

Timber Legality Risk Assessment Lithuania

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COUNTRY RISK
ASSESSMENTS



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For risk assessment conducted according to the FSC-STD-40-005, ONLY entries (or information) that have been formally reviewed and approved by FSC and are marked as such (highlighted) can be considered conclusive and may be used by FSC candidate or certified companies in risk assessments and will meet the FSC standards without further verification. You can see the countries with approved risk assessment in the FSC document: FSC-PRO-60-002b V2-0 EN List of FSC-approved Controlled Wood documents 2015-11-04. “

The original document of FSC can be accessed here <https://ic.fsc.org/en/document-center>.

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**FSC Stakeholder
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NEPCon originally published the Timber Legality Risk Assessment for Lithuania in August 2017. The risk assessment has not been updated since that time.

B. Overview of legality risks

Timber Risk Score: 92 / 100 in 2017

This report contains an evaluation of the risk of illegality in Lithuania for five categories and 21 sub-categories of law. We found:

- Specified risk for 2 sub-categories.
- Low risk for 17 sub-categories.
- No legal requirements for 2 sub-categories.

The Timber Risk Score for Lithuania is 92 out of 100. The key legality risks identified in this report concern timber harvesting activities and trade and transport.

For **Timber Harvesting Activities**, there is a risk that:

- health and safety requirement are violated in the private sector (1.11)

For **Trade and transport**, there is a risk that:

- the due diligence system is not implemented in non-state forests, as the CA has only checked state forests to date (1.21)

Timber source types and risks

There are two timber source types found in Lithuania. Knowing the “source type” that timber originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risk of non-compliance with the legislation. We have analysed the risks for all source types and found the risks differ slightly between them.

State forest

Logging operations are done based on the requirements of forest management plan and issued logging licenses. In some cases logging licenses are not needed and logging can be done after providing written notice to legal authorities. Control is done by State Forest Service.

Private forest

Logging operations are done based on the requirements of forest management plan and issued logging licenses. In some cases logging licenses are not needed and logging can be done either after providing written notice to legal authorities. Control is done by State Forest Service.

This table summarises the findings of the timber legality risk assessment by source type.

Legal Category	Sub-Category	Risk conclusion	
		State Forest	Private Forest
Legal rights to harvest	1.1 Land tenure and management rights	Low	Low
	1.2 Concession licenses	Low	Low
	1.3 Management and harvesting planning	Low	Low
	1.4 Harvesting permits	Low	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	N/A	N/A
	1.6 Value added taxes and other sales taxes	Low	Low
	1.7 Income and profit taxes	Low	Low
Timber harvesting activities	1.8 Timber harvesting regulations	Low	Low
	1.9 Protected sites and species	Low	Low
	1.10 Environmental requirements	Low	Low
	1.11 Health and safety	Specified	Specified
	1.12 Legal employment	Low	Low
Third parties' rights	1.13 Customary rights	Low	Low
	1.14 Free prior and informed consent	Low	Low
	1.15 Indigenous/traditional peoples rights	N/A	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Low	Low
	1.17 Trade and transport	Low	Low
	1.18 Offshore trading and transfer pricing	Low	Low
	1.19 Custom regulations	Low	Low
	1.20 CITES	Low	Low
	1.21 Legislation requiring due diligence/due care procedures	Low	Specified

C. Overview of the forest sector in Lithuania

According to the National Forest Inventory data (2012), the total forest land area of Lithuania was 2,173,000 ha, covering 33.3% of the country's territory. Since the 1st January 2003, the forest land area has increased by 128,000 ha corresponding to 2.0% of the total forest cover. During the same period, forest stands expanded by 104,000 ha to 2,055,000 ha. Lithuania forest land ownership is divided into: Forests of state importance (1 076 500 ha or 49.5 %), Private forests (844 500 ha or 38.9 %) and Forests reserved for restitution (251 900 ha or 11.6 %). By 1st January 2012, the number of private forest owners amounted to almost 248,000, with forest estates averaging 3.3 ha. Forty-two State forest enterprises and 1 national park, under subordination of the Ministry of Environment, managed 1,037,000 ha of forest land. The number of forest districts during the last year decreased from 354 to 348 reaching an average size of 3,043 ha.

According to functional groups Lithuania forest is divided into: group I (strict nature reserves): 26,300 ha (1.2%); group II (ecosystem protection and recreational): 266,800 ha (12.3%); group III (protective): 331,200 ha (15.2%); and group IV (exploitable): 1,548,600 ha (71.3%).

The Directorate General of State Forests under the Ministry of Environment performs functions of the institution implementing the rights and duties of the owner of 42 state forest enterprises. It co-ordinates and organizes regeneration, maintenance, protection of state forests assigned to state forest enterprises and the exploitation of forest resources, establishes mandatory quotas for forest regeneration, protection and management to forest enterprises, organizes a uniform state fire prevention and sanitary forest protection system. The main objective (mission) of the Directorate General of State Forests is to enhance the ecological, environmental, economic, recreational and other socially important values of the state forests as the most important component of the whole state forests by managing them on the principles of a sustainable and balanced forest sector by rationally using, restoring and increasing forest resources.

