing demand in the domestic market (e.g., China, Brazil, and India). Investment in production from developed economies has moved to developing countries, i.e., the shift of production in the world;
- (ii) Slowing demand for some forest products in many OECD countries;
- (iii) A prolonged economic recession and its impact on the structure of forest industry products; and
- (iv) Emerging bioeconomy, new products and services, which are expected to provide new opportunities and diversification of forest-based industries. Given these trends, forest-based industries may be in a phase of change whereby some economic activities or sectors will decline and eventually disappear. At the same time, new technology, products, and business models are emerging.

The international trade in wooden furniture is increasing. The geographical change of production locations worldwide, the global outsourcing strategies of both manufacturing and retail companies, and the international segmentation of production are moving manufacturers away from companies' headquarters to countries where the costs of labour, resources and other inputs are more attractive. Based on production and trade data from FAOSTAT, the value of global forest products is estimated to have exceeded USD 800 billion in 2014. The world demand for round wood, sawn wood and artificial boards is increasing; for example, the volume of imported round wood increased from 128,18 million m³ in 2015 to 144,365 million m³ in 2019 and the import of artificial boards increased from 77,595 million m³ in 2015 to 88,860 million m³ in 2019. Exports of round wood and artificial boards are also growing. The export volume of logs increased from 123,583 million m³ in 2015 to 138,062 million m³ in 2019 and the export of artificial boards increased from 80,424 million m³ in 2015 to 87,715 million m³ in 2019 [10]. Europe and North America account for most of the world's production of wood pellets, of which Europe accounts for 58% and North America 32%. However, the Asian market has also experienced growth in demand for wood pellets in recent years, with a growth rate of up to 17% per year (Hetemaki & Hurmekoski, 2016).

A significant change in the furniture industry over the past decade has been the opening of markets. This is due to many factors, such as tariff reductions, the international expansion of retail systems, entry into emerging markets, the establishment of partnerships between large-scale distributors and foreign suppliers, and improvements in infrastructure and logistics (especially in emerging countries). New-generation Free Trade Agreements aim to create an open, favourable and transparent business environment for businesses in the fields of trade, import and export, services, and investment of timber product manufacturing.

On the potential and trends of the international timber trade market: Some studies suggest that the growth of the timber industry will be maintained in the near future thanks to the development of the global economy and the demand for renewable energy. Consequently, sales of some timber products will be higher due to market demand. Timber products used in interior design and manufacturing, and industrial wood such as chipboard and artificial wood planks, are the highest in demand due to their convenience, ease of shaping and use. There is vast room left in the coming years for the industry in general and timber processing and export in particular. However, even a small change in the market share of a large market, such as China or India, can lead to a significant increase in demand for wood products. The world's demand for furniture and compressed wood will continue to increase in the coming time.

The above discussion shows that the global trade in round timber, sawn timber and artificial boards is extensive and will increase. This is also an opportunity for Viet Nam because it imports round timber, sawn timber, and artificial boards as raw materials for local timber product manufacturers. Many countries with the potential to produce round timber, sawn timber and artificial boards are in low-risk geographies, such as North America and Europe. Viet Nam timber importers need to redirect their timber imports to low-risk countries. However, many countries supplying ligneous materials have policies to restrict and manage their harvest and export. Public and government awareness on environmental protection in these countries is increasing, causing many countries to promulgate regulations on the traceability of legal timber from natural forests. This also leads to challenges in the import of ligneous materials, including challenges for Viet Nam.

1.1.2. Overview of timber trade in Viet Nam

a) Export of timber and timber products: The value of Viet Nam's timber and timber product exports from 2011-2020 increased rapidly, from USD 4.31 billion in 2011 to USD 11.31 billion in 2019. In 2020, this figure reached USD 12.37 billion, an increase of 11.5% compared to 2019 (see Figure 1.1), and one of the country's top 10 export products. Viet Nam's forest product export value continues to rank first in ASEAN, second in Asia and fifth in the world. The forest product trade surplus in 2020 reached nearly USD 10 billion – the highest ever. Timber and timber products from Viet Nam continue to be present in 140 countries and territories.

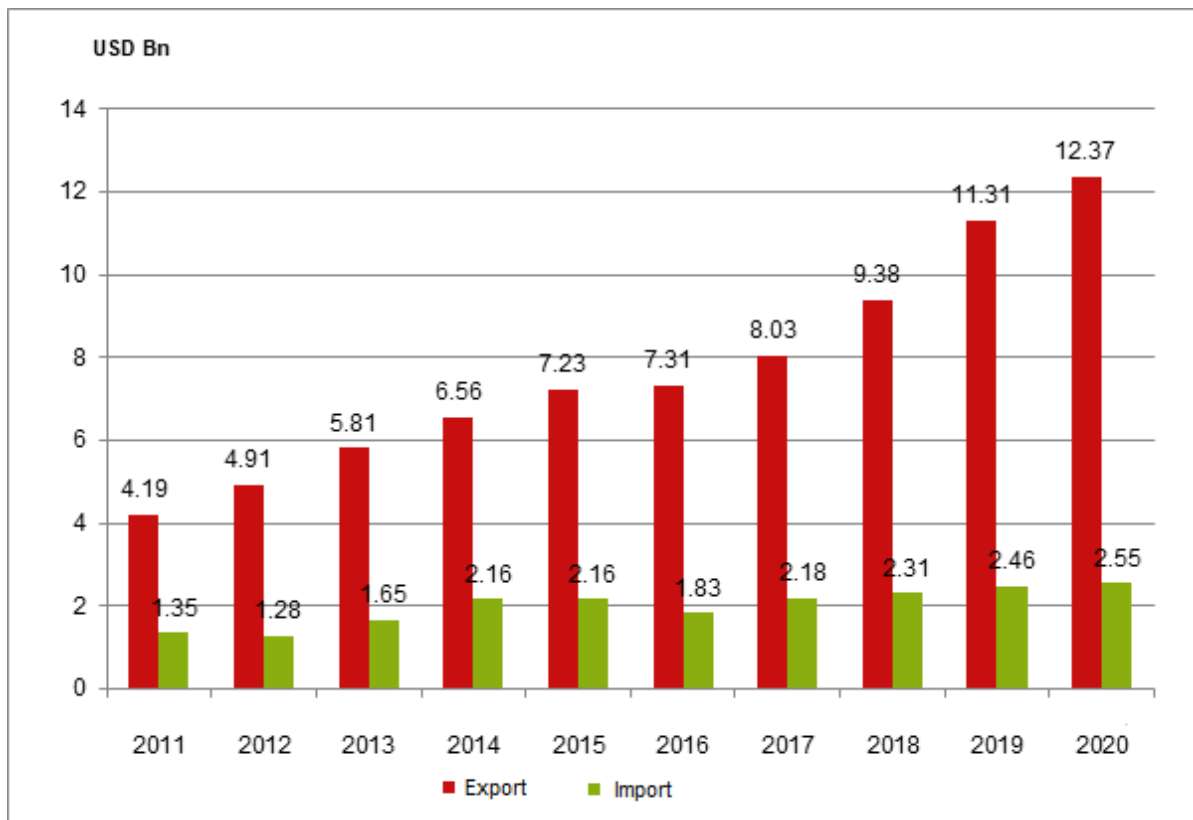


Figure 1: Import and export value of forest products from 2011-2020

(Source: To, Cao & Tran, 2020; VNFOREST, 2020)

For many years, timber trade between Viet Nam and the EU has accounted for about 12%-15% of the total export turnover of timber and timber products, averaging USD 650-700 million per year. The Viet Nam - EU Free Trade Agreement (EVFTA) will have a positive impact on Viet Nam's timber industry and expand its export market. Timber is mainly exported to five EU countries: Germany, France, the UK, Spain and Italy. With EVFTA, the market will be larger. In fact, the EU's annual demand for timber products is about USD 80-85 billion. This demand far exceeds Viet Nam's current timber export turnover to the EU. Thanks to EVFTA, in addition to the duty of 0%, businesses can more easily purchase machines and equipment and learn from the EU's timber processing technology and corporate governance.

Viet Nam's timber exports in 2020:

Furniture is the goods category with the highest export value, including timber products, chairs, wood chips, and plywood (Figure 2).



Figure 2: High export value products in 2020

(Source: VNFOREST, 2020)

Viet Nam's key export markets:

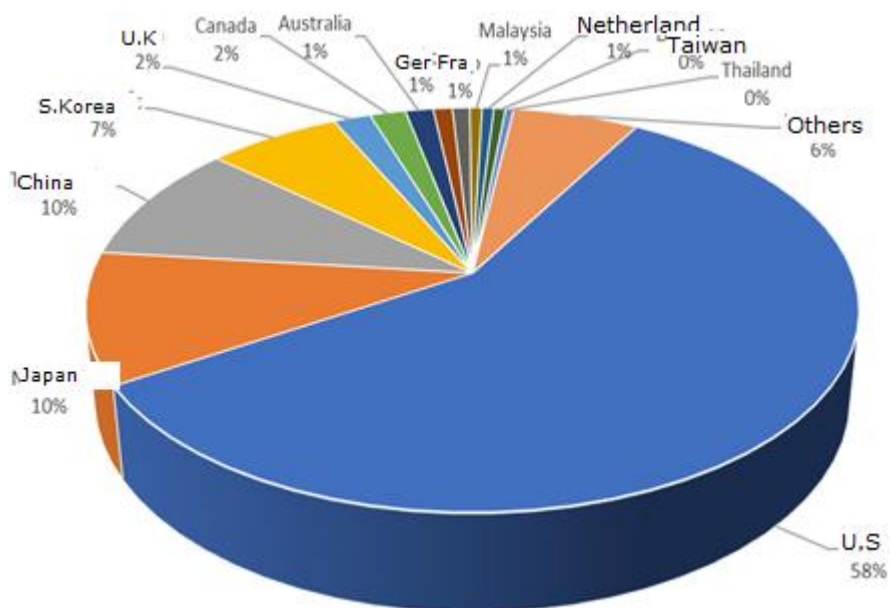


Figure 3: Structure of Viet Nam's timber and timber product export market in 2020

(Source: VNFOREST, 2020)

The main markets for Viet Nam furniture are the US, Japan, China and South Korea. Wood chips are mainly exported to China, Japan, and South Korea. South Korea and Japan are also the two major markets for Viet Nam's wood pellets. The forest product export value into the EU accounts for only about 4% of the total export turnover.

Viet Nam's timber imports in 2020:

Viet Nam has to import a large volume of timber and wood materials to serve its

manufacturing industry. Logs, sawn timber and artificial boards are the major imported products.

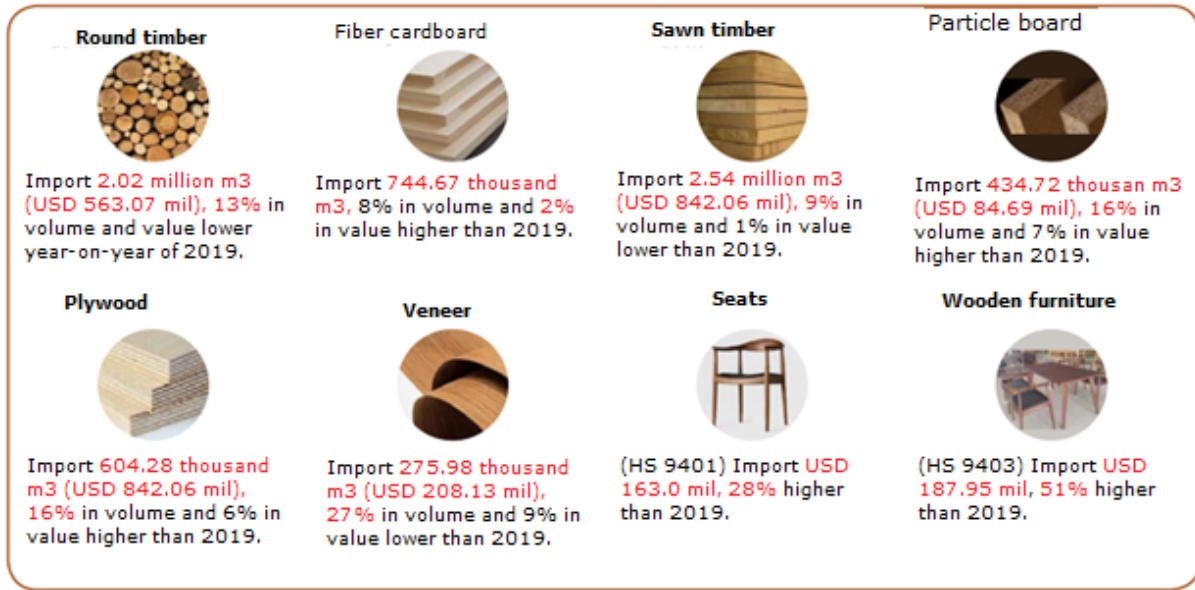


Figure 4: Major import products of Viet Nam in 2020

(Source: VNFOREST, 2020)

Every year, enterprises in Viet Nam spend an average of USD 450 million to import round timber and USD 750 million to import sawn timber.

Viet Nam's key import markets:

On average, Viet Nam imports annual ligneous materials from over 100 sources.

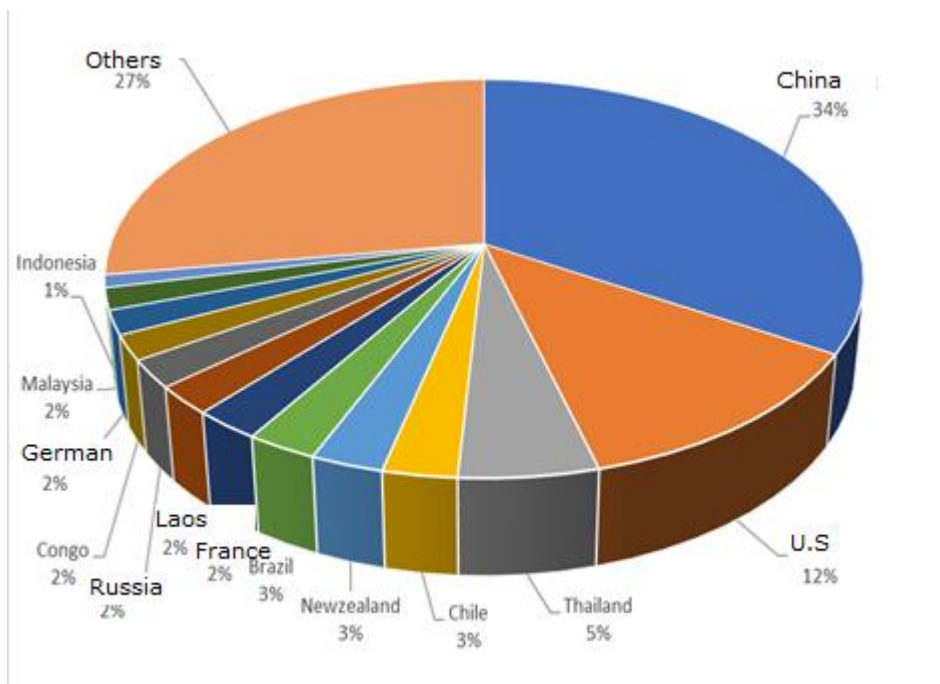


Figure 5: Structure of Viet Nam's ligneous material import markets in 2020

(Source: VNFOREST, 2020)

Currently, the leading markets supplying raw timber to Viet Nam are China, the United

States, New Zealand, Thailand, Chile, Africa, and the EU. The annual increase in import volume and source countries has also led to an increase in imported timber species. Africa is supplying ligneous material to Viet Nam from a wide range of species. There are more and more new species imported from this geographic area.

Imported tropical timber is an important source of input material for the timber industry. Most of the tropical timber imported into Viet Nam is in round and sawn form. The annual supply of round and sawn timber from this source to Viet Nam is about 1.5 million m³, equivalent to 30% of the total volume of round and sawn timber imported into Viet Nam from all sources. African countries, Lao, Cambodia and Papua New Guinea are the most important sources (To, Cao & Tran, 2020).

The following observations can be made from the above information:

The increase in exports also increases the demand for high-value ligneous materials and timber of legal origin.

- Tropical timber supplies account for about 30% of timber import volume. Still, most are from countries in non-positive geographies as these countries do not meet the criteria for positive geographies (such as having a mandatory national framework for due diligence, a Government Performance Index of 0 or higher, or a mandatory national timber certification system). Besides, though some imported species are listed with both scientific and Vietnamese names, some others, including new species, do not have Vietnamese names. This may lead to incorrect customs declarations of species names. The identification of species imported into Viet Nam for the first time is also challenging.
- Developing and activating a list of countries in positive and non-positive geographical regions plays an essential role in controlling the legality of imported timber. These are necessary actions to fulfil the Government of Viet Nam's commitments to the international community. In the long term, it is advised to vary the supply of ligneous materials, reduce the proportion of imports from tropical regions, and increase the proportion from low-risk sources. In addition, the government and timber associations, in collaboration with the media, need to develop schemes and messages to encourage the use of domestic timber. This will not only help reduce risks in the use of ligneous materials, but it will also have direct implications for millions of afforestation farmers today.
- The forestry authority of Viet Nam may request their counterparts from source countries to provide a list of timber species that the country allows for export. This list can be used as a reference for Vietnamese regulators to revise and complete the list of timber species for import.

1.2. Overview of the VPA/FLEGT

1.2.1. Background

In recent decades, there have been changes in environmental protection, sustainable forest management, awareness and decision-making regarding the purchase of wooden furniture by consumers and importers, as well as changes in government policy focusing on the legal origin requirements for timber and timber products. These changes are realised by legal regulations aimed at preventing illegal timber and timber products from entering the market. Meanwhile, there is an increase of trade remedies and technical barriers; for example, the United States promulgated the

Lacey Act in 2008 (effective from April 2010 for timber products), which stipulates that importers must declare timber origin. Australia issued the Illegal Logging Prohibition Act (2012) effective from 30 November 2014, providing that businesses exporting timber to Australia will be accountable for their goods. The Economic Partnership Agreement between Viet Nam and Japan (2008) stipulates the issuance of certificates of origin. The Vietnam-Korea Free Trade Agreement (2015) also stipulates the application of certificates and verification of origin of goods when necessary.

In the EU, to contribute to the prevention of illegal logging and ensure that timber is legally sourced, in May 2003, the EU adopted an Action Plan on implementing Forest Law Enforcement, Governance and Trade (FLEGT). One of its important points is the EU Timber Regulation (995/2010) and the Voluntary Partnership Agreement (VPA) applied to countries with illegal logging and poor forest management.

According to the EU Timber Regulation, importers of timber and timber products entering the EU since March 2013 must prove the legal origin of timber to the competent EU authorities before being allowed to enter the first port of the EU. There are only two exemptions: CITES-permitted timber under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and FLEGT-licensed timber for countries that have negotiated and signed the VPA/FLEGT Agreement with the EU.

In Viet Nam, timber and forest products are an important export industry that has grown continuously over the past decade. Export turnover has increased from USD 3.4 billion in 2010 to USD 9,382 billion in 2018 and USD 12,37 billion in 2020. Viet Nam currently has about 4,500 wood processing enterprises, of which export-oriented enterprises account for 1,500, creating nearly 500,000 jobs. These entities also support millions of rural and mountainous workers participating in planting material forests [15], contributing to social-economic development, security, and stabilisation. The EU is one of Viet Nam's main export markets. Facing these changes, Viet Nam needs to adapt to sustain and potentially expand its export market quickly. If no action is taken, market shrinkage/loss will be inevitable, seriously affecting its timber processing industry with its 500,000 employees, millions of rural and mountainous workers and millions of USD in investment.

So far, Viet Nam's choice has been clear: the country has actively cooperated with the EU in implementing FLEGT and participating in the VPA/FLEGT negotiations.

1.2.2. General information on the VPA/FLEGT

On 19 October 2018 in Brussels, Belgium, the Minister of Agriculture and Rural Development – on behalf of the Government of Viet Nam – officially signed the VPA/FLEGT with the President of the European Union Council. On 12 March 2019, the European Parliament officially voted to ratify the Agreement and on 23 April 2019, the Government of Viet Nam issued Resolution No. 25/NQ-CP approving VPA/FLEGT, effective from 1 June 2019. The Agreement is effective for a period of five years, until mid-2024, and shall be automatically renewed for the next five-year period unless either party waives renewal by notifying the other party in writing at least 12 months prior to the renewal date.

VPA/FLEGT is a trade agreement between Viet Nam and the EU to create a legal framework to ensure that Viet Nam's timber and timber products exported to the EU are legally produced, promoting timber and timber product trade between the two parties. This objective will be achieved by establishing the Vietnam Timber Legality Assurance System (VNTLAS), together with the FLEGT licensing scheme, to guarantee that only FLEGT-licensed timber products are allowed to enter the EU market.

The scope of the Agreement and of VNTLAS includes Viet Nam's timber and timber products produced for the domestic market and for export. Regarding timber origin, the VNTLAS domestic timber system ensures the legality not only of timber sources, but also of imported timber. The provisions of the Agreement apply to all entities in Viet Nam, including organisations, business households, households, individuals and communities engaged in production, trading, transportation, processing, exporting and importing timber and timber products. To achieve this, the Agreement requires the above entities to be responsible during timber trading to ensure that only legal timber enters the supply chain, including the domestic timber trade. These entities shall exercise due diligence for imported timber legality. The Agreement has 27 Articles, nine technical annexes¹ and can be summarised as follows:

Table 1: Summary of the VPA/FLEGT

No.	Topic	Summary
1	Product coverage in the VPA/FLEGT	Stipulates codes for FLEGT-licensed timber and timber products. This list of goods refers to the Harmonised Commodity Description and Coding System of the World Customs Organisation (HS List).
2	Timber legality definition	Mentions aspects of the VPA partner countries. Accordingly, the timber legality assurance system leverages verifiers to demonstrate legal compliance. It includes principles, criteria, indicators and verifiers on timber legality and shall be updated and supplemented during implementation of the Agreement. The definition of timber legality applies to two target groups: organisations and households; and individuals and communities.
3	Conditions governing the release for free circulation of timber products exported from Viet Nam and covered by a FLEGT license	The license shall be lodged with the competent authority of the Member State of the Union in which the shipment covered by that license is declared for release for free circulation. In the case of suspicion concerning the validity or authenticity of a license, a duplicate or a replacement license, the competent authority may request additional information from the licensing authority.
4	FLEGT licensing scheme	When VNTLAS is put into operation, this system will issue a license for each shipment of timber products exported to the EU market. Licensed shipments are those for which the exporter must meet all the requirements in the definition of legal supply chain control and verification procedures outlined in VNTLAS.
5	Vietnam Timber Legality Assurance	VNTLAS is at the core of the VPA. This is a system to ensure that timber and timber products are legally verified against

¹ Full text, including annexes, is available for download at the VN Forest website: http://tongcuclamnghiep.gov.vn/LamNghiep/Index/toan-van-hiep-dinh-vpaflegt-giua-viet-nam-va-eu_-ban-tiengviet-4050.

	System	specific requirements throughout the supply chain, from the time timber is in the forest or from the time it is imported to the point where it is exported or sold.
6	Criteria for assessment of the operational readiness of VNTLAS	VPA/FLEGT covers the development and implementation of the VNTLAS to ensure the legality of timber. All components of the VNTLAS will be independently evaluated from a technical viewpoint against the operational readiness assessment criteria of the VNTLAS before the FLEGT licensing scheme for timber exported from Vietnam to the EU is officially effective.
7	Public disclosure of information	The parties commit to ensuring that critical legal-related information is made available to the public. To that end, the Agreement provides for this objective to be met by outlining the forestry-related information to be made available to the public, the bodies responsible for making that information available, and the mechanisms by which it can be accessed.
8	Join Implementation Committee (JIC)	The JIC is a body established under the Agreement. The JIC shall be established by the parties within three months from the Agreement's entry into force. The JIC performs specific functions and tasks related to the management, monitoring and evaluation of the implementation of the Agreement, including the management of independent evaluation.

Although the VPA/FLEGT has been in effect since mid-2019, it will take some time for VNTLAS and the FLEGT licensing scheme to be fully established and operational. Implementation of the Agreement will go through several stages.

On 14 November 2019, the Prime Minister issued a plan to implement the VPA/FLEGT in Decision No. 1624/QĐ-TTg. This plan assigns tasks and responsibilities to ministries, sectors, provinces and related agencies and organisations for the implementation of the Agreement. The plan includes seven main groups of tasks:

- (i) Communicating and disseminating information;
- (ii) Developing legal documents;
- (iii) Improving technical infrastructure for VNTLAS operation;
- (iv) Building capacity for VPA/FLEGT implementation;
- (v) Managing, monitoring and evaluating VPA/FLEGT implementation;
- (vi) Developing mechanisms and policies for sustainable development of the timber processing industry for export; and
- (vii) Strengthening regional and global cooperation on legal enforcement, forest governance and trade in forest products.

In the first phase, the Government issued Decree No. 102/2020/ND-CP dated 1 September

2020, regulating the VNTLAS and amended existing legal regulations where necessary to provide a legal basis for the Agreement's implementation. Prior to operating the FLEGT licensing scheme, the EU and Viet Nam will conduct a joint assessment to validate that VNTLAS is being operated in accordance with the provisions of the Agreement. Readiness assessments can be performed in several stages to help identify, remedy, and react to any system weaknesses. Viet Nam and the EU will then decide when to start FLEGT licensing, marking the full implementation of the Agreement.

1.2.3. Viet Nam's expectations from VPA/FLEGT

The implementation of VPA/FLEGT is expected to bring economic, social and environmental benefits to Viet Nam, specifically:

- **Enhanced access to market opportunities in the EU:** FLEGT-licensed timber and timber products will automatically meet the requirements of the EU Timber Regulation. There will be no due diligence required, so Vietnamese exporters and EU importers will save time and costs. This will contribute to improving the competition of Viet Nam timber products in the EU market, as well as increasing the confidence of EU importers and consumers in these products. The EU is committed to certifying that FLEGT-licensed products exported from Viet Nam meet the requirements of the EU Timber Regulation and create a favourable market position for them.

- **Improved image and market position of Viet Nam timber products globally:** VPA/FLEGT is expected to enhance the image and reputation of the timber industry as well as of Viet Nam timber products in the international market as it highlights Viet Nam's efforts in strengthening governance and legal compliance. This will contribute to strengthening the position of Viet Nam's verified timber products in the international market.

- **Strengthened forest governance:** the implementation of the VPA/FLEGT will strengthen the regulations of the timber industry, thereby contributing to improved state governance and forestry sector restructuring. The VPA/FLEGT also aims to enhance the responsibility of the private sector, including organisations and households, for the legality of timber and timber products, thereby enhancing social responsibility and the awareness of the private sector and the public.

- **Enhancing the value of the domestic timber industry:** VPA/FLEGT implementation is expected to contribute to an increase in demand for domestic timber, especially those from large and value-added plantations. This develops stronger linkages between domestic timber producers, processors and exporters. In this way, VPA/FLEGT will contribute to the sustainable management of forest resources in Viet Nam.

- **Improved transparency in the forestry sector:** VPA/FLEGT includes provisions for transparency, access to essential information and supports the participation of stakeholders in its implementation. This ensures that crucial information on the forestry sector is publicly available, which is an important contribution to strengthening forest governance in Viet Nam.

However, the implementation of VPA/FLEGT will raise the following challenges:

- It is necessary to review, amend and supplement relevant legal documents and policies so they are compatible with the legal requirements of the Agreement.

- The identification of risk species and risk geographic origin for imported timber is challenging (Viet Nam imports from about 120 countries and territories).

- Enterprises must invest resources in improving production, working conditions, and

capacity building to meet requirements.

- Classification of enterprises greatly affects enterprises: those in Category 2 will have to go through the steps of inspection and verification before completing procedures for exporting timber.

- Small-scale timber processing facilities will have difficulties keeping records for verification of legal timber origin.

1.3. The system of timber legality under VPA/FLEGT and its internalisation in the context of Viet Nam

The timber legality assurance system is an integral part of the VPA/FLEGT. It is a national system that assures compliance with legislation at each stage of the timber supply chain, including harvest, import, transportation, processing, trade and export of timber and timber products.

According to VPA/FLEGT, the VNTLAS consists of seven system elements, as follows:

- (1) Timber Legality Definition (LD);
- (2) Development, verification and approval of verifiers at all stages of supply chains;
- (3) Organisation Classification System (OCS) and risk-based verification;
- (4) Supply chain control;
- (5) FLEGT licensing;
- (6) Internal inspection, and feedback mechanisms; and
- (7) Independent evaluation. (Figure 6)

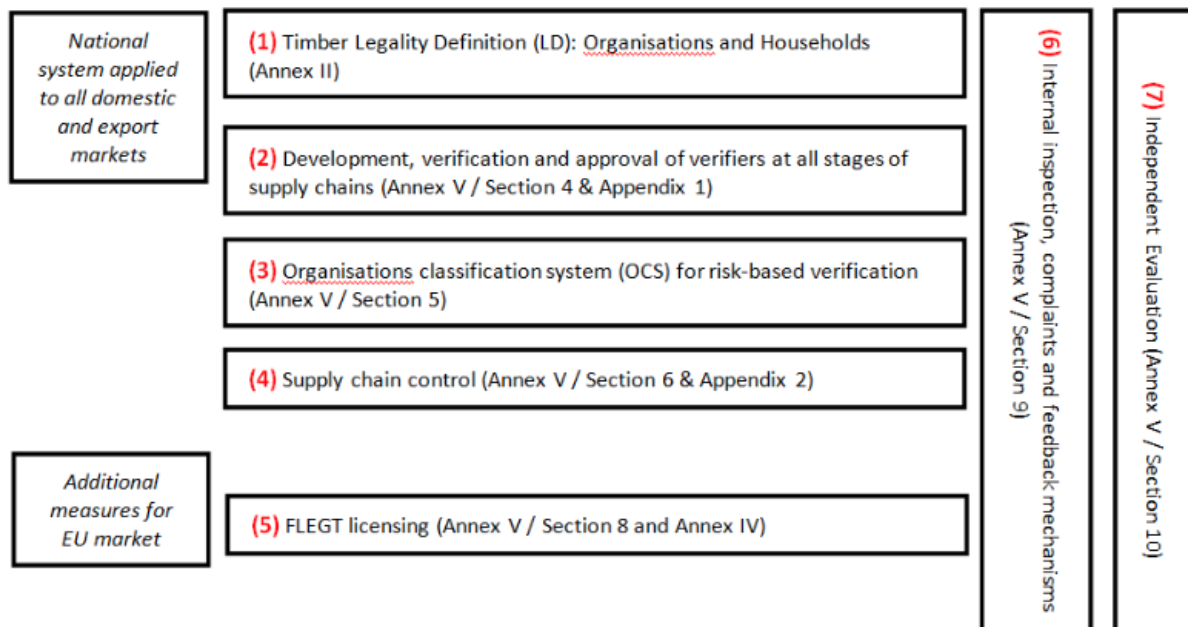


Figure 6: Relationships between elements of VNTLAS

VNTLAS's scope of application according to VPA/FLEGT is shown in Figure 7 below.

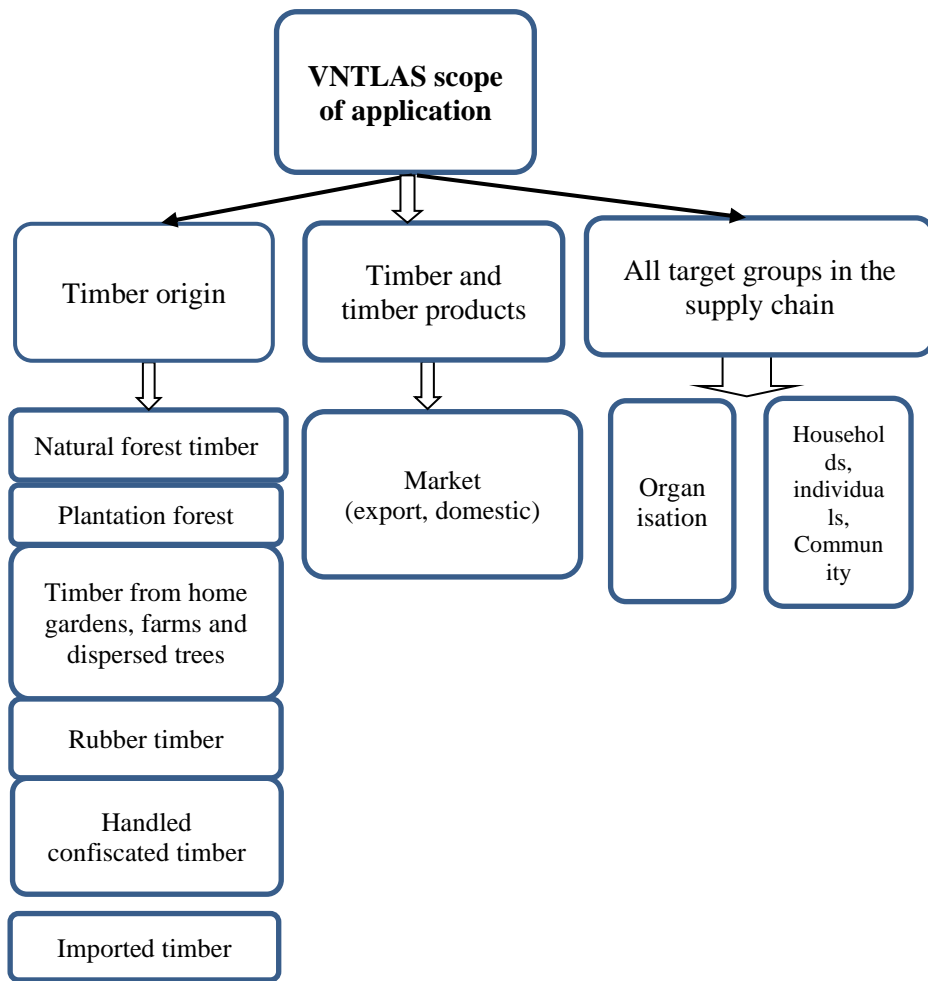


Figure 7: VNTLAS's scope of application according to VPA/FLEGT

1.3.1. Definition of legal timber and timber products

In VPA/FLEGT, “legally produced timber” is timber and timber products imported and manufactured in accordance with the laws of Viet Nam and in accordance with the laws of the harvesting country in the case of imported timber. This means legal timber products must be legally sourced and legally produced at all stages of the supply chain.

The legality definition of timber sets out the requirements in the laws and regulations applicable to timber in Viet Nam. Timber legality definition is divided into two parts – one for organisations and one for business households, households, individuals, communities (hereinafter referred to as households) – in accordance with regulations. Different laws apply to each target group. The timber legality definition is in Annex II of the VPA/FLEGT Agreement, which includes seven principles. The first three principles cover the legal provisions applicable to domestic timber sources (Principle 1); handling of confiscated timber that satisfies legality requirements (Principle 2); and imported timber (Principle 3). The remaining four principles cover the regulations on the transport and trade of timber (Principle 4); timber processing (Principle 5); export customs procedures (Principle 6); and tax and labour regulations (Principle 7).

Compliance with the legality definition of timber means organisations and households have to comply with seven principles (each principle includes: criteria, indicators, and verifiers – see Annex V, Appendix 1A, 1B).

From the legal perspective, legal timber needs to ensure compliance with regulations on:

- Land: compliance with the law on land- and forest-use rights.
- Forestry: develop and approve a plan for sustainable forest management, records of timber harvesting, processing, transportation, etc.
- Investment - business: certificate of business registration.
- Labour: salary and wage regimes, trade unions, plans for occupation health and safety, social insurance and health insurance.
- Environment: environmental impact assessment report or an environmental protection plan.
- Tax: strictly observe taxation regulations.
- Trade and customs: contracts of sale, commercial invoices, bills of lading, licenses, origin, etc.

Decree No. 102/2020/ND-CP dated 1 September 2020 by the Government stipulating Vietnam Timber Legality Assurance System (Decree 102 for short), based on the timber legality definition in the Agreement and the context of Viet Nam, introduced the definition of legal timber as follows:

“Legal timber is timber and timber products (hereinafter referred to as timber) exploited, imported, handled and confiscated, transported, traded, processed and exported in accordance with Vietnamese law, relevant provisions of international treaties to which Vietnam is a member and the relevant laws of the country where the timber was exploited for export to Vietnam.” (Clause 1, Article 3).

Thus, basically, the definition of timber legality in Decree 102/2020/ND-CP is compatible with that in VPA/FLEGT. However, Decree 102/2020/ND-CP only internalises the principles, criteria, indicators and verifiers for imported and exported timber. Meanwhile, the principles, criteria, indicators and verifiers for confiscated, transported, traded, and processed timber shall follow Circular No. 27/2018/TT-BNNPTNT dated 16 November 2018 by the Ministry of Agriculture and Rural Development on the management and traceability of forest products (Circular 27). This circular includes regulations on dossiers of forest product origin; dossiers of forest products traded and transported; and dossiers of forest products at processing and storage facilities. These contents are also stipulated in relevant existing regulations, such as the law on land (land-use rights registration), investment (investment certificates), plant protection (plant quarantine, asset auctions of confiscated assets), customs (customs procedures), etc.

