

Forest Product Procurement Policies in the Lower Mekong Region

A report prepared by the International Tropical Timber Organization
for the Food and Agriculture Organization of the United Nations

Background

Forest product procurement policies are intended to address concerns among the public and in the private sector about the environmental credentials of forest products. Initially, these policies had emerged in response to public concerns about illegal logging and forest loss, particularly in tropical timber supplying countries, but have evolved to also address wider concerns such as climate change, conservation of biodiversity and respect for resource rights. Purchasing policies have been driven by consumer demands that products should come from sustainable and legal sources and that such claims are verifiable in order to maintain credibility in the marketplace.

Public sector timber procurement policies have been employed in many consumer countries and have played a significant role in encouraging trade in legal and sustainable timber. These policies are typically statements of intent or guidelines for procurement by federal/national or state/municipal governments which set specific requirements for procurement of wood products. They may or may not set a legally binding requirement for conformance. “Due diligence” for public sector timber procurement policies usually requires some form of certification (usually FSC or PEFC), in some cases supporting FLEGT-licensing. This differs from the “due diligence” requirements of the EU Timber Regulation which is a legally binding regulation with penalties for non-compliance. The EUTR requires operators to undertake due diligence on wood products imported into EU markets. In many cases, particularly in the EU, timber procurement policies have been part of, or evolved from, wider green public procurement policies and initiatives. As such, they are not isolated efforts to achieve a legal and sustainable timber trade but are usually part of broader strategies to promote sustainable production and consumption¹. Government spending can account for a sizeable proportion of wood products consumption for construction and public works as well as office furniture and paper products, and can therefore offer a powerful incentive for change. Government procurement policies can therefore have considerable potential to influence buying practices and to promote good business practices across the timber supply chain².

Private sector procurement policies are becoming more widely integrated in corporate business practices and contained within a larger sustainability and/or corporate responsibility policy often covering several other aspects³. Many companies recognise the increasing need to understand and manage the environmental and social impacts embedded in their operations, supply chains and

¹ White G. 2019. *A study of EU public timber procurement policies, related guidance and reference to FLEGT*. International Tropical Timber Organisation / FLEGT Independent Market Monitor (IMM). May 2019. Available at: <https://flegtimm.eu/resources/imm-study-of-eu-member-states-green-public-procurement-policies-and-flegt/>

² Ibid.

³ White G. 2018. *EU voluntary private sector timber procurement policies and the role of FLEGT licensing*. International Tropical Timber Organisation / FLEGT Independent Market Monitor (IMM). December 2018. Available at: https://www.itto.int/direct/topics/topics_pdf_download/topics_id=5962&no=1&disp=inline

investments. Increasingly industry associations encourage, and sometimes require, their members to exclude unsustainable and/or illegal wood from their supply chains through members' codes of conduct, industry statements, or associations' own purchasing policies. Purchasing policies have become powerful tools that are statements of intent and which place restrictions and incentives for players in supply chains to respond to. The policy, and its elements, sets the framework for the "due diligence" that the company should be setting. Private sector initiatives to promote trade in legally produced timber have included private sector procurement initiatives, trade association initiatives, green building initiatives, and certification and verification systems.

While procurement initiatives have been adopted widely in many developed importing countries, there has also been increasing interest in the adoption of public (or wider) procurement policies in some developing exporting countries which are currently negotiating or implementing a FLEGT Voluntary Partnership Agreement (VPA) with the EU. A good example is Viet Nam, which adopted legislation establishing the Viet Nam Timber Legality Assurance System in 2020. Effective implementation of these new public procurement policies, in conjunction with the VPA process, is expected to provide a pathway to trade in legal and sustainable forest products, supporting national and global forest governance and climate objectives and providing economic benefits for responsible industry⁴.

This report reviews the current status and potential of introducing procurement policies for forest products in the Lower Mekong Region (LMR) and China. The report reviews existing public and private sector procurement policies of relevance in the LMR and in other parts of the world, assesses the potential impact of forest product procurement policies in LMR countries, and concludes with recommendations for policies in the LMR.

Forest product procurement policies in importing countries

Public procurement policies

Public (and private sector) procurement policies in the **27 EU Member States and the United Kingdom** have been analysed comprehensively by a series of reports completed by the FLEGT Independent Market Monitor (IMM)⁵. A summary of policies for countries which are major importers of tropical wood products, including wood products from the LMR, are shown in Table 1 and include the criteria, level of definition, forms of proof acceptable, date introduced and range of products covered.

The "criteria" is a brief summary of the minimum criteria for the included product type category covered by the policy or policies. The "level of definition" gives some information regarding the amount of detail published to support definitions. The "forms of proof acceptable" outlines what paperwork is acceptable, often ranging from third-party certification to FLEGT Licenses through to export documentation. The "range of products covered" describes which products are included within the scope of the policies.