In Lithuania there is detailed and strict legislation covering issuing logging licenses. The process of implementation and control is done by State Forest Service. In majority of cases logging operations are done based on the requirements of a forest management plan and issued logging licenses. However, there are some specific types of logging where logging licenses are not needed and logging can be done either after providing written notice to legal authorities, or even without it.

According to statistical data provided by State Forest Service, illegally logged wood in Lithuania amounts only to 0.1% of the total felled timber volume. The latest available data for 2013 shows trends in decreasing numbers of illegal logging cases and volumes. Over the last three years there are no official cases reported about bribery among persons responsible for issuing logging licenses. Transparency international corruption perception index for Lithuania in 2016 was 59 (above the threshold of 50), therefore corruption is not considered as key factor influencing the possibility to obtain harvesting permits for areas and species that could not be harvested according to the legislation.

The FSC National Working Group was consulted during the development of this risk assessment Lithuania. The FSC National Working Group is a technical body recognized by FSC and established for the purpose developing a National Risk Assessment for a given country or region in accordance with FSC requirements. The Working Group may be a

committee or working group, representing the interests of the three FSC chambers: economic, social and environmental (definition as per FSC-PRO-60-002 V3-0 EN).

D. Legality Risk Assessment

LEGAL RIGHTS TO HARVEST

1.1. Land tenure and management rights

Legislation covering land tenure rights, including customary rights as well as management rights that includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legal required licenses. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure and management rights. The intent of this indicator is to ensure that any land tenure and management rights have been issued according to the legislation.

1.1.1. Applicable laws and regulations

- Constitution of the Republic of Lithuania (1992-10-25)
- Lithuanian Civil Code (2000-07-18, No. VIII-1864)
- Law on the Real Property Register (1996-09-24, No. I-1539)
- Law on Land (26 April 1994 No. I-446)
- Law on Land Reform (25 July 1991, No. I-1607)
- Law on restoration of citizens rights to extant real property (1997-07-01, No. VIII-359)
- Restoration of ownership rights to forest land (Decision of the Government, 1992-08-25, No. 635)
- State forest management handover to State Forest Enterprises (Decision of the Government, 2006-05-17, No. 454)

1.1.2. Legal authority

- Registry Center of Lithuania State Enterprise
- National Land Service under the Ministry of Agriculture
- Agriculture Ministry of the Republic of Lithuania
- Environment Ministry of the Republic of Lithuania

1.1.3. Legally required documents or records

- Documents confirming the legal rights to the land
- Identification documents (passport, ID card, company registration documents, etc.)
- Sales-purchase agreements, court decisions or other documents proving legal right to own real property.

1.1.4. Sources of information

Government sources

- Constitution of the Republic of Lithuania (1992-10-25)
- Lithuanian Civil Code (2000-07-18, No. VIII-1864)
- Law on the Real Property Register (1996-09-24, No. I-1539)
- Law on Land (26 April 1994 No. I-446)
- Law on Land Reform (25 July 1991, No. I-1607)
- Law on restoration of citizens rights to extant real property (1997-07-01, No. VIII-359)
- Restoration of ownership rights to forest land (Decision of the Government, 1992-08-25, No. 635)
- State forest management handover to State Forest Enterprises (Decision of the Government, 2006-05-17, No. 454)

Non-Government sources

- FSC National Working Group Chamber-: environmental (Saulius Skuja, the Fund for Environmental Protection Project Development and Remigijus Karpuska, Lithuanian Fund for Nature), social (Zigmantas Jancauskas, Lithuanian Trade Union of Furniture and Timber Producers and Gediminas Brazaitis, Aleksandras Stulginskis University) and economical (Rytis Kuliesis, Stora Enso and Egle Petrylaite, IKEA).

1.1.5. Risk determination

Overview of legal requirements

In Lithuania real property registration process is strictly regulated by different laws and regulations. Tenure rights can be registered in land registry only if natural person or legal entity of any form provides relevant documents confirming the legal rights to the land concerned. This would include identification documents (passport, ID card, company registration documents, etc.), sales-purchase agreements, court decisions or other documents proving legal right to own real property.