1.3.2. Development, verification and approval of verifiers at all stages of the supply chain

This section describes the responsibilities for developing, verifying and accepting verifiers within the legal definition (LD), including the responsibilities of organisations, households and government verification entities. The purpose is to help confirm the legal compliance of organisations and households participating in the timber supply chain. Government verification entities include rangers, customs officers and other relevant entities.

The development of verifiers is the preparation of a document or dossier by organisations and households, or by verification entities, in accordance with Viet Nam laws and regulations.

Verification of verifiers is the process of checking the legality, validity and conformity of verifiers based on documentary and/or physical checks by the verification entities.

The approval of verifiers by verification entities is the recognition of the compliance of each

verifier in accordance with regulations.

There are two types of verifier in LD, namely:

- **Static verifiers** are used to verify the legal compliance of the establishment and operations of organisations and households in timber harvesting, processing, transportation and trade. For example, the business registration certificates of enterprises and the certificates of forest land-use rights of households. Static verifiers are developed and approved once and can be renewed periodically.

- **Dynamic verifiers** are used to verify the legal compliance of timber origin and timber in circulation at each stage of the supply chain (used to prove compliance with regulations during the formation and operation of organisations and households related to production, processing, transportation, and trading of timber). Dynamic verifiers include verifiers of documents required in a legal forest product dossier, such as a list of forest products, sales invoices, and other documents. Static and dynamic verifiers are specified in Annex V/Appendix 1A, 1B of the VPA/FLEGT.

The responsibilities of competent authorities for the development, verification and approval of verifiers are specified in Appendix 1A and 1B of VPA/FLEGT Annex V and summarised in Table 2 below.

Table 2: Responsibilities of competent authorities for the development, verification and approval of verifiers

Principles of timber legality definition	Competent authority in charge	Main responsibility
Principle I: Harvesting of domestic timber complies with regulations on land-use rights, forest-use rights, management, environment and society	MoNRE	Forest land-use rights; environmental impact assessment
	MPI	Business registration
	District/Province	Forest land-use rights
	MARD/ Forest Protection Department	Control of timber origin; supply chain management
Principle II: Compliance with regulations on handling confiscated timber	MoF; District/Commune	Handling and auctioning of confiscated assets
	MARD/Forest rangers	Control of timber origin; supply chain management
Principle III:	MoF/General Department of	Customs procedures

Principles of timber legality definition	Competent authority in charge	Main responsibility
Compliance with regulations on importing timber	Customs	
	MARD/CITES/Forest rangers	Phytosanitary, CITES, timber origin control
Principle IV: Compliance with regulations on timber transportation and trade	MPI	Business registration
	Industrial Park Management Boards	Registration of enterprises operating in industrial parks
	MARD/Forest rangers	Timber supply chain management
Principle V: Compliance with regulations on timber processing	MPI	Business registration
	Management Boards	Registration of enterprises operating in an industrial park
	MoNRE	Environmental impact assessment
	Province/Districts	Environmental impact assessment
	MARD/Forest rangers	Supply chain management
Principle VI: Compliance with regulations on exporting	MoF/General Department of Customs	Customs procedures
	MARD	Phytosanitary, supply chain management, CITES permits
Principle VII (Organisation): Compliance with regulations on tax and labour	MoF/General Department of Taxation/Department of Taxation	Regulations on tax
	MoLISA	Labour standards; health and safety
Principle VII (Household): Compliance with tax regulations	MoF/General Department of Taxation/Department of Taxation	Regulations on tax

Decree 102/2020/ND-CP does not have a separate section on static and dynamic verifiers; or on responsibility for developing, verifying, and approving verifiers at all stages of the supply chain. These contents are found among the regulations of different sectors, such as: forestry (management of timber in harvesting, transportation, processing, CITES permits), agriculture (controlling phytosanitary), land (forest land-use rights), finance (taxes, auction of confiscated assets, customs clearance), investment (business registration), labour (e.g., labour standards; health and safety), and resources and environment (environmental impact assessments), etc.

1.3.3. Organisation Classification System (OCS) and risk-based verification

The Organisation Classification System (OCS) is a new component introduced by Viet Nam to implement VPA/FLEGT and VNTLAS. The purpose of the OCS is to assess the level of risk of all organisations regarding their compliance with VNTLAS to implement appropriate, effective and timely verification measures. OCS also aims to reduce administrative procedures, facilitate production and business activities and encourage organisations to comply with regulations. According to the provisions of VPA/FLEGT, OCS shall apply to all organisations in the VNTLAS supply chain. Classification criteria and risk groups are summarised in Table 3 below.

Table 3: Minimum criteria and risk categories in OCS under the Agreement

Criteria	Risk categories and minimum criteria	
	Category 1	Category 2
1. Compliance with dynamic supply chain control verifiers to ensure that only legal timber enters the supply chain	Fully compliant	Any non-compliance
2. Fulfilment of supply chain control declaration and reporting requirements	Fully compliant	Failure to submit declarations and reports in accordance with legal requirements
3. Compliance with static verifiers	Fully compliant	Non-compliance
4. Record of violations and sanctions	No record of violations or sanctions	Any record of violations and sanctions
5. Other criteria		Newly established organisations

(Source: Annex V of VPA/FLEGT)

Thus, according to the VPA/FLEGT, an organisation is classified based on four criteria and divided into two risk categories:

Category 1 (Compliant): Organisations that fully meet the criteria in the Table 3;

Category 2 (Non-compliant): Organisations that do not fully meet the above criteria or newly established organisations.

Decree 102/2020/ND-CP specifically guides Article 69 of the Law on Forestry and internalises the provisions on organisation classification and risk-based verification in VPA/FLEGT (see Box 1). However, there are a few differences:

(i) Regarding target groups of classification: according to VPA/FLEGT, the target groups of classification are enterprises, cooperatives, special-use forest management boards, protection forest management boards participating in the timber supply chain (harvest, transportation, trading, processing, import and export of timber). Meanwhile, according to Decree 102/2020/ND-CP, the target groups of classification are timber processing and exporting enterprises (Article 69 of the Law on Forestry stipulates the classification of enterprises). Thus, management boards of protection

forests, management boards of special-use forests and enterprises engaged in the harvest, transportation, trading, processing, import and export of timber are not subject to this Decree.

(ii) Regarding classification criteria: the classification criteria in Decree 102/2020/ND-CP are not fully compatible with those in VPA/FLEGT. According to the Agreement, organisations that violate and are sanctioned will be in Category 2 (without considering how much the sanction is). While under Decree 102/2020/ND-CP, if enterprises are administratively sanctioned for violations of the Forestry Law with a monetary fine of VND 25 million or more, they will be classified into Category 2 (Article 13). On the other hand, Decree 102/2020/ND-CP only stipulates violations in the forestry sector, while timber processing and exporting enterprises can commit violations related to finance, customs, and trade. These are not mentioned.

Box 1.

Article 12. Criteria for enterprise classification (Decree 102)

1. Category I enterprises are those that fully comply with the following criteria:

- a) Fully comply with the provisions of the law in their establishment and operation for at least 01 year from the date of business registration;
- b) Comply with legal regulations on ensuring timber legality according to this Decree and the regulations of the Minister of Agriculture and Rural Development on management and traceability of forest products;
- c) Comply with the reporting regime as prescribed in Clause 4, Article 27 of this Decree and keep original records as prescribed by law;
- d) Has not violated the law to the extent that it must be handled according to the provisions of Clause 4, Article 13 of this Decree; and
- đ) The criteria at Points a and b of this Clause are detailed in Appendix II issued together with the Decree.

2.....

Article 13. Procedures for enterprise classification

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4. In case a Category I enterprise or a lawful representative of a Category I enterprise is subject to criminal penalty under Article 232 of the Penal Code 2015 (amended and supplemented in 2017) or is sanctioned for illegal logging; illegal deforestation; illegal transportation of forest products; illegally storing, trading or processing forest products with a monetary fine of VND 25,000,000 or more, the following actions shall be taken:

- a) Within 01 working day from the date of receipt of information on handling of violations from relevant competent authorities, the receiving agency shall decide to change the classification of enterprise from Category I to Category II; update the Enterprise Classification Information System and clearly notify the reason on the Enterprise Classification Information System; and
- b) Within 01 working day from the day on which the receiving agency updates the enterprise classification results on the Enterprise Classification Information System, the Forest Protection Department shall summarise and publicly announce the enterprise classification changes on www.kiemlam.org.vn.

Regulations on procedures for assessment and verification of business classification between VPA/FLEGT and Decree 102/2020/ND-CP are basically compatible. However, currently, the scope of classification of the Enterprise Classification Information System (ECIS) specified in Decree 102/2020/ND-CP is narrower than the scope of the Organisation Classification System (OCS) in the VPA Agreement as stated above. The procedures for classifying enterprises according to Decree 102/2020/ND-CP are shown in Table 4.

Thus, according to Decree 102/2020/ND-CP, in the risk-based verification system, timber

processing and exporting enterprises in Category 2 will be subject to a higher degree of control than Category 1 organisations. For example, when exporting timber, Category 2 enterprises need to certify their packing lists from the local forest ranger before carrying out export procedures, while Category 1 enterprises are allowed to self-certify their lists. Category 2 enterprises will also be subject to a higher level of documentary checks and physical inspection of shipments before exporting. Viet Nam will provide legal provisions for the implementation of VNTLAS which includes detailed provisions on the procedures and requirements of the ECIS.

Table 4: Procedures for assessment and classification of timber processing and exporting enterprises according to Decree 102/2020/ND-CP

Procedures		Frequency/Timescale
1. Periodic enterprise classification	Registration with the ECIS	All timber processing and exporting enterprises must register in the ECIS
	Self-assessment and self-reassessment by the organisation	<ul style="list-style-type: none"> • First self-assessment after registration in ECIS • Second self-assessment conducted for both Category 1 and 2 within one year of the first classification decision • Third and following assessments: <ul style="list-style-type: none"> + Category 1 enterprises: Every two years + Category 2 enterprises: Every year
	Appraisal of self-assessment and classification by Provincial FPD and notification to Central FPD	After receiving the enterprise's self-assessment (within a certain period of time)
	The Central FPD decides and announces enterprise classification	After receiving the appraisal of provincial FPDs (within a certain period of time)
2. Irregular business classification	Cases of administrative or criminal handling as prescribed in Clause 4, Article 12 of Decree 102	Central FPD will automatically reclassify and change Category 1 to Category 2 and announce the reclassification of enterprises

1.3.4. Controlling the timber supply chain

The timber supply chain is a system of organisations, people, technologies, activities, information and resources that move and/or change the shape and size of timber from the point of harvest or importation to the end selling point. Supply chain control aims to prevent the introduction of illegal or unverified timber into the supply chain.

a) Critical control points in the VNTLAS supply chain

According to the provisions of VPA/FLEGT and the regulations on forestry (Decree 102/2020/ND-CP, Circular 27), the critical control points in the supply chain of the VNTLAS

System are described in Figure 8 below, including:

- (i) Timber sources entering VNTLAS;
- (ii) Transactions and transportation;
- (iii) Processing; and
- (iv) Export of timber.

For timber sources entering VNTLAS, Viet Nam has strict regulations on the management and harvesting of timber from natural forests in the country (currently the Government of Viet Nam is closing natural forests) and of confiscated timber and imported timber. Supply chain control in VNTLAS consists of many different elements. Circular 27 sets requirements for the content of a legal forest product dossier for different timber sources and for the next stages in the supply chain. Controls also include monitoring and reporting requirements for organisations and households; monitoring timber volumes within and between stages of the supply chain; and systematic, random and ad-hoc physical checks performed by verification entities.

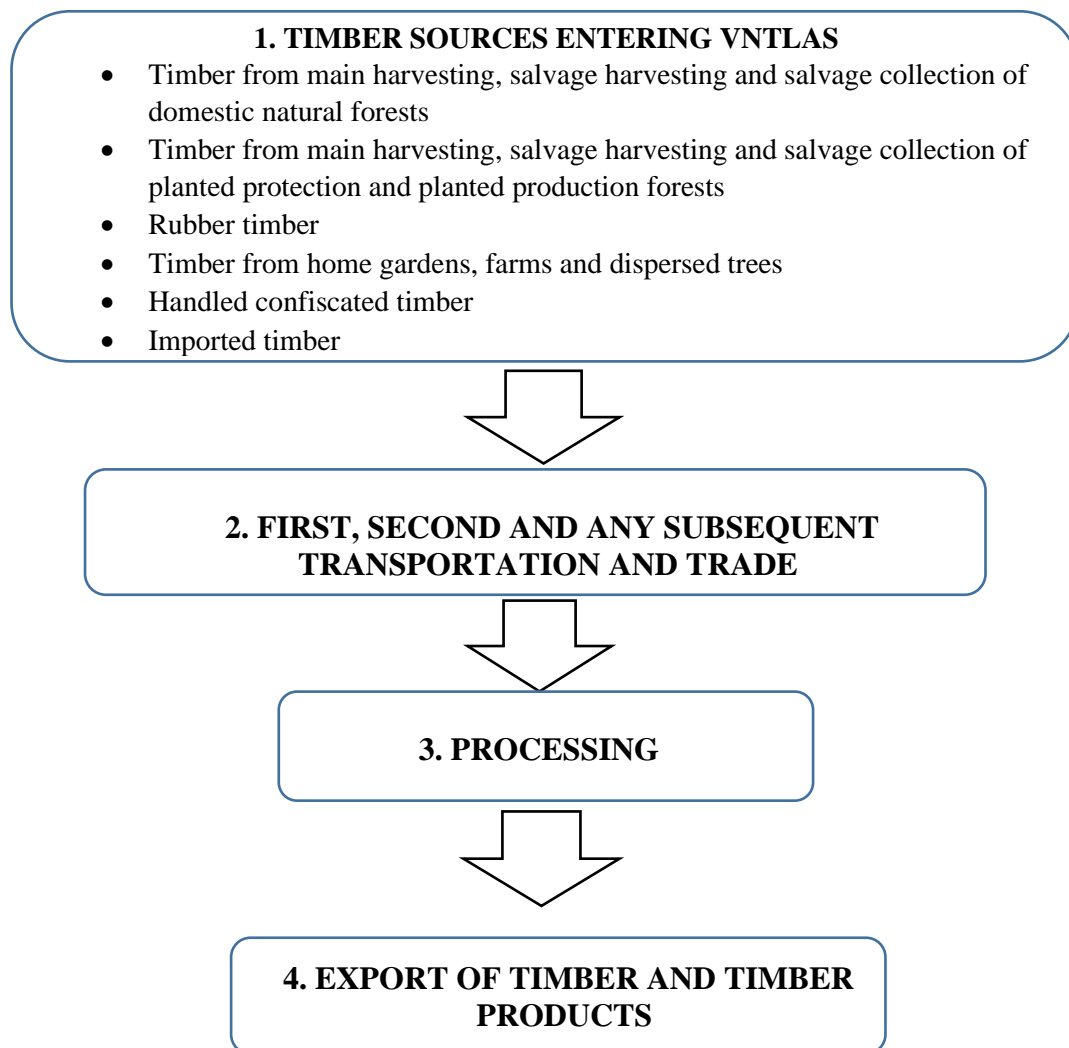


Figure 8: Critical control points in VNTLAS supply chain according to the VPA/FLEGT and current regulations in Vietnam

b) Regulations on domestic timber in VNTLAS

VNTLAS covers all domestic timber sources in Viet Nam, including timber harvested from production forest; timber from home gardens, farms and dispersed trees; rubber wood; and timber allowed to be harvested from natural forests. According to current regulations, natural forest timber is not allowed for main harvesting, but only for salvage harvesting and salvage collection. The required procedures for harvesting and requirements of legal forest product dossiers are stipulated in Chapter 3, Circular 27. VPA/FLEGT emphasises the responsibility of organisations and households when trading timber to ensure that only legal timber enters the supply chain and that harvesting complies with regulations on land-use rights, forest-use rights, management, environment and society.

In principle, under VPA/FLEGT (illustrated in Figure 9), at all transaction stages of the supply chain, the timber seller shall prepare a packing list for the batch of timber sold. The packing list is transferred to the timber buyer and is archived by the timber buyer, and the timber seller archives a copy of the packing list.

Packing list 1 is prepared by the first owner of the batch of timber at the entry points of the supply chain in the VNTLAS (i.e., harvesting, import, confiscated timber, etc.) and is archived by the first owner.

Packing list 2 is prepared by the first timber owner who sells a batch of timber to the second owner. Packing list 2 accompanies the batch of timber that is transferred to the second owner. Packing list 2 is archived by the second owner and the first owner retains a copy of packing list 2.

Packing list 3 is prepared by the second timber owner who sells a batch of timber to the third owner. Packing list 3 accompanies the batch of timber that is transferred to the third owner. Packing list 3 is archived by the third owner and the second owner retains a copy of packing list 3. Subsequent transactions along the supply chain follow a similar procedure.

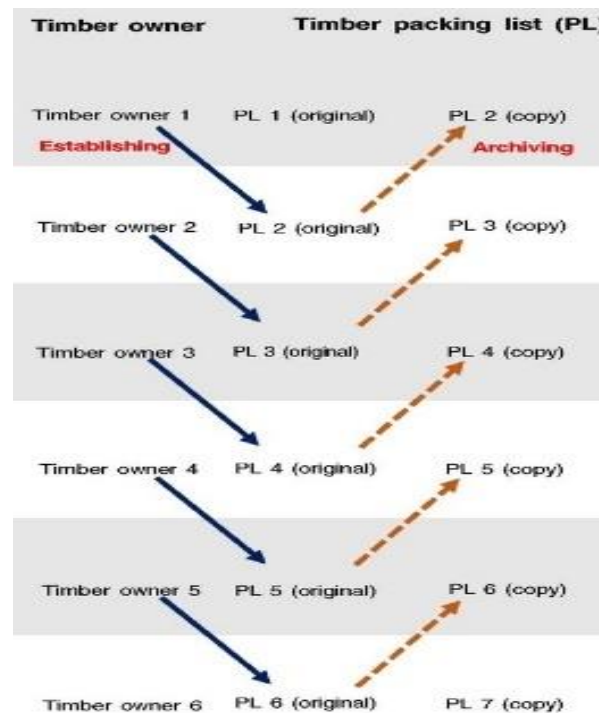


Figure 9: Establishing forest products packing list in the supply chain
(Source: Annex V/Appendix 2 of VPA/FLEGT)

Box 2. Article 4. General regulations on management of imported timber (Decree 102)

5. Regulations on dossiers when trading and transferring ownership of imported timber:

a) In case the imported timber owner sells all or part of the imported timber shipment to one or more other timber owners: The imported timber owner shall make a packing list of timber extracted from the packing list of imported timber, make a copy of the imported timber dossier, sign and stamp (if any) and transfer to the timber buyer and archive the original imported timber dossier;

b) In case the timber buyer at Point a of this Clause sells all or part of the imported timber shipment to another timber owner: The timber seller shall make a packing list of timber extracted from the previous packing list, make a copy of the imported timber dossier, sign and stamp (if any) and transfer it to the timber buyer and archive a copy;

c) In case of selling imported timber to the next timber owner: The timber seller shall comply with the provisions of Point b of this Clause.

Decree 102/2020/ND-CP stipulates requirements for dossiers when trading and transferring ownership of imported timber (Clause 5, Article 4) which are similar to the provisions in VPA/FLEGT for all timber transactions in the supply chain (see Box 2). However, Decree 102/2020/ND-CP does not stipulate the control of timber from main harvesting, salvage harvesting and collection; handled confiscated timber; or trading and processing timber. These points are prescribed in Circular No. 27, but this document mainly stipulates legal forest product dossiers at each transaction point in the supply chain. There are no specific regulations on the transference of forest product packing lists in the supply chain as required by VPA/FLEGT. Verification of the forest product origin (traceability of forest products) is only applicable in some cases (for example, when there is suspicion of the timber shipment).

The supply chain control responsibility of the local forest protection authorities is clearly defined in VPA/FLEGT, which contains the technical work of forest rangers (Table 5).

Table 5: Responsibilities for supply chain control of the local forest protection authorities under VPA/FLEGT

No.	Responsibilities of forest protection authorities
1	Reception, recording and archiving of supply chain declarations by organisations and households.
2	Systematic, random and adhoc physical inspections, in particular on the basis of the analyses of supply chain data.
3	Analysis of data to provide for volume-based reconciliations between: <ul style="list-style-type: none">- Quantitative data at different stages of the supply chain;- Quantitative data of suppliers and buyers;- Data declared by organisations and households and the physical shipment of timber;- Input and output analysis at processing sites; and- Organisations and households in the context of investigations of suspicious timber flows.
4	Verification and endorsement of information in input and output monitoring books of organisations handling timber from domestic natural forests.

5	Inspection of input and output monitoring books of organisations as part of systematic inspection and ad hoc inspection on suspicion of risk.
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Supply chain control is conducted in accordance with a plan. Ad hoc checks are conducted on identifying or receiving any information on irregularities or any sign of violation by organisations and households. At each stage of the supply chain, the forest protection authorities examine the following factors:

- (i) conformity between the timber product dossier and actual timber;
- (ii) archiving of the timber product dossier;
- (iii) examination of other verifiers relevant to different categories of timber at each stage of the supply chain for households and organisations; and
- (iv) on identification of suspicious timber flows, checking consistency between suppliers and buyers.

Circular 27 (Article 42 - Inspection contents) clearly stipulates the responsibilities of local forest protection authorities, with many points compatible with the responsibilities of local forest protection authorities in timber supply chain control stipulated in VPA/FLEGT. However, some points are not as detailed as in VPA/FLEGT (Table 5).

c) Imported timber control in VNTLAS

VPA/FLEGT does not only address the legality of domestic timber but also that of timber imported into Viet Nam. To assure the legality of imported timber, a risk-based verification approach is adopted.

Principles (elements) of imported timber control, including:

* Compliance with the provisions of Viet Nam regulations on assuring timber legality.

* Timber origin verification based on two risk “filters”: In addition to the customs risk classification system, the following two risk filters will be applied to imported timber. The first filter is the risk species category. Imported timber species will be classified into two groups – high risk and low risk– based on a number of criteria. For example, high-risk species include endangered, precious and rare species as prescribed by Viet Nam regulations and specified in CITES Appendices. The second filter is the risk associated with geographic origin of timber. Imported timber of high-risk species and/or from high-risk geographic areas will be subject to tighter controls. The criteria for these risk filters are set forth in VPA/FLEGT and VNTLAS regulations.

*Due diligence required for imported timber origin.

*Additional documentation required: for timber imported of high-risk species and/or from a high-risk geographic area, additional documentation will be required as verifiers of legality.

Decree 102/2020/ND-CP, basically, internalises regulations on control of imported timber that are compatible with VPA/FLEGT. However, there are a few differences:

According to Decree 102/2020/ND-CP, exporting countries are classified into 2 categories: (i) Countries in positive geographical regions and (ii) Countries in non-positive geographical regions

(Box 3); meanwhile, according to VPA/FLEGT, exporting countries are classified into: (i) Low-risk countries and (ii) High-risk countries.

Risk of geographic origin according to Decree 102/2020/ND-CP (Box 3):

Box 3. Article 5. Criteria for identification and authority to announce countries in positive geographies exporting timber to Vietnam (Decree 102)

1. A country is in a positive geographical region exporting timber to Vietnam when it meets one of the following criteria:

- a) It has an operative timber legality assurance system in place for issuing FLEGT licenses; or
- b) It has a binding national regulatory framework on due diligence for timber legality covering the whole supply chain up to the country of harvest, meeting VNTLAS criteria; or
- c) Its Government Effectiveness in the World Bank's Worldwide Governance Indicators (WGIs) is 0 or above; its regulatory system for CITES implementation is rated I-level as announced by the CITES Secretariat; and one of the two following conditions is met: Viet Nam has a bilateral agreement on timber legality with that country, or that country has a timber certification system recognised by Viet Nam as meeting the criteria for timber legality stipulated in this Decree.

2. A country is in the non-positive geographies exporting timber to Vietnam when it does not meet the criteria specified in Clause 1 of this Article.

Risks of timber species according to Decree 102/2020/ND-CP (Box 4):

According to Decree 102/2020/ND-CP, the list of imported timber species is divided into two groups: (i) Timber at-risk and (ii) Timber not at-risk (Box 4), while according to VPA/FLEGT, imported timber species are classified into two groups: high-risk species and low-risk species.

Box 4. Article 6. Criteria for identification and authority to announce species risk of timber imported into Vietnam (Decree 102)

1. Timber imported into Vietnam is at-risk if it meets one of the following criteria:

- a) Tree species is listed in the Appendices of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES Appendix);
- b) Tree species on the list of endangered, precious and rare species of forest plants and animals, Group IA, Group IIA; list of endangered, precious and rare species prioritised for protection according to the provisions of Vietnamese regulations;
- c) Timber imported into Vietnam for the first time;
- d) Endangered timber species in the country of harvest or illegally traded, as specified by the Ministry of Agriculture and Rural Development in collaboration with the Ministry of Industry and Trade, the Ministry of Natural Resources and Environment, the Ministry of Foreign Affairs, relevant ministries and authorities and the organisations specified in international treaties to which Vietnam is a contracting party.

2. Timber is considered not at-risk when it does not meet the criteria specified in Clause 1 of this Article.

Decree 102/2020/ND-CP stipulates imported timber dossiers (Box 5) on the basis of internalising regulations of imported timber control in VPA/FLEGT.

Box 5. Article 7. Dossier of imported timber (Decree 102)

When performing customs procedures for imported timber shipments, besides customs dossiers prescribed by regulations on customs, the owner of imported timber must submit the following documents to the customs authority where the declaration is made:

1. The original packing list of imported timber made by the timber owner according to Form No. 01 or Form No. 02 of Appendix I promulgated with this Decree.
2. One of the following documents:
 - a) In case of timber included in CITES Appendix: A copy of the CITES export or re-export permit issued by the CITES Management Authority of the exporting or re-exporting country; a copy of the CITES import permit issued by the CITES Management Authority of Vietnam;
 - b) In case timber is imported from a country that has signed a Legal Timber Agreement with the EU and is operating the FLEGT licensing system: A copy of the export FLEGT license issued by the competent authority of the exporting country; or
 - c) In case the imported timber shipment is not specified at Point a or Point b of this Clause: A declaration of the origin of imported timber made according to Form No. 03, Appendix I issued with this Decree.

Thus, for a shipment of imported timber without a CITES permit or a FLEGT license, the owner of the imported timber shall exercise due diligence by declaring the origin of imported timber according to Form 03 in Appendix 01 of Decree 102/2020/ND-CP as well as the provisions in Appendix V/Annex 3-VPA/FLEGT. In essence, the importer is responsible for the legal origin of the imported timber in accordance with the relevant regulations in the country of harvest.

In case imported timber does not have a CITES permit or a FLEGT license but is from non-positive geographies or the timber is a high-risk species, one of the following additional documents must be provided: (i) a voluntary certificate or a national certificate recognised by VNTLAS; (ii) a harvest license recognised by the regulations of the harvesting country corresponding to the imported shipment for ligneous materials; or (iii) other supplementary and alternative documents proving the legal origin of timber recognised by the regulations of the harvesting country, in case the harvesting country does not require a harvest permit for ligneous materials or in the event that the importer is unable to obtain a harvest permit for the composite timber product. Based on the risk management criteria according to the above risk system, timber imported into Viet Nam will be controlled and managed by customs as described in Figure 10.

Importer due diligence:

Under VPA/FLEGT, the importer is responsible for the legality of the imported timber in accordance with the relevant regulations of the harvesting country by exercising due diligence for the legal origin of the timber, including: (i) Information collection; (ii) Risk assessment and (iii) Mitigation of any identified risks (Annex V, Clause 6.3.7.1). “Relevant legislation” means the legislation in force in the country of harvest covering the following matters: harvesting rights, forestry activities, taxation and fees, trade and customs.

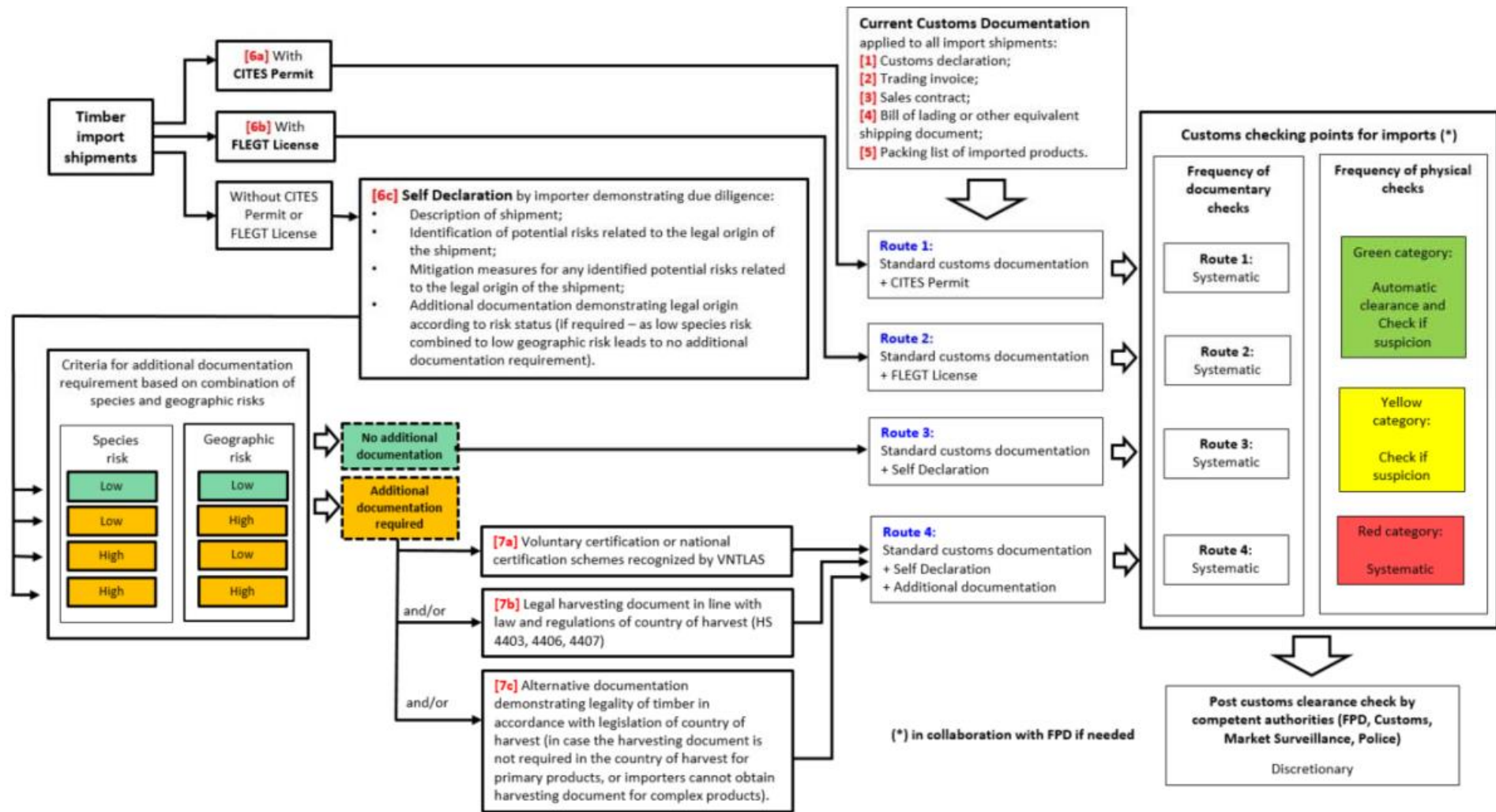


Figure 10: Chart of timber import controls

Decree 102/2020/ND-CP also introduces the concept of due diligence. *“Due diligence when importing timber is the act that the owner of imported timber provides information related to legality of the origin of imported timber, taking risk assessment and mitigation measures in line with regulations of the country of harvest; and take risk assessment and mitigation measures in accordance with this Decree and take responsibility before law for the information they provide”* (Clause 13, Article 3). Basically, the concept of import timber due diligence in Decree 102/2020/ND-CP is compatible with that in VPA/FLEGT. However, VPA/FLEGT clearly demands due diligence from importers, while Decree 102/2020/ND-CP does not explicitly express these requirements. Form No. 03-Imported Timber Origin Declaration documents importer due diligence in case the imported timber does not have a CITES permit or a FLEGT license.

Table 6: Summary of Form No. 03 - Declaration of imported timber origin

<p>A. General information about imported shipments: name and address of the imported or exported timber owner; description of goods, HS code, scientific name, common name of species, volume, bill of lading number, invoice, timber packing list, exporting country, harvesting country, etc.</p>
<p>B. Risk level of imported timber shipments: depending on the shipment's status, the imported timber owner determines whether the timber is from positive or non-positive geographies; at-risk or not at-risk species.</p>
<p>C. Additional documentation: if the timber is at-risk species or imported from non-positive geographies</p> <ul style="list-style-type: none"> - For ligneous materials: the timber owner must provide one of the following documents about the legal harvesting origin: (i) a voluntary certificate or national certificate of the exporting country recognised by Viet Nam as having met the criteria of VNTLAS; (ii) license or document proving permission to harvest timber; (iii) where the harvesting country does not provide for a harvesting permit for the forest from which the timber is harvested, additional documents are requested and reasons for not stipulating a permit are needed; and (iv) if there is no harvest document, additional information is required and reasons for not having the harvest document are required. - For composite timber: the timber owner must provide one of the following documents about the legal harvesting origin: (i) a voluntary certificate or national certificate of the exporting country recognised by Viet Nam as having met the criteria of VNTLAS; and (ii) if there is no harvest permit or document, additional documents verifying timber legality recognised by the harvesting country's regulations are needed.
<p>D. Additional measures by importers to mitigate the risks associated with timber legality in accordance with relevant legislation in the country of harvest.</p> <ul style="list-style-type: none"> - Information on the legal provisions for timber exports of the harvesting country: identify the legal requirements, such as export bans, export permit requirements, etc., applicable to timber exports for each product or species of the harvesting country.

- Identify risks and mitigation: identify any illegal harvest and trade risks associated with the shipment according to the relevant legislation in the country of harvest and proposed mitigation measures.

Control of imported ligneous materials is one of the key parts of Decree 102/2020/ND-CP. For implementation, the Ministry of Agriculture and Rural Development issued Decision No. 4832/QĐ-BNN-TCLN dated 27 November 2020 announcing the list of timber species imported into Viet Nam and the list of positive geographical locations exporting timber to Viet Nam. Specifically:

- The list of timber species imported into Viet Nam includes 322 lines of scientific names of timber species imported into the country, compiled from data provided by the General Department of Customs.
- The list of positive geographies exporting timber to Viet Nam includes 51 countries and territories. Among them, Europe has the most positive geographies with 31 countries/territories.
- The Viet Nam Administration of Forestry issued Document No. 09/TCLN-KL dated 5 January 2021 providing a list of countries with a National Forest Certification System recognised by Viet Nam.
- Customs authorities and forest protection authorities have close coordination in controlling and inspecting imported timber, including periodic/systemic checks at the border and after clearance, and in the handling of suspicious cases.

d) Verification of exported timber

Under VPA/FLEGT, a risk-based approach will also be applied to verifying timber exported to both EU and non-EU markets. For organisations, it will be based on the risk classification in the Organisation Classification System. Classifications applied to organisations by risk category and households are as follows:

- Category 1 Organisations: no additional verification
- Category 2 Organisations: Documentary checks and physical checks on all shipments. Physical checks shall be carried out on a minimum of 20 % of the volume of each shipment.
- Households: Documentary checks and physical checks on all shipments. Physical checks shall be carried out on a minimum of 20 % of the volume of each shipment.

Timber is verified at all stages of the supply chain prior to export. At the export stage, the exporter (organisation or household) prepares and submits a timber export dossier. Thus, when exporting, Category 1 organisations will self-certify their timber export dossier. Category 2 organisations and individuals must be certified by local forest protection authorities for their timber export dossier before exporting.

Under Decree 102/2020/NĐ-CP, a risk-based approach shall also be applied to verify timber exported to both EU and non-EU markets. For enterprises, it will be based on the risk classification in the Enterprise Classification System. Category 2 enterprises: Documentary checks and physical checks on all shipments. Physical checks shall be carried out on a minimum

of 20 % of the volume of each shipment. If there is information of violation, the inspection rate can be increased (Point d, Clause 6, Article 9). Decree 102/2020/ND-CP stipulates that timber export dossiers are compatible with the requirements of VPA/FLEGT. Accordingly, timber shipments exported to the EU market must have a FLEGT license (Box 6).