⁴ Norman M. 2020. *Public procurement policies for legal timber: Are they making a comeback?*. Viewpoints. A Forest Trends Blog. <https://www.forest-trends.org/blog/public-procurement-policies-for-legal-timber-are-they-making-a-comeback/>

⁵ White G. 2021. *A study of EU public timber procurement policies private sector policies and related guidance*. International Tropical Timber Organisation / FLEGT Independent Market Monitor (IMM). Available at: <https://flegtimm.eu/imm-eu-public-sector-timber-procurement-2021-st3/>

Table 1: Overview of selected EU27 Member State and UK public forest product procurement policies

Country and name of policy	Criteria	Level of definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Belgium Public procurement policy aimed at promoting the use of timber and wood from sustainably managed forests	Sustainable	Detailed Belgian Government Procurement Policy	FSC and PEFC or equivalents	Introduced: 2006 Reviewed: 2009 and 2015	All wood-based products including paper
Denmark 1. Danish guidelines on public procurement of legal and sustainable timber 2. Denmark 2014 Criteria for assessment of certification schemes in the context of the Danish Government's policy and guidelines on public procurement of sustainable timber, and assessment results of FSC and PEFC.	Sustainable	Detailed Danish Government Procurement Policy for Tropical Forests	FSC and PEFC acceptable. Nature Agency assesses schemes against criteria.	Introduced: 2001 (tropical timber) General: 2003 Revised: 2013 and 2014	All wood-based products including paper
France Policy on Public Procurement of Timber and Wood Products	Legal Sustainable Recycled papers	Detailed Policy on Public Procurement of Timber and Wood Products	Any product or chain of custody certificate. FLEGT licenses. Evidence of management plan. Ecolabels. Industry code of compliance – self declaration of compliance. Customs documents to qualify legal/sustainable products when entering the EU market.	Introduced: 2004 Reviewed: 2011	All wood-based products including paper
Germany Begleitende Erklärung zur Beschaffung von Holzprodukten German Government Procurement Policy	Legal Sustainable	Detailed	FSC and PEFC or equivalents	Introduced: 2007 Revised: 2017	All wood-based products made mainly from virgin material

Italy	Legal Sustainable Recycled papers	Detailed	FSC and PEFC Ecolabels FLEGT licenses Verifiable self-declarations Third party legal verification State approved export permits	Introduced: 2009 Revised: 2013	Copy and graphic paper Windows and doors Office furniture Timber used in construction
Netherlands Dutch Timber Procurement Policy Framework for Evaluating Evidence of Compliance with Timber Procurement Requirements	Legal Sustainable (encouraged) Recycled	Detailed Dutch Timber Procurement Policy Framework for Evaluating Evidence of Compliance with Timber Procurement Requirements	FSC and PEFC acceptable FLEGT licensed Timber Procurement Assessment Committee assesses schemes against criteria on a case-by-case basis.	Introduced: 2004 and 2021 Revised 2014	All wood-based products including paper
Spain	Sustainable Recycled	Not defined	FSC and PEFC Ecolabels	Introduced: 2008	Paper Furniture Timber used in construction
United Kingdom UK Public Procurement Policy on Timber	Legal Sustainable FLEGT	Detailed definitions. UK Government Timber Procurement Policy	FSC and PEFC acceptable FLEGT licensed Until 2014 assessments made by Central Point of Expertise (now defunct)	Introduced: 1997 Revised: 2013	All wood-based products including paper
Source: White G. 2021. <i>A study of EU public timber procurement policies private sector policies and related guidance</i> . International Tropical Timber Organisation / FLEGT Independent Market Monitor (IMM).					

A recent FLEGT IMM study found that the coverage of green public procurement policies in the EU-27 and UK has increased since 2019⁶, with policies for paper becoming the most widely adopted, closely followed by furniture and timber used in construction. Seventeen of the EU27 and UK states now have comprehensive policies that include all three end uses. FSC and PEFC certification were found to be the most common means of verification of compliance, with FLEGT licenses the second most common acceptable form of verification. Some countries allow for other forms of verification, ranging from third-party verification of legal compliance through to forms of self-declaration. Eco-labels also feature as acceptable proof of compliance in the policies of several countries.

Within the EU-27 and UK, in terms of definitions of “legal” and “sustainable” in procurement policies, these range from detailed sets of criteria to no detailed definitions given for the terms “legal” and “sustainable”. Some policies derive their definitions from the EU’s common Green Procurement Policy criteria where compliance with the EU Timber Regulation (EUTR) is a basic condition. Germany accepts only products certified by the two main global certification schemes, FSC and PEFC, or equivalent. Public timber procurement policies in the UK and EU were revised to conform with the EUTR and to accommodate FLEGT VPA timber.

White (2021) also notes that EU member states differ in their approach to including timber accompanied by FLEGT licenses in their public procurement policies. FLEGT-licensed timber is verified as legally produced in and exported from countries with which the EU has agreed a VPA. To date only Indonesia has started to issue FLEGT licenses, but several other countries (including Viet Nam) are in the process of putting in place the necessary timber legality assurance schemes under the terms of their VPAs. The EU has committed to provide a “green lane” for FLEGT-licensed timber as being recognised legal timber, thereby providing a form of preferential treatment in the EUTR and absolving importers of the due diligence requirements associated with unlicensed wood. In addition, such preferential treatment could be enhanced by giving FLEGT-licensed timber a more favorable status in national procurement policies. The differences in approach concern whether FLEGT-licensed timber is accepted as sustainably produced timber with some member states concerned that VPA-related legislation varies from country to country and there is lack of a FLEGT chain-of-custody system. The UK regards a FLEGT license as evidence of sustainability whereas Belgium, Denmark, Italy and the Netherlands regard FLEGT licenses as adequate proof of legality but not of sustainability.

In terms of market share occupied by public procurement in EU states and UK, it has been estimated that although the direct impact of a public timber procurement policy on timber imports may be quite limited, the indirect effects may be much wider than direct spending by the central government. In the case of the United Kingdom, for example, it has been estimated by timber product suppliers that between 20% to 40% of sales are impacted (directly or indirectly) by the central government’s timber procurement policy⁷. The influence of public sector procurement on the private sector has been described by IMM⁸, which notes that “the private sector ... has to supply the markets created by governments through their procurement and it is the private sector that has

⁶ White G. 2019. Op cit.

⁷ Martin, R.M. & Ghazali, B.H. 2015. The impact of timber procurement policies: an analysis of the economic effects of governmental procurement policies in tropical timber markets. ITTO Technical Series No. 44. International Tropical Timber Organization, Yokohama, Japan. Available at: https://www.itto.int/direct/topics/topics_pdf_download/topics_id=4359&no=1&disp=inline

⁸ White G. 2018. Op cit.

to meet any policy requirements. Therefore, public procurement policies have a huge bearing on companies own policy responses.”

In addition to EU/UK initiatives, public procurement policies to promote SFM and enhance the trade of legally produced timber have also been documented in Australia, Brazil, China, Ghana, Japan, Mexico and New Zealand. Most initiatives are embedded in broader green procurement guidelines applicable to government purchases.

Table 2: Overview of selected non-EU public forest product procurement policies

Country and name of policy	Criteria	Level of definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Australia Commonwealth procurement rules	Sustainable	n/a	Responsible Wood certification scheme, PEFC	Introduced 2020	Timber and timber-based products
Japan Basic policy on promoting green purchasing, Goho Wood Guidelines	Sustainable Legal	Detailed	FSC, PEFC, SFI, CSA, LEI, Sustainable Green Ecosystem Council	Revised 2016	Timber and timber-based products
Republic of Korea	"Eco friendly"	n/a	International certification not required	n/a	Paper, paper packaging products and wood composites
New Zealand New Zealand government policy on purchasing timber products	Sustainable Legal	Detailed	FSC, PEFC, American Tree Farm System, CSA, SFI, MTCC	n/a	Rough, sawn and dressed timber, plywood and veneers, fabricated wood, wooden structural components, fittings and joinery, wooden furniture, paper products
Mexico Mexican Federal Government Procurement Policy	Legal Sustainable	n/a	Third party certification	2017	Timber, wood furniture

In **Australia**, suppliers of timber and timber-based products to federal government organisations must meet Australian standards. Government departments are obligated to meet specific Commonwealth Procurement Rules (CPRs) when selecting suppliers for timber and timber-based products. Among CPRs, government departments must specify products that meet an available Australian Standard; which in the case of timber and timber-based products is AS 4707 – Chain of Custody for Forest Products and AS 4708 – Sustainable Forest Management. The Responsible Wood Certification Scheme, or schemes such as PEFC which is mutually recognised by Responsible Wood, are the only certification schemes that comply with these standards⁹. Australia’s Illegal Logging Prohibition Act 2012¹⁰ prohibits the importation of illegally logged timber and the processing of illegally logged raw logs. This Act, currently under review, also requires importers of regulated timber products and processors of raw logs to conduct due diligence in order to reduce the risk that illegally logged timber is imported or processed.

in 2006, **Japan** established a public procurement policy to address the legality and sustainability of its timber imports within its Green Purchasing Act framework¹¹. The ‘Basic Policy on Promoting Green Purchasing’ was revised in 2016 to refer to the new Clean Wood Act which is designed to promote the use and distribution of legally harvested wood and wood products in Japan. The policy refers to the Act and its guidelines (the Goho Wood Guidelines) as a standard of wood and wood products. These guidelines state that timber “should be harvested in a legal manner, consistent with procedures in the forest laws of timber-producing countries and areas,” and recognise three methods of verifying legal wood, also known as Goho-wood. These include the use of existing SFM certification systems (FSC, PEFC, SFI, CSA, LEI, Sustainable Green Ecosystem Council), verification by trained, licensed members of registered Goho wood associations, and self-verification by independent systems developed by individual (mainly paper) associations. The policy is mandatory for the public sector (ministries and agencies, independent administrative institutions, special legal entities and other national institutions) and the private sector supplying public contracts. Private businesses and citizens are encouraged, but not required, to purchase legal timber products under Japanese law. Government agencies account for less than 5% of Japan’s total consumption of timber products¹².