Box 6. Article 10. Timber export dossier

When performing customs procedures for exported timber shipments, besides customs dossiers prescribed by regulations on customs, the owner of exported timber must submit the following documents to the customs authority where the declaration is made:

1. In case of timber included in CITES Appendix: The original or an electronic copy of the CITES export permit issued by the CITES management authority of Vietnam.

2. In case of timber not included in CITES Appendix:

a) Timber shipments exported to the EU market: The original or an electronic copy of the FLEGT license;

b) Timber shipments exported to non-EU markets:

In case the timber owner is a Category I enterprise: The original packing list of exported timber made by the timber owner.

In case the timber owner is not a Category I enterprise: The original packing list of exported timber prepared by the timber owner, certified by the local forest protection agencies as prescribed in Article 9 of this Decree.

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according to VPA and Decree 102/2020/ND-CP (Figure 11):

The organisation prepares and self-certifies its timber packing list and prepares a timber product export dossier according to regulations.

In case of exporting to a market outside the EU, the organisation shall submit the timber product export dossier and the customs dossier to the Customs Authority. In case of export to the EU market, the organisation sends the timber product export dossier enclosed with the application to the FLEGT Licensing Authority to apply for a FLEGT license. The organisation then submits the timber product export dossier, FLEGT License and customs dossier to the Customs Authority.

Procedure for preparing and verifying timber export dossiers for Category 2 organisations according to VPA and Decree 102/2020/ND-CP (Figure 12):

Organisations and households prepare packing lists of forest products, prepare timber product export dossiers, and submit the timber product export dossier (original) to the local forest protection authorities for certification of the forest product packing list. In case the organisation has no violations, the local forest protection authorities will conduct a physical inspection with a minimum rate of 20% of the volume of the shipment and confirm the forest product packing list. In the case of exporting to a market outside the EU, the organisation shall submit the timber product export dossier and the customs dossier to the Customs Authority. In case of export to the EU market, the organisation sends the timber product export dossier enclosed with the application to the FLEGT Licensing Authority to apply for a FLEGT license. The organisation then submits the timber product export dossier, FLEGT License and Customs dossier to the Customs Authority to complete the timber export procedure.

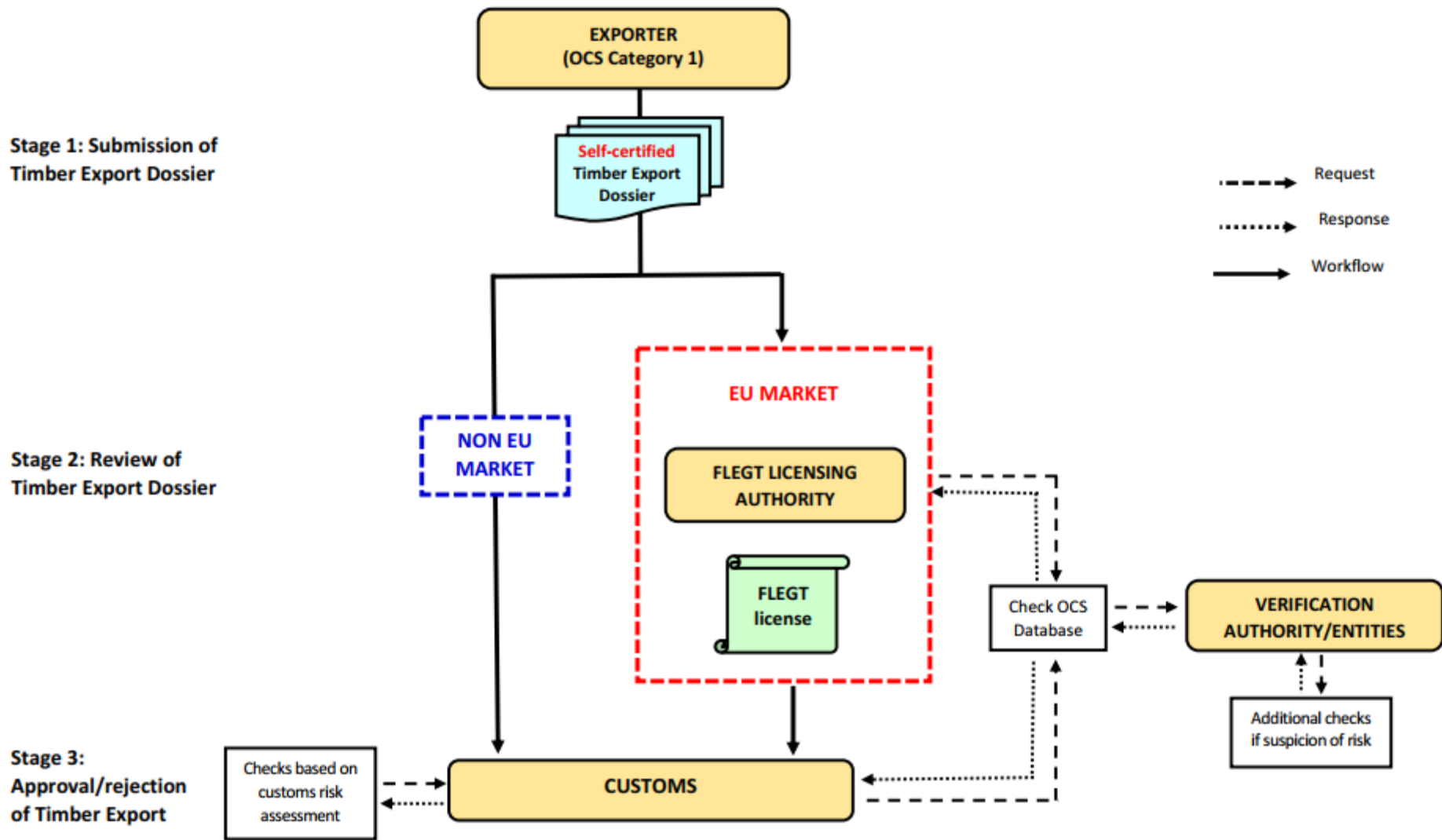


Figure 11: Export Verification – Category 1 organisations

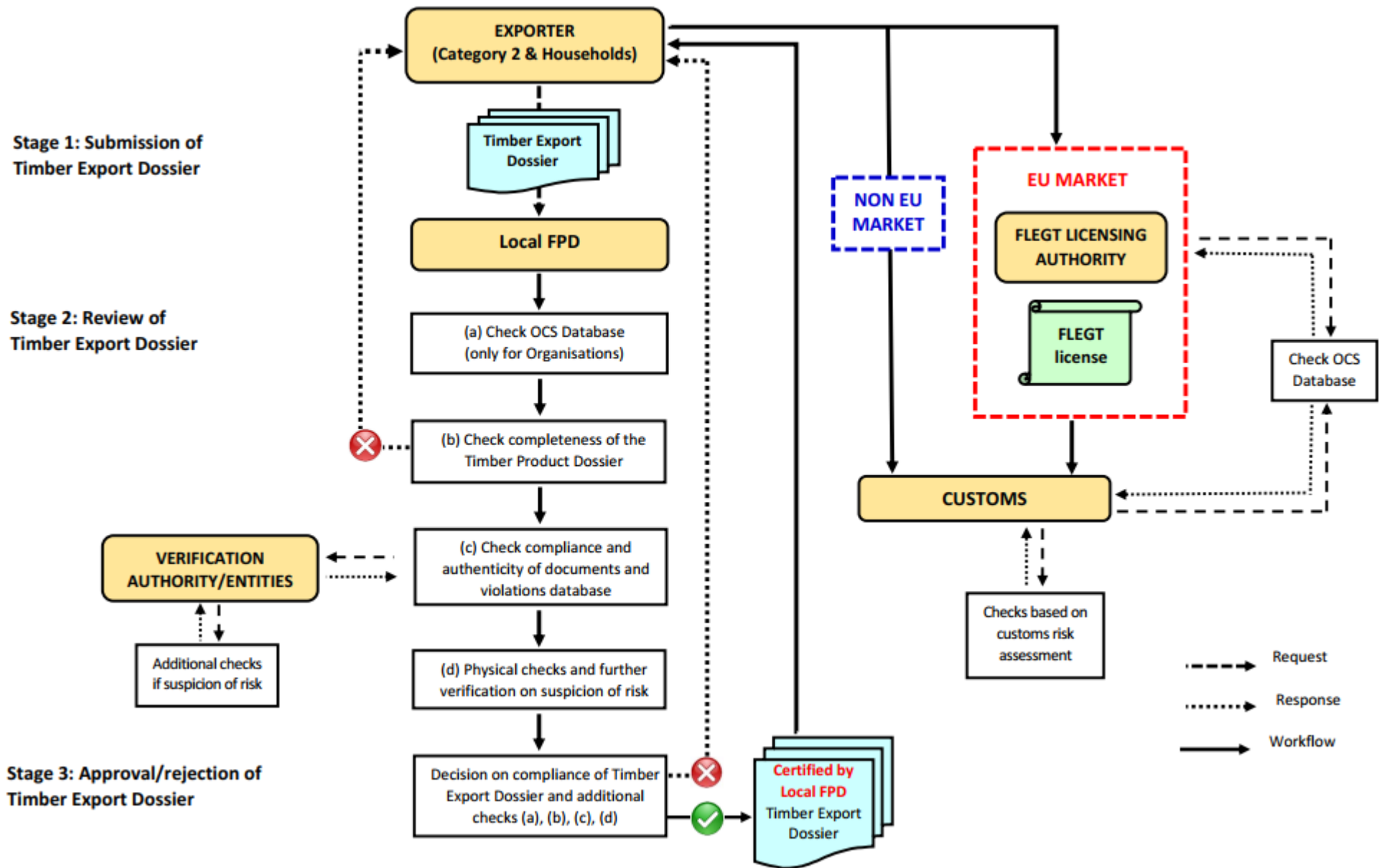


Figure 12: Export Verification – Category 2 organisations

1.3.5. FLEGT Licensing Scheme

Decree 102/2020/ND-CP, basically, internalises regulations on the FLEGT licensing scheme in VPA/FLEGT and can be summarised as follows.

a) FLEGT licenses

FLEGT licenses are documents issued by the CITES Management Authority of Viet Nam for export and temporary import for re-export of timber shipments (except for shipments made from handled confiscated timber) to the EU in accordance with the provisions of this Decree, the VPA/FLEGT and other relevant regulations (Clause 2, Article 3). When VNTLAS is fully operational in accordance with the provisions of VPA/FLEGT, Viet Nam will begin to grant FLEGT licenses for shipments of timber and timber products exported to the EU market.

b) FLEGT licensing authority in Viet Nam: Vietnam CITES Management Authority

c) FLEGT licensed products

FLEGT licensed timber products are those specified in Appendix III of Decree 102/2020/ND-CP as well as Appendix I of VPA/FLEGT, including all products under EU regulations on the establishment of the FLEGT licensing scheme, such as round timber, sawn timber, railway sleepers, plywood and veneers, wood chips, wood for boards and floors, particle boards, wood fibre boards and wooden furniture. VPA/FLEGT does not include products made from rattan and bamboo.

d) FLEGT licenses, the licensing scheme and scope of application

A FLEGT license is issued for each shipment of timber and timber products exported to the EU. This means that a FLEGT license will be issued for a shipment of an exporter to a point of entry – country and customs point – into the EU. One FLEGT license cannot be used to declare at multiple EU customs offices (only one customs office). A FLEGT license cannot be issued to an exporter with multiple export shipments.

Decree 102/2020/ND-CP guides the FLEGT licensing scheme, including requirements for documentation and application procedures for a license (see Figure 13). It is expected that a computer-based online system will be developed for FLEGT licensing. A FLEGT license can be issued in paper or electronic form. The exporter needs to apply for a license and obtain it from the licensing authority before performing export procedures.

When a shipment with a valid FLEGT license is allowed to enter the EU through a point of import after customs clearance and FLEGT license acceptance, the goods on that shipment will be freely circulated in the whole EU market.

Timber covered by CITES regulations is subject to the same control and verification by VNTLAS as other types of timber. The CITES Management Authority of Vietnam will issue CITES permits for shipments to the EU containing only timber under CITES regulations. Under the FLEGT regulation, timber and timber products covered by CITES regulations are exempted from the FLEGT licensing requirements. Shipments that do not contain CITES regulated timber will require a FLEGT license.

The maximum validity period of a FLEGT license is six months from the date of issuance. FLEGT licenses can be renewed once. The validity period of FLEGT licenses may be extended for a maximum of 2 months from the date of issuance or renewal.

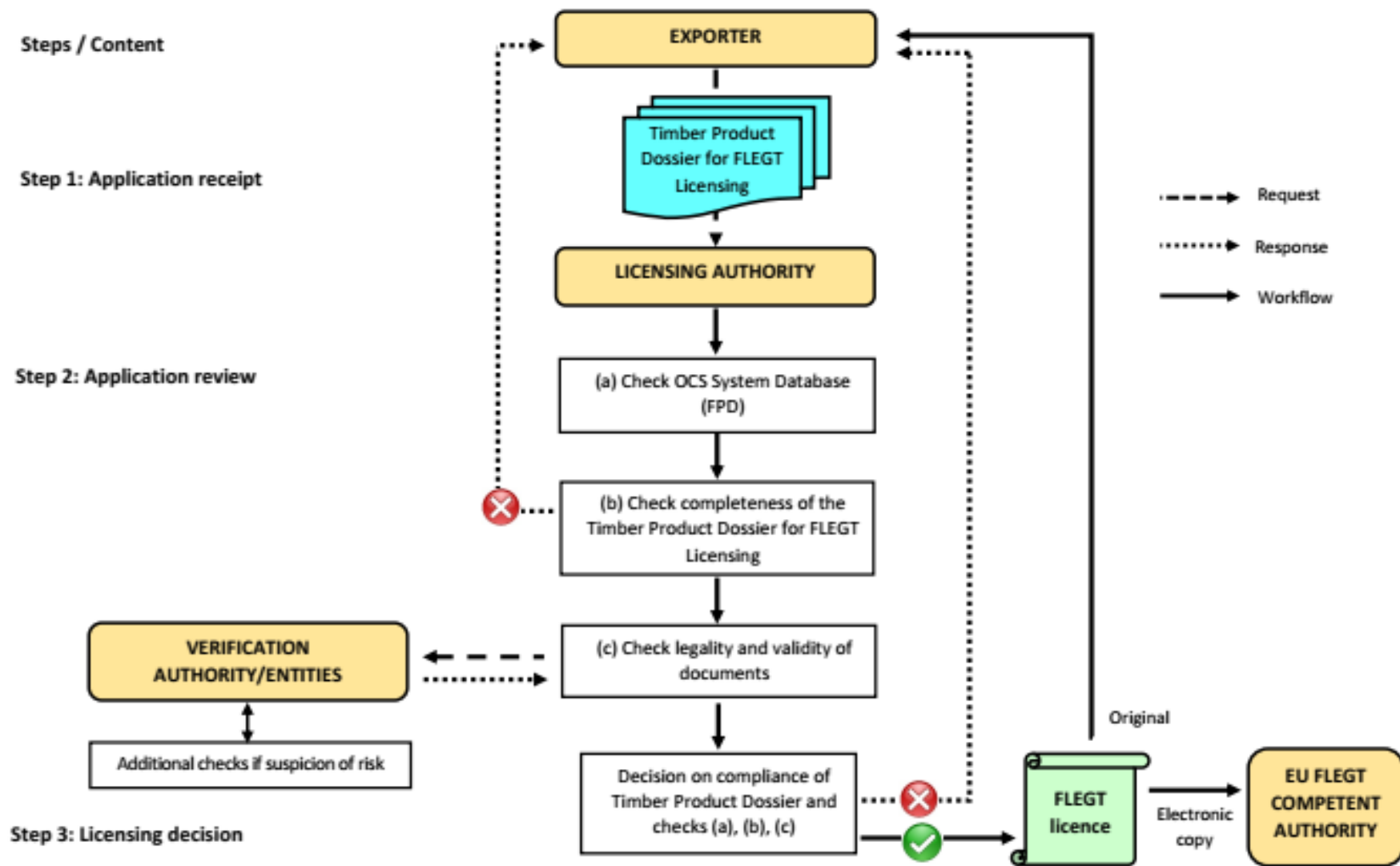


Figure 13: FLEGT Licensing Procedure

e) FLEGT licensing plan in Viet Nam

VPA/FLEGT is being implemented, however, it will take some time before the Agreement is fully operational. First, Viet Nam will issue legal regulations to guide the operation of VNTLAS and the FLEGT licensing scheme. Systems will then be set up, including a verification and licensing database.

Before FLEGT licensing begins, Viet Nam and the EU will conduct a joint readiness assessment of VNTLAS. The purpose of this assessment is to determine whether VNTLAS is established and fully operational with all the functions as expected by VPA/FLEGT. Based on the operational readiness assessment, Viet Nam and the EU will agree on when the FLEGT licensing scheme will start.

1.4. Risk management in the timber supply chain

1.4.1. What is risk and risk management?

Different systems use different terms to describe risk and interpret risk in different ways.

* In the most general sense, risk is uncertainty and the possibility of an undesired outcome. In the context of timber trade, risk refers to the non-compliance with regulations on harvesting, transporting, handling confiscated timber, importing, trading, processing and exporting timber.

Risks can come from different sources in the timber supply chain, such as: (i) risks due to complexity of the timber supply chain; (ii) risks of information integrity; (iii) risks of species and geographical origin; and (iv) risks associated with timber documentation and dossiers.

The main types of risk include:

(i) Risk at the forest level: the likelihood of violating legal regulations on forest harvesting and management. For example risks of illegal harvesting in conservation areas, risks of non-compliance with environmental regulations, risks of illegally issued forest permits due to corruption and lack of law enforcement measures, and risks of violating health and safety regulations, etc.

(ii) Once timber is harvested and enters the supply chain, there are risks of legal violations during the processing, trading and transportation of materials throughout the supply chain. For example risks of non-compliance with timber transport-related requirements due to missing required documentation or permits, risks of illegal timber trade and endangered timber TRAFFICKing due to inadequate regulatory frameworks, poor law enforcement, and corruption.

(iii) Risk of mixing: throughout the timber supply chain, there is a risk that illegal, or materials of unknown origin, are mixed with legal timber.

* Management of timber supply chain risks is the application of legal regulations, processes and technical measures to identify and assess risks as a basis for proposing solutions to reduce risks in the timber supply chain.

1.4.2. Why should timber supply chain risks be managed?

- Complexity in the supply chain: there are many levels in the supply chain from the forest and a supply chain may span many countries.

The complexity of the supply chain increases as more processing and trading entities are involved between the enterprise and the first timber supply. As a supply chain becomes more complex, the due diligence system also becomes more complex with increased risk of illegally harvested timber entering the supply chain or interruptions in the due diligence system. Complex supply chains certainly require more risk mitigation measures than simple supply chains.

For example, if you are a furniture retailer (the one at the end of the chain, as shown in Figure 14), you buy pine wardrobes from a merchant who buys from a furniture manufacturer. Take a look at the furniture manufacturer here (third entity from the right); they buy materials from two different sawmills which buy timber from three different forests. So even though we have one furniture maker, the timber comes from three different forests (i.e. we have three different supplies). If you are a retailer that has to exercise due diligence or risk assessment for your products, pine wardrobes in this case, you must consider three different supply chains, not one. This is an example of a simple supply chain involving only one species (pine). In practice, the timber supply chain is more complex.

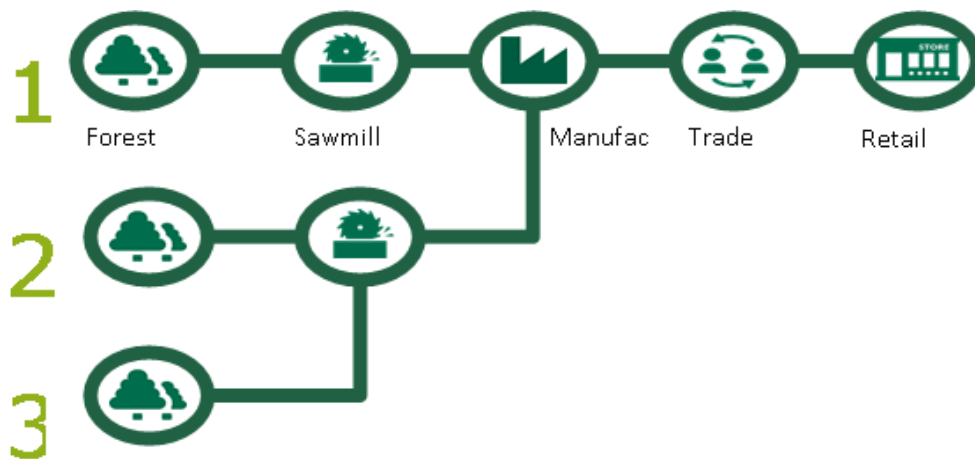


Figure 14: A supply chain with a complex level of intermediaries

- Product complexity: the product has multiple parts or is made from composite materials.
- Complexity of materials: is the material at risk of being substituted? Is there documentation for each input material?

1.4.3. Timber supply chain risk management

VNTLAS is built on important foundations, including the principle of risk management. The principle of risk management applies to the control of imported timber through timber importer due diligence. Due diligence means importers must collect information from suppliers in other countries, analyse the information to identify any risks of illegality, and apply risk mitigation measures for timber origin and include three elements for risk management: (i) Information collection; (ii) Risk assessment; and (iii) Risk mitigation. On the other hand, due diligence needs to consider the types of timber components, the complexity of supply chain, the segregation of risks, and the management of timber quality. The principle of

risk management also applies to domestic timber supply chain control, whereby timber and timber products are assured to be legally harvested, transported, traded and processed.

Risk management applied in the timber supply chain can focus on the following areas:

a) **Develop risk management criteria to meet the requirements of timber supply chain management.** Risk management criteria are standards issued as the basis for risk assessment, assessment of compliance with regulations on harvesting, transportation, handling of confiscated timber, trading and processing of timber.

Example: Circular 27 stipulates the procedures for salvage collection and salvage harvesting of timber from natural forests (Articles 8, 9); main harvest, salvage collection and salvage harvesting of plantation forest timber of which the State is the representative owner (Articles 12, 13, 14); and legal timber product dossiers, etc. These are the legal requirements and legal standards as the basis for assessing compliance in timber harvesting.

Box 7. Article 12. Main harvesting of timber from plantation forests of which the State is the representative owner (Circular 27)

1. Harvesting dossier: Harvesting plan according to Form No. 08 attached to this Circular.
2. Procedure: Before harvesting, the forest owner or the harvesting organisation or individual (in case the harvesting organisation or individual is not the forest owner) submits 01 dossier directly or by post as prescribed in Clause 1 of this Article to the competent authority to approve the funding for afforestation and the local forest protection authorities for acknowledgement and inspection during the harvesting process.
3. After harvesting, the timber product owner makes a list of timber products.

- Risk assessment is the systematic review of analysed risks against risk management criteria to determine the urgency of risk mitigation. Risks can originate from different levels of the supply chain.

- The objective of risk assessment is to determine for products or supply chains if there is any risk that the input material was illegally harvested, transported or traded.

- Risk assessment includes:

Specify relevant legislation

Specify information sources

Assess compliance and identify risk

Assess risk mitigation measures

- Two main steps of risk assessment:

(i) Risk identification

(ii) Risk specification

You can do both prior to risk mitigation. In some cases, you can switch to risk mitigation after the risk is identified.

Risk identification is the identification of risks in the supply chain related to documentation, availability of supply chain data, and other overall risk aspects. Examples of risk identification include: (i) Lack of supply chain information and documentation (or other verifiers) – the general risk is that there is not enough confidence in the country of origin. How can the risk of illegal harvesting be adequately assessed when there is uncertainty about the country of harvest? and (ii) Detection of supplies from countries that often have illegal harvesting.

Risk specification is to specify the risks related to existing legislation of the harvesting country, including:

(i) Risk of violating regulations related to timber harvesting and management.

(ii) Risk of violating regulations in the trade and transportation of ligneous materials throughout the supply chain: risk of species substitution (classification by species, quantity, quality). Misclassification on trade and transportation documentation is a common method of avoiding paying taxes or concealing illegal harvesting. Attention should be paid to the differences in product descriptions on trade and transportation documentation: quantity/volume, size, species name.

(iii) Risk of illegal materials being mixed in the supply chain: is the material at risk of being substituted? Is there documentation for each input material? Some timber species or timber products may contain mixed materials but are claimed as one composition, or in other names.

(iv) Risk of legal violation of the rights of third parties.

The point here is that you need to be aware of the applicable laws in the harvest country to be able to identify risks.

- Details of risk assessment:

(i) Identify current legislation in the supply chain, specifically:

* Harvest rights: the granting of legal rights to harvest timber, including compliance with regulations and procedures on land allocation, forest allocation, land-use rights and forest use.

* Forestry activities: comply with legal regulations on forest management and timber processing, including compliance with environmental and labour regulations.

* Taxes and fees: comply with regulations on taxation, fees and charges directly related to timber harvesting and trade.

* Trade and customs: Comply with legal regulations on trade and customs procedures (Section 6.3.7.1. Annex V of VPA/FLEGT).

(ii) Identification of information sources: documentation, national statistical reports, periodical reports as required by law, stakeholder consultations, expert opinions, databases on violations, etc.

(iii) Legal compliance verification and risk identification, including:

Describing possible risks associated with specific categories, criteria and sub-criteria;

Assess the level of existing risk, considering compliance threshold (level, scope, time frame); corruption; demonstrate, explain and describe in detail the risk assessed above.

How to conclude that a risk is low or high?

Considering low-risk: problems that are temporary, infrequent and not systemic, with limited impacts, effectively controllable by oversight and enforcement by state agencies.

Considering high-risk: problems that affect a large area or cause significant damage or continue for a long time; have significant negative impacts on society, timber product manufacturing and forest ecosystems; and/or represent a violation of the law but are not corrected when identified.

Example: how to identify risks of illegality in trade and transportation?

First of all, it is necessary to learn the legal regulations regarding trade and transportation:


Legislation category	Sub-categories
 <p>Trade & Transportation</p>	• Legal registration
	• Tax and fees payment
	• VAT and other selling taxes
	• Classification by species, volume, quality
	• Trade and transportation
	• Outbound transactions and price
	• Customs regulations
	• CITES

Figure 15: Supply chain legality

For trade and transportation, these are categories that can be used in a risk assessment. The questions to be answered include:

Is the company legally registered?

Are there verifiers for payment of taxes related to processing and sales?

Are the material classification and transportation in accordance with regulations?

Is there illegal price transfer?

Is import and export documentation complete and accurate?

c) Risk mitigation in timber supply chain.

After the risks have been identified and specified in a risk assessment, further work must

be done for mitigation. Note these principles when proposing and selecting risk mitigation measures:

- * For risks of violating forest management and harvest laws, the objective of risk mitigation is to ensure that legal regulations are complied with.

- * For risks of legal violation related to processing, trade and transportation, risk mitigation measures are also intended to ensure compliance with the regulations.

- * For risks associated with mixed or substituted materials in the supply chain, risk mitigation measures must ensure tight control over the path of materials in that supply chain.

- * When selecting risk mitigation measures, consider your resources and capabilities to ensure these measures are appropriate and effective.

- Some notes on risk mitigation:

- * There is rarely only one way of conducting risk mitigation. Different options may be preferred for different reasons.

- * Risk mitigation can include a series of actions or measures or can be incremental and implemented in a number of steps.

- * Risk mitigation can be more effective with different actions taken at different levels (individual supplier, supply chain, supply region, regional level).

- * Considerations for the most appropriate risk mitigation measures possible include timing and timeliness of action; cost and effectiveness; available technical expertise.

- Risk mitigation options:

Risk mitigation can be done in many ways, avoiding risk or controlling risk (Figure 16). The selection of an option depends on the resources, time available and especially the supplier's cooperation. Specifically:

- * Avoid sources of risk:

- Change of supply chain:* can be done in cooperation with the supplier to avoid the risks associated with species, materials or origins. For example, when there are clear verifiers that a species is often illegally harvested in the country of origin, suppliers can source the species from other countries with a lower risk of illegal harvesting.

- In addition, using a supply chain of ligneous materials certified under an independent third-party certification scheme can help reduce risk. You then need to consider the scope and integrity of the certification programme. There are different certification schemes and we need to choose products that are certified under the programme that is assessed as assuring the required risk mitigation.

- Replacing this supply chain would be a sizable investment as both the supplier and the sub-suppliers involved would have to be changed. This option will depend on the availability of supplies as well as the suppliers of the necessary materials, as well as on your relationship with the supplier.

- Change of supplier:* an additional option to avoid the identified risk is to change suppliers if the current supplier is unable or unwilling to assist you in meeting importer due

diligence requirements.

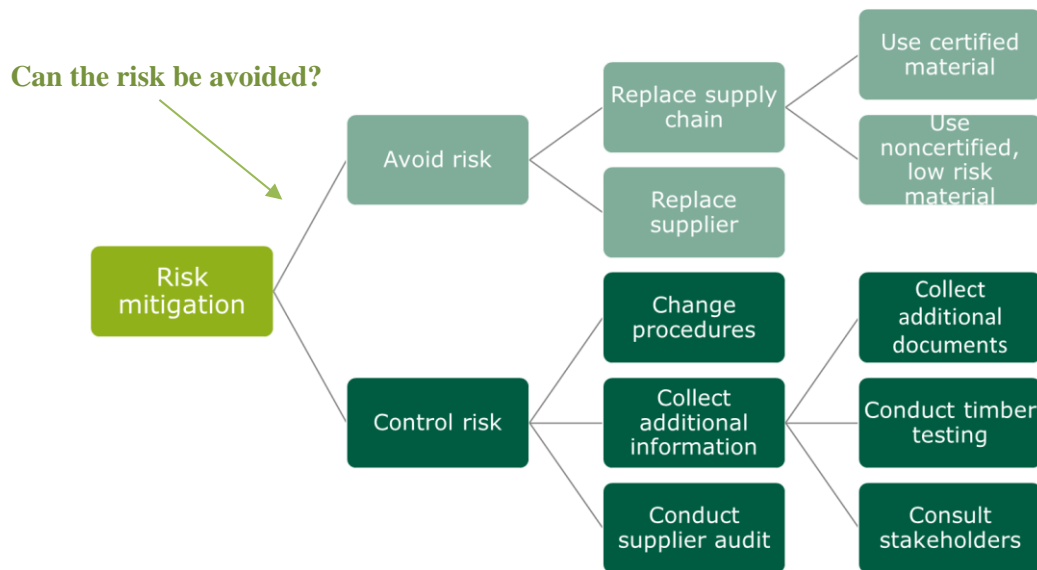


Figure 16: Measures to reduce timber supply chain risks

* Risk control:

Change of procedure: Instead of avoiding risks, we can apply measures to control and reduce risks, lowering the risks. The first option is to change or supplement management procedures.

A change of procedures may include supplier implementation of a chain of custody. This is to provide confidence that your product inputs are not mixed with unknown and potentially at-risk materials in the manufacturing facility. In addition, suppliers may be required to deploy a complete and robust record-keeping system for required dossiers and documents, and supply chain information. These dossiers should be archived for each shipment purchased. Only when the supplier has complete information and documentation about the shipment can you have the information for risk assessment.

Collect supplementary information: this measure can be selected when information is missing or incomplete. We can gather information from documentation and information from stakeholder consultations, timber identification to determine species name and origin, and information from communications with suppliers.

Verification of supplier: Verification of suppliers is used to verify if there is a risk of legal noncompliance at the source or at entities in the supply chain. In addition, verification can also be used to ensure that risk mitigation actions are effective in controlling or managing the underlying cause of noncompliance and whether risk has been mitigated.

1.5. Compliance audits

1.5.1. Applying ISO 19011 in terms of compliance audits

ISO 19011:2018 (ISO 19011:2018) - Guidance for management system auditing specifies the principles of auditing, managing an audit programme and conducting management system audits, as well as guidance on the evaluation of competence of individuals involved in the audit process. If the audit criteria are legal (including statutory or regulatory) requirements, the words "*compliance*" or "*non-compliance*" are often used in an audit finding. ISO 19011 is

applicable to all organisations that need to plan and conduct internal or external audits of management systems or to manage an auditing programme. The full text of ISO 19011 can be found online². Within this material, ISO 19011 is only concerned from the aspect of compliance assessment.

- What is an audit? According to ISO 19011, it is a systematic, independent and documented process for obtaining objective evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled. Internal audits are often referred to as first-party audits and are conducted by, or on behalf of, the organisation itself. External audits include those generally called second and third-party audits. Second-party audits are conducted by parties having an interest in the organisation, such as customers, or by other individuals on their behalf. Third-party audits are conducted by independent auditing organisations, such as those providing certification/registration of conformity or governmental agencies.

- Audit standards are sets of requirements used as references against which objective evidence is compared.

- Compliance is the conformation to rules and regulations issued by competent authorities. Non-compliance is the failure to meet a specific requirement.

A compliance audit is the systematic, independent and documented process for obtaining objective evidence and determining whether actual practices conform to legal requirements or not. Compliance audits help an organisation demonstrate its commitment to fulfilling compliance obligations, gain insights into compliance status, reduce the likelihood of regulatory violations, and avoid adverse actions from interested parties of the organisation.

- Applying compliance audits:

Compliance audits (which is an internal audit according to ISO 19011) may apply some of the relevant ISO 19011 requirements, such as quality of the auditor (to do his/her job in an ethical, honest, and responsible manner - integrity; fulfil reporting obligations truthfully and accurately - fairness; be discrete in evaluations - discrete); exercise an evidence-based approach; and be self-reliant.

Define the objectives, scope and criteria for each audit; select samples appropriately because they are related to the reliability of the audit's conclusions.

The ability to coordinate and exchange information with the database related to compliance audits by using established internal and external communication channels.

1.5.2. Application in accordance with VPA/FLEGT and VNTLAS

VNTLAS, which is the core part of VPA/FLEGT, is based on one of the key principles: risk management. Risk management is built on the basis of compliance audits. Compliance audits are applied in several components of this system, such as organisation classification systems, control of imported timber, and verification of exported timber. Compliance verification concerns checking to ensure that the requirements of timber legality definition outlined in the VPA and supply chain controls are fully met before the timber is considered legal. Specifically:

²<https://vanbanphapluat.co/tcvn-iso-19011-2018-iso-19011-2018-huong-dan-danh-gia-he-thong-quan-ly#:~:text=TCVN%20ISO>

- **Classification of organisations:** According to VPA/FLEGT, Viet Nam will develop an organisation classification system to periodically assess the risk level of all organisations in terms of compliance with the requirements of VNTLAS to apply appropriate and effective verification measures. The classification criteria of the OCS and compliance audit-based verification are specified in VPA/FLEGT (Section 5 Annex V). To be more specific:

- Comply with dynamic verifiers/verifiers of supply chain control to ensure that only legal timber enters the supply chain;
- Meet requirements on supply chain control reporting and declarations;
- Comply with static verifiers;
- Documentation of violations;

Static verifiers are used to affirm the compliance by the organisation with respect to its operations or arrangement in the harvest, transportation, processing or trade of timber. Meanwhile, dynamic verifiers of timber supply chain control are used to verify compliance with timber origin and circulation legislation at each stage of the supply chain.

Based on these criteria, organisations are classified into two risk categories as follows:

- Category 1 (Compliant): Organisations that meet all criteria
- Category 2 (Non-compliant): Organisations that do not fully meet the criteria or newly established Organisations

Also, according to VNTLAS, organisations need to be registered in the OCS and perform a self-assessment of their compliance with VNTLAS requirements. The organisation's self-assessment will be reviewed by the local forest protection departments. Compliance audits may apply some of the relevant ISO 19011 requirements, such as quality of the auditor (to do his/her job in an ethical, honest, and responsible manner; report fairly; be discrete in evaluations; exercise an evidence-based approach). The appraisal by forest protection authorities requires such skills as connecting and cross-checking information between relevant sectors (forestry, land, enterprise, investment, customs, labour, etc.); defining the auditing scope and criteria (sites, processes and products to be audited, regulatory requirements) to determine whether the organisation is in full compliance with legal requirements or not; and assuring the publication of enterprise classification.

- **Regarding the control of imported timber:** Under VPA/FLEGT, the importer is responsible for the legal origin of the imported timber according to the relevant legal regulations in the country where the timber is harvested. Where the importer does not have a CITES permit or a FLEGT license for an export shipment from the country of timber export, the importer must exercise due diligence by declaring the imported timber origin. If the imported timber is of a high-risk species or from a high-risk geography, the importer must obtain additional information and documentation regarding the legality of the timber in the country of harvest, regardless of the type of timber product (ligneous material or composite) or the length of the supply chain. Customs authorities are requested to closely coordinate with the forest protection authorities in inspecting and controlling imported timber and auditing the importer's compliance with regulations on imported timber management. This may apply some of the relevant ISO 19011 requirements, such as the responsibility of importers for the accuracy of dossiers and declarations, and in essence, to do their job honestly and responsibly. Customs and forest

protection authorities have close coordination in information exchange, taking evidence-based and risk-based approaches, and ensuring independence in inspection and control of imported timber (the basis for the objectivity of the audit and the fairness of the audit conclusions – according to ISO 19011).