In the **Republic of Korea**, a procurement policy for ‘eco-friendly’ paper, packaging products and wood composite products applies to all government agencies and public institutions that use government funds but the policy does not require products to be certified under internationally recognized certification schemes.

New Zealand’s public timber procurement policy¹³ identifies timber and wood products as rough, sawn and dressed timber; plywood and veneers; fabricated wood; wooden structural components, fittings and joinery; wooden furniture; and paper products. The policy applies equally to domestic and imported wood products and to all tender contracts and term-supply contracts. Government agencies in New Zealand have been provided with model clauses for tender offers that address requirements for legality and sustainability. The policy identifies forest certification (FSC and PEFC) as a means for meeting legality and sustainability requirements. Also explicitly identified are the

⁹ <https://www.responsiblewood.org.au/>

¹⁰ http://classic.austlii.edu.au/au/legis/cth/consol_act/ilpa2012260/

¹¹ <https://www.jstor.org/stable/pdf/resrep02243.9.pdf>

¹² http://www.itto.int/files/user/presentations/Presentation_EN_S.%20Miyazawa_Japan%20practices%20VS%20illegal%20logging.pdf

¹³ <https://www.mpi.govt.nz/dmsdocument/13843-New-Zealand-government-policy-on-purchasing-timber-products>

American Tree Farm System, the CSA, the SFI and the Malaysian Timber Certification System. The policy states that: “New Zealand also reserves the right to recognise any other systems that can, to New Zealand’s satisfaction and verification, prove they meet New Zealand’s requirements for legality and/or sustainability.”

The New Zealand government is currently proposing amendments to the Forests Act 1949 to establish a national legal harvest assurance system that reflects New Zealand’s commitment to reduce the global trade of illegally harvested timber, ensures the legal harvest of New Zealand’s imported and domestic timber products, supports and enhances market access assurance for timber exporters, and brings New Zealand more in line with the systems its key trading partners are introducing. The system will establish a definition of "legally harvested", require some operators to register and conduct legal harvest due diligence and risk mitigation on timber products, oblige forest owners or people who are responsible for the harvest to provide information on the harvest to others in the supply chain, and provide for exemptions, a compliance and enforcement regime, and other elements needed for a legal harvest assurance system¹⁴. It is assumed that the public procurement policy may require some alignment to these amendments.

Private sector procurement policies in importing countries

In the EU27 and UK, timber procurement policies and guidance have been developed or promoted by a range of private sector organisations including timber trade federations, buying groups, timber buyers, retailers, NGOs, and other international organisations¹⁵.

The trade federations, such as the UK Timber Trade Federation often have large memberships which cover significant shares of the timber trade within their borders. A description of selected private sector trade association initiatives in the EU27 and UK, their status and attitude to certification are shown in Table 2.

Table 2: Summary of selected private sector trade association initiatives in the EU27 and UK.

Private sector led initiative	Publication/edition date	Summary	Refers to FLEGT licensing	Attitude to certification
Confederation of European Paper Industries’ (CEPI) Legal Logging Code of Conduct	2012	The CEPI Code of Conduct comprises six principles regarding procurement of legally harvested timber. CEPI members are obliged with the Code of Conduct.	Refers to FLEGT Action Plan of 2003	Positive
European Timber Trade Federation (ETTF): The “Gateway to International Timber Trade” provides information on both the timber industry and legislation of producer countries.	2018	European Timber Trade Federation (ETTF) web portal responds to questions timber traders have when it comes to legal timber trade, due diligence, country requirements and export. It serves as a central information point, with country profiles on both timber industry and legislation of producer countries, located in tropical Africa, Asia and	Positive	Positive

¹⁴ <https://www.mpi.govt.nz/legal/legislation-standards-and-reviews/proposed-legislation-for-a-legal-harvest-assurance-system-for-forestry/#:~:text=The%20Ministry%20of%20Primary%20Industries,risk%20mitigation%20on%20timber%20products>

¹⁵ https://flegtimm.eu/wp-content/uploads/resources_specialStudy_private_sector_2018.pdf

		Latin America. All published profiles have undergone expert review.		
France - Le Commerce du Bois - Environmental Charter (Charte environnementale de l'achat et de la vente de bois)	Undated	Le Commerce du Bois (LCB) has been recognised as a Control (Monitoring) Organisation by the European Commission under the EU Timber Regulation (EUTR). Their Due Diligence (DD) procedure has been validated and is integrated it into the LCB environmental charter audit scope, for companies that want to join a collective DD system.	Positive	Positive
UK Timber Trade Federation Responsible Purchasing Policy & Due Diligence Guide	2017	The TTF RPP is a risk management framework for the continuous improvement of TTF members' awareness of what their obligations are under the EU Timber Regulation, the Construction Products Regulation and TTF Code of Conducts, and how they can meet these requirements. The UK TTF has three hundred members within the UK and RPP is mandatory. TTF members import approximately 85% of UK timber imports	Positive	Positive
Source: White G. 2021. <i>A study of EU public timber procurement policies private sector policies and related guidance</i> . International Tropical Timber Organisation / FLEGT Independent Market Monitor (IMM).				

Many private companies recognise the need to understand and manage the environmental and social impacts embedded in their operations, supply chains and investments and have introduced company policies to procure timber only from legal and sustainable sources. Private sector procurement policies are now more prominent in companies located in the EU27 and UK and among companies with global reach.

FLEGT IMM¹⁶ analysed thirteen private sector company policies in the EU27 and UK, representing retailers, importers, and distributors. All of the companies (with one exception) had clear policy elements specifying or promoting third party certification – typically PEFC or FSC - with some supporting FLEGT-licensing or the VPA process. Policies stating a requirement for legal harvesting and trading of forest products were also revealed as a common policy. Some of the larger companies analysed which have some form of policy or guidance included ALDI Group, Casino Guichard-Perrachon, Carrefour SA, IKEA, James Lathan plc, Kingfisher PLC, Precious Woods, Rougier, St Gobain (UK), Tesco plc, and Schwarz Gruppe GmbH (Lidl).

FLEGT IMM also noted that a typical company policy contains:

- A preference for certified materials
- A clear statement regarding the legality of raw materials
- A clear statement regarding traceability of materials
- A positive stance towards chain of custody certification

¹⁶White G. 2018. Op cit.

- References to respect for traditional and workers' rights
- A commitment to public reporting of progress towards compliance or target
- A positive stance towards chain of custody certification

As an example, IKEA¹⁷, the significant Swedish furniture retailer, requires all suppliers to source wood that meets sustainable sources requirements (FSC-certified or recycled wood) and has strict requirements on all suppliers to ensure that wood which enters the IKEA supply chain is responsibly sourced. The IKEA supplier code of conduct, IWAY, outlines critical criteria for suppliers using forestry applicable materials. These materials must only come from legally harvested forests, not from forestry operations engaged in forest-related social conflicts, and not be harvested in geographically identified intact natural forests (INF) or high conservation value forests, unless they are certified as responsibly managed and there is an approval from IKEA. IKEA has a comprehensive Due Diligence System with requirements for chain of custody timber tracking involving a number of measures, with FSC certification requirements an additional safeguard in auditing all links in the IKEA supply chain.

Forest product procurement policies in LMR countries and China

Public procurement policies in LMR countries and China.

The potential of public procurement in developing economies, including LMR countries, may be greater than in the developed economies because of the larger market share of government purchasing. Public procurement is the largest single marketplace in these economies¹⁸. On average, the public procurement sector (all products and services) has been estimated to account for 14.5% of gross domestic product globally¹⁹.

In 2019, China revised its Forest Law with a ban on “purchasing, processing, or transporting timber that is known from illegal sources”. Although details of its implementation remain unknown (for both domestic and imported timber) legislation/regulations to enforce the law are being developed. China has had a green public procurement policy in place since 2006. The policy covers a number of timber and paper products and requires all levels of state bodies, institutions, and organizations to give priority to purchasing forest products based on its own PEFC-endorsed Environmental/ Certification system (CFCC). The products covered include timber and paper product categories such as wooden doors, wood-based panels and finishing products, furniture, paper, and books²⁰. However, it has been observed that its scope is limited, given that most wood products are consumed in the construction sector (the largest wood consuming sector) which is not included in the green purchasing policy²¹. Monitoring of its implementation is also considered to require improvement²². Technical requirements covered by the environmental labelling standards vary by product and by source of wood (domestic or imported). While use of environmentally labelled forest products in public procurement is given priority it is not mandatory. The Government Procurement

¹⁷ <https://about.ikea.com/en/about-us/our-view-on/forestry>

¹⁸ <https://forestgovernance.chathamhouse.org/publications/buying-better-in-the-asia-pacific-the-role-of-public-procurement-in-sustainable-supply-chains>

¹⁹ World Bank 2017. *Public Procurement Regulation and Road Quality*. Policy Research Working Paper 8234. Available at: <https://documents1.worldbank.org/curated/en/211711509895839032/pdf/WPS8234.pdf>

²⁰ <https://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/other/hjbz/201005/W020130204567628160066.pdf>

²¹ Sun M. and Zhang K. 2018. *Enhancing China's green procurement of legal forest product*. TRAFFIC Bulletin Vol. 30 No. 1 (2018). Available at: https://www.traffic.org/site/assets/files/10567/bulletin-30_1-china-green-procurement.pdf

²² Norman M. 2020. Op cit.