- Regarding the verification of exported timber: Under VPA/FLEGT, timber needs to be verified at all stages of the supply chain prior to export. Export verification is used to assess whether a shipment of exported timber is fully compliant with VNTLAS regulations. The level of verification applied to an organisation depends on its risk category. For Category 2 organisations, the local forest protection authority conducts documentary checks, physical inspection of the shipment, and certifies the list of timber products (in case of no violation). Local forest rangers act as independent auditors (according to ISO 19011), so some of the relevant ISO 19011 requirements can be applied, such as:

auditor's qualities (doing the work ethically, honestly and responsibly, reporting fairly, being discrete, taking a self-reliant and evidence-based approach);

establishment of test scope and criteria;

sampling method in shipment document and physical checks; and

the ability to exchange information with the OCS database and databases on forest law violations and other violations to verify the legality of timber product dossiers.

Examples of verifiers for timber harvest legal compliance under current regulations are presented in Table 7.

Table 7: Verifiers for timber harvest legality under current regulations

Legal requirements	Verifier
Verifier of legal harvest rights	Concession and/or harvest permit issued by the relevant authority, such as those required by The UK Forestry Standard
Verifiers of compliance with applicable management plan requirements	Approved management plan or equivalent document, as required by local government
Indication of current harvest restrictions	Government or sectoral documents specifying legal restrictions on harvesting, such as diameter limits, species and volume restrictions
Verifiers that the timber was harvested from an authorised area; for example, not from an unauthorised area	Management plan, including maps and/or documents indicating the harvest area
Verifiers of timber sales	Bills of lading, sales contracts, invoices and purchase orders
Verifiers of payment of taxes and other fees, such as harvesting fees	Documentation officially confirming payment

Legal requirements	Verifier
Verifiers of compliance with the provisions and procedures of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	An up-to-date list of plant species in the forest management unit is included in CITES Appendices I to III, and/or national permits for any harvest, trade, export and import into the UK of any species listed in CITES
Verifiers of compliance with the procedures related to the transport of timber	Copy of timber dossiers, transportation or sale permits indicating species and volume, if applicable

(Source: WWF, 2010)

1.6. Exercises

PART A: VPA and VNTLAS QUIZ

Please select all the answers that you think are correct. Note: A question can have multiple correct answers.

Part 1: Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT), Timber Vietnam Timber Legality Assurance System (VNTLAS), and due diligence

1. The European Union's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan sets out a range of measures to:
 - promote sustainable forest management
 - improve forest governance in third countries
 - prevent illegally harvested timber from entering the European market
 - increase demand for timber harvested from responsibly managed forests
2. Under the VPA/FLEGT Agreement between Viet Nam and the European Union, what defines legal/illegal timber?
 - The legal requirements to be complied with are under the EU Timber Legality Assurance System
 - Relevant legislation in harvest countries
 - Relevant legislation in EU countries
 - Relevant legislation in Viet Nam
3. Decree 102/2020/ND-CP is currently effective for:
 - Timber and timber product import and export
 - Timber harvested domestically, handled confiscated timber, timber transportation, trade, processing
 - Timber and timber products throughout the supply chain

- Only for imported and exported timber products
- 4.** The Voluntary Partnership Agreement (VPA) provides a scheme for issuing:
 - Sustainable Forest Management Certificates
 - CITES licenses
 - FLEGT licenses
 - Export permits
- 5.** Periodic enterprise classification procedures include:
 - Registering in the OCS, records of cases of administrative and criminal violations.
 - Registering in the OCS System, the first assessment and the re-assessment are self-administered by enterprises using a form.
 - Provincial FPDs appraise and send the results of enterprise classification to the central Forest Protection Department. The central FPD decides and announces the results of enterprise classification.
 - All the above are correct
- 6.** Responsibilities for supply chain control of the local forest protection department under VPA/FLEGT include:
 - Receipt, entry and archive of supply chain declarations, physical check systematically, at random and on an ad-hoc basis.
 - Data analysis to compare the volume between supply chain stages, between sellers and buyers, to compare the actual volume of the timber shipment with the volume declared by the company/household, and the volume of import and export at processing plants.
 - Verification and endorsement of information in the input and output monitoring books of organisations handling timber from domestic natural forests.
 - All the above are correct
- 7.** Which of the following statements are true?
 - Category 2 organisations and households are required by verifying entities to undergo documentary and physical checks of all shipments. The minimum physical inspection rate is 20% of each shipment in the supply chain before export.
 - Timber and timber products covered by CITES regulations are not exempt from FLEGT licensing requirements.
 - The validity period of FLEGT licenses is up to 12 months from the date of issue. FLEGT licenses can be renewed once.
 - A FLEGT license is only issued for one shipment by an exporter to the first port of entry into the EU market.

Part 2: Introduction to due diligence

1. What are the sources of risk?

- Supply chain risk
- Risk in legal framework, risk in labour safety, risk in harvesting
- Forest-level risk, risk of mixing
- The species risk and negative geographical areas

2. Steps in conducting due diligence are:

- Collecting information, identifying then mitigating risks
- Collecting information, assessing then mitigating risks
- Identifying, specifying, then mitigating risks
- Identifying risks, collecting information, then mitigating risks

3. When exercising due diligence, attention should be paid to:

- Types of components, product parts
- Supply chain complexity
- Differentiating levels of risk
- Quality management

4. What is the difference between due diligence (risk-based assessment) and conformance assessment?

- Due diligence is based on regulatory requirements or applicable standard criteria, while compliance audits are based on the specific situation of each company.
- Due diligence depends on the risk situation, compliance audits do not depend on the risk situation.
- Due diligence is based on the specific situation, compliance audits are based on legal requirements or applicable standard criteria.
- Due diligence is the government's assessment system, compliance audits are conducted on a voluntary basis.

Part 3: Access to information

1. What kind of information should be collected and documented:
 - Product type
 - Species
 - Origin
 - Volume
 - Supplier
 - Certification/verification status
2. How should importers of timber and timber products collect information about their supply chain?
 - Informing all suppliers of due diligence requirements and asking for their consent to collaborate in writing
 - Conducting site visits to country of supplier
 - Outsourcing to a third party (e.g. Preferred by Nature) to collect information on their behalf
3. What kind of documentations may be relevant to the risk assessment of the “Third Party Rights” category:
 - Approved harvesting plan
 - Environmental impact assessment
 - Health and safety records
 - Specific reports on tenure and rights claims and conflicts
 - VAT documentation
4. What should importers do immediately after they have obtained and recorded supply chain information?
 - Map the supply chain
 - Analyse information and identify gaps
 - Assess the risks
 - Do nothing
5. When do importers need to collect additional information about the supply chain?
 - When gaps in supply chain information have been identified
 - When importers want to map their supply chains
 - When the level of risk is considered “negligible”
 - When there are concerns about the relevance, accuracy or applicability of information provided

6. What type of additional information can be collected when the existing information is lacking or incomplete?
- Documentation
 - Timber testing
 - Stakeholder consultation
 - Supplier clarification

Part 4: Risk assessment

1. The main steps of risk assessment are:
- Supplier evaluation
 - Risk identification
 - Risk specification
 - Risk mitigation
2. The main types of risk to be specified are?
- Violations in forest management
 - Violations by forest management agencies in issuing licenses
 - Violations in the supply chain
 - Mixing of material in the supply chain
3. What aspects of risk should be considered during risk identification?
- Species risk
 - Employment at the supplier's factory
 - Certification status
 - Transport in the export country
4. Which techniques in timber testing can be used to identify timber species:
- Stable isotope
 - DNA testing
 - Wood anatomy
5. Sourcing certified material...:
- means that the material can be considered FLEGT/VPA compliant
 - can be used as a risk mitigation measure
 - is not recommended by the Vietnamese Government
 - is a prerequisite for a FLEGT license

6. What are the possible data sources for risk assessment:

- Wikipedia
- Interviews with neighbours and the local community
- National statistical reports
- Expert inputs

7. When can a problem be considered “low risk”?

- Limited in its impact
- Indicates the absence or break down of enforcement of the legal system
- Unusual or non-systematic
- It has a significant negative impact on society

Part 5: Risk mitigation

1. Which of the following four activities is risk mitigation?

- Supply chain auditing
- Supplier replacement
- Switch to certified materials
- Stopping imports from suppliers in risk countries

2. Risk mitigation actions can be carried out at:

- Processing facility level
- Supply chain level
- Forest Management Enterprise (FME) level
- Country level

3. Which of the following options controls the risk of mixing illegal or unknown timber origin in the supply chain?

- Implementing CoC processes
- Conducting supplier audits
- Using certified products
- Conducting timber checks

4. What is the most important activity in risk mitigation?

- Gathering complete information about the supply chain
- Having robust risk mitigation procedures
- Collaborating with suppliers

Supplier verification

5. Supplier verification process requires:

Document review

Field visits

Stakeholder consultations

Interviews

6. Supplier verification according to a company's own-verification programme may be carried out by:

Government agencies

Company (exporter)

Third party (audit body)

PART B: CASE STUDIES

General guidance

Main content:

- You will work in small groups (about 10 members per group).
- There are three exercises reflecting the authority's responsibility for compliance audits.
- Detailed instructions, expected results, timing and recommended tools are provided in each exercise.
- You are encouraged to apply your operational experience to the discussions and debate. There is not always a right or wrong answer.

Situation

You are a forest ranger/customs officer conducting a compliance audit at a large timber trading company in Viet Nam: Company A. This company imports logs, sawn wood and semi-finished wood components from all over the world, including some African countries. Company A's main customers are furniture manufacturers in Viet Nam and the demand is growing rapidly. You have been tasked with conducting Company A's compliance audit for sourcing timber lippings from a new supplier in Ghana. You have been provided with some information by Company A (details below) along with documents, which are available in Annex 1.

The direct supplier, Company B, is a processor based in Sekondi, Ghana. They buy logs and sell sawn wood, veneers, mouldings, etc. They don't have a voluntary forestry-related certificate. Still, they told company A that the timber lippings are FSC certified, and the timber species is Wawa, a species commonly used for timber lippings. Company B has provided Company A with a set of dossiers for their shipment.

Company B has also provided documentation from their supplier, Company C, which they say is associated with the purchased lippings. Company C is a forest plantation management company based in Western Ghana. The company was established in 2009 as a subsidiary of a Dutch company. The core business of Company C is the establishment and management of sustainable forest plantations in degraded forest reserves. They have been awarded Timber Utilisation Contracts (TUCs), the rights to harvest in these forest reserves. The areas used to be productive semi-deciduous forest ecosystems until over-exploitation, bush fires and conversion to agricultural land caused severe degradation of the land over recent decades. Company C has informed their buyers that they have a website where all the information related to the legal aspects of their business can be found. They have passed on the Yield Approval associated with the shipment in question but forgot the TUC; however, they have informed the importer that it isn't necessary because the Yield Approval would not have been issued without one.

Company C manages the plantation and harvesting of the timber. Company B purchases and processes the timber, then deals with the customs declarations, export permits, phytosanitary certificates and the export contracts.

Exercise 1

Supply chain description and information check.

Time

20 minutes: 7 minutes for quick reading; 10 minutes for supply chain diagramming and for answering questions; 3 minutes for presentation.

References

- Exercise instructions (hard copy).
- Supply chain documentation in Appendix 1 of this exercise instruction.
- Paper and pen.

Tasks

1. Read through the exercise's situation to describe the supply chain. The facilitator appoints one person to draw the supply chain diagram.
2. Regarding Part A of Form No. 03.
 - Has the information been filled in correctly?
 - Is there any missing information?
3. In Part B of Form No. 03, the importer selected section B2: “Timber from risk species or non-positive geographical region”. Is this accurate?

Nominate one group member to present the results in up to 5 minutes.

Exercise 2

Identify legal requirements and risks.

Time expected

25 minutes: 20 minutes for discussion; 5 minutes for each group to present.

References

- Ghana's timber legal risk dossier (print) and also available at Sourcing Hub.
- Form No. 03 (Document 7, pages 58, 58, 60 of this training manual).
- Paper and pen.

Tasks

- **Regarding Section C of Form No. 03**
 - In your opinion, is the information that company A declared correct?
 - If not, what additional information do you think should be provided?
 - How can you verify the information provided? Note: carefully review the legal dossier of Ghana.
- Nominate one group member to present the results, in up to 5 minutes.

Exercise 3

Identify measures for risk mitigation.

Time expected

25 minutes: 20 minutes for preparation; 5 minutes for each group to present.

Tools

- Ghana's timber legal risk dossier.
- Form No. 03 (Document 7, pages 58, 58, 60 of this training manual).
- Paper and pen.

Tasks

- **Table 1 in Section D of Form No. 03.** Has company A declared correctly? If any information is missing from the table, write it down.
- **Table 1 in Section D of Form No. 03.** Do you think this information is enough to address the risks in Ghana? If missing, please provide additional information.

Students prepare to present and discuss with the whole class. You have up to 5 minutes.

DOCUMENTS

Document 1

10/11/19

Company B
Address

Page: 1 of 1

COMMERCIAL INVOICE

Sales Order No. : JSXPSAO-19190050	Invoice No / Date : 2814-XYZL-0000-23/07/2019
Delivery Note No. : JSXPDEL-700276	Location Code : SMLDSAL
Customer Code : CW0007	Your LPO No. / Date
Invoice To : Company A Address	Destination : Vietnam
	Vessel : JAN RITSCHER
	B / L # : S316640275
	L / C # : PREPAID
	A2 Form No : D21661811
	Contract No : 19 D 115
	Marks : SUMA
	Ref No. : JCMS/MD/271/19

Tel No. : +33 467 46 6610
Fax No. :
E-mail. :

Goods Description : GHANA WAWA LIPPINGS
1X40FT CONT STC. 10 BUNDLES (79200PCS) GHANA WAWA GD 1 LIPPINGS = 18.966M3 FOB TAKORADI PORT, GHANA

Sr.No	Product Code	Product Description	Grade	UOM	Quantity	PCS	Rate	Amount
1	MLTRI7*17*1982	WAWA LIPPINGS 7*17*1982(+50MM)	GD2	MT3	14-944	0	550.00	
2	MLTRI7*17*2134	WAWA LIPPINGS 7*17*2134(+50MM)	GD2	MT3	4-022	0	550.00	
Total					18-966	0		
Sub Total								.00
Net Total								

Amount in Words : EUR Ten Thousand Four Hundred Thirty One And Euro Cents Thirty Only

Terms

For Company B

Authorized Signatory

1. WE CERTIFY THAT THIS INVOICE IS AUTHENTIC AND IT IS IN ACCORDANCE WITH THE ABOVE MENTIONED CONTRACT.
2. FSC CONTROLLED WOOD NC-CW.000000

Document 2

GHANA HARDWOOD CONTRACT
(Approved by the Timber Industry Development Division)

BBB REF: [REDACTED] Contract No: 19 D 115 ✓
 Date: [REDACTED] Date: 13/03/2019

Sold for the Account of Company B

TO: Company A

The under-mentioned Wood Goods at the prices and on the terms, conditions and warranties Stated hereunder and at the back therefore

Species : WAWA, Product : MOULDING PRODUCTS
 Quality : GD1, Destination : Vietnam Port
 Quantity : 20 - CUBIC METER, Payment : TRANSFER PAYMENT
 Moisture : 8/10%, Shipment : APRIL / MAY 2019

Sl. No	Specification	Grade	UOM	Quantity	Qty in PCS	Price M2/M3 EUR
1	WAWA LIPPINGS 7*17*1982(+50MM) ✓	GRADE2	MT3	16 ✓	0	[REDACTED]
2	WAWA LIPPINGS 7*17*2134(+50MM) ✓	GRADE2	MT3	4 ✓	0	[REDACTED]
	LENGTH = 11M			20	0	

Insurance : BY BUYER Freight : BY BUYER (FOB)

NOTE: This contract is subject to the necessary Export Permit being issued by the Timber Industry Development Division, Ghana

Remarks:

- 1. PRODUCT : WAWA DOORLIPPINGS (FSC CONTROLLED WOOD CERTIFICATE NO NC-CW 000000) ✓
- 2. QUALITY : SOUND TIMBER - FINE SAWN , COLOR NO DEFECT ✓
- 3. LENGTHS : 8 BUNDLES 1982MM(+50MM) ✓
- 4. LENGTHS : 2 BUNDLES 2134MM(+50MM) - MAX 2 BUNDLES ✓
- 5. BUNDLING : COLISAGE - WITHOUT STICKERS - POLYWRAPPED ✓
- 6. BL CONSIGNED "TO ORDER" ✓
- 7. NOTIFY Company A ✓

Less 1.5% on FOB Value to be deducted and retained with GCB for the Account of T.I.D.D. ✓

Company B
Signature and Stamp

T.I.D.D.
CONTRACT CHECKED
APPROVED
20 MAR 2019
EXECUTIVE DIRECTOR
VALID FOR SIX MONTHS

Company A
Signature and Stamp

18/03/2019

⚠️ ⚠️ NO STUFFING TO 20' ALLOWED
 BEFORE OUR GREEN LIGHT WITH INSTRUCTIONS.

Document 3

<p>CARRIER Grimaldi Deep Sea S.p.A. Via M. Campitola, 13 - 80133 Napoli - Italy</p>		<p>COMBINED TRANSPORT BILL OF LADING To be used also as PORT TO PORT B/L</p>	
<p>Shipped by Company B</p>		<p>Ref# 3</p>	
<p>Consignee TO ORDER</p>		<p>Booking No. g316640275 Ref. No.</p>	
<p>Notify Company A</p>		<p>Bl. No. S316740377</p>	
<p>Pre-charge by</p>		<p>Place of acceptance</p>	
<p>Ocean vessel GRANDE SAN PAOLO</p>		<p>Port of loading TAKORADI</p>	
<p>Port of discharge Vietnam</p>		<p>Place of delivery</p>	


PARTICULARS AS FURNISHED BY THE SHIPPER				
Marks and Nos	Quantity	Kind of packages, description of goods	Weight kg.	Measurement CBM
BNOU2160226 Seal # (s): MA333634 TARE WEIGHT: 2210 Kgs	1	20 ft. Dry Cargo CONTAINER(S) SAID TO CONTAIN 10 BUNDLES (79200 PCS) GHANA WANA GRADE 1 LIPPINGS CONTRACT NO. 19 D 115 FSC CONTROLLED WOOD NC-CW-000000	8,380.000 KGS	18.966 CBM

<p>CARRIER'S RECEIPT Total No. of Containers: 1</p>	
<p><i>Shipped in apparent good order and condition (unless otherwise stated) bearing the total number or quantity of containers or other packages or units indicated above stated by the Shipper to comprise the cargo specified above, for transportation subject to all the terms hereof including the terms on the reverse, hereof and the terms of the Carrier's applicable (s)10) from the place of acceptance or the port of loading, whichever is applicable, to the port of discharge or place of delivery whichever applicable. On presentation of one original of this Bill of Lading duly endorsed to the Carrier, by or on behalf of the Holder, the rights and liabilities arising in accordance with the terms hereof shall terminate pro tanto in any case or status, reserving them binding upon the Shipper, Holder and Carrier) become binding in all respect between the Carrier and Holder as though the Contract contained herein as evidenced hereby had been made between them. In witness whereof the number of original bills of Lading stated herein all of this tenor and date has been signed, one of which being accomplished the others to stand void.</i></p>	
<p><i>With reference to new vehicles, cars, vans and trucks, it is expressly agreed that any and all claims for loss or damage of any kind whatsoever shall be considered, handled, settled or otherwise disposed of in accordance with the contract between the Carrier and the Shipper. In any event and in all cases where the goods transported are new vehicles, cars, vans and trucks, the Shipper will, prior to, be bound by the Carrier's pre-shipment surveys, irrespective of whether or not a clean Bill of Lading has been issued and irrespective of whether claims are brought by Receiver or Shipper, their undertakers and any other third party holder. The Carrier is not liable in any way for any type of accessories inside the vehicle(s) nor for any damage to upholstery and fittings.</i></p>	
<p><i>Particulars relating to weight, measure, marks, number, quality, contents and value, are furnished by Shipper and verified by the Carrier, his Agents or Servants have verified the same nor does the Carrier accept the same as being correct or accurate.</i></p>	
<p><i>Containers/Mail covered/insured by sea carrier and loaded by shippers. Free time during sea carriage and for three days for any other period in accordance with port regulations/practice after discharge, thereafter detention/demurrage/late charges are payable by receiver/consignee, in accordance with port regulations/rules and as soon specified by sea carrier, and returned in sound/clean/empty condition.</i></p>	
<p><i>In the event that the goods are not collected or are abandoned by the receiver/consignee, or detention/late charges are not paid by the receiver/consignee, the shippers shall be jointly and severally liable for the payment of detention/late charges and any other charges including wharfage/stevedoring, taxes, fines and all other incidental expenses.</i></p>	
<p>Ad valorem value</p>	<p>Page 1 of 2</p>

DRAFT	
Place and date of issue	2019-07-23
Takoradi	2019-07-23
Ocean freight payable at	Shipped on board date
Vietnam	2019-07-23
No of original B/Ls	Signature (Agent of above mentioned carrier)
Three(3)	

In accepting this Bill of Lading the Merchant expressly accepts and agrees to all its stipulations, whether written, typed, printed, stamped or otherwise incorporated, as fully as if they were all signed by the Merchant. The Shipper according to and by the effect of articles 1341 and 1342 of the Italian Civil Code declares specifically to approve the conditions of this Bill of Lading Nos. 2 -3 -4 -5 -6 -7 -8 -9 -10 -11 -12 -13 -14 -15 -17 -18 -19 -20 of which he declares his knowledge.

CERTIFICATE No. 2/02/3802



**FACTORIES, OFFICES AND SHOPS ACT, 1970
(ACT 328)**

Certificate of Registration

I hereby certify that

the factory named below has been duly registered in pursuance of
section.....³.....of the Factories, Offices and Shops Act, 1970

Name of Occupier...Company B.....

Address and Location of Factory..Sekondi.....

.....

Nature of Work..... WOOD PROCESSING.....


.....
AG. *Chief Inspector of Factories*
(F. OHENE-MENSAH)

Dated this.....^{17TH}..... day of JANUARY20¹⁷.....

THIS CERTIFICATE EXPIRES ON 31ST DECEMBER, 2017.

TIN: XXVYGH03



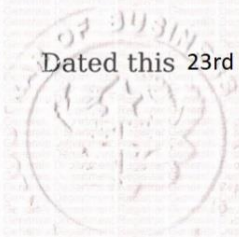
The Registration of Business Names Act, 1962(No.151)

Certificate of Registration

I hereby certify that the following Business Name has been registered under the above-mentioned Act as No.
60799926

Company C

Dated this 23rd day of March 2009



.....
For: Registrar of Companies

Document 6a

AFC FORESTRY COMMISSION
(FOREST SERVICES DIVISION)

P. O. BOX 11
ASANKRANGWA
TEL: (0392)-22017

2nd June 2018

Company C
Address

Dear Sir,

YIELD APPROVAL FOR (NORMAL AND RESTRICTED)
(INSIDE FOREST RESERVE)

[REDACTED] of December 17, 2018

[REDACTED] of December 10, 2018

B. PARTICULARS

FOREST RESERVE: BURA	DISTRICT: ASANKRANGWA
COMPARTMENT(S): 50	AREA: 138.73ha
FELLING SERIES: CCC	COMPANY: C

C. NECESSARY PRECAUTIONS TO BE TAKEN BY THE CONTRACTOR

A total of **eight hundred and eighteen (818)** trees have been approved for compartment 50 (i.e 746 Normal and 72 Restricted species) for Company C

1. Ensure prompt payment of stumpage fees on all trees felled on receipt of invoices (refer to condition 1)
2. Ensure that all trees felled are within the approved yield and are marked with stock numbers.
3. Stumps of all felled trees are to be marked with waterproof oil paint.

VISION: To leave future generations and communities with richer, better, more valuable forestry
And wildlife endowments than we inherited

Document 6b

ASANKRANGWA FOREST DISTRICT
 BURA FOREST RESERVE FMU12
 YIELD FOR RESTRICTED SPECIES FOR COMPT 50

CCC FELLING SERIES

SPECIES	abvr	30 - 49	50 - 69	70 - 89	90 - 109	110 - 129	130 - 149	150 +	Total
Edinam	Ea					, 852, 1095, 1681, 2062, 2233, 2820, 2878, 3084, 3282			
		0	0	0	0	9	0	0	9
Sapele	Ec					, 924, 1169, 2302, 2467, 2506, 2547, 2608, 2686, 3068, 3235			
		0	0	0	0	10	0	0	10
Candollei	Ecl					, 1762			
		0	0	0	0	1	0	0	1
Odum	Mil					, 81, 659, 917, 1004, 1335			
		0	0	0	0	5	0	0	5

Document 6c

SPECIES	abvr	30 - 49	50 - 69	70 - 89	90 - 109	110 - 129	130 - 149	150 +	Total
Wawa	Wa								, 1292, 2604
Makore	Tie	0	0	0	0	2	0	0	, 136, 1847, 2640, 2861
									, 3105
110 Diameter Class		0	0	0	0	4	1	0	5
Mahogany	Ki					31	1	0	32
									, 7, 227, 305, 310, 318, 327, 406, 481, 566, 581, 621, 764, 795, 801, 1076, 1089, 1101, 1124, 1225, 1285, 1289, 1319, 1522, 1555, 1781, 1921, 2075, 2322, 2445, 2537, 2788, 2851, 2931, 2958, 2963, 2979, 3104, 3154, 3249, 3293
90 Diameter Class		0	0	0	40	0	0	0	40
Grand Total		0	0	0	40	31	1	0	72

Mẫu số 03. Bảng kê khai nguồn gốc gỗ nhập khẩu

BẢNG KÊ KHAI NGUỒN GỐC GỖ NHẬP KHẨU

A. THÔNG TIN CHUNG VỀ LÔ HÀNG

1. Tên và địa chỉ của chủ gỗ nhập khẩu ⁽¹⁾:.....CÔNG...T.Y.A.....
2. Tên và địa chỉ của chủ gỗ xuất khẩu ⁽²⁾:.....CÔNG...T.Y.B.....
3. Mô tả hàng hoá ⁽³⁾:.....Nep. chi' canh. go' (Lippings).....
4. Mã HS:.....9403...90...30...00.....
5. Tên khoa học của loài:.....TRIPLOMITA...SCLEROXYLAN.....
6. Tên thương mại của loài ⁽⁴⁾:.....WAWA.....
7. Khối lượng/Trọng lượng/ Số lượng hàng hóa ⁽⁵⁾:.....20.m³.....
8. Số vận đơn (B/L):.....S.367.40.37.....
9. Số hoá đơn:.....281Y...-XYZL-0000.....
10. Bảng kê gỗ ⁽⁶⁾:.....N/A.....
11. Nước xuất khẩu:.....GHANA.....
12. Quốc gia nơi khai thác:.....GHANA.....

B. MỨC ĐỘ RỦI RO CỦA LÔ HÀNG NHẬP KHẨU

Tùy theo tình trạng lô hàng, đánh dấu vào ô thích hợp dưới đây:

B1. Gỗ không thuộc loài rủi ro và gỗ từ vùng địa lý tích cực, không yêu cầu tài liệu bổ sung, kê khai theo Mục C, Mục D dưới đây.

B2. Gỗ thuộc loài rủi ro hoặc gỗ từ vùng địa lý không tích cực, yêu cầu tài liệu bổ sung và kê khai theo Mục C và D dưới đây.

C. TÀI LIỆU BỔ SUNG

1. Gỗ nguyên liệu (ví dụ: thuộc các mã HS 4403, 4406, 4407)

Nếu gỗ nhập khẩu từ loài rủi ro hoặc từ vùng địa lý không tích cực, thì chủ gỗ phải kê khai một trong các tài liệu về nguồn gốc khai thác hợp pháp và xuất trình kèm theo các tài liệu kê khai sau đây:

a) Chứng chỉ tự nguyện hoặc chứng chỉ quốc gia của nước xuất khẩu được Việt Nam công nhận là đã đáp ứng tiêu chí của Hệ thống bảo đảm gỗ hợp pháp Việt Nam:

TT	Tên loại chứng chỉ	Số hiệu chứng chỉ	Thời hạn của chứng chỉ
	FSC CW	NC-CW-000	/

b) Giấy phép hoặc tài liệu chứng minh được phép khai thác gỗ:

TT	Loại giấy phép hoặc tài liệu	Số giấy phép hoặc số tài liệu	Ngày ban hành	Cơ quan/chủ thể ban hành	Ghi chú
	Phê duyệt sản xuất	RQ.54.V4/106	17/12/2018	FC	✓

c) Trường hợp quốc gia nơi khai thác gỗ không quy định giấy phép khai thác đối với khu rừng mà gỗ này được khai thác, đề nghị cung cấp tài liệu bổ sung sau:

TT	Loại tài liệu ⁽⁷⁾	Tài liệu số	Ngày ban hành	Chủ thể ban hành	Ghi chú
Quốc gia nơi khai thác:					
Tên và địa chỉ của nhà cung cấp					
Lý do không quy định giấy phép					

Đính kèm bản sao các loại tài liệu (nếu có)

d) Trường hợp không có tài liệu khai thác, đề nghị cung cấp thông tin bổ sung sau:

TT	Loại tài liệu thay thế tài liệu khai thác	Tài liệu số	Ngày ban hành	Chủ thể ban hành	Ghi chú
Quốc gia nơi khai thác:					
Tên và địa chỉ của nhà cung cấp					
Lý do không có tài liệu khai thác					

Đính kèm bản sao các loại tài liệu thay thế (nếu có) - *Hardwood Contract (Hợp đồng Gỗ cứng)*

Sản phẩm gỗ hỗn hợp (ví dụ: các mã HS thuộc chương 44 và 94 ngoại trừ các mã HS: 4403, 4406, 4407)

Nếu sản phẩm gỗ được làm từ gỗ thuộc loài rui ro hoặc từ vùng địa lý không tích cực thì chủ gỗ phải kê khai một trong các tài liệu về nguồn gốc khai thác hợp pháp và xuất trình kèm theo các tài liệu kê khai sau đây:

a) Chứng chỉ tự nguyện hoặc chứng chỉ quốc gia nước xuất khẩu được Việt Nam công nhận là đã đáp ứng tiêu chí của Hệ thống bảo đảm gỗ hợp pháp Việt Nam:

TT	Chứng chỉ (tên và loại)	Số hiệu chứng chỉ	Thời hạn của chứng chỉ

b) Trường hợp không có giấy phép hoặc tài liệu khai thác:

TT	Tài liệu chứng minh tính hợp pháp của gỗ	Tài liệu số	Ngày ban hành	Chủ thể ban hành	Ghi chú
Xuất xứ gỗ:					
Tên và địa chỉ của nhà cung cấp/nhà xuất khẩu:					
Tài liệu bổ sung thay thế chứng minh tính hợp pháp của gỗ theo quy định pháp luật của quốc gia nơi khai thác					

Đính kèm bản sao các tài liệu chứng minh hợp pháp (nếu có).

D. CÁC BIỆN PHÁP BỔ SUNG CỦA CHỦ GỖ NHẬP KHẨU ĐỂ GIẢM THIỂU RỦI RO LIÊN QUAN ĐẾN TÍNH HỢP PHÁP CỦA GỖ THEO QUY ĐỊNH PHÁP LUẬT CỦA QUỐC GIA NƠI KHAI THÁC:

1. Thông tin về quy định pháp luật đối với xuất khẩu gỗ của quốc gia khai thác: Xác định các quy định pháp luật (ví dụ: cấm xuất khẩu, yêu cầu giấy phép xuất khẩu v.v...) áp dụng đối với xuất khẩu gỗ cho từng sản phẩm hoặc loài của quốc gia nơi khai thác.

TT	Sản phẩm, loài và quốc gia nơi khai thác	Quy định pháp luật đối với xuất khẩu gỗ của quốc gia nơi khai thác	Bảng chứng tuân thủ
	WAWA LIPPINGS (Nep ch' carth gỗ) - CHINA	GIẤY PHÉP XUẤT KHẨU	GIẤY PHÉP XUẤT KHẨU

2. Xác định rủi ro và biện pháp giảm thiểu: Xác định bất cứ rủi ro về khai thác và thương mại bất hợp pháp liên quan đến lô hàng theo quy định pháp luật của quốc gia nơi khai thác và đề xuất các biện pháp giảm thiểu.

TT	Các rủi ro	Biện pháp giảm thiểu rủi ro
	KHÔNG CÓ	CÓ QUẢNG NHÃN FSC

Cam kết của chủ gỗ nhập khẩu: Tôi xin cam kết những thông tin kê khai là đúng, đầy đủ, chính xác và chịu trách nhiệm trước pháp luật về những thông tin đã kê khai.

....., ngày.....tháng ...năm
CHỦ GỖ NHẬP KHẨU
 (Ký, ghi rõ họ tên, đóng dấu (nếu có))

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PART 2: CUSTOMS REGULATIONS FOR EXPORTED/IMPORTED TIMBER AND TIMBER PRODUCTS

INTRODUCTION

State regulation of customs is reflected in two basic aspects:

First, state regulation over the organisation and the operations of customs authorities.

Second, state regulation over the activities of organisations and individuals related to export, import and transit of goods, and exit, entry and transit of vehicles.

State regulators in charge of customs are state agencies with the competence to implement state customs regulations according to relevant legislation. State regulators in charge of customs include:

- Government: unified state regulation on customs.
- Ministry of Finance: responsible to the government for implementing unified state regulation on customs.
- Ministries and ministerial agencies: within their jurisdictions, they coordinate with the Ministry of Finance on the state regulation of customs.
- People's committees at all levels: within their jurisdictions, they organise the enforcement of customs legislation in their localities.
- Customs authorities include; the General Department of Customs, inter-provincial customs departments, and the customs sub-departments that perform customs inspections, supervision and control in accordance with legislation.

The duration of this training is half a day. The participants include customs officers and forest rangers from different units in the customs and forestry sectors with different understanding regarding import and export in general, and customs management for timber and timber products in particular. Therefore, Part II of the manual only includes basic and general topics on state regulation of customs within the functions and duties of the customs authority for export, import and transit of timber and timber products by organisations and individuals. The focus is on basic points in customs inspection, supervision and management for import and export. Highly technical contents (such as the classification of goods, customs value, post-clearance inspection, management of processed goods, etc.) are not included.

2.1. Current regulations on management of export/import of timber and timber products (hereinafter referred to as timber goods)

2.1.1. Viet Nam legislation

The state regulation on customs for goods in general and timber, and timber products in particular, must comply with customs legislation (such as the Customs Law 2014; Decree 08/2015/ND-CP; Decree 59/2018/ND-CP; Circular 38/2015/TT-BTC; Circular 39/2018/TT-BTC, etc.), laws on taxation (the Law on Import-Export Duties, the Law on Tax Administration; the Law on Value-Added Tax, the Law on Environmental Protection Tax, etc.) and specialised legal documents promulgated by ministries and agencies or submitted to the National Assembly and the government for promulgation, such as:

- The 2014 Customs Law (Clause 1, Article 35) stipulates: “Where legislation requires specialised inspection of quality, health, culture, animal and plant quarantine and food safety for goods and vehicles, the customs authority shall base implementation on inspection results by specialised inspection agencies to decide on customs clearance.”
- The 2007 Law on Product and Goods Quality (Clause 1, Article 35) stipulates: "The product and goods quality inspection agency shall notify the importer of the inspection results and confirm that the goods have met the quality requirements to complete the import procedures with the customs authority."
- The 2013 Law on Plant Protection and Quarantine (Clause 4, Article 29) stipulates: "Items subject to plant quarantine can only be cleared after completing all import phytosanitary procedures."
- The 2017 Forestry Law (Clause 6, Article 9) stipulates: "It is strictly forbidden to illegally store..., export, and import ... forest products.”
- Decree No. 06/2019/ND-CP dated 22 January 2019 (replacing Decree No. 82/2006/ND-CP dated 10 August 2006) stipulates the list of endangered, precious and rare wild fauna and flora species; the regime of management and protection, and procedures for exploiting endangered, precious and rare species of wild fauna and flora; raising of common wild animals; and implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora in Vietnam. Point a, Clause 1, Article 4 of Decree No. 06/2019/ND-CP states: “Group I: Endangered species of wild flora and fauna species - it is strictly prohibited for the exploitation and use for commercial purposes of the species listed in CITES Appendix I naturally distributed in Vietnam.”
- Decree No. 102/2020/ND-CP dated 1 September 2020 by the Government stipulates the Vietnam Timber Legality Assurance System.

(For detail on several legal documents mainly in the fields of customs, taxation, and specialised management related to the management of timber and timber products - see Appendix A Part II).

2.1.2. International conventions and agreements Viet Nam is party to that are related to the export and import of timber goods

- Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade in Forest Products (VPA/FLEGT Agreement). This is a legally binding trade agreement that aims to improve forest governance and promote legal timber trade from Viet Nam to the EU. VPA/FLEGT was ratified by the European Parliament in March 2019, ratified by the Vietnamese Government in April 2019, and officially entered into force on 1 June 2019 (after nearly eight years of negotiations that began in November 2011).
- International Convention on the Harmonised System of Commodity Description and Coding – the HS Convention. This Convention was adopted by the Customs Cooperation Council (now the World Customs Organisation - WCO) on 14 June 1983 in Brussels, Belgium. Viet Nam joined the HS Convention on 1 January 2000. The current list of import and export goods as well as Viet Nam’s current export tariffs and export tax are fully compliant with the WCO's HS List.
- GATT Valuation Agreement: Regulations on customs valuation.

- International Convention on the Simplification and Harmonisation of Customs Procedures (Kyoto Convention).
- Convention on International Trade in Endangered and Endangered Species of Wild Fauna and Flora (CITES) signed in Washington on 1 March 1973. This Convention stipulates:
 - + Export, import and re-export of specimens specified in Appendix I of CITES for non-commercial purposes, specimens specified in Appendix II and III of CITES, and pre-Convention specimens.
 - + Importing from the sea specimens specified in Appendix I of CITES for non-commercial purposes; specimens identified in Appendix II of CITES.

2.1.3. Implementation of customs regulations on management of exported and imported timber goods before and after 30 October 2020 (effective date of Decree 102/2020/ND-CP)

From 30 October 2020, besides current regulations on customs, taxation, specialised management and inspection, the completion of customs procedures for exported and imported timber goods also has to comply with Decree No. 102/2020/ND-CP of the Government on the timber legality assurance system.

Decree No. 102/2020/ND-CP dated 1 September 2020 requires the VNTLAS to concretise the provisions of VPA/FLEGT and Viet Nam's specialised laws. This Decree officially took effect from 1 October 2020 (except for some provisions mentioned in Clauses 2, 3 and 5, Article 28).

The performance of duties and responsibilities of customs authorities and customs officers before and after 30 October 2020 (effective date of Decree No. 102/2020/ND-CP) are all pursuant to the Customs Law, tax laws, specialised management laws and relevant guiding documents.

According to Clause 1, Article 3 of Decree 102: “Legal timber is timber and timber products (hereinafter referred to as timber) exploited, imported, handled confiscated, transported, traded, processed and exported in accordance with Vietnamese laws, relevant provisions of international treaties to which Vietnam is a member, and the relevant laws of the country where the timber was exploited for export to Vietnam.”

According to the provisions of Article 2, Clause J of the VPA/FLEGT: “Legally produced timber (hereinafter referred to as ‘legal timber’) means timber products that are harvested or imported and manufactured in accordance with Vietnamese legislation.”

According to the provisions of Clause 3, Article 27, Decree 102/2020/ND-CP, customs authorities are responsible for:

“3. Customs authorities: a) Cooperate with forest protection authorities and relevant agencies in verifying the legality of imported and exported timber shipments; b) Inspect and certify the imported timber list for imported timber shipments.”

Thus, the verification of timber legality after 30 October 2020 must comply with national regulations (Viet Nam legislation related to the management of cultivation, exploitation, processing as well as the export and import of ligneous materials and timber products in accordance with relevant Viet Nam regulations and bilateral and multilateral

international commitments). At the same time, it also has to comply with VPA/ FLEGT provisions and assure the timber legality in the country where the export timber is harvested (legality in cultivation, harvesting, processing as well as export and import of ligneous materials and timber products evidenced by sufficient documentation as provided for in the Agreement).

+ Some challenges when enforcing Decree 102/2020/ND-CP:

- (1) The customs authority at the time of handling timber import procedures does not have enough information and accurate documentation to determine the "common name", "scientific name" or the "species category" declared by the timber owner. However, regarding the certification of the imported timber list in Form No. 01 and Form No. 02 stated in Appendix I: According to the instructions in Notes No. 8 (for Form No. 01) and No. 10 (for Form No. 02), Appendix I states: "After customs clearance, the customs authority at the border gate of clearance shall confirm the content declared by the timber owner."
- (2) About countries in positive geographies: In Clause 11, Article 3 of Decree 102/2020/ND-CP, the term is interpreted as: "A country in positive geographies is a country that meets one of the criteria specified in Clause 1, Article 5 of this Decree". On 27 November 2020, the Ministry of Agriculture and Rural Development issued Decision No. 4832/QĐ-BNN listing 81 countries in positive geographies that export timber to Viet Nam. However, these documents do not specify whether the country in positive geographies exporting timber to Viet Nam is the country of export (declared on the import declaration), the country of harvest or the country directly sending the timber to Viet Nam (indicated on the bill of lading). The General Department of Customs has sent a written request to the Ministry of Agriculture for specific guidance on this issue.

For cases of late submission of imported timber origin declarations, the General Department of Customs has issued document No. 7131/TCHQ-GSQL dated 6 November 2020. The customs authorities require enterprises to make a full supplementation within the prescribed time limit (30 days). In cases where the importer has not fully supplemented documents by the prescribed time limit, the violation will be handled in accordance with Article 11 of Decree 128/2020/ND-CP.

- (3) The full declaration of composite timber products (specified in Decree No 102) HS codes of Chapter 44 and Chapter 94 aims to strictly manage the origin of imported wood as a basis for inspection and traceability. This requirement creates a lot of work for both businesses and customs authorities in declaring and checking to ensure the correct names and codes of imported/exported goods.

Currently, a number of provisions in Decree 102/2020/ND-CP have not been implemented (such as the exchange of information on an enterprise's general legal compliance in exploitation, production, business, tax payment, import and export, etc.). There is no exchange of information related to the management of timber product import and export between the state regulators and the customs information system.

The announcement of the countries in positive geographies is late. Though the Decree took effect on 30 October 2020, the competent authority under the Ministry of Agriculture and Rural Development has not yet published the list. Some regulations will be difficult to enforce and will take a long time for enterprises to make declarations – especially regarding composite timber products, which include many details and components, and require detailed HS codes

for timber from different regions (codes in Chapter 44 and Chapter 94).

Accurately verifying the origin and legality of exported and imported goods in general, and timber goods in particular has always been a goal for many countries, including Viet Nam. However, there are many limitations regarding coordination and information sharing for timber legality verification during export and import between countries and territories. There are many things that have not been done, especially with countries that do not have bilateral/multilateral agreements in legal assistance activities, including information sharing related to goods for import and export.

2.2. Customs procedures for export/import of timber and timber products

+ Customs procedures for exported, imported, transited, and transhipped goods in general and timber goods, in particular, must comply with current regulations stated in the Customs Law, tax laws (import and export tariff, tax administration, value added tax, etc.), specialised management laws (Law on Plant Protection, Law on Forestry, Law on Foreign Trade Management, etc.) and documents guiding relevant laws in customs, tax and related specialised laws.

+ Customs procedures for the export and import of timber comply with the general regulations on export, import and transit procedures for commercial goods mentioned in legal documents, including: the Customs Law 2014; Decree 08/2015/ND-CP; Decree 59/2018/ND-CP; and Circulars No. 38/2015/TT-BTC and No. 39/2018/TT-BTC of the Ministry of Finance and a number of guiding documents issued by the Ministry of Finance and the General Department of Customs.

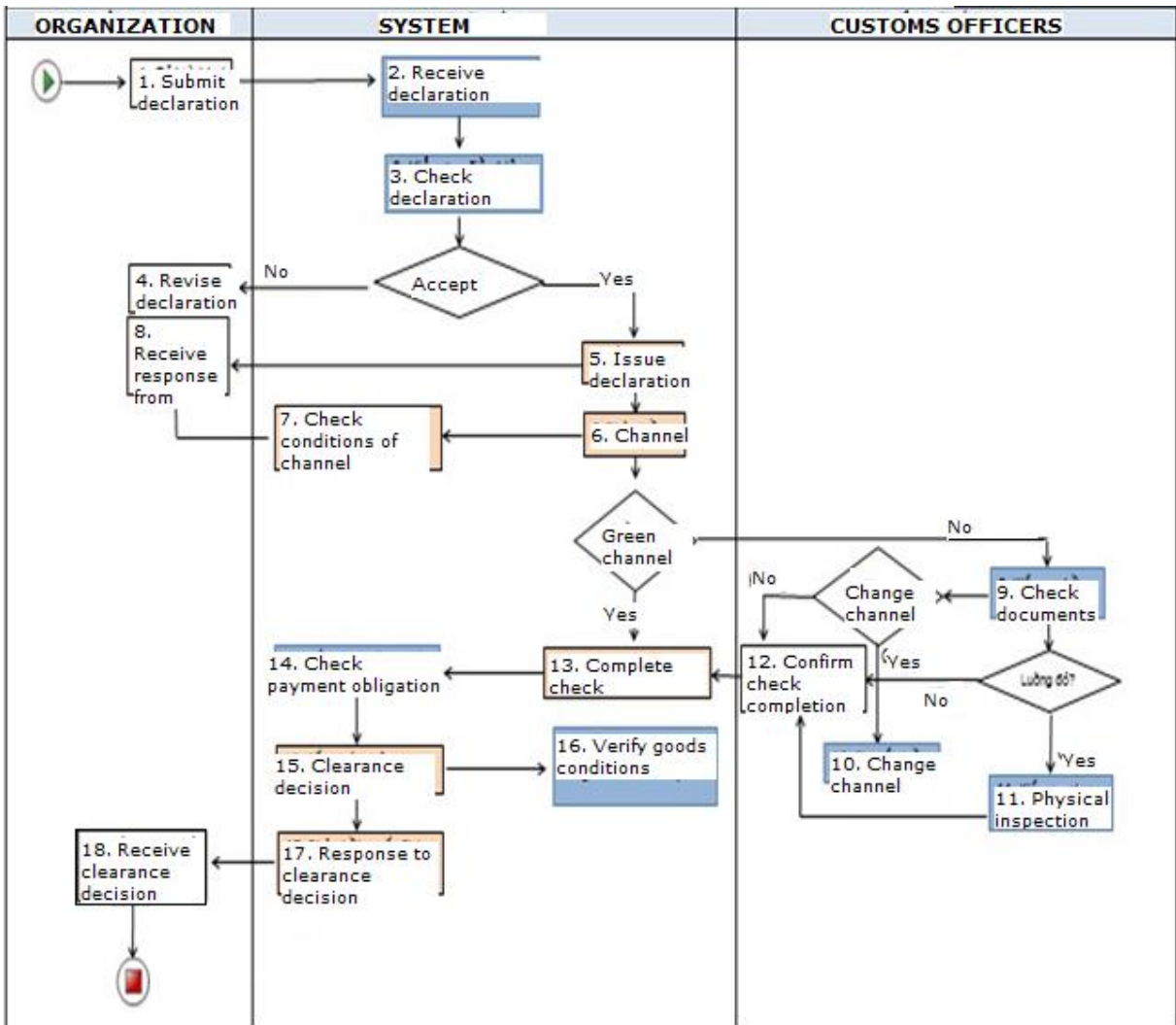


Figure 17: General customs clearance procedures

+ Part II of this manual helps to clarify common key points related to the implementation of customs procedures that customs officers and enterprises participating in export, import, transit, and trans-shipment of goods in general and timber goods in particular need to pay special attention to.

2.2.1. Customs dossiers for imported timber goods

Before Decree 102/2020/ND-CP was issued, customs dossiers for imported timber goods included the following documents:

- Customs declaration;
- Commercial invoice;
- Bill of Lading or equivalent transport document;
- CITES license for imported species included in the CITES Appendix;
- List of imported timber (packing list);
- Other documents that need to be provided according to regulations, such as certificates of origin and phytosanitary certificates.

After Decree 102/2020/ND-CP was issued, in addition to the documents prescribed by customs, imported timber shipments need a list of imported timber conforming to Form 01 or Form 02 of the Decree and a CITES permit or FLEGT license. If the shipment does not have a CITES permit or a FLEGT license, a timber origin declaration must be submitted according to Form 03 of the Decree.

Some regulations on documents to be included in customs dossiers:

a) Declaration of imported goods according to the information requirement in Appendix II issued with Circular No. 38/2015/TT-BTC.

In the case of paper-based customs declarations as prescribed in Clause 2, Article 25 of Decree No. 08/2015/ND-CP, the declarant declares and submits 02 originals of the import declaration according to form HQ/2015 /NK in Appendix IV issued with Circular No. 38/2015/TT-BTC.

b) Commercial invoice in case the buyer has to pay the seller: 01 photocopy.

In case the goods owner buys from a seller in Viet Nam but is appointed by the seller to receive the goods from abroad, the customs authority will accept the invoice issued by the seller in Viet Nam to the goods owner.

The customs declarant is not required to submit a commercial invoice in the following cases:

b.1) The customs declarant is a priority enterprise (authorised economic operator);

b.2) For goods imported to perform processing contracts for foreign traders, the customs declarant shall declare a provisional price in the box "Customs value" on the customs declaration; and

b.3) For imported goods without an invoice and where the buyer does not have to pay the seller, the customs declarant declares the customs value as per the guidance by the Ministry of Finance on customs valuation.

c) Bill of lading (bills of lading) or other equivalent transport documents in the case of goods transported by sea, air, rail, multimodal transport as prescribed by law (except for goods imported through land border gates, goods purchased and sold between free trade zones and the inland areas, and imported goods carried by an entrant as luggage): 01 photocopy.

For goods imported for oil and gas exploration and exploitation activities transported on service ships (not commercial ships), the cargo manifest shall be submitted instead of the bill of lading.

d) Import permits for goods requiring an import permit; import license under tariff quota: 01 original copy in case of single shipment or 01 photocopy enclosed with a monitoring sheet in case of partial shipments.

e) Notice of exemption from inspection or Notice of inspection results issued by a specialised inspection agency as prescribed by law: 01 original.

For documentation specified at Points d and e above, if the national single windows system is used, the specialised state management agency shall send the import license, written notification of inspection results and exemption from specialised inspection in electronic form through the Vietnam National Single Window portal. Customs declarants do not have to submit when doing customs procedures.

f) Value declaration: The customs declarant completes the value declaration according to

the required form, sends it to the System in electronic form or submits 02 originals to the customs authority (in case of paper-based declaration). The cases requiring value declaration and value declaration forms are stipulated in the Circular by the Ministry of Finance on determining the customs value of exported and imported goods.

g) Proof of goods origin (Certificate of Origin or Self-Certification of Origin): 01 original or documentation in electronic form in the following cases:

g.1) Goods originating from a country or group of countries that have agreed on applying special preferential tax rates with Viet Nam in accordance with Viet Nam law and international treaties to which Viet Nam has signed or acceded, if the importer wants to enjoy such preferential regimes.

g.2) Goods which are notified by Viet Nam or international organisations that are at the time causing harm to social safety, community health or environmental sanitation need to be controlled.

g.3) Goods imported from countries subject to notification by Viet Nam to be in application of anti-dumping tax, anti-subsidy tax, anti-discrimination tax, safeguard tax, tax rate applied according to tariff quotas.

g.4) Imported goods must comply with import management regimes as prescribed by Viet Nam legislation or international treaties to which Viet Nam is a contracting party.

In case the agreements on applying special preferential tax rates with Viet Nam or the international treaties to which Viet Nam has signed or acceded allow the submission of Certificates of Origin for imported goods as electronic documents or self-certification of origin of goods by the producer/exporter/importer, the customs authority shall accept these documents.

For documentation specified at Points b and c of this section, if the national single window system is used, specialised state regulators shall send the export license, written notification of inspection results and exemption from specialised inspection in electronic form through the Vietnam National Single Window portal. Customs declarants do not have to submit when doing customs procedures;

Note:

+ Currently, the customs system automatically receives, examines, and provides guidance (if any) to the customs declarant and issues a customs declaration number after receiving the pre-declaration information from the customs declarant. However, in cases where the customs declarant announces that the customs declaration cannot be registered, the sub-department of customs where the declaration is registered shall base on the enterprise's issue to guide and handle.

+ When implementing regulations on customs procedures, based on feedback from import-export enterprises and customs offices, it is necessary to amend and supplement appropriate regulations.

Details are specified in clauses 4 and 10, Article 25 of Decree 08/2015/ND-CP. Clause 4 stipulates: "...4. During customs declaration, the declarant shall:

- (i) Create customs declaration information on the electronic customs declaration system;
- (ii) Send the customs declaration to the customs authority through the e-customs data processing system...”.

After a period of implementation, it has been found that this article is no longer appropriate and needs revision. Local customs departments proposed to amend and supplement this regulation by replacing the "customs declaration" at point (ii) by "customs dossier" which clearly specifies the form and method of submission.

2.2.2. Customs dossiers for exported and imported timber goods

a) Before Decree 102/2020/ND-CP, customs dossiers for exported timber and timber products had to comply with the current regulations mentioned in:

+ Decree 08/2015/ND-CP; Decree 59/2018/ND-CP; Circulars No. 38 and No. 39 by the Ministry of Finance;

+ The Law on Forestry 2017 and Decree 156/2018/ND-CP dated 16 November 2018 detailing the implementation of certain articles of the Law on Forestry; and

+ Circular No. 15/2018/TT-BNNPTNT dated 29 October 2018 by the Ministry of Agriculture and Rural Development regulating HS codes for goods under the management of the Ministry. Section 23 in Appendix I of the Circular stipulated the HS code for the goods prohibited from export, which are round timber, sawn timber of all kinds from domestic natural forest timber. Section 24 is about the HS code for timber and timber products that must have legal timber product dossiers.

+ Customs dossiers for exported timber goods include:

- Customs declaration;
- Commercial invoice or equivalent documents;
- Trading contract;
- Packing list;
- Bill of lading;
- CITES license for shipments containing timber included in the CITES Appendix;
- Export permit;
- Other additional documents as prescribed, such as certificates of origin, specialised inspection results, etc.

b) Since Decree 102/2020/ND-CP came into effect (30 October 2020), besides the documents required by customs, timber shipments exported to the EU also require FLEGT licenses. If exported to a non-EU country, there must be a self-certified exported timber packing list (if the exporter is classified as Category 1) or a packing list certified by the local authority (if the exporter is classified as Category 2). There are several new rules that deserve attention:

- The stipulation on imported timber dossiers mentioned in Article 17 of Circular No. 27/2018/TT-BNN will expire.
- The stipulation on exported timber dossiers in Article 26 of Circular No. 27/2018/TT-

BNNPTNT will also expire from the date decided by the Prime Minister as prescribed in Clause 2, Article 28 of Decree 102/2020/ND-CP.

- Some regulations on documents to be included in customs dossiers:

- Customs declarations according to the information requirements specified in form No. 02, Appendix II issued with Circular 38.

In case of performing paper-based customs declarations as prescribed in Clause 2, Article 25 of Decree No. 08/2015/ND-CP, amended and supplemented in Clause 12, Article 1 of Decree No. 59/2018/ND-CP dated 20 April 2018 by the Government amending and supplementing some articles of Decree No. 08/2015/ND-CP, the declarant shall declare and submit 02 originals of the customs declaration according to form HQ/2015/XK in Appendix IV promulgated with Circular 38;

- Commercial invoice or equivalent documents in case the buyer has to pay the seller: 01 photocopy.
- Export license or export-permitting document issued by a competent agency under the Law on Foreign Trade Management for exported goods subject to license-based management (collectively referred to as an export license).
- Certificate of inspection exemption or notification of specialised inspection results or other documents as prescribed by the Law on Specialised Inspection and Management (Certificate of specialised inspection for short).
- Entrustment contract: 01 photocopy if an export license, inspection certificate or certificate of eligibility to export is required for export entrustment as prescribed by investment law and the fiduciary uses the license or certificate of the trustor.
- The submission and presentation of documents specified at Points c, d, and e above shall comply with the provisions of specialised law. If the specialised law does not explicitly provide for submission of originals or copies, the customs declarant shall submit one photocopy and present the original for comparison. In case the export license or written notification of inspection results or exemption from specialised inspection are sent through the National Single Window or on the online public service portal connected to the customs authority, the declarant is not required to submit when doing customs clearance.

2.2.3. Customs inspection and supervision of imported timber goods during unloading and storage at ports, warehouses, yards and locations

(1) For goods transported by sea:

(a). The automated system (VASSCM) receives e-Manifest information from the National Single Window, issues goods management numbers, and analyses e-Manifest information (applicable to goods transported by different modes using e-Manifest pursuant to current regulations).

(b). Monitoring unloading of imported goods at ports, warehouses, yards, locations:

(b1). Before loading and unloading goods from vehicles at seaports:

+ VASSCM, based on the shipping dossiers declared on the National Single Window

System, provides information on the list of goods expected to be unloaded at the seaport, the list of consignments not allowed to be unloaded at the port and the list of containers and packages to be scanned (if any) to the system of the port, warehouse, yard, and location operator.

+ Based on information about the goods to be loaded and unloaded received from the e-Manifest system, other information related to the loaded and unloaded goods (if any) and the risk instructions at the function "Management of risk information" on the VASSCM, the customs officer advises their leaders to select a method of monitoring goods and vehicles during loading and unloading at the port.

(b2) During unloading of goods at seaports:

+ Monitor the unloading of goods at seaports. Duties of officers in charge of monitoring:

+ In case of monitoring by customs seals, the customs officer sealing the shipment shall monitor and record information using functions on the e-Customs System.

+ In case of monitoring goods by camera, the customs officer shall supervise the loading and unloading of goods from vehicles at the seaport border gate area through the camera system as guided in the Decision by the Director General of GDVC.

+ In case of direct monitoring by customs officers, the officers in charge directly supervise the loading and unloading of goods from vehicles to warehouses, yards and ports.

+ In case the goods are not in their original condition:

(i) Inspect and verify the original packaging, propose inspection measures. In case of violation, handling shall conform to the procedures stipulated in Decision No. 166/QD-TCHQ (replacing Decision No. 4186/QD-TCHQ).

(ii) If after inspection and verification, there is information about goods showing signs of violation, establish and sign checking minutes between the concerned parties, each party to keep 01 copy. In case of violation of customs monitoring regulations, handling shall conform to the procedures stipulated in Decision No. 166/QD-TCHQ.

+ For shipments unloaded at the wrong location and warehouse, yard and port operator has confirmed the shipment's unloaded status, based on the written request for cancellation of the unloaded goods at the port and documents proving that the goods have been mistakenly unloaded at the port yard, customs officers shall advise the customs sub-department leaders to decide the method to monitor the loading of goods back onto the ship.

(2) For goods passing through land border gates (including border gates on road, rail and inland waterways):

(a) Before loading and unloading goods from vehicles to the border gate area, warehouse, yard, and locations at the border gate:

+ Based on information of the goods expected to be imported provided by the importer, the customs sub-department leaders shall decide on the methods of monitoring goods and vehicles during loading and unloading of goods at border gates, warehouses, yards and locations at border gates.

(b) Monitoring the loading, unloading and storage of imported goods at border gates,

warehouses, yards, and locations at the border gate:

+ Based on information on the goods expected to enter the border gate area, warehouse, yard or locations at the border gate, the customs officer shall advise the director of the customs sub-department to decide on the method for monitoring goods and vehicles during loading and unloading at border gates, warehouses, yards and locations.

+ Based on the supervision method decided by the director of the customs sub-department, the officers in charge of monitoring shall monitor goods by camera or directly monitor the loading and unloading of goods from vehicles at the border gate area, warehouse, yard, or locations at the border gate.

+ In case the goods brought into the border gate area are not in their original condition (e.g., due to loss or breakage of the carrier's seal, tearing or broken containers), customs officers shall inspect and verify the packaging originality of goods. If detecting signs of violation, the goods shall be brought to a separate area for storage and handling according to the decision of the GDVC.

(c) Confirmation that goods have entered the warehouse, yard and locations at the border gate:

+ For warehouses, yards and locations at the border gate with warehouses, yards and locations, operators on-site and at the warehouses, yards and locations are connected to the customs authority system. The system automatically receives information that goods have been unloaded.

+ For warehouses, yards and locations at the border gate with warehouses, yards and locations operators on-site but the warehouses, yards and locations operators are not connected to the customs authority system. As instructed by the GDVC, the customs officer shall compare with the information declared by the enterprise to determine the time when the goods were unloaded.

2.2.4. Customs inspection and monitoring of exported timber goods when entering and being stored at ports, warehouses, yards, and holding locations for export

- Select exported goods to be inspected when they are put into storage at ports, warehouses, yards, holding locations for export.

- Monitor before the goods expected to be exported enter the customs monitoring area at the port, warehouse, yard or locations.

- Monitor the goods expected to be exported during their entrance into the customs monitoring area at the port, warehouse, yard or locations.

- Monitor the goods being stored at ports, warehouses, yards, and holding locations for export.

- Monitor goods entering the customs monitoring area for transshipment or change of transport mode to be transported to the border export gate.

2.2.5. Procedures for receipt, inspection and registration of customs dossiers for exported and imported timber goods

The registration of dossiers is automated on the e-customs clearance system:

(a) The system automatically receives, examines and issues a customs declaration number after receiving pre-declaration information from the declarant.

- (b) The system automatically receives, examines, and channels the declaration after receiving official information from the declarant in one of the forms specified in Clause 4, Article 26 of Decree No. 08/2015 /ND-CP; Clause 13, Article 1 of Decree No. 59/2018/ND-CP; Clause 3, Article 19 of Circular No. 38/2015/TT-BTC; and Clause 8 Article 1 of Circular No. 39.
- (c) In case the pre-scanning shows signs of violation and the imported goods do not have a registered declaration, based on the information from the pre-scanning unit, the Risk Management Department is responsible for immediately updating the risk criteria to the system so the system decides to assign red channels in the form of manual inspection and notifies the customs declarant through the e-customs system.

2.2.6. Regulations on inspecting customs dossiers for exported and imported timber goods

Inspecting customs dossiers means inspecting in detail all documents in customs dossiers as prescribed in Article 16 of Circular No. 38/2015/TT-BTC amended and supplemented by Clause 5 Article 1 of Circular No. 39/2018/TT-BTC.

(1) Responsibilities of the director of the customs sub-department.

Inspecting customs dossiers means inspecting in detail all documents in customs dossiers as prescribed in Article 16 of Circular No. 38/2015/TT-BTC and Article 1 of Circular No. 39/2018/TT-BTC.

- (a) When there is declaration information on the system, assign officers to inspect the dossier through the management screen.
- (b) Instruct the contents to be examined by officers, approve the proposals by officers on dossier inspection, decide to suspend the inspection completion and cancel the inspection suspension using functions on the system.
- (c) For shipments with notification of cancelling their entrance into the monitoring area sent from the customs sub-department where the declaration is registered, based on the customs officers' proposal, the director of the customs sub-department shall decide whether to continue or stop entrance into the monitoring area.

(2) Responsibilities of custom officers in dossier inspection.

a) Inspection content.

a.1) Inspecting the completeness of the electronic customs dossiers.

The system automatically inspects the completeness of electronic customs dossiers and notifies the declarant through the system.

+ For goods requiring certificates of specialised inspection before customs clearance, this document is not required to be immediately included in the customs dossier when registering the customs declaration.

+ In case the dossier components are required in paper form, the declarant submits a complete set of dossiers in electronic form and the component documents in paper form.

a.2) Check customs declaration validity.

Officers shall check the time limit for customs declaration as prescribed at Point b, Clause 1, Article 25 of the Customs Law.

In case the declarant is verified as violating regulations on the time limit for customs declaration, the officer shall handle according to the procedures guided by the General Department of Customs (formerly Decision 4186/QD-TCHQ, now under Decision No. 166/QD-TCHQ).

a.3) Check the details of customs dossiers.

- Check the dossier, risk instructions and goods inspection results during loading and unloading at warehouses, yards, ports, border gates, etc. During the inspection, the following points need attention:

a3.1) Check the container list declaration for the import declarations stating the shipping method of container.

In case of imported goods transported by container (identified in "Code of means of transportation") the customs officer shall check. If the container list has not been declared on VNACCS or the list declared on VNACCS does not match the customs dossier:

a3.2) Check the information affecting customs management: "Symbols and number"; "Detailed declaration of value"; "Remark section"; "Code for internal management of enterprise"; "Goods description "; "Code of import/export type", etc.

Information recording in this item must comply with the instructions in Appendix II of Circular No. 38/2015/TT-BTC and Appendix I of Circular No. 39/2018/TT-BTC.

a3.3) Check the conditions for changing border gate if the declarant requests to change the border gate in the "Remark section" on the declaration;

a3.4) Inspect and identify goods names, codes, tax rates: conform to Decision No. 1921/QD-TCHQ by the Director General of the GDVC;

a3.5) Customs inspection, consultation and valuation;

a3.6) Inspection and determination of exported and imported goods origin;

a3.7) Inspection of tax declaration and implement taxation policies; and

a3.8) Checking of licenses and certificates of specialised inspection (if any).

b) Handling checking results:

+ If the dossier inspection discovers incomplete dossiers or mismatches between the dossier's documents and the information declared on the system, then:

+ Notify the declarant to provide additional information. If customs officers have sufficient evidence to prove violations, they shall make a record of the violations and transfer the violation dossiers to competent authorities for handling according to the procedures guided by the GDVC.

+ If the customs authority does not have enough evidence to judge the accuracy of the customs declaration, the customs declarant shall be requested to supplement information and documents as prescribed by law or propose the director of the customs sub-department to move the goods to a physical inspection channel.

2.2.7. Regulations on physical inspection of exported and imported timber goods

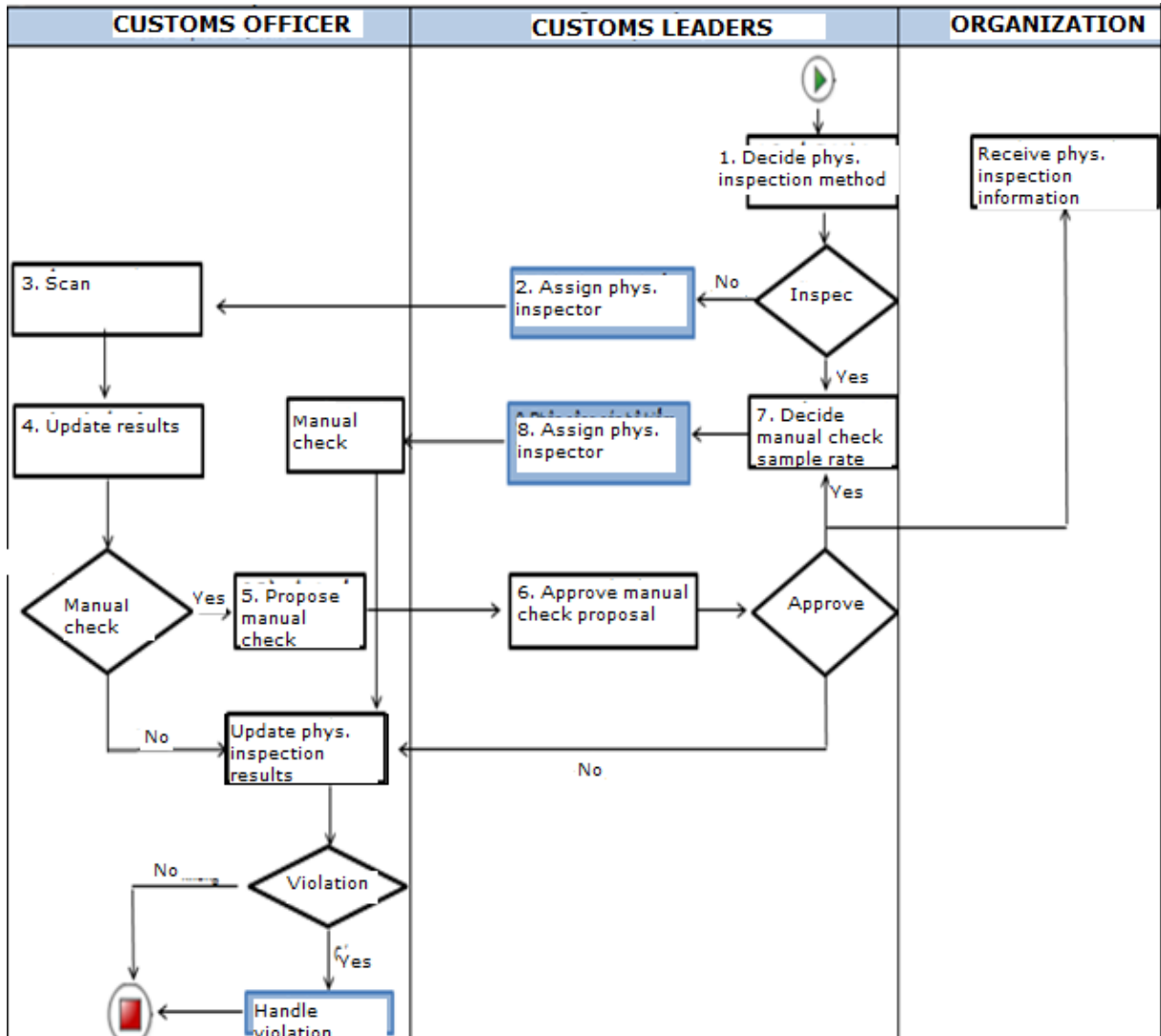


Figure 18: Physical inspection procedures

(1) Responsibilities of the director of the customs sub-department:

a) Based on the customs officer's proposal, the customs sub-department director shall inspect the dossiers, check for risk instruction from the system, and information of export and import shipments and of the declarant (if any) to decide the physical inspection of goods and assign officers for the physical inspection.

+ For the declarations moved from yellow to red channel, after approving the changing of channel proposal by customs officers based on the actual situation, the customs sub-department director shall assign officers to conduct a physical inspection of goods (except for physical inspection of goods by a shared container scanner).

+ For declarations, customs officers at step 2 propose to perform physical inspection of goods at a centralised inspection location.

b) The method and level of inspection will be decided based on the risk instruction, the declarant's historical observance of the customs regulations, the results of pre-scanning during the loading and unloading at the port, and other relevant information.

- + The methods and levels of inspection include:
 - ++ Inspection method: check by scanners/scales/other equipment or check directly by customs officers (manual inspection).
 - ++ Level of inspection: inspect a proportion of goods or inspect the entire volume of goods.
- + How to decide the inspection method:
 - ++ For customs sub-departments equipped with container scanners, the physical inspection of goods is performed using container scanners.
 - ++ In case the shipment has been pre-scanned but no signs of violation are detected, the sub-department of customs director may choose to use the results of the pre-scanning for customs clearance or transfer to direct inspection by customs officers.
 - ++ If during the goods inspection, customs officers propose to change the method and level of inspection, the customs sub-department director shall consider and make a decision.

(2) Responsibilities of customs officers at container scanning units:

- a) If the scanner is located in the cargo storage area:
 - + Based on the goods presented by the declarant, compare the container number, package number, customs declaration number and carrier seal number declared on the system. If the comparisons match, then guide the declarant to transport the goods to the camera gate to capture the container number and license plate number before scanning.
 - + Conduct scanning as guided by the General Department of Customs.
 - + Analyse and make conclusions on the scanned images.
 - + Handle inspection results.
 - ++ If the scanning results are appropriate and eligible for customs clearance, the officer doing the physical inspection shall:
 - Record the scanning results on the inspection result sheet and request the declarant's representative to sign and write his/her full name.
 - Update the corresponding inspection results into VCIS.
 - ++ In case the exported goods are transferred to the red channel border gate, after physical inspection, the customs officer shall:
 - Apply customs sealing (if the goods can be sealed).
 - Make a handover record.
 - If the goods cannot be sealed as prescribed in Article 50 of Circular No. 38/2015/TT-BTC, the customs officer must write clearly on the handover record the name, quantity, type, symbol and code of goods and take photos of the original condition of the goods together with the handover record.
 - Notify the declarant to move the goods to the manual inspection area for inspection.
- b) In case the scanner is located outside the port area, warehouse, yard or location where goods are stored:

b.1) The customs officer assigned at the scanner area receives the handover record of containers for scanning, checks the customs seals, and confirms that the goods have arrived at the customs monitoring position at the scanning area.

b.2) Perform scanning, image analysis, handle inspection results under the guidance of the GDVC.

(3) Responsibilities of custom officers during physical inspections.

a) Assigned officers shall check information on declarations, perform physical inspections of goods, and notify customs declarants of the method, location and time of physical inspection conforming to the decision by the customs sub-department director.

The level of inspection (sample rate) is not made known to the customs declarant.

b) In case of inspection at the checkpoint outside the border gate:

b.1) Check the packaging condition, the seal condition, or the goods original condition against the handover record.