Law is currently being revised and will expand the proportion of green and low-carbon products listed in the policy.

Based on the Environmental Labelling List²³, domestic timber, furniture and paper products must meet the requirements of the National Standard (NO. GB / T 28952). Certification by CFCC (China Forest Certification Council), a national certification scheme for domestically produced timber, is accepted verification of legal timber. Although CFCC has been endorsed by PEFC, there are barriers to acceptance of other schemes for domestically sourced timber. With regard to imported timber, wood-based panels have a specific requirement to source from sustainable forestry, while other standards only require legal sources that comply with China's national regulations and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). There is no clear definition of "sustainable forestry

On January 18th 2022, the National Development and Reform Commission, Ministry of Industry and Information Technology and other five departments jointly issued *The Implementation Plan for Promoting Green Consumption*²⁴. This policy encourages and guides consumers to replace or buy new household products such as environment-friendly furniture. Meanwhile, regions, with some conditions, are encouraged to give appropriate subsidies or loan interest discounts to consumer goods such as green building materials, energy-saving and low-carbon products. So far, there is no clear definition of "environment-friendly" and "green building materials". Based on the *Green product assessment—Wood-based panels and wooden flooring* and *Green product assessment—Furniture*, a CFCC recognised certificate is a priority.

Thailand has a voluntary green public procurement policy in place that covers a limited range of forest products (mainly paper-based). The policy applies to regional and local government offices but implementation is hindered by a lack of information and promotion as well as limited capacity of procurement officers at the sub-national level. Public procurement in Thailand has been estimated to account for 20% of Thailand's GDP²⁵ and therefore has the potential to influence sustainable and legal production and consumption of wood products. Recently, a Green Integration Policy and National Green Directory has been drafted and construction, which has the highest procurement value, has been suggested to be integrated into the green procurement list²⁶.

Vietnam does not yet have a public procurement policy or regulations in place requiring government agencies to purchase legal timber but political momentum for such a policy has increased since 2018 and it is in the initial stages of developing such a policy²⁷. This has been driven by Viet Nam's commitment to ensure that all timber and timber products, whether exported or consumed in the domestic market, or whether imported or grown domestically, must be legal timber. Although this is the result of commitments to the signed VPA with EU partners in 2019, the scope extends to products exported to other countries/territories and to those produced and consumed domestically. A Timber Legality Assurance System (VNTLAS) is in the process of development with the objective of

²³ <https://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/other/hjhz/201712/W020171219348332986858.pdf>

²⁴ <https://www.shangyexinzhi.com/article/4550346.html>

²⁵ https://www.apec.org/docs/default-source/publications/2013/6/green-public-procurement-in-the-asia-pacific-region-challenges-and-opportunities-for-green-growth-an/toc/annex-b---factsheets-of-gpp-policies-in-18-apec-member-economies.pdf?sfvrsn=3518d4f_1

²⁶ https://www.thai-german-cooperation.info/en_US/thailand-one-step-closer-to-finalising-its-green-integration-policy-and-national-green-directory/

²⁷ <https://wtocenter.vn/an-pham/17197-research-report-vietnam-implements-vpa-flegt--development-of-legal-framework-for-legal-timber-bidding>

enforcing compliance by all actors to strict legality requirements, including due diligence requirements for importers.

In 2019, Vietnam's prime minister directed government agencies to work on the formation of a public procurement policy which prioritises the use of legal timber products made from domestic plantation timber. The process has been extended to all timber products. Public procurement is estimated to account for 20% to 30% of all public spending in Viet Nam, although consumption of wood products (construction and public works, office furniture and paper products) is unknown²⁸. A public timber procurement policy is expected to assist in creating demand for legal timber. A number of elements of the policy are being worked on, including the alignment of legality definitions with VTLAS and the development of guidelines and training materials to support central and provincial government buyers with new bidding procedures. It is unclear whether the policy will require evidence of sustainability. Forest Trends has recommended that the policy should include sustainability as its long-term goal, although legality requirements should be central to the policy and aligned with VNTLAS²⁹.

Other LMR countries – **Cambodia, Lao PDR, and Myanmar** – do not have specific public procurement policies for legal and sustainable timber. Lao PDR is the only country among the three currently negotiating a VPA with the EU.

²⁸ <https://www.forest-trends.org/blog/efforts-to-exclude-illegal-timber-from-public-purchasing-unfolding-developments-of-a-public-procurement-policy-in-vietnam/>

²⁹ Ibid.