+ If the goods' original condition is assured: confirm that the goods have arrived at the inspection location on the paper-based handover record and on the system.

+ If the goods' original condition is not assured: in case violations are detected, handle conforming to the procedures guided by the GDVC.

Attention: About checking goods' names, codes and tax rates:

Check the accuracy and completeness of the declaration regarding goods' names, descriptions, codes, and tax rates on the customs declaration against the customs dossier and regulations on goods classification, applicable tax rates and List of Viet Nam's import and export goods.

Handling checking results:

- If the declarant has correctly and fully declared the goods' names, descriptions, codes and tax rates, the customs authority shall accept the declared contents.

- If it is determined that the declarant has declared incomplete names and descriptions of goods, or not conformed to the information requirements (in line with provisions of Appendix II issued with Circular 38) or incorrectly declared goods code, tax rate), the declarant shall be requested to make additional declarations in line with provisions of Article 20 Circular 38 and handle violations (if any) in line with regulations.

- If the declarant does not make additional declarations, the director of the custom sub-department shall decide to physically inspect the goods.

For goods that cannot be physically inspected with the naked eye or existing equipment at the customs sub-department, the director decides to take samples for inspection, analysis, and classification.

c) After the declarant presents sufficient goods at the inspection location, the assigned customs officers shall perform a physical inspection of goods based on the customs declaration, instructions from the customs sub-department director, and VCIS risk instructions.

+ In cases where a physical inspection is conducted to determine goods' names, goods code, customs value, and origin of goods, the guidance of the GDVC is to be followed.

+ If during inspection, the goods are found to be inconsistent with the customs declaration, the goods inspection officer shall:

++ Perform a full manual check (100%): must specify incorrect content (such as: incorrect product name, code, quantity, origin, quality, etc.).

++ For sample-based manual checks: the customs officer shall record the goods inspection together with the results and propose to increase the inspection rate or method and level of handling.

d) Take samples for analysis or examination as requested by the customs authority in Circular No. 38/2015/TT-BTC.

e) Handling results:

+ If the results are appropriate and eligible for customs clearance, the officer in charge of physical check shall record the results in the check result sheet.

+ In case the results of physical inspection are not consistent with the customs declaration and if violations are determined, the officer shall handle in line with procedures guided by the General Department of Vietnam Custom.

2.3. Customs management process for timber goods temporarily imported for re-export and temporarily exported for re-import

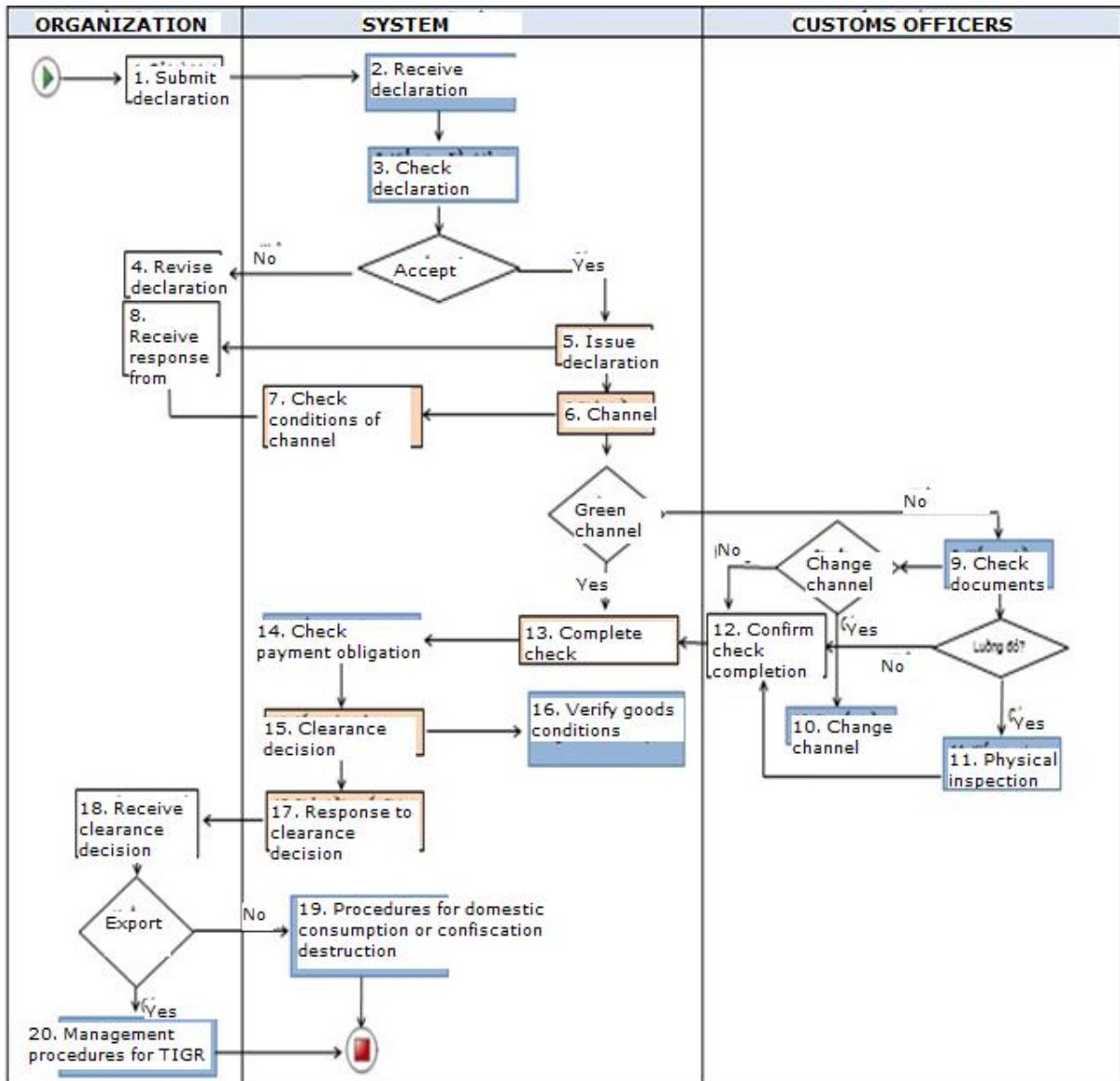


Figure 19: Management of temporarily imported goods for re-export

2.3.1. Customs procedures for timber goods temporarily imported for re-export and temporarily exported for re-import

(1). Customs procedures for timber goods temporarily imported for re-export or temporarily exported for re-import are the same as for imported and exported goods in line with customs regulations.

(2). If the enterprise registers the re-export declaration at the customs sub-department of the temporary import border gate, the procedures for transporting goods from the import border gate to the export border gate shall follow customs procedures for combined transportation issued by the GDVC.

If the enterprise registers the re-export declaration at the customs sub-department of the export border gate, the procedures for transporting goods from the import border gate to the

export border gate shall follow customs procedures for single modal transportation issued by the GDVC.

(3). In case a shipment of goods temporarily imported for re-export changes transportation vehicle when moving from the import to the export border gate:

+ The customs sub-department in charge of the location where the enterprise transfers goods, based on the handover record made by the sub-department at the import border gate or updated on the system by the sub-department at the previous location of goods transfer. This shall monitor the goods transference to other means of transport; carry out customs sealing and update information on the handover record of transported goods to forward information to the sub-department in charge of the location or the sub-department at the export border gate.

+ Based on the handover record updated on the system by the sub-department at the final goods transfer location and the sub-department at the import border gate, information on OLA declaration of transportation, and related documentation, the customs sub-department at the export border gate shall carry out re-export procedures or supervise the actual export of the consignment.

2.3.2. Customs monitoring for timber goods temporarily imported for re-export or temporarily exported for re-import

For the re-export declaration of temporary import for re-export goods that have been cleared, the goods have entered the customs monitoring area but have not been confirmed to have passed the customs monitoring area on the system, and the declarant wishes to change the place of export:

In case of changing the export location but not changing the export border gate:

a) Responsibilities of customs of the original export location:

+ Based on the declarant's written notice of export location change and the competent authority's document as prescribed, the monitoring officer examines the request and advises the director of the customs sub-department for approval.

+ After the sub-department director's approval, records the revised information and transfers the declaration information to the new export location requested by the declarant on the e-Customs system.

+ Seal the goods, update the information on the handover record of the transported goods under monitoring to the system and deliver the goods to the declarant for transportation to the new export location.

b) Responsibilities of the customs at the new export location: notify when the goods have arrived at the new export location and monitor in line with the instructions in Part II of this procedure.

2.3.3. Management and monitoring of goods temporarily imported for re-export or temporarily exported for re-import

a. The customs sub-department where the declaration of temporary import for re-export and temporary export for re-import is registered shall inspect and review the status of the goods temporarily imported for re-export or temporarily exported for re-import that have passed the deadline but not yet completed re-export and re-import procedures for handling in line with

Articles 83 and 84 of Circular No. 38/2015/TT-BTC. In case the re-export period has expired, the system will warn with an asterisk (*).

b. For consignments that have undergone re-export procedures but have not yet passed the customs monitoring area at the export border gate:

if the declarant's time limit for transport registration has passed and they have been accepted by the customs authority but there has not been confirmation that the goods have been transported to the customs sub-department of the re-export border gate, the two sub-departments shall exchange information to confirm the consignment status or apply search measures in line with regulations. Similar procedures apply to re-import cases.

Attention: For goods temporarily imported for re-export and goods temporarily imported for re-export eligible for tax exemption, upon expiration of storage time limit in Viet Nam (including extension period), if goods are allowed to be imported, taxpayers must declare a new customs declaration and pay full tax at the customs sub-department where the original import declaration is registered before re-selling for domestic consumption in line with Article 21 of Circular 38./2015/TT-TT-BTC.

2.4. Customs procedures for timber goods in transit

2.4.1. Customs procedures for timber goods in transit at the customs sub-department of departure

(1) Customs procedures shall comply with Circular 38, Circular 39 and guiding documents of the GDVC. In addition, note the following:

a) In case the container of transit goods with the carrier's seal intact (except for road transport) or the goods transited via international air into Viet Nam and out of the country at the same international airport: customs officers tick the box "No seal" and record the reason for not sealing.

b) For transit goods transported by land or sea, inland waterways, airways or rail without the carrier's seal intact and in case transit goods are not packed in containers:

b1) If the inspection results are appropriate, customs officers are assigned to perform customs sealing; record the customs seal number corresponding to each container number on the container list; and at the same time, update the customs seal number in the "Customs seal No." field.

b2) If the inspection results are appropriate and the goods cannot be sealed, customs officers shall make a certification record in accordance with Circular No. 38/2015/TT-BTC/ and Circular No. 39/2018/TT-BTC and take a photo of goods status. Deliver 01 copy of the record and 01 photo of goods status to the declarant for further procedures.

b3) If the inspection results are not appropriate, customs officers shall instruct the declarant to make additional declarations or advise the customs sub-department director to handle in line with regulations.

(2) In case the sub-department from which the goods are transported is also the sub-department at the import border gate, the director shall assign customs officers to check the conditions and location for the separation of transit goods from imported goods in line with Clause 5, Article 43 of Decree No. 08/2015/ND-CP and Article 1 of Decree No. 59/2018/ND-CP to carry out

procedures according to the corresponding mode and route of transportation.

2.4.2. Customs procedures for timber goods in transit at the customs sub-department of destination

(1) Customs procedures for goods in transit at the sub-department of destination shall comply with the guidance of the GDVC.

(2) For transit goods that are separated or packed in the same container or wagon with exported or imported goods:

customs officers shall inspect the single modal transportation declaration recorded in “Note 2” on the OLA declaration of transportation and confirm the goods transported to the destination through the BIA function on VNACCS.

2.5. Customs procedures for checking and verifying the origin of exported and imported timber goods

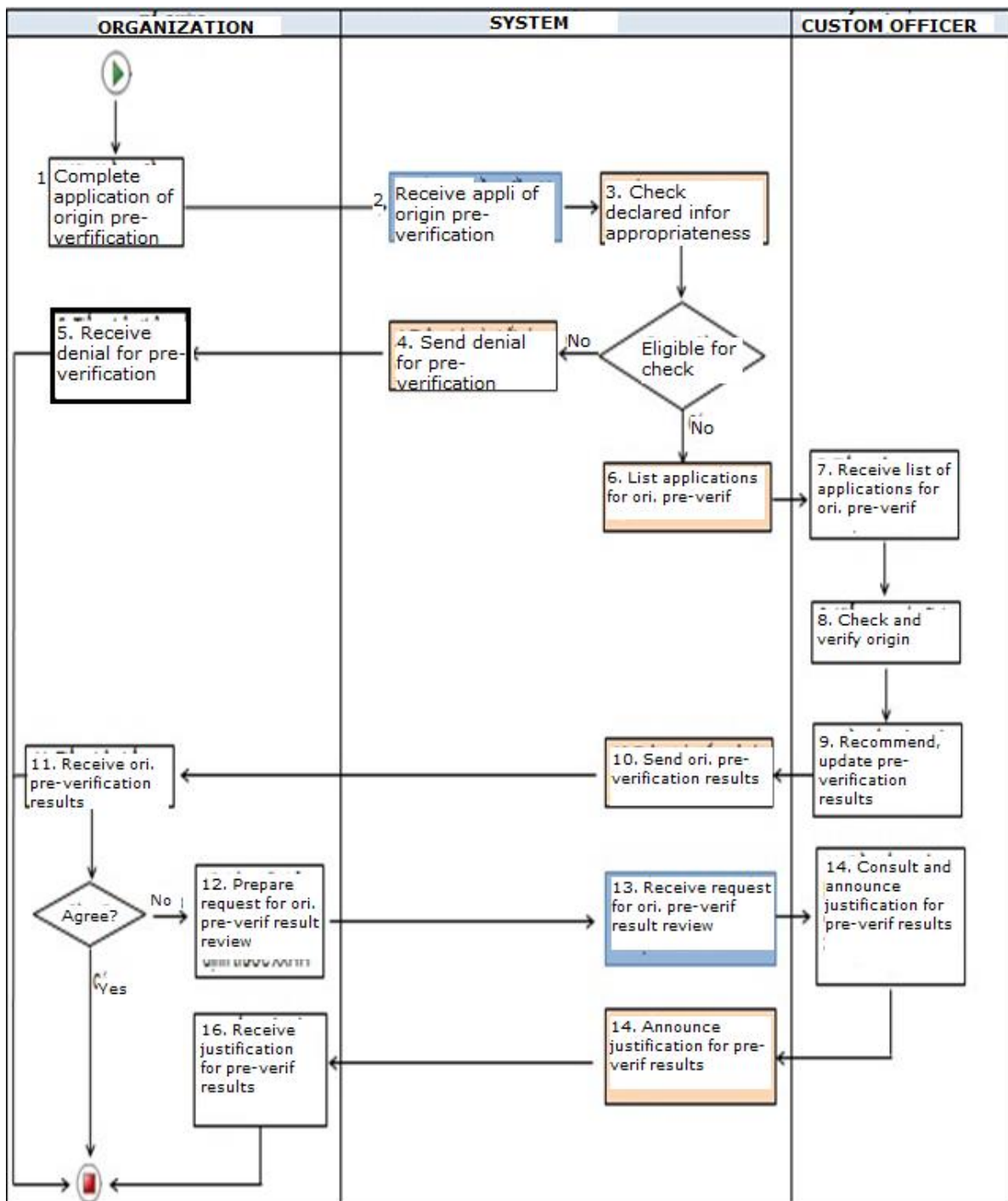


Figure 20: Receiving, checking and processing dossiers of origin pre-verification

2.5.1. Checking goods origin during customs dossier inspection

a. When inspecting customs dossiers, customs officers shall check the origin declared at "Goods description" (under "Details") on the electronic customs declaration or "Origin" on the paper customs declaration, and compare with relevant documents in the customs dossier to verify goods origin and handle as follows:

a1) If there is no suspicion of exported goods origin, the customs officer shall accept the origin declaration by the declarant and carry out customs procedures as prescribed.

a2) If there is any suspicion of goods origin or there is a warning about illegal

transshipment, the customs officer shall report and advise the director of the customs sub-department and request the declarant to explain and provide supporting documents in line with Clause 3, Article 8 of Circular No. 38/2018/TT-BTC through the system.

a3) If there is any suspicion that the declarant has dispersed dossiers, documentation and data related to the inspection and verification of exported goods origin:

the customs officer shall advise the director of the customs sub-department to report to the provincial customs department for inspection at the production facility as prescribed in Article 10 of Circular No. 38/2018/TT-BTC.

b. Handling explanations and supporting documents:

b1) If explanations and supporting documents provide sufficient grounds for verifying goods origin, the customs officer shall accept the origin of goods according to the declaration and carry out customs procedures as prescribed.

b2) If the declarant fails to explain and provide supporting documents, or the explanations and supporting documents do not provide sufficient grounds to verify origin;

the customs officer shall advise the director of the customs sub-department to apply physical inspection of goods.

2.5.2. Checking the origin of goods during a physical inspection

a. During goods physical inspection, the customs officer shall check the origin information written on the goods and/or the goods' packaging (if any); compare the actual exported goods against the content of the customs declaration, documents in the customs dossier, and the results of customs dossier inspection:

a1) If there are reasonable grounds that the origin of the goods on the export customs declaration matches the results of the goods physical inspection:

the customs officer shall record physical inspection results in the inspection result sheet, update it to VCIS and carry out customs clearance procedures as prescribed.

a2) If there are reasonable grounds that the goods origin on the export customs declaration does not match the results of the goods physical inspection:

the customs officer shall record physical inspection results in the inspection results sheet and advise the director of the customs sub-department to request the declarant for explanations and supporting documents on the exported goods origin.

b. Handling explanations and supporting documents:

b1) If explanations and supporting documents provide sufficient grounds for verifying the origin of goods:

the customs officer shall accept the origin of goods according to the declaration and carry out customs procedures as prescribed.

b2) If the declarant fails to explain and provide supporting documents, or the explanations and supporting documents do not provide sufficient grounds to verify goods origin:

the customs officer shall advise the director of the customs sub-department to report to

the provincial customs department for verification of goods origin at the organisation that certified the goods origin.

2.5.3. Checking goods origin during customs dossier inspection

(1) Checking goods origin during customs dossier inspections in case proof of origin is not required

a). Customs officers check the origin declaration under "Code of country of origin" and "Code of import tariff schedules", and compare against relevant documents in the customs dossier such as commercial invoices, shipping documents, etc., to verify goods origin according to regulations.

+ If proof of origin is not required according to free trade agreements, check additional information declared under "Total invoice amount" to verify that the imported goods are exempt from submitting proof of origin and consider applying preferential tax rates.

b). If the origin of the goods in the import customs declaration matches the customs dossier:

b1) For yellow channel customs declaration, accept the goods origin declaration by the declarant.

b2) For red channel declaration: switch to instructions from the GDVC.

c). If there is any suspicion on the origin of goods on the customs declaration:

the customs officer shall request the declarant to explain/provide further documents through the system. Based on the explanation/further documents provided by the declarant:

c1) If the declarant fails to explain and provide further supporting documents, or the explanations and supporting documents do not provide sufficient grounds to verify goods origin:

the customs officer shall advise the director of the customs sub-department to apply physical inspection of goods to verify goods origin.

c2) If there are sufficient grounds that the declarant has falsely declared the goods origin, handling should conform to regulations.

c3) If there are not sufficient grounds to verify the goods origin, the customs officer shall advise the director of the customs sub-department for consideration and handling. If it is beyond their competence, the director of the customs sub-department shall report to the provincial customs department for handling.

2.5.4. Checking goods origin during customs dossier inspections in case proof of origin is required

a. Check the information in proof of origin

a1) If the declarant submits the proof of origin at the time of customs procedures, the officer shall inspect and guide the declarant to provide proof of origin on electronic customs declaration:

+ Check the reference number/code of origin self-certification and date of issue.

a2) If the declarant does not have proof of origin at the time of customs procedures:

+ At the time of customs procedures, the customs officer shall guide the declarant to declare late submission of one or more proofs of origin.

a3) The customs officer checks information of proof of origin under "Remark section" and "Signs and number", "Detail declaration of amount", and "Goods description", and compares with relevant documents in customs dossiers such as proof of origin, commercial invoices, transport documents, etc.

b. Check the electronic C/O through the National Single Window.

b1) The customs officer accesses the homepage of "Customs operations information system" (<http://10.224.128.110/Pages/trangchu.aspx>) with the username and password provided and enters the authentication code displayed on the screen.

b2) The customs officer enters the information provided by the declarant on the import customs declaration to search for the C/O (e.g., reference number, date of issue, etc.).

c. Check the C/O information on the issuing agency's portal at the address provided by the GDVC.

d. Check the form of C/O.

The customs officer shall check the form of C/O in line with Article 14 of Circular No. 38/2018/TT-BTC.

d1) The C/O must show the words FORM D/FORM E/FORM AK/FORM AJ, etc. in accordance with the signed Free Trade Agreement.

d2) Reference number: each C/O has its own reference number.

d3) All items on the C/O must be filled in using the form specified in the Free Trade Agreements and relevant legislation.

d4) The size, colour, language and the back of the C/O must comply with the Free Trade Agreements and relevant legislation.

e. Check the contents of the C/O

e1) For goods not under a preferential import tax agreement and that are subject to C/O submission, the check of C/O content shall comply with Clause 1, Article 15 of Circular No. 38/2018/TT-BTC.

e2) For goods under a preferential import tax agreement and that shall be submitted in line with point a, clause 1, Article 4 of Circular No. 38/2018/TT-BTC, the customs officer:

+ Checks and compares the seal and/or signature on the C/O against the specimen seals of C/O issuers and/or the specimen signatures of the persons authorised to sign the C/O.

+ Checks the validity period of the signatures of the persons authorised to sign the C/O.

+ The signatures of persons authorised to sign the C/O must be on the list of signatures managed by the C/O issuing department announced by the GDVC.

e.2) Check the validity period of the C/O.

e.3) Check conformity and consistency among different C/O details and between the C/O

content and the documents in the customs dossier (customs declaration, commercial invoice, transport document, HS code, value, etc.).

e.4) Check the information of origin:

+ Check the goods origin on the C/O (according to “Value-Added Content” or “Change Tariff Code” or “Specific Process”, etc.) stipulated in the Circulars/Decisions issued by the Ministry of Industry and Trade.

+ Verify the rules of origin applicable to goods according to HS codes specified in relevant Free Trade Agreements, Decree No. 31/2018/ND-CP, and Circular No. 05/2018/TT-BTC.

e.5) Check information of the shipment's route recorded on the C/O, bill of lading and other documents (if any) to assure that the imported goods meet the conditions of direct transport as prescribed in Circulars/Decision issued by the Ministry of Industry and Trade to guide the implementation of Free Trade Agreements and Article 18 of Circular No. 38/2018/TT-BTC.

2.5.5. Checking the origin of goods during a physical inspection

a. When physically inspecting goods, the customs officer shall check and compare the origin information written on the goods, packaging and labels against the information provided by the declarant on the import customs declaration, documents in customs dossiers, and results of customs dossier inspection to verify the origin of goods.

b. If there are grounds to suspect the origin of goods, advise the director of the customs sub-department for handling according to regulations.

c. If more information is needed to verify origin, the customs officer shall advise the director of the customs sub-department to approve the inspection of the origin of product components or take goods samples for analysis and examination.

2.6. Risk management in the management of exported, imported and transited timber goods

2.6.1. Applying risk management in the management of exported and imported timber goods

Enterprises participating in import and export activities in general, as well as enterprises participating in timber import and export activities, are the agents that directly comply with the provisions of laws and the state's management policies on import and export of goods with regards to customs, taxation, management and specialised inspection.

To inspect and monitor goods and means of transport, prevent smuggling and illegal cross-border transportation of goods for export, import and transit, enforce taxation and management policy for export and import of goods in general and timber goods in particular, risk management is applied by the customs authority.

According to the 2014 Customs Law, “risk management is the application of a system of professional measures and processes by the customs authority to identify, assess and classify risks, as a basis for allocating reasonable resources to effectively inspect, monitor and support other professional measures.”

According to the provisions of the VPA/FLEGT Agreement (Clause 6.3.7.1):
“..importers shall take responsibility for the legality of imported timber in accordance with the

relevant legislation of the country of harvest. For this purpose, they shall exercise due diligence over the legal origin of imported timber, which covers collection of information, risk assessment and mitigation of any risk identified.”

According to Decree 102/2020/ND-CP of the Government, “imported timber is managed by applying risk management measures to prevent, detect, stop and promptly handle legal violations...” (Article 4, Clause 2). In customs operations, "risk" is understood as the possibility of not complying with customs laws, tax laws, and specialised laws in the export, import, and transit of goods and of vehicles.

In customs operations, “Application of risk management is the application of risk management principles, processes, measures and techniques and risk management information products to make and implement decisions on customs inspection, monitoring, post clearance inspection, examination and other operations.”

Risk management in managing exported, imported and transited timber goods is to promptly detect and prevent violations in export and import activities by organisations and individuals. In which, analysing risk information, controlling risks as well as compliance auditing of related parties are very important in customs inspection, monitoring and control.

2.6.2. Implementing risk control with focus

Viet Nam’s import and export turnover of timber and timber goods in recent years has increased rapidly (from USD 9.1 billion in 2015 to USD 15.7 billion in 2020). Viet Nam has attained important achievements in economic development. Besides opportunities and advantages, the downside of globalisation is the increase of violations with regards to customs, such as smuggling, illegal cross-border transportation of goods, and commercial fraud, which have become more complex in nature, form and scale. These also include violations in the import and export of timber.

In the past years, the customs authority has paid attention to risk control with focus and attached importance to risk information collection, analysis and assessment to meet the requirements of customs operations to proactively detect, prevent and stop potential violations of customs regulations.

Risk control in imported and exported goods management has received due attention. The key risks arising in import and export, entry and exit activities have been identified (e.g. abusing green channel declaration for exported and imported goods). Consequently, efforts can be put on technical measures to control risk for critical areas, routes, and activities in terms of smuggling, tax evasion, and commercial fraud. Attention is also being paid to monitoring, analysing and assessing risks of goods information before arrival at border gates. These are combined with other information sources to propose and apply appropriate risk control measures for shipments.

The customs authority analyses and warns about risk signs, methods of smuggling and trade fraud to support customs authorities in inspection and control with a focus on imported and exported goods in general, and timber goods in particular. Specifically:

- (a) Regularly collect information about goods before port arrival (E-manifest) combined with other information sources to select pre-clearance scanning to promptly and proactively detect infringing shipments on their arrival.

- (b) Stop and move the goods to the monitoring area if green channel export and import declarations show signs of violations.
- (c) Review and analyse risks for green channel declaration information and data. Apply post-clearance inspection, examination and investigation measures to enterprises showing signs of abusing the green channel for smuggling, tax evasion, tax fraud, and commercial fraud.
- (d) Assess and rate enterprise risks based on risk analysis and assessment results.
- (e) Provide timely information and warnings about the subjects and methods of abusing the green channel for smuggling, tax fraud, and commercial fraud.

2.6.3. Common compliance risks in the management of imported and exported timber goods

First, risks in customs declarations, customs value declarations (related to customs tax), risks related to the time limit for customs procedures and the time limit for paying tax on exported and imported consignments.

Second, risks in compliance with imported and exported goods management policies. Currently, import-export activities are regulated by policies, regulations, guidelines and directions by the government, the National Assembly, relevant ministries and agencies. Most violations detected concern declaring goods as low-risk, as eligible for inspection exemption (actual imported goods shall be inspected), hiding prohibited goods in goods exempt from inspection, and counterfeiting, modifying export and import permits, etc.

Third, risks of exported and imported goods classification. This type of violation is mainly to declare incorrect goods codes, confusing goods codes, or codes of other goods. This is often employed to enjoy preferential import and export tax rates or to avoid management measures by the customs authority (goods subject to import and export prohibition, conditional management, etc.).

Fourth, customs value risk. This risk is prevalent in both developed and developing countries, usually intended by goods owners or customs declarants. These violations are mainly in two forms:

- declaring lower than the actual transaction value of exported and imported goods to evade tax payment or other regulations related to goods value; or
- declaring higher than the actual transaction value of exported and imported goods to enjoy a higher tax refund than the actual tax amount.

Fifth, risks of exported and imported goods' origin. For imported goods, subjects often falsely declare or use false origin of goods to enjoy a preferential tax rate. This is the primary purpose of origin fraud recently and often happens with goods of high import tax rates aiming to evade tariff quotas.

Sixth, risks of exported and imported goods volume, including such risks as over-declaration or false declaration of exported and imported goods volume, false declaration of goods units for fraudulent payable tax or fraud on goods volume actually exported or imported under permits, or to legitimise input materials and output products for domestic consumption.

Seventh, risks in tax compliance.

Eighth, risks in importing raw materials for processing and manufacturing for export.

Ninth, risks in temporary import for re-export.

Tenth, risks in the transshipment of goods from abroad through Viet Nam territory for export to a third country.

Eleventh, risks in falsification and rotation of customs documents and dossiers to legitimise smuggled shipments and for commercial fraud, such as: forging licenses, certificates of specialised inspection, assessment results and other documents that must be presented during the inspection by customs authorities to legitimise export and import procedures; forging commercial contracts and invoices to conceal customs value fraud; forging bills of lading, packing lists, certificates of origin, etc.

2.7. Coordinating the implementation of legal regulations in managing imported and exported timber goods

2.7.1. Developing and finalising legal documents and guiding documents, coordinating implementation

a) To implement state regulations on customs for goods in general and timber goods in particular, it is necessary to have coordination among relevant agencies, such as: customs, forest protection, border guards, tax, market management, public security, etc. According to their assigned responsibilities and tasks, agencies need to:

(+) Develop and finalise relevant specialised legal documents under their jurisdictions. Promulgate and finalise guiding documents and regulations on coordination and information sharing between agencies inside and outside the sector.

(+) Strongly and comprehensively innovate and reform methods of managing, inspecting, and controlling imported and exported goods in general, and timber goods in particular.

(+) Modernise the model of specialised inspection management for imported and exported timber at various stages of work such as submitting documents, receiving information, and returning inspection results.

(+) Actively apply good management practices from developed countries in managing imported and exported timber goods, such as mutual recognition, inspection at source, and sharing transportation information of imported and exported timber goods.

b) World Customs Organization (WCO) recommendations on border management coordination to facilitate trade.

Viet Nam joined the Trade Facilitation Agreement under the World Trade Organization (WTO) in 2005. Accordingly, member states shall coordinate the simplification and harmonisation of trade procedures between relevant national agencies and international trade procedures (with the relevant border management agencies of other countries) to facilitate the trans-border movement of goods.

b1. Vertical coordination: among agencies at central, provincial, district and grassroots levels.

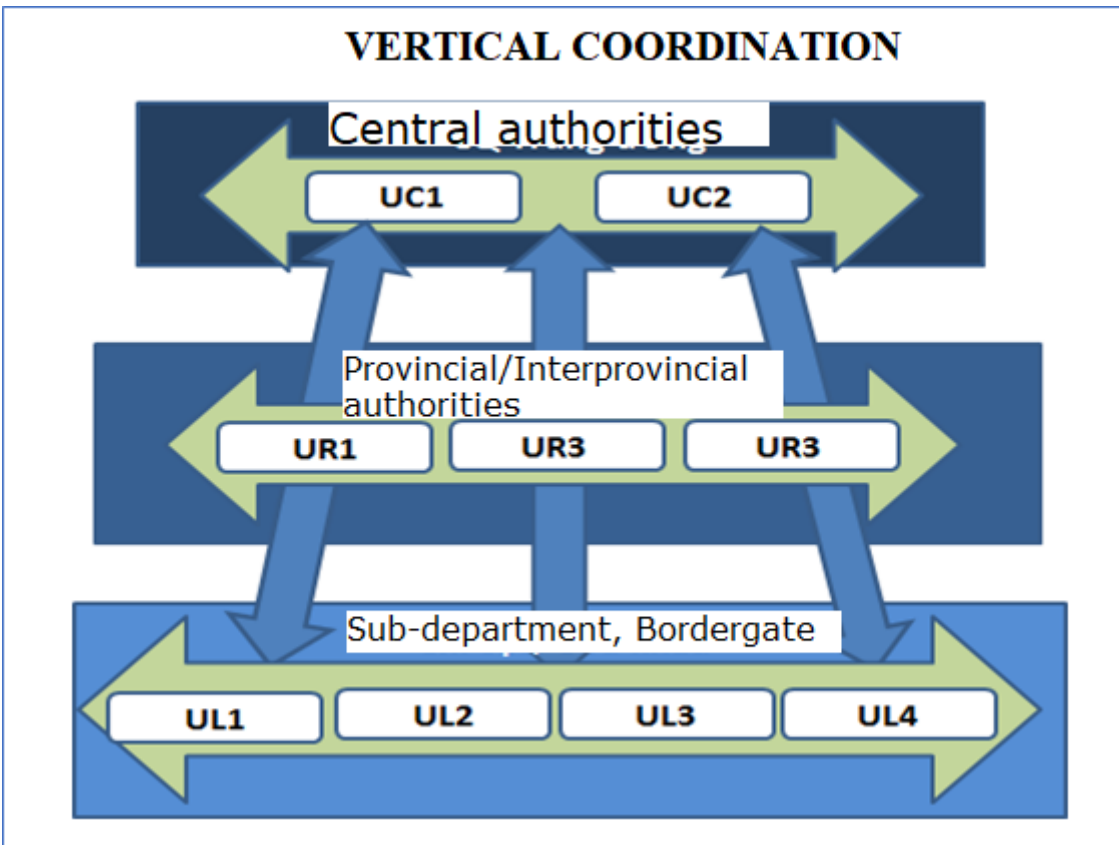


Figure 21: Vertical coordination

b2. Horizontal coordination.

Horizontal coordination between agencies: coordination among agencies at local, provincial, regional and national levels.

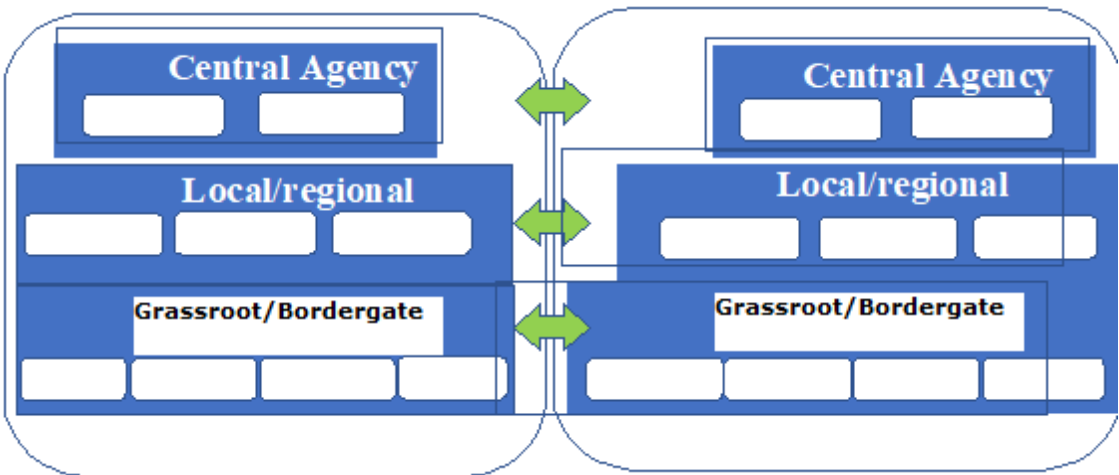


Figure 22: Horizontal coordination

b3. International cooperation.

Cooperate among agencies in countries sharing a border: horizontally (e.g., between customs authorities, quarantine authorities, etc.) and vertically: cooperation at the local level on both sides of the border; bilateral cooperation among neighbouring countries; multinational cooperation.

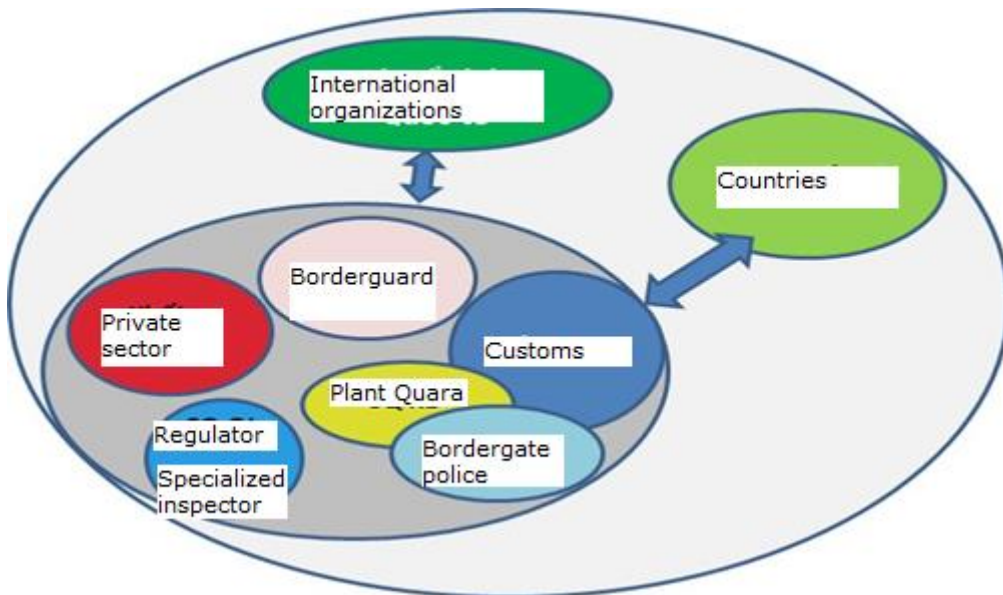


Figure 23: International cooperation

Cooperation between forest protection authorities and customs authorities in the management of exported, imported and transited timber and timber products

- (a) Cooperate in developing management policies for timber and timber products (including forest products and items listed in CITES Appendix).
- (b) Cooperate in inspecting, controlling, monitoring and managing timber and forest products for export and import.
- (c) Cooperate in handling smuggling and illegal transportation of timber and forest products across the border.
- (d) Cooperate in performing assigned tasks inside and outside the operational area of the customs and the forest protection authorities.

+ Inside the operational area of customs: The customs authority is the unit in charge of inspecting, controlling and handling violations related to the export, import and transiting of timber goods, as well as forest products. At the request of the customs authority, the forest protection authorities shall cooperate in the management of timber goods and forest products within their competence as prescribed by law.

+ Outside the operational area of customs: At the request of the Forest Protection Department, the customs authority shall cooperate in providing information depending on specific cases, providing officers, vehicles and expertise, etc., in inspecting, controlling and handling exported, imported and transited timber goods and forest products.

- (e) Cooperate in providing technical training, organising conferences, seminars and communication activities related to the management of timber goods and forest products, preventing and stopping activities related to smuggling and illegally transporting goods across borders. Share documents and information related to state regulations of the agency, the scope, responsibility, authority and coordination of regulations between the parties.

(f) Conditions to ensure effective cooperation in managing the supply chain of timber and timber products for import and export (forest rangers, customs, police, tax, market management, specialised inspection units, etc.).

For effective cooperation among relevant agencies (including the Forest Protection Department and customs authorities), the following conditions are needed:

- + Develop a system of complete, detailed, public, transparent and clear regulations on the methods and time of inspection, sharing information on enterprises' law observance regarding import-export, production, doing business, and trade, etc. by relevant stakeholders.

- + Strengthen the organisational apparatus and resources (human and material resources) for specialised management of timber goods. Managing timber goods in line with regulations while ensuring accurate timber goods categorisation to apply appropriate tax management policies and import/export tax rates and ensuring correct and sufficient collection of import and export tax.

- + Enhance equipment, vehicles and facilities for agencies to perform analysis, assessment and inspection of goods at border gates and domestic establishments capable of analysis and assessment to accurately verify the nature, composition, and usage of import and export goods to apply appropriate management policies, sharing information between units inside and outside the sector (customs, forest rangers and border gate management units, etc.).

- + Training, fostering, and disseminating policies, laws and regulations on imported and exported goods in general and timber goods in particular for goods import and export enterprises and related organisations and individuals. These are very important for both regulators and enterprises. Verification authorities (customs, forest rangers, etc.) develop and finalise documents guiding the application of legal documents (goods classification, tariffs, timber identification, etc.) so that relevant officers and enterprises can easily access and use. These documents must be publicly posted on the web portal of forest protection authorities, customs authorities, and other mass media.

- + Update and share information regularly by authorities (customs, forest rangers, tax authorities, market management forces) on the results of inspection, examination, analysis, assessment, and legal compliance related to import-export, production, processing and trade of timber among regulators and specialised inspection agencies to promptly detect "abnormalities" and apply appropriate management measures, preventing vested interests and ensuring strict regulatory enforcement.

2.8. Exercise

Exercise 1 (for forest protection officers):

- + In your opinion, what is risk management in forest protection activities?
- + Have you applied risk management in your agency?
- ++ If yes, list some specific activities (3 - 5 activities).
- ++ If no: suggest some activities (3-5 activities).

Exercise 2 (for customs officers):

- + 2a) Practice classification of imported goods declared: salvaged rosewood, including different parts of the tree: feet, roots, branches, tops.

(If participants do not have a List of Goods or the Import and Export Tariff Schedule with chapters 44 and 94, move on to exercise 2b below).

- + 2b) Discuss measures for handling difficulties under Decree 102/2020/ND-CP as mentioned in point 2.1.3. Part II of this manual.

Exercise 3 (for customs officers and forest rangers):

- + Discuss the coordination between customs and forest protection officers in inspecting and controlling the timber supply chain to ensure legal timber trade.
- Requirements: list some activities that need cooperation between forest protection authorities and customs authorities (3-5 candidate activities for each sector).

c) Working approach:

- + Divide into working groups. Each group has 12-15 members, half customs officers and half forest protection officers. Open discussions in each group. There should be customs officers and forest protection officers from the same district/province/city in the same group.
- + Each group appoints one customs officer and one forest protection officer to record the discussion and appoint one representative to present the discussion results related to customs and one to present those related to forest protection.

Presentation time for each group should not exceed 5 minutes.

Group discussion time: no more than 15 minutes.

Exercise 4: Discussion

Situation:

According to the Vietnam Customs Newspaper, on 19 August 2020, the Southern Anti-Smuggling Control Team (Team 3) - Anti-smuggling Investigation Department - GDVC coordinated with Ho Chi Minh City Customs Department and Dong Nai Customs Department to examine 60 containers suspected of African Padouk imported into Viet Nam through Cat Lai port in Ho Chi Minh City.

Initial search results show that timber in these containers has been preliminarily processed and cut into bars with a total volume of more than 1,000 m³. The value of the shipment is estimated at more than VND 20 billion.

According to the initial assessment by the agency in charge, it is likely that this is West African Padouk (*Pterocarpus erinaceus*). This wood is listed in Appendix II of CITES issued with Circular No. 04/2017/TT-BNNPTNT dated 24 February 2017 by the Ministry of Agriculture and Rural Development and Notice No. 296/TB-CTVN-HTQT dated 27 November 2019 by Vietnam CITES Management Authority – Ministry of Agriculture and Rural Development (waiting for the conclusion from the examination authority).

All the timber was transported from Cat Lai port - Ho Chi Minh City to Tan Cang Long Binh ICD customs area for inspection, storage and preservation while waiting for the next processing results. The authorities are speeding up the search for all 60 precious timber containers.

Discussion questions:

1. Using the theory provided and existing customs procedures, please discuss and write down the next activity to handle this case.

In which of the processes/procedures that your group has discussed can customs and forest protection officers work together?

PART 3: WOOD IDENTIFICATION AND SPECIES RISK

3.1. Risks in wood name declaration when exporting and importing timber and wood products

3.1.1. Background of wood species name

Common name/local name: Name in a country or a locality within a country or territory for a wood species, usually the woods naturally grown or have long been introduced and planted there. Since each country and region can have different names, a wood species usually has one or more local names. There may be one local name for several species of wood with similar characteristics, or multiple local names for one species of wood. Local names can be short, long, single-syllable or multi-syllable.

Trade name: Derived from one or more local names, or names used by sellers and buyers in trade, and has become a trade name for that wood. Trade names share all the same characteristics as the above-mentioned local names.

Scientific name: The first name given to a species and recognised worldwide. Each wood species has only one accepted scientific name at a time. A basic scientific name consists of 3 parts:

- Botanical genus name: first
- Species name: second
- Author's name: third

The scientific name of a plant species is usually written in italics in the first two parts (genus name and species name) and in ordinary style in the third part. Scientific names can be written briefly, using only the first two parts; name of the plant genus and name of the species, without the author's name.

Scientific name synonym: A scientific name given to a species but later found that it coincides with a previously recognised species, so it becomes a synonym. Thus, a species may or may not have one or more scientific name synonym.

PALISSANDRE PARA (DALBERGIA SPRUCEANA)

TRADE NAME

Palissandre para

SCIENTIFIC NAME

Dalbergia spruceana (Benth.) Benth.

FAMILY

LEGUMINOSAE

COMMON NAMES

Saboarana (Brazil); Jacarandá-Pedra (Brazil); Jacarandá-Da-Caatinga (Brazil); Jacamin (Brazil)

SCIENTIFIC NAME SYNONYMS

Miscolobium spruceanum Benth.; Amerimnon spruceanum (Benth.) Kuntze

Cyprus Oak	<i>Quercus infectoria</i>
Algerian Oak	<i>Quercus canariensis</i>
Holy Oak	<i>Quercus baloot</i>
Look Oak	<i>Quercus look</i>
Holm Oak	<i>Quercus ilex</i>
Canyon Oak	<i>Quercus chrysolepis</i>
Oregon White Oak	<i>Quercus garryana</i>
Bluff Oak	<i>Quercus austrina</i>
Post Oak	<i>Quercus stellata</i>
Palmer Oak	<i>Quercus palmeri</i>
Sadler's Oak	<i>Quercus sadleriana</i>
Shinnery Oak	<i>Quercus havardii</i>
Sandpaper Oak	<i>Quercus pungens</i>
Caucasian oak	<i>Quercus macranthera</i>
Gambel Oak	<i>Quercus gambelii</i>

Figure 24: Example of species names

Figure 24 shows: left - Common name, trade name, scientific name, synonym of a wood species in the genus *Trác* (*Dalbergia*); right - Common name "Oak" (Sồi) is used for many different species.

A species can have many different local names, trade names, and synonyms. At the same time, a common name or trade name may be used for many different species.

3.1.2. Supplementary documents when declaring the import of timber listed in the CITES Appendices

In the case of timber listed in the CITES Appendixes, these supplementary documents are needed:

- A copy of the CITES export or re-export permit issued by the CITES Management Authority of the exporting or re-exporting country; and
- A copy of the CITES import permit issued by the CITES Management Authority of Vietnam.

3.1.3. Common mistake wood name declaration

- Spelling mistake in scientific name. Example:

Gỗ Cherry xẻ sậy 4/4" 2KD (Cherry Lumber), tên khoa học *Brunus* sp., gỗ nhóm 6.
Đơn giá hàng hóa: 440 USD

Correct entry: Cherry wood (Scientific name: *Prunus* sp.).

Gỗ cầm Bubinga (*Buiboartra Demeusei*) tròn đường kính 179,5cm đến 190cm dài 2,5m, hàng không nằm trong danh mục Ctes

Correct entry: Bubinga wood (Scientific name: *Guibourtia demeusei*).

- Trade name mistake. Example:

Gỗ tròn DALBERGIA RETUSA. (Tên khoa học : COCOBOLO) dài :(1.0 - 3.0) m, đường kính: (11- 50)cm#&SV

Correct entry: Cocobolo round logs (Scientific name: *Dalbergia retusa*).

- Mismatching of trade names and scientific names. Example:

Gỗ Lim Okan tròn TALI ROUND LOGS-Hàng không nằm trong danh mục Cites (Gỗ nhóm 2) (Tên khoa học: *Erythrophleum gabunense*) Kích thước:Dài 6-12m, đường kính:70+cm

Correct entry: Okan round logs (Scientific name: *Cylicodiscus gabunensis*).

In this example the wood is declared in two different trade names (okan and tali) and a synonym of okan wood.

- Declare wrong wood name. Example:

Doussie wood (*Azelia africana*) declared for the shipment of Kosso (Ven) (*Pterocarpus erinaceus*) which is listed in the CITES Appendix II.

3.1.4. Solutions to reduce risks in declaration (for enterprises and for regulators)

- Check for spelling mistake of scientific names:

Access www.theplantlist.org or www.google.com

- Check for trade name against scientific name:

Access www.wood-database.com; www.prota4u.org/database/ ; www.itto.int/

- Check for high-risk species and species previously imported into Vietnam at www.kiendlam.org.vn
- Provide training for officers directly inspecting timber and timber products, develop materials and guidelines for distinguish high-risk timber products.
- Consult technical agencies when unable to check for information or request examinations when necessary.

3.2. Methods in wood identification

3.2.1. Wood identification by DNA barcodes analysis

Method: Extract DNA from samples, sequence genes and compare with existing gene banks.

Advantages:

- Similar genetic analysis method as for animals.
- The most advanced method.
- Most accurate results.
- Enable origin identification.

Disadvantages:

- Requires modern and costly equipment.

- Long implementing time especially from dry wood samples.
- Plant gene bank database is under construction.

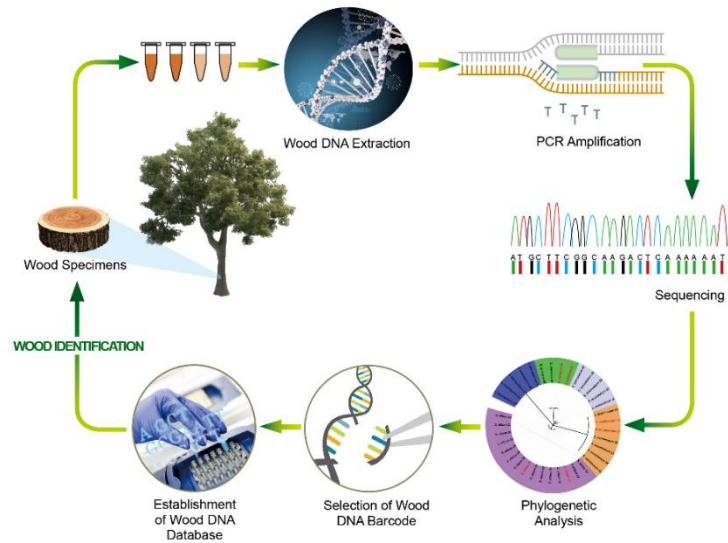


Figure 25: The extraction of DNA from wood and leaves performed in the same laboratory as animals
Imagine source: Internet

3.2.2. Wood identification by chemical analysis

Method: Extract the chemical components present in the wood sample, identify and compare the spectrum with the data bank.

Advantages:

- Quick analysis (about 10 minutes).
- Highly accurate results.
- Easy-to-use device.

Disadvantages:

- High equipment cost, expensive chemicals.
- Database under construction.

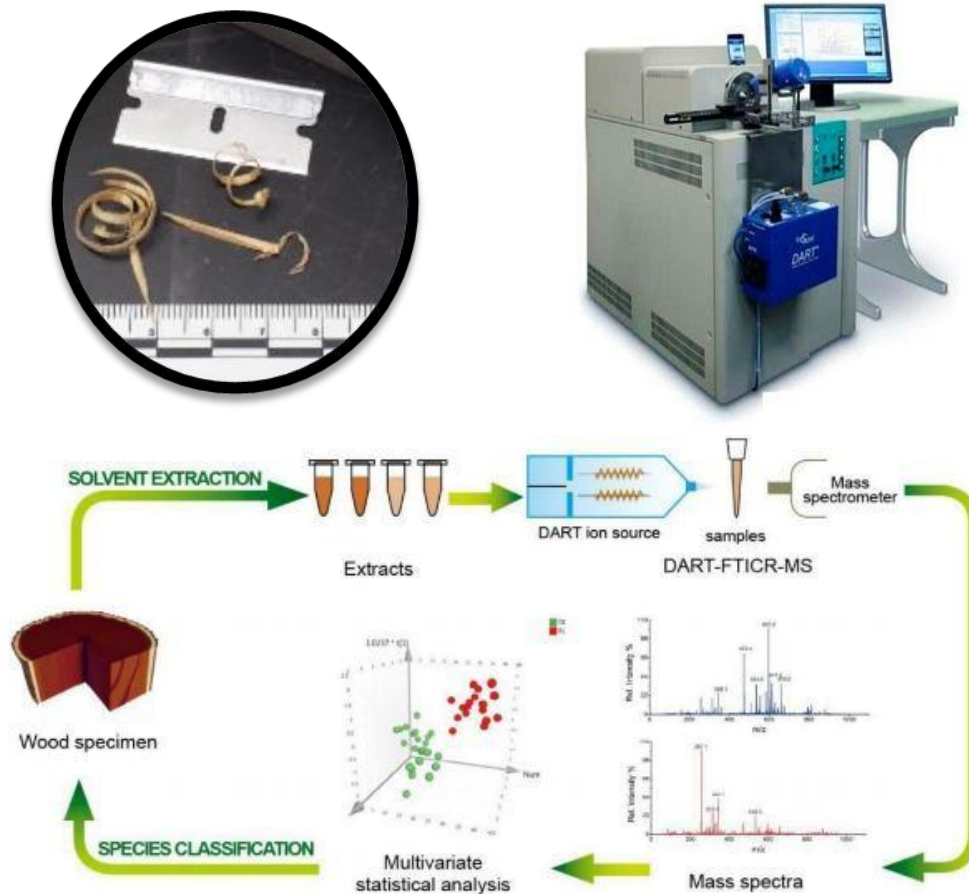


Figure 26: Category 2 Wood samples taken in a small sample, put into machine to extract chemicals
Imagine source: Internet

3.2.3. Wood identification by image method using artificial intelligence

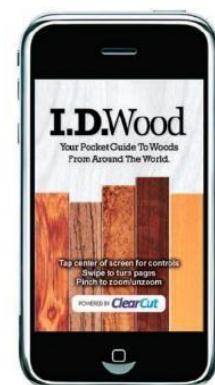
Method: Create flat cross-sections, take pictures and use software to analyse and compare with the database.

Advantages:

- Quick analysis (about 5-10 seconds).
- Simple device, easy to use.

Disadvantages:

- High cost of software and database.
- Relatively accurate results.
- Database under construction.



- Requires a large number of images for one species, at many positions in the tree.

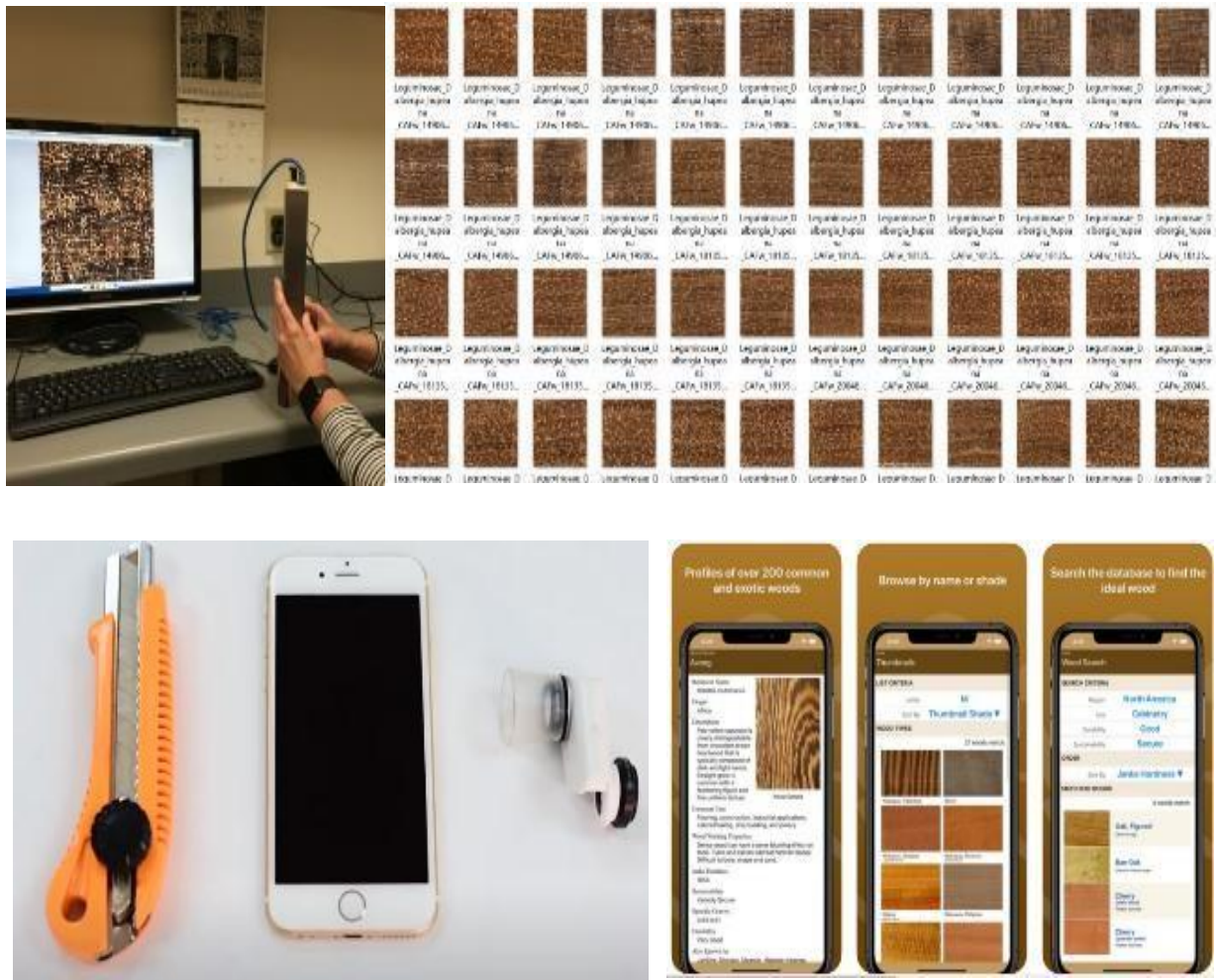


Figure 27: Wood's rough structure in the cross section (mainly)

Tangential and radial sections are put into the storage system and compared with the wood species to be examined using specialised equipment or mobile phones.

3.2.4. Wood identification by studying wood structure



Figure 28: Wood samples thinly sliced

Macroscopic and microscopic features of wood are described using microscope and compared with the database for identification.

Method: Determination of wood structure features by the naked eye, hand-held magnifier and microscope. Describe these features and compare them with a database of wood species or collection of wood specimens.

Advantages:

- Relatively quick (with the naked eye and hand-held magnifying glass: ~10-15 minutes); slow (with microscope: ~2-3 days).
- Simple, easy-to-use instrument (with the naked eye and hand-held magnifier), more complicated (with microscopy method).

Disadvantages:

- Requires practitioner to have in-depth knowledge and practical experience.
- Relatively accurate results (with naked eye and hand-held magnifier).
- Wood specimen used for comparison.

3.3. Basic knowledge in wood assessment by macroscopic structural features

3.3.1. Key concepts and terms in wood identification

- Softwood:

Wood of gymnosperms or conifers (most species of this group have needle-shaped leaves). Gymnosperm wood has no vessels.

- Hardwood:

Wood of angiosperms, also known as broadleaf (most species of this group have broad leaves). Most angiosperms wood have vessels, except for a few species of small trees or shrubs in the family of Chloranthaceae, Trochodendraceae, and Winteraceae.

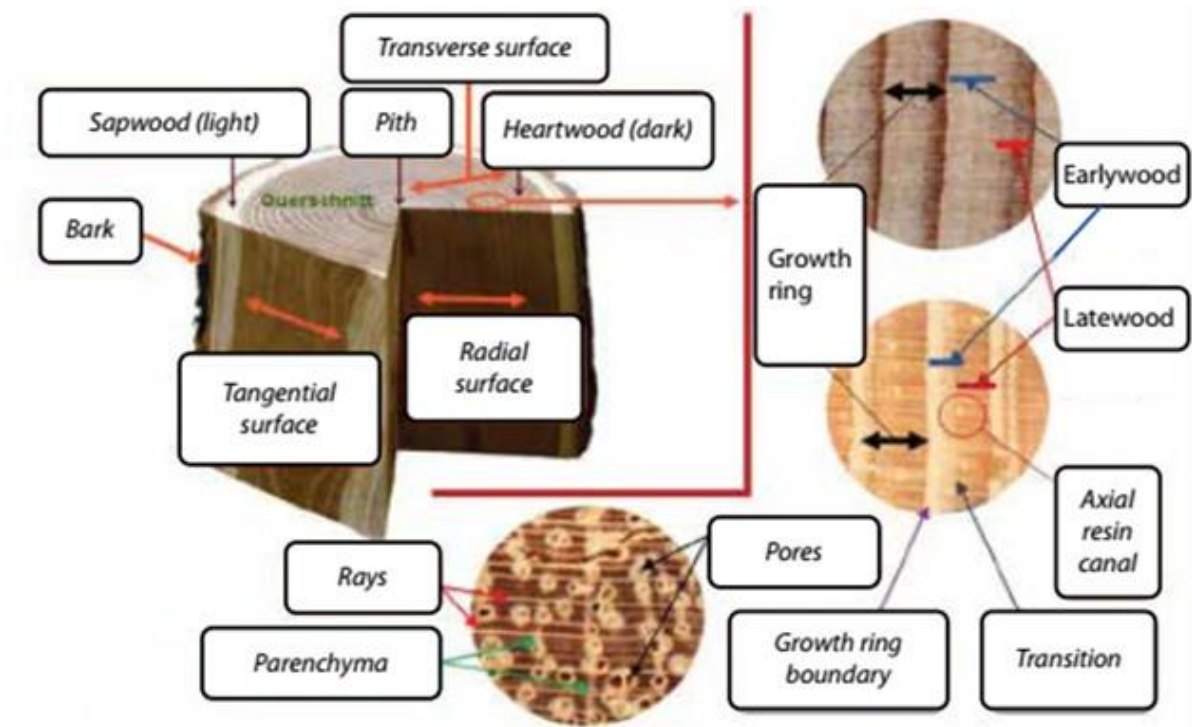


Figure 29: Structural features of wood observed on the cross-sections

- **Transverse surface:**

The plane of the slice perpendicular to the longitudinal axis of the trunk or grain.

- **Tangential surface:**

The plane of the slice parallel to the grain or trunk longitudinal axis and tangent to the growth ring.

- **Radial surface:**

The plane of the slice parallel to the grain or trunk longitudinal axis and in diameter crossing the heartwood.

- **Sapwood and heartwood:**

On the trunk cross-section of many woods, the sapwood is usually lighter in colour than the heartwood in the centre of the trunk.

- **Annual ring:**

Wooden layer formed by a plant's phylogeny during a year.

- **Growth ring:**

Wooden layer formed by a plant's phylogeny during a growth period.

(In some cases, growth rings are also annual rings when the plant's growth period is one year).

- **Growth ring boundaries:**

Intersection of wood from two consecutive periods seasons.

- **Woody grain:**

Created from the arrangement of wood cells. If vertical splitting along the radial direction is

easy and the split surface is relatively flat, the wood is considered straight grained. On the contrary, if vertical splitting is difficult and the split surface is wavy, the wood is considered wavy grained.

- **Wood colour:**

Colour of new air-dried, sawn wood when observed with the naked eye under natural light.

- **Wood odour:**

The smell of new air-dried sawn wood typical of the species. *Pterocarpus macrocarpus*, *Dalbergia tonkinensis* and species in the genus *Cinnamomum*, *Cupressus*, etc., have distinct odour.

- **Wood weight and hardness:**

Air-dried wood density of less than 0.48 g/cm³ for softwood and less than 0.65 g/cm³ for hardwood are classified as light and soft wood. Those with density from 0.48 to 0.60 g/cm³ for softwood and from 0.65 to 0.85 g/cm³ for hardwood are classified as medium hard and heavy wood. Those with density greater than 0.60 g/cm³ for softwood and greater than 0.85 g/cm³ for hardwood are classified as heavy and hard wood.

(In wood identification, if without modern tools to determine wood density, officers may press the wood with a fingernail. If the wood has a deep indentation, it is considered soft and light. If it is difficult to press with almost no dents, the wood is considered hard and heavy).

- **Colour streaks:**

Dark streaks that create a pattern on the wood (often darker than the surrounding wood) on the tangential section, commonly found in timber of some species of the genus *Dalbergia*.

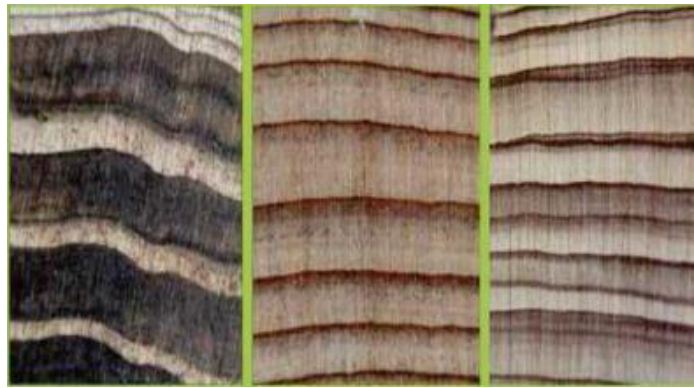


Figure 30: Black streaks on the tangential surface of *Dalbergia cochinchinensis* (Source: Traffic, 2019)

- Earlywood and latewood:

Earlywood: The wood produced at the beginning of the growth season in each growth ring or annual ring. Earlywood often has large cells, thin walls, light colour, is light, soft and has less strength properties than latewood.

Latewood: The wood produced near the end of the growth season in each growth ring or annual ring. Latewood often has small size cells, thick wall, dark colour, is heavy, hard and has better strength properties than earlywood.



Abrupt transition in Chinese swamp cypress (*G. pensilis*)

Gradual transition in Fujian cypress (*F. hodginsii*)

Transition abrupt and gradual in Taiwan cunninghamia (*C. konishii*)

- Earlywood-latewood transition:

During a growth ring, when the boundary between early and late wood is distinctly different in colour, it is called abrupt transition.

When this boundary is difficult to define or not clear, it is called gradual transition.

Figure 31: Examples of transition
(Source: TRAFFIC, 2019)

- Axial resin canals:

This feature is mainly found in softwood. Axial resin canals are run along the trunk, like some species of the genus Pinus.

- Woodgrain contrast:

This is a feature of softwood. The sharpness difference in early and latewood colours. If the colour difference of early and latewood in a growth ring is not sharp but monotonous and gradual, it is considered low grain contrast. If the early and latewood colours are very different, it is known as high grain contrast.

- Axial parenchyma:

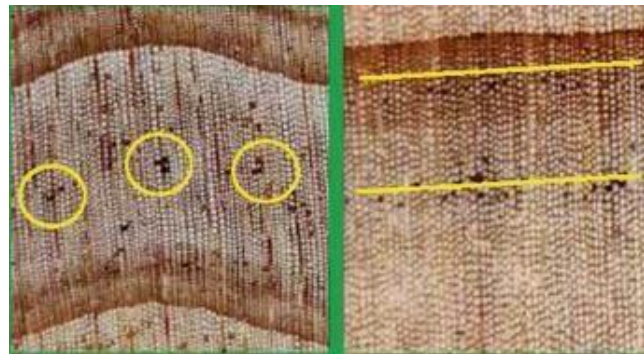
Parenchyma is the cellular organism that stores nutrients while the plant is alive.

In softwood, axial parenchyma is very rare, even absent in many species. Axial parenchyma can be seen with a magnifier as it contains a coloured deposit, usually reddish brown. Depending on its arrangement, axial parenchyma is divided into:

+ Axial parenchyma scattered in annual rings.

+ Axial parenchyma aggregates into rings parallel to annual rings.

In hardwood, axial parenchyma is much more abundant and diversely arranged, creating distinct structural features (terms from 24 to 36 in the description sheet).



- **Vessels and pore:**

Vessels: Organisation of thick-walled, tubular cells connected to form long, continuous tubes along the stem. The arrangement of the wood vessel varies according to the species.

Pore: Round, oval or polygonal holes of vessels shown in transverse surface (Cross-sectional shape of wood vessels).

Diffuse axial parenchyma in growth ring zone (*X. vietnamensis*)

Zonate Axial parenchyma (black dots) in a ring parallel to the growth rings (*F.hodginsii*)

Figure 32: Examples of parenchyma (Source: TRAFFIC, 2019)

In the description of wood structure, "wood vessel" is often used interchangeably with pore.

• **Small pore:**

Pore is considered small when it is very difficult to see clearly with the naked eye in transverse surfaces.

• **Wood ring-porous:**

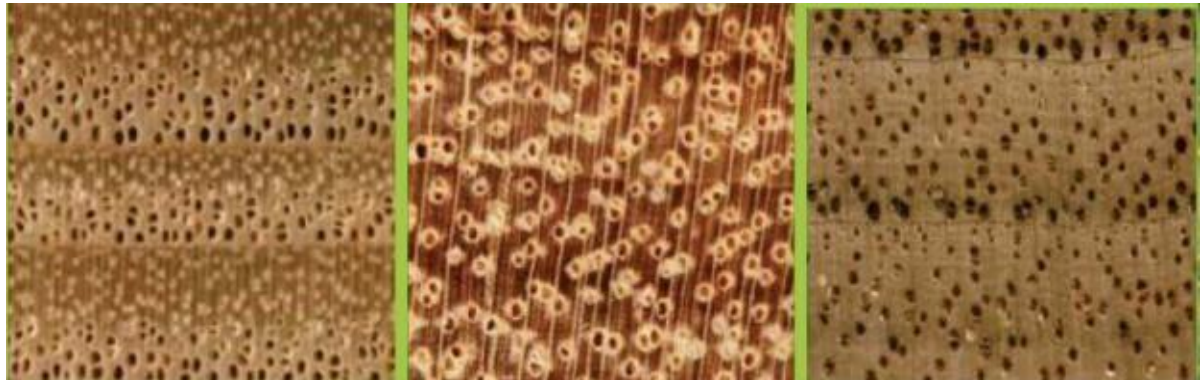
In an annual ring, early wood vessel has a larger diameter than that in late wood. Early wood vessels are in rings, and the vessel diameters change abruptly between early wood and late wood.

• **Wood diffuse-porous:**

Wood vessels having similar diameters in an annual ring.

• **Wood semi-ring-porous:**

Early wood vessels are larger than late wood annual rings, but the decrease is gradual. Or the wood has clear annual rings and early wood vessels, and late wood vessels are not much different. This is an intermediate form between ring porous and diffuse-porous.



Ring-porous European Ash (*Fraxinus excelsior*)

Diffuse-porous Dinh (*Markhamia stipulata*)

Semi-ring-porous Butternut wood (*Juglans cinerea*)

Figure 33: Porous examples

(Source: TRAFFIC, 2019)

• **Solitary vessels:**

On the transverse surface, each pore stands alone.

• **Vessels exclusively solitary:**

When 90% or more of pores are solitary.

• **Vessels in radial multiples less than four:**

Two or three adjacent pores sharing a middle wall. On the transverse surface, multiple pores are similar to solitary porous with several segments arranged radially.

- Vessels in radial multiples of four or more:

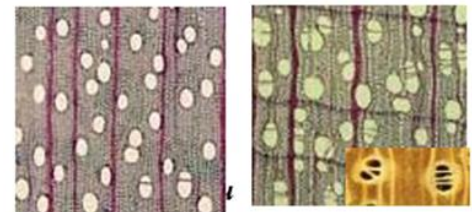
More than four adjacent pores sharing a middle wall:

- Vessels in diagonal and/or radial pattern.
- Vessels in tangential or wavy bands.
- Vessels in clusters.

Pores are bordered by other pores on both the radial and tangential directions.

• **Vessel with two distinct diameter sizes, wood not ring-porous.**

(Source: TRAFFIC, 2019)



Solitary vessel

multiple vessel

Source: Reference material 6

Source: Reference material 6



Solitary and multiple vessels in Ironwood (*E. fordii*). Source: Reference material 7

Figure 34: Examples of vessels

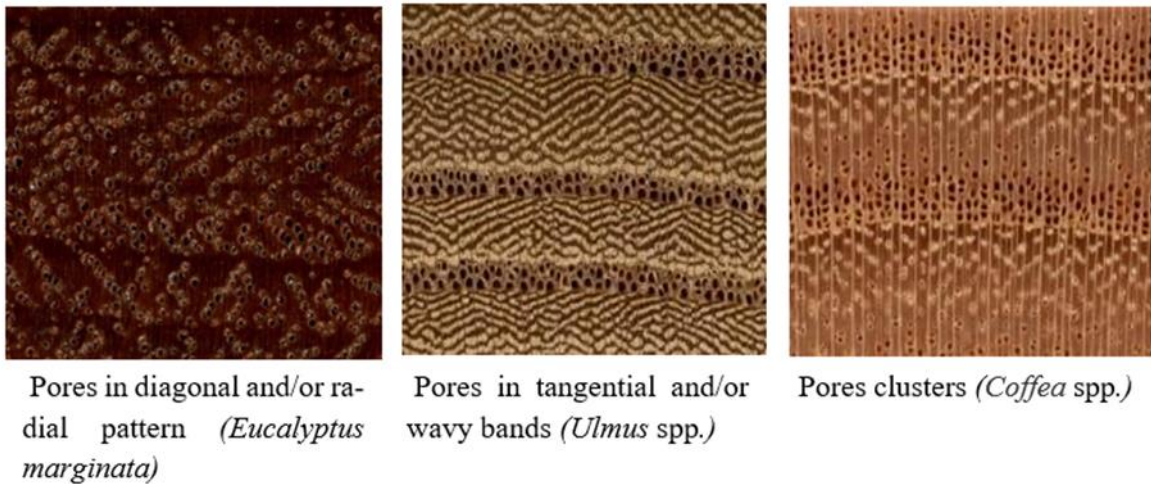


Figure 35: Examples of pores

(Source: TRAFFIC, 2019)

Tyloses:

Tyloses are bubble-like structures that grow into open vessels, and in some cases, completely stop-up the vessels of the heartwood.