Table 3: Overview of public forest product procurement policies in the LMR and China

Country and name of policy	Criteria	Level of definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
China Green purchasing policy	Sustainable (wood-based panels)	n/a	CFCC	2006	Wooden doors, wood-based panels, finishing products, furniture, paper and books.
Thailand Green public procurement policy Green integration policy and national green directory (drafted)	“Environmentally friendly”	n/a	n/a	Introduced 1993	Paper and paper products
Viet Nam Public procurement policy (in development)	Legal	n/a	Not yet developed but alignment with VNTLAS requirements likely.	In development since 2019.	All timber products

Private sector procurement policies in LMR countries and China

Private sector timber procurement policies in the LMR are less evident than in importing countries which are the final destination of many products produced from LMR wood raw material. There is no/limited information on trade association initiatives or private sector company initiatives in Cambodia, Lao PDR, Myanmar, or Viet Nam. However, VPA TLAS under development/negotiation in countries like Lao PDR, Thailand and Viet Nam have or are developing due diligence obligations for private sector operators. In Lao PDR, for example, a regulation has been imposed regarding management and monitoring of timber input and output along the supply chain from procurement until the point of sale of timber processing factories or timber traders³⁰. Many international buyers are established or have intermediaries in Mekong countries and do apply their own private procurement policies or due diligence requirements locally.

In **China**, voluntary trade association-led procurement codes of conduct for Chinese businesses abroad have been developed for the rubber sector (CCCMC Guidelines for Sustainable Natural Rubber) and also as part of the Timber Legality Verification Scheme. The timber legality verification standard developed by the China National Forest Products Industry Association (CNFPIA) was released in 2017. The Standard does not include a provision on the scope of the products it intends to regulate. However, the definition of forest enterprises covered by the Standard refers to a broad range of products: sawn timber, plywood, wood furniture, wood flooring and other wood products; pulp and paper; and decorative paper-type categories. The Standard applies to forest management enterprises, trading enterprises and processing enterprises. All companies in the supply chain are regulated. The Standard is voluntary and due diligence is a key obligation.

The standard sets out the requirements for legality at the forest management level and throughout the chain of custody. Forest management requirements cover company registration, the payment of taxes, compliance with national laws and regulations, tenure rights, harvesting permits and forest management plans. Chain of custody requirements cover timber legality requirements for processing and trading, the development of a timber legality management system, legality verification for domestic and imported timber, document management, transport, and sales.

The standard applies both to timber harvested domestically and to imported timber. Companies that comply with the standard will be awarded a timber legality verification label by the industry associations that they can use on their timber products. In order to implement the standard, CNFPIA is setting up operational rules. Although compliance with this standard will be voluntary, the legality regulations that China is currently planning to put in place to ensure compliance with its revised forestry law will encourage enterprises that are members of CNFPIA and the China Timber and Wood Products Distribution Association (CTWPDA) to follow it. The standard offers these companies a way to fulfil future legality requirements.

A briefing by the European Forest Institute FLEGT facility notes that compliance by members of the two national associations, which jointly cover more than 80% of China's importers and exporters of timber and timber products, could have a significant impact on timber legality worldwide. In the meantime, companies are being supported to establish management and due diligence systems³¹.

³⁰ Lao PDR Ministry of Industry and Commerce. 25 August 2020. Decision on the management and monitoring of timber input and output. No.:0777/MOIC.DIH. Available at: https://www.dropbox.com/s/tkz3k27p2o21tmo/2020%20Decision%200777_MOIC_Input-Output%20Monitoring_EN.docx?dl=0

³¹ <https://www.euflegt.efi.int/publications/introduction-to-china-s-timber-legality-verification-system>

In 2019, a forum of forest enterprises, timber associations, governments and intergovernmental organisations agreed to create a voluntary network among forest managers, producers, traders, the processing industry and consumers to improve the legality and sustainability of tropical timber supply chains³². The Global Green Supply Chain (GGSC) initiative, which is essentially an industry “bottom-up” initiative, was established at the forum in Shanghai and set a foundation to enable stakeholders to work together through the GGSC Network to incentivise responsible production and consumption of tropical wood products by motivating companies, including in China, to procure legal and sustainable forest products. The initiative’s focus is on “closer collaboration and exchange between all partners in global supply chains by sharing information and enhancing collaboration and know-how based on a voluntary network among forest managers, producers, traders, the processing industry and consumers”³³.

To date, the initiative has resulted in a number of achievements, which include the following:

1. Promoting collaboration between the Union des Forestiers Industriels du Gabon et Aménagistes (UFIGA) and the Union Forestière des Industries Asiatiques au Gabon (UFIAG) to support the establishment of a Global Green Supply Chain, including commitments from the Gabonese forest industries to move towards independent third-party certification of legality and/or sustainability for their forest operations within three years after October 2019 with the support of the international community.
2. The establishment of an international entrepreneurs’ and private-sector expert team which communicates regularly to consolidate challenges, opportunities and measures to be taken to further the aims of legal and sustainable supply chains, to be fed into the GGSC Network.
3. Promoting a successful bilateral dialogue between the governments of China and Gabon, the first being held in March 2022. A key topic has been timber legitimacy and traceability standards which will continue to be discussed in future bilateral dialogues.
4. Preparing submissions for the timber enterprise's calls for improving policies for procurement of legal timber to related government agencies, such as NFGA, Mofcom, and GCA.
5. To improve policies related to timber legality, GGSC has been attempting to build communication channels between Chinese timber enterprises engaged in businesses in Africa, Chinese-related government agencies and possible supporting international organisations.
6. Continuing to conduct research on legal and sustainable supply chain and timber cross-border traceability.