- **Deposits in heartwood vessels:**

Vessels are filled with coloured gums, resins, or other deposits, which are commonly white, yellow, reddish-brown, or black.

- **Axial parenchyma vasicentric:**

Parenchyma cells forming a complete circular to oval sheath around a solitary vessel or vessel multiple.

- **Axial parenchyma lozenge-aliform:**

Parenchyma surrounding or to one side of the vessels with lateral extensions forming a diamond-shaped outline

Axial parenchyma aliform

Parenchyma surrounding or to one side of the vessel and with lateral extensions as short wing

Confluent parenchyma aliform

Parenchyma surrounding or to one side of the vessel and with lateral extensions as long wing

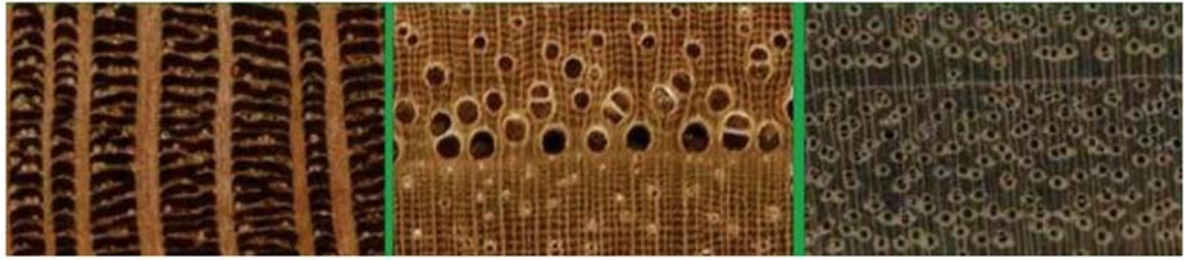
Axial parenchyma winged- aliform



Figure 36: Tyloses in wood vessels (*Robinia pseudoacacia*)



Figure 37: Deposits in wood vessels (*Millettia stuhlmannii*)



Scalariform parenchyma
(*Flindersia maculosa*).

Reticulate parenchyma (*Carya cordiformis*).

- Parenchyma in marginal bands (*Guibourtia ehie*).

Parenchyma band larger than ray width

Parenchyma band larger than pore diameter



Parenchyma band larger than ray width



Parenchyma band larger than or the same with pore diameter

Figure 40: Parenchyma examples
(Source: TRAFFIC, 2019)

- Ray:

The organisation of cells that channels nutrients between the pith, the sapwood and the cambium. On the transverse surface, rays appear as more-or-less straight, evenly spaced radial (vertical) lines.



Rays stored on tangential section.
(*Erythrophleum fordii*)



Rays of different sizes (*Quercus rubra*).

Figure 41: Examples of rays
(Source: TRAFFIC, 2019)

- On the tangential surface, the rays tend to be aligned in horizontal or diagonal tiers.
- Rays of two distinct sizes.

On the transverse surface, rays differ in width. On the tangential surface, there is a distinct difference in the width and height of the rays.

- The rays' width is greater than or equal to pore width.
- Ray colour is the same as the wood surface colour.

- Included phloem.

Phloem strands in tangential bands alternating with zones of xylem and/or conjunctive tissue such as in *Aquilaria crassna*.



Figure 42: Included Phloem

Source: Internet

3.3.2. Description sheet

The description sheet is used to record structural features of wood observed with a magnifier or microscope. As suggested by the International Association of Wood Anatomists, macroscopic structural features, microscopic structure and other information are used to identify wood species and build a database of 124 entries for softwood and 221 entries for hardwood. For quick identification of some common commercial woods with the naked eye and a hand-held magnifier, we recommend 13 entries for softwood and 45 entries for hardwood. These are important and recognisable features that do not require cell size verification. Description sheets for softwood and hardwood are prepared separately.

Softwood description sheet form

No.	Features	Yes
1	<i>Sapwood and heartwood are distinct in colour</i>	
2	<i>Growth rings distinct</i>	
3	<i>Heartwood light yellow</i>	
4	<i>Heartwood brown - pink reddish</i>	
5	<i>Heartwood dark gray</i>	
6	<i>Odour of wood distinct</i>	
7	<i>Wood light and soft</i>	
8	<i>Transition from earlywood to latewood abrupt</i>	
9	<i>Transition from earlywood to latewood gradual</i>	
10	<i>Axial resin canals</i>	
11	<i>Contrasting grain</i>	
12	<i>Axial parenchyma diffuse</i>	
13	<i>Axial parenchyma aggregated into rings parallel to growth rings.</i>	

Hardwood description form

No.	Structural feature	Y	No.	Structural feature	Y
	General feature			Axial Parenchyma	
1	Sapwood colour distinct from heartwood colour		24	Axial parenchyma vasicentric	
2	Heartwood bright yellow		25	Axial parenchyma lozenge-aliform	
3	Heartwood pink-brown red		26	Axial parenchyma aliform	
4	Heartwood gray-black		27	Axial parenchyma long-aliform	
5	Growth ring distinct		28	Axial parenchyma winged-aliform	
6	Colour streaks		29	Axial parenchyma unilateral paratracheal	
7	Odour of wood distinct		30	Confluent tangential parenchyma band	
8	Wood grain deflected		31	Disconfluent tangential parenchyma band	
	Vessels		32	Axial parenchyma scalariform	
9	Ring-porous wood		33	Axial parenchyma reticulate	
10	Semi-ring-porous wood		34	Axial parenchyma in marginal or in seemingly marginal bands	
11	Diffuse-porous wood			Parenchyma band larger than ray	

			35	
12	Vessels in radial multiples less than 4		36	Parenchyma band larger than pores
13	Vessels in radial multiples more than 4			Ray
14	Vessels in diagonal and/or radial patterns		37	All rays storied
15	Vessels in tangential or/ and wavy bands		38	Rays of two distinct sizes
16	Vessels clusters		39	Width of ray larger than vessel lumina
17	Vessels solitary		40	Colour of ray similar to wood colour
18	Vessels exclusively solitary			Other features
19	Small pores		41	Included phloem
20	Vessels of two distinct diameter classes. Wood is not ring-porous		42	Wood hard and heavy
21	Tyloses		43	Wood medium hard and heavy
22	White substance deposit in heartwood vessels		44	Wood light and soft
23	Dark substance deposit in heartwood vessels		45	Axial resin canals present

The colour, odour or any other feature of the wood observable with the naked eye and hand-held magnifiers should be noted.

3.3.3. Wood sampling and identification

Step 1: Sampling

A. Wood sampling not limited to dimension (usually from logs or large sawn wood).

- No sampling from defect wood positions (knots, rotten fungi, termites, grain disorder, crushed wood).
- The larger the sample dimensions, the better (cross section). Usually, 5 cm x 5 cm and 5-10 cm lengthwise.
- Sampling at different locations, on different logs and boards (if possible).
- The sample shall not be crushed.
 - If there is sapwood, it is necessary to obtain both sapwood and heartwood.

- Mark the sample or package.

- Note:

+ It is necessary to observe and record other features such as resin slicks on wood top, resin colour, whether the sap is hard or soft, sapwood colour, whether it is rotten or not, etc.

+ Wood odour when freshly cut.

B. Limited wood sampling procedures (usually applied to wood products or especially rare and small dimension specimens)

Note when sampling:

+ Sampling from wood products:

Usually very small specimens to avoid affecting product quality, taken at the least affected locations such as the rear, bottom, and hidden corners.

+ Specimens should be thin, small slices on cross section, tangential section and radial section (or at least cross and tangential sections). They are usually taken by experienced examiners and technicians. Take photos of sampled locations. Suitable zoom lenses are recommended.

Step 2: Creating cross section

Cut with a saw, create two planes perpendicular to the wood grain towards the two ends of the specimen.

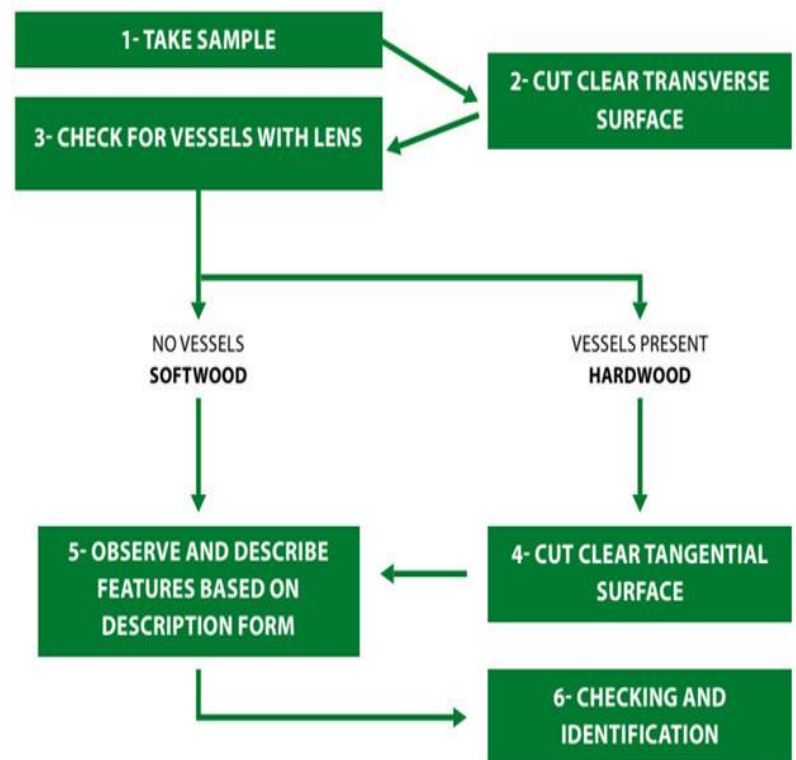


Figure 43: Wood sampling and identification

(Source: TRAFFIC, 2019)

Use a sharp knife to smooth and flatten the newly created surface on the specimen. Should smooth in different positions.

Step 3: Observing and checking for the presence of vessels

Use the naked eye and a hand-held magnifier to examine the vessels. If no vessels are found, move to step 5 as the rays of softwood are usually very small and difficult to see. If there are vessels, move to step 4.

Step 4: Creating a tangential surface

Use a sharp knife to create a plane parallel to annual rings and perpendicular to rays. Should create several planes for observation.

Step 5: Observing and describing wood features

- Use the correct description form for softwood and hardwood.
- Observe the wood specimen with the naked eye and a hand-held magnifier under sufficient normal light to describe wood features.
- Observe the features recorded on the specimen in order, avoid missing features. Tick the description form when identifying the features that are present.

Note:

- + Wet specimens are often more difficult to observe than dry specimens; therefore, customs need to wait for the specimen to dry.
- + If there are parenchyma and small wood rays which are difficult to observe, it is necessary to wet the viewing surface for better vision.
- + If you need to check for wood door, make several thin slices lengthwise before smelling.

Step 6: Inspecting and identifying wood

- Use the lookup keys to look up based on the features in the description form and the features and lookup keys in databases such as Atlas, monographs, and websites, e.g. <http://www.wood-database.com/>, <https://insidewood.lib.ncsu.edu/>.
- Compare the description form with existing documents, compare the specimen to be identified with the standard specimen.
- Verify the features under suspicion.

Note:

Some woods have typical odour and colours, such as Pine, Padouk, and Rosewood. If familiar already, you can immediately compare with the respective description database.

3.3.4. Identification of softwood and hardwood

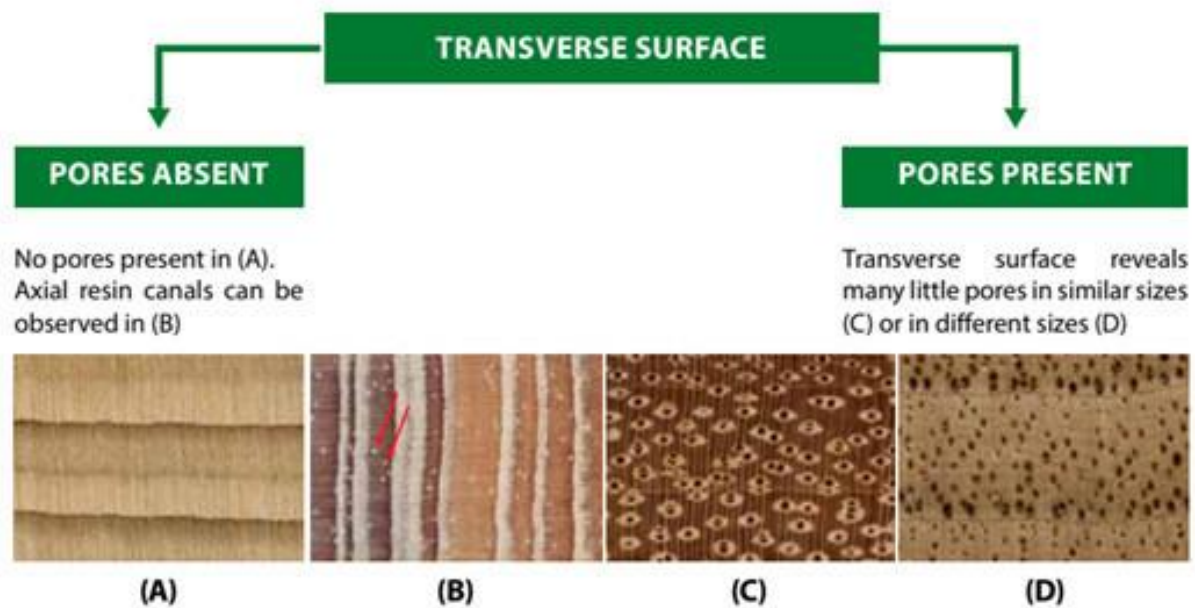


Figure 44: Examples of softwood (A,B) and hardwood (C,D)

3.3.5. Some features to note for high-risk species

The species listed in the CITES Appendices list and the list of rare and precious woods have some noteworthy features as follows:

- Colour: Sapwood and heartwood differ in colour. Heartwood is usually red-brown, yellow-brown, red-black (Padouk, Yew, Rosewood, Mahogany, etc.), black (Ebony, Rosewood, African Teak, Iron-wood, Agarwood, etc.), green (Palo Santo), and rose-brown (Bubinga).
- Hardness and weight: Hardwood, medium weight or heavy wood; most are very hard and very heavy (Padouk, Ebony, African Teak, Iron-wood, Palo Santo, and Rosewood, etc.).
- Odour: Typical fragrance usually mild to strong aroma (Padouk, Cypress, Pine, Yew, Fir, Palo Santo, etc.)
- Grain: Usually beautiful grain (Rosewood, Padouk, Cypress, Palo Santo, etc.)
- Fineness: High fineness, often small vessels, difficult to see with the naked eye.

3.4. Exercise

3.4.1. Short exercise

Exercise 1: Identify declaration errors of timber names in the following cases and correct them.

Expected output: Participants can recognise common errors and correct them.

Gỗ sảng lè xè (Lager Stroemia tomentosa Presl)

Gỗ bằng lãng tía xè N.3 (Tên KH: Lagers troemia loudong taijm)

Answer:

Gỗ óc chó xè. Tên khoa học: Kiln dried lumber

Gỗ thích (gỗ xè) (Pacific Coast Alder) (8-10 feet*4-9 inch*1 inch) (Tên khoa học: Kiln dried lumber)

Answer:

Exercise 2: Wood identification using phone application

Requirements: Use the wood specimen and a phone with the trial application for specimen identification. Application is available to download for free.

Xylorix Inspector (Android): <http://bit.ly/2Qs3z49>

Xylorix Inspector (iOS): <https://apple.co/2TUCC9G>

Expected output: Participants know how to use a device and the application. Required tools and devices:

- Phone with application installed
- 24x lens
- Cutter
- Wood specimen:

Wood specimen No. 1:

Wood specimen No. 2:

Exercise 3: Identify features that are easy to observe with the naked eye and magnifiers

Requirements: Look at the photos below and describe what features you can identify.

Expected output: Participants are able to identify at least three features in each photo.

Answer:



Figure 45: Exercise 3 photos

3.4.2. Long exercise

Requirements: Describe and record the identified features in the description form and match them with the right species name in the attached document.

Required tools and devices:

- Magnifier 30x, 60x
- Cutter
- Description form
- Database to look up information
- Five species of wood and some specimens to practice on

Expected output: Each group of participants is able to identify *at least three species* from five specimens, No. 1-No. 5.

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APPENDIX: DESCRIPTION SHEET FOR TEN HIGH-RISK SPECIES COMMONLY IMPORTED AND EASILY CONFUSED

1. Ven (Kosso wood)

Trade name:	Ven, Vene, Barwood, Goni, Pau sangue, Kosso
Scientific name:	<i>Pterocarpus erinaceus</i> Poir.
CITES:	Appendix II
Import:	Official and smuggling



Figure 46: Examples of Ven (Kosso wood)

Sapwood and heartwood are distinct; sapwood is ivory-white to yellow-beige, and heartwood is gravy-brown to pink-gravy. Annual rings are relatively clear; there are colour streaks in the grain. Fresh wood has a slightly sour smell; dry wood has a slight fragrance. Vessels are solitary and short multiples, diffuse; sometimes white deposits are encountered in vessels. Uneven axial parenchyma, confluent and lozenge-aliform. Continuous and discontinuous tangential parenchyma band. Storied rays of the same colour as wood surface. Hard and medium-heavy wood

Notes: If chopped and soaked for over 24 hours, the water is bluish (colour of methylene).
Lookup keys in the description form: 1, 4, 5, 6, 7, 11, 12, (22), 25, 26, 29, 30, 31, 37, 40, 43.

2. African Padauk (Padouk)

Trade name:	Padouk d`Afrique, African Padauk, Vermillion, African coral wood
Scientific name:	<i>Pterocarpus soyauxii</i> Taub.
CITES:	No
Import:	Official



Figure 47: Examples of African Padauk (Padouk)

Sapwood and heartwood are distinct; sapwood is ivory-white to yellow-beige; heartwood is reddish-brown to pink-brown. Annual rings are relatively clear; there are colour streaks in the grain. Light fragrance typical of Padouk. Vessels are solitary and short multiples, diffuse. Sometimes exclusively solitary vessels. Uneven axial parenchyma, confluent and lozenge-aliform. Continuous and discontinuous tangential parenchyma bands. Storied rays of the same colour as wood surface. Soft and light wood.

Note: Bright red sawdust.

Lookup key in the description form: 1, 3, 5, 6, 7, 11, 12, 18, 25, 26, 28, 29, 30, 31, 37, 40, 44.

3. Muminga (Angola Padouk)

Trade name:	Muninga, Kiaat, Mukwa, African bloodwood, Girassonde, Umbila
Scientific name:	<i>Pterocarpus angolensis</i> DC.
CITES:	No
Import:	Official



Figure 48: Examples of Muminga (Angola Padouk)

Sapwood and heartwood are distinct; sapwood is ivory-white to yellow-beige, and heartwood is gravy-brown to pink-gravy. Annual rings are relatively clear; there are colour streaks in the grain. Light fragrance typical of Padouk. Vessels are solitary and short multiples, diffuse. Sometimes exclusively solitary vessels. Uneven axial parenchyma, confluent and lozenge-

aliform. Discontinuous tangential parenchyma bands. Storied rays of the same colour as wood surface. Hard and medium-heavy wood.

Notes: if chopped and soaked for over 24 hours, the water is bluish (colour of methylene). Look up keys in the description form: 1, 4, 5, 6, 7, 10, 12, (18), 26, 28, 29, 31, 37, 40, 43.

4. African blackwood

Trade name:	African blackwood, Mpingo (Swahili), African grenadillo, African ironwood, Senegal ebony
Scientific name:	<i>Dalbergia melanoxylon</i> Guille. et Perr.
CITES:	Appendix II
Import:	Smuggling



Figure 49: Examples of African blackwood

The sapwood and heartwood are distinct; the sapwood is yellow beige; the heartwood is black brown to black. Relatively sour odour. Wood semi-ring-porous, vessels are solitary and short multiples; sometimes exclusively solitary vessels; dark deposits in pore. Uneven axial parenchyma, continuous and discontinuous tangential parenchyma bands combined with wood rays to be reticular. Storied rays, brighter in colour than wood surface. Hard and heavy wood.

Lookup key in the description form: 1, 4, 7, 10, 12, (18), 23, 29, 30, 31, 37, 42.

Note: Wood colour, grain and outer appearance almost similar to Ebony.

5. Tali

Trade name:	Tali, Ordeal tree, Sasswood tree
Scientific name:	<i>Erythrophleum suaveolens</i> Brenan and <i>Erythrophleum ivorense</i> A. Chev.
CITES:	No
Import:	Official



Figure 50: Examples of Tali

Sapwood and heartwood are distinct; sapwood is yellow-white to yellow-beige; heartwood is reddish-brown to gravy-brown. Relatively pungent odour. Vessels are solitary and short multiples, diffuse; sometimes exclusively solitary vessels; white to dark deposits pore. Uneven axial parenchyma, confluent and lozenge-aliform, sometimes winged-aliform. Sometimes storied rays, brighter in colour than wood surface. Hard and heavy wood.

Lookup key in the description form: 1, 4, 7, 11, 12, (18), (22), (23), 24, 25, (26), 29, (37), 42.

6. Okan

Trade name:	Okan, Edoum, Oduma, Bokoka, Adoum, Adadua, Benya
Scientific name:	<i>Cylicodiscus gabunensis</i> Harms.
CITES:	No
Import:	Official



Figure 51: Examples of Okan

Sapwood and heartwood are distinct; sapwood is yellow-white to ivory white; heartwood is yellow-brown to yellow-grey. Vessels are solitary and short multiples, diffuse, white to dark deposits in pore. Uneven axial parenchyma, confluent and lozenge-aliform. Rays brighter in colour than wood surface. Hard and heavy wood.

Lookup key in the description form: 1, 4, 11, 12, (22), (23), 24, 25, (26), 29, 42.

7. Doussie

Trade name:	Afzelia, Doussie, African Mahogany
Scientific name:	<i>Afzelia africana</i> Smith., <i>Afzelia pachyloba</i> Harms.
CITES:	No
Import:	Official



Figure 52: Examples of Doussie

Sapwood and heartwood are distinct; sapwood is milky white; heartwood is yellow-brown to red-brown. Distinct annual rings. Vessels are solitary and short multiples, diffuse, or exclusively solitary; tyloses and white deposits in pore. Uneven axial parenchyma, confluent and lozenge-aliform, sometimes winged-aliform, parenchyma bands at annual ring boundary. Rays brighter in colour than wood surface. Hard and medium weight wood.

Lookup key in the description form: 1, 3, 5, 11, 12, 18, 21, (22), 24, 25, 26, 28, 29, 34, 43.

8. African rosewood, Mussivi, Mussibi

Trade name:	African rosewood, Mussivi, Mussibi
Scientific name:	<i>Guibourtia coleosperma</i> (Benth.) Leonard.
CITES:	No
Import:	Official



Figure 53: Examples of African rosewood, Mussivi, Mussibi

Sapwood and heartwood are distinct. Sapwood is milky white to greyish white; heartwood is

pinkish brown to reddish brown. Distinct annual rings. Heartwood has colour streaks in the grain. Vessels are solitary and short multiples, diffuse. Sometimes have white deposits in pore. Uneven axial parenchyma, sometimes confluent and lozenge-aliform. Parenchyma bands at annual ring boundary. Rays brighter in colour than wood surface. Hard and medium weight wood.

Lookup key in the description sheet: 1, 3, 5, 6, 11, 12, 21, (22), 23, 24, (25), (26), 29, 34, 43.

Note: Woods having colour, grain and outer appearance similar to the three species of African Rosewood (Bubinga, Kevazingo) (scientific name: *G. demeusei*, *G. pellegriniana*, *G. tessmannii*) are those listed in the CITES Appendix II.

9. Bomanga

Trade name:	Bomanga, Léké, Ekop-Léké, Ekop evene, Yegna
Scientific name:	<i>Brachystegia laurentii</i> (De Wild.) Hoyle.
CITES:	No
Import:	Official



Figure 54: Examples of Bomanga

Sapwood and heartwood are distinct; sapwood is milky white; heartwood is yellow-brown to brown-yellow or light brown. Distinct annual rings. Vessels are solitary and short multiples, diffuse; sometimes exclusively solitary vessels. Tyloses and dark deposits in vessel pore. Uneven axial parenchyma, confluent and lozenge-aliform, sometimes winged-aliform. Parenchyma bands at annual ring boundary. Rays almost same colour as wood surface. Hard and medium weight wood.

Lookup key in the description form: 1, 3, 5, 11, 12, (22), 23, 24, 25, 26, (28), 29, 34, 41, 43.

Note: Bomanga wood is easily confused with Doussie.

10. Faro

Trade name:	Faro, Daniellia, Ogea, Shedua, Ehyedua, Oziya, Fara, Nsou, Incenso, Gum copal, Copal
Scientific name:	<i>Daniellia thurifera</i> Benn.

CITES: No
 Import: Official

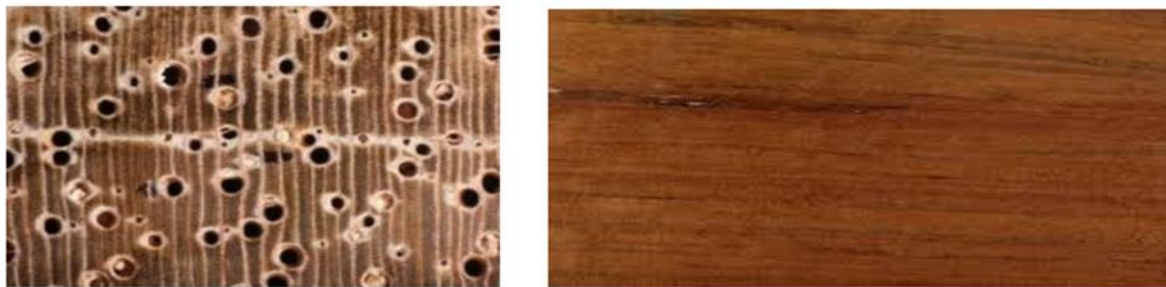


Figure 55: Examples of Faro

Sapwood and heartwood are distinct. Sapwood is milky white; heartwood is light brown to yellow-brown. Distinct annual rings. Vessels are solitary and short multiples, diffuse. Sometimes exclusively solitary vessels; dark deposits in pore. Uneven axial parenchyma, lozenge-aliform; parenchyma bands at annual ring boundary. Storied wood rays. Soft and light wood. Diffusing axial resin canals

Lookup key in the description form: 1, 3, 5, 11, 12, 23, 24, 25, (26), 29, 34, 37, 44, 45.

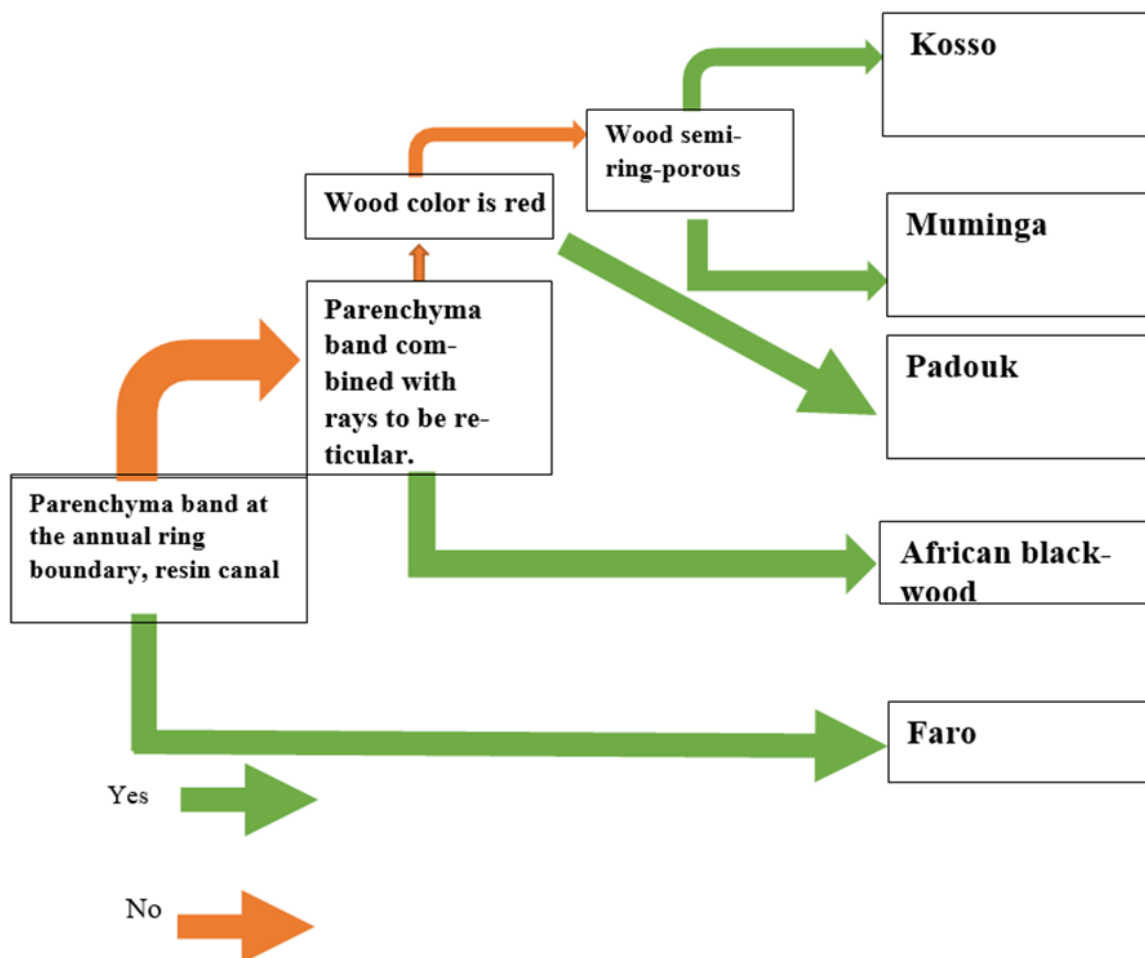


Figure 56: Binary key for the 10 imported wood species identified above– storied ray wood

Note: When examining wood structure for wood identification, binary lookup keys are often used that are based on typical features. In this case, “storied rays” is the first typical feature to establish the key, then other features are used to further identify the species in this diagram.

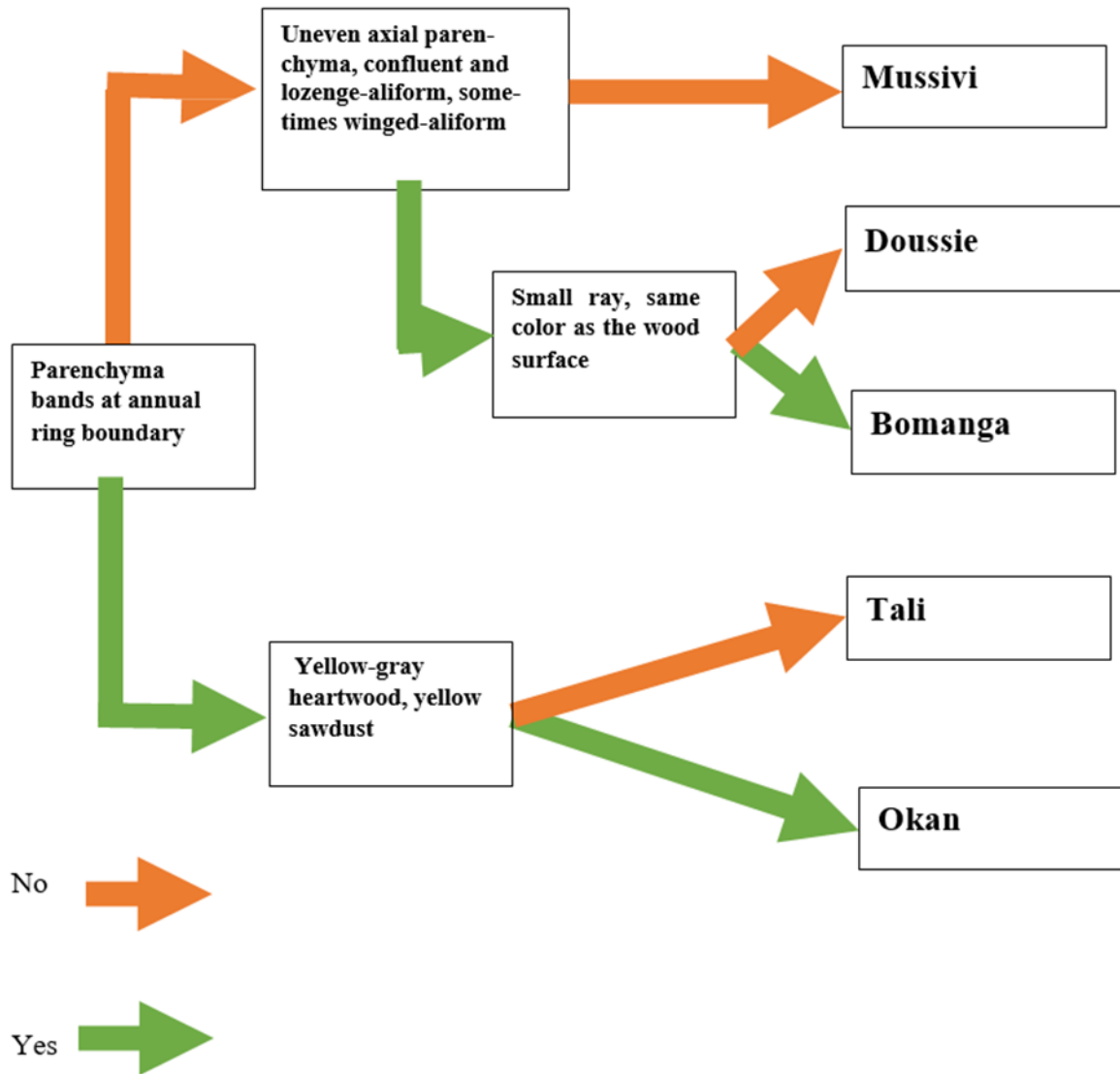


Figure 57: Binary key for the 10 imported wood species identified above– non-storied ray wood

Note: When observed on the tangential section, species with non-storied rays are classified to this group; then other features are used to further identify the species

ANSWERS: EXERCISE ON WOOD TYPE IDENTIFICATION - SHORT PRACTICE

Exercise 1:

Gỗ sảng lè xê (*Lagerstroemia tomentosa* Presl)

Gỗ bằng lăng tía xê N.3 (Tên KH: *Lagerstroemia loudong taijm*)

Answer:

Lumber (*Lagerstroemia tomentosa* C. Presl) (with or without Presl) Lumber (*Lagerstroemia loudonii* Teijsm. & Binn).

Gỗ óc chó xê. Tên khoa học: Kiln dried lumber

Gỗ thích (gỗ xê) (Pacific Coast Alder) (8-10 feet*4-9 inch*1 inch) (Tên khoa học: Kiln dried lumber)

Answer:

Kiln dried lumber: Dried lumber.

Dried Walnut lumber. Scientific name: *Juglans* sp. Or *Juglans* spp. (if more than 1 species of Walnut are mixed together). Pacific Coast Alder is a trade name.

Dried Alder lumber. Scientific name *Alnus* sp. Or *Alnus* spp. (if more than 1 species of Alder are mixed together).

Exercise 2: Specimen No. 1: Rubber (Hevea); Specimen No. 2: Oak.

Exercise 3:

Answers:

- Sapwood and heartwood are distinct in colour
- Distinct annual rings
- Earlywood and latewood are distinct.
- Abrupt earlywood to latewood transition
- Highly contrasting grain
- Brown-pink heartwood



Answer:

- Brown-pink wood
- Wood diffuse-porous
- White deposits in vessel pore
- Continuous and tangential parenchyma bands
- Parenchyma bands of same size and larger than ray width
- Ray colour different from wood surface colour
- Parenchyma band at annual ring boundary



Answer of timber species identification with 5 specimens, knife, magnifying glass:

Specimen 1: Tall; Specimen; 2: Doussie; 3: Kosso; 4: Padouk; 5: Mussivi.