Discussion

Public procurement policies for legal and sustainable forest products have not yet been adopted or implemented widely in LMR countries but have the potential to support national and global forest governance and climate objectives and provide economic benefits for responsible industry. There are concerns about the prospective costs and impacts of such policies on government finances, the availability and supply of verified timber in domestic markets, and the cost and administrative burden on mSMEs which are a large proportion of the wood processing sector in the LMR countries.

³² ITTO 2020. Report of the International Forum: Together Towards Global Green Supply Chains. International Tropical Timber Organization (ITTO), Yokohama, Japan.

³³ Ibid.

However, the benefits of such policies, in conjunction with a FLEGT VPA process, have been well-described by Forest Trends³⁴ as:

- Activating demand for legal and sustainable forest products within domestic markets and also with supplying countries (in the case of Viet Nam and Thailand).
- Where VPAs are being negotiated, preparing forest products industries for a graduated approach to VPA implementation, with leading companies revising their purchasing and supply chain practices firstly to meet the requirements of government supply policies, and then extending the supply of verified legal and sustainable timber to all customers.
- Supporting mSMEs to scale up slowly through a graduated approach prior to full VPA implementation.
- Maintaining or securing new export markets that require verified legal timber or are in the stages of implementing a timber import regulation.
- Increasing the market competitiveness of domestic wood products, compared with imported products that are unable to meet legal requirements, in the domestic market.
- Improving forest management practices and securing sustainable employment.

Public procurement policies require a broad product scope and clear criteria for establishing legality and sustainability. Policies are likely to be more effective when made more rigorous, through mandatory regulations rather than voluntary instruments, and enforceable with penalties for non-compliance³⁵.

Based on practices in other jurisdictions, public procurement schemes for legal and sustainable forest products commonly contain the following content:

- Criteria. The minimum content for the included product type. This includes the criteria used for the product type covered by the policy, such as “legal,” “sustainable,” “recycled.” Although legality is likely to be the major goal of policies for LMR countries, sustainability is also a major long-term goal.
- Forms of proof acceptable. These may include certification schemes, timber legality assurance schemes (FLEGT licenses), export documentation, ecolabels, industry codes of conduct, and third-party legal verification. A mechanism (established in the policy or administratively by the government) is also required to determine which certification schemes, mechanisms and standards meet the requirements of the policy and the level of detail required. Where appropriate, legality requirements need to be aligned with the requirements of timber legality assurance schemes developed under the FLEGT VPAs.
- Range of products covered. Although the range of end uses and product types covered in other policies are variable, a description of products or end uses may include all wood-based products including both primary and secondary manufactured products such as wooden furniture and paper products. Although a comprehensive coverage is recommended, the list of products should prioritise the highest risk products for LMR countries. In the case of

³⁴ <https://www.forest-trends.org/blog/public-procurement-policies-for-legal-timber-are-they-making-a-comeback/>

³⁵ <https://forestgovernance.chathamhouse.org/publications/buying-better-in-the-asia-pacific-the-role-of-public-procurement-in-sustainable-supply-chains>

Viet Nam, which is a significant wood products importer, product lists should start with logs and sawnwood, which tend to be from countries considered “high risk” in terms of legality³⁶.

Implementation of a public procurement policy for legal and sustainable timber will also require clear guidelines and regulation, including training for procurement officers and the business sector, in particular, for small and medium enterprises including rural cooperatives while transparent monitoring and reporting mechanisms should also be put in place. Phased approaches to implementation may also be considered, including definition of criteria, products covered, due diligence requirements, etc.

In terms of the potential effectiveness of public procurement policies, Viet Nam offers the most potential to incentivise change within the region, given its significant level of both intra-regional and extra-regional trade in forest products. The export orientation of Viet Nam’s wood processing sector, primarily to the United States and other countries with legal requirements for legal and sustainable wood products, provides a significant incentive for change. In the private sector, the GGSC initiative in China may also provide a useful model for Viet Nam’s (and to a lesser extent Thailand’s) forest industries to incentivise responsible production and consumption of tropical wood products. However, clear incentives/motivations will be required for LMR countries to implement more sustainable practices, including public and private sector procurement initiatives, based on developments over the past several decades.

³⁶ <https://www.forest-trends.org/blog/efforts-to-exclude-illegal-timber-from-public-purchasing-unfolding-developments-of-a-public-procurement-policy-in-vietnam/>