Description of Risk

There is no evidence in Lithuania that land rights have been issued in violation of prevailing regulations and that corruption has been involved in the process of issuing land tenure and management rights, therefore risk level is considered as low.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.1.6. Risk designation and specification

Low risk

1.1.7. Control measures and verifiers

N/A

1.2. Concession licenses

Legislation regulating procedures for the issuing of forest concession licenses, including use of legal methods to obtain concession license. Especially bribery, corruption and nepotism are well-known issues in connection with concession licenses. The intent of this indicator is to avoid risk related to situations where organizations are obtaining concession licenses via illegal means such as bribery, or where organizations or entities that are not eligible to hold such rights do so via illegal means. Risk in this indicator relates to situations where due process has not been followed and the concession rights can therefore be considered to be illegally issued. The level of corruption in the country or sub-national region is considered to play an important role and corruption indicators (e.g., Corruption Perception Index, CPI) should therefore be considered when evaluating risks.

1.2.1. Applicable laws and regulations

- Law on Concession (1996-09-10. No. I-1510).

1.2.2. Legal authority

- Republic of Lithuania Government authorized authority and authorities (state, municipal) authorized by laws within their competence.

1.2.3. Legally required documents or records

N/A

1.2.4. Sources of information

Government sources

- Law on Concession (1996-09-10. No. I-1510).

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.2.5. Risk determination

Overview of Legal Requirements

Forest concession rights in Lithuania might be given only for managing state forests. Currently no forest concession licenses have been granted for state forest management. State forests are managed by different types of state legal entities (42 State Forest Enterprises, Kursiu Nerija National Park, Ministry of National Defense, 60 municipalities and 4 National Strict Nature reserves).

Description of Risk

All chambers of the FSC National Working Group (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.2.6. Risk designation and specification

Low risk

1.2.7. Control measures and verifiers

N/A

1.3. Management and harvesting planning

Any legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities. Cases where required management planning documents are not in place or are not approved by competent authorities should be considered. Low quality of the management plan resulting in illegal activities may be a risk factor for this indicator as well.

1.3.1. Applicable laws and regulations

- Law on Forest (1994-11-22, Nr. I-671)
- Law On Territorial Planning (1995-12-12, No. I-1120)
- Rules on state forest inventory, forest management planning, inventory data gathering, data management and data submission to forest owners and managers (Order of Lithuanian Minister of Environment, 2001-07-02, No. 352).
- Rules on Private Forest Use and Management (Decision of The Government, 1997-07-24, No. 799).
- Rules for forest management plan preparation (Order of Lithuanian Minister of Environment, 2006-09-01, No. D1-406)
- Instruction on Forest Management planning (Order of Director of State Forest Service, 2010-01-14, No. 11-10-V).

1.3.2. Legal authority

- Environment Ministry of the Republic of Lithuania
- Directorate General of State Forests at the Ministry of the Environment Republic of Lithuania
- State Forest Service
- Forest Management Service
- Ministry of the Agriculture

1.3.3. Legally required documents or records

- Forest management plans, forest products purchase documents, land ownership documents, harvesting permits

1.3.4. Sources of information

Government sources

- Law on Forest (1994-11-22, Nr. I-671)
- Law On Territorial Planning (1995-12-12, No. I-1120)
- Rules on state forest inventory, forest management planning, inventory data gathering, data management and data submission to forest owners and managers (Order of Lithuanian Minister of Environment, 2001-07-02, No. 352).
- Rules on Private Forest Use and Management (Decision of The Government, 1997-07-24, No. 799).
- Rules for forest management plan preparation (Order of Lithuanian Minister of Environment, 2006-09-01, No. D1-406)
- Instruction on Forest Management planning (Order of Director of State Forest Service, 2010-01-14, No. 11-10-V).
- amvmt.lt (N.Y). List of approved persons, having right to prepare forest management plans for private forests. Available at: <http://www.amvmt.lt>
- amvmt.lt (N.Y). Registry of private forest management plans. Available at: <http://www.amvmt.lt:83/pvp.aspx>
- transparency.org (2016). Transparency International Corruption Perception Index. Available at: <https://www.transparency.org/country/LTU>

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.3.5. Risk determination

Overview of Legal Requirements

Forest management plans in Lithuania are prepared only by legally approved persons, who have special forestry education (higher or at least higher college degree in the field of forestry) and are registered in special registry. All new forest management plans are checked by legal authorities to ensure that all applicable legislation is followed.

Description of Risk

An overview of management plans prepared shows that most plans are accurate and do not contradict legal requirements. Even though, there might be some cases where management plan might present false or inaccurate data due to either faulty taxation data which is impacted by corruption factor or simply incorrect or missing calculations, however, in Lithuania it is not wide spread phenomenon having negative influence on management and harvesting planning. Transparency international corruption perception index for Lithuania in 2016 was 59 (above the threshold of 50), therefore corruption is not considered as key factor negatively influencing management and harvesting planning of forests in Lithuania.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.3.6. Risk designation and specification

Low risk

1.3.7. Control measures and verifiers

N/A

1.4. Harvesting permits

Legislation regulating the issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. It includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits. Risk relates to situations where required harvesting is carried out without valid permits or where these are obtained via illegal means such as bribery. In some areas, bribery may be commonly used to obtain harvesting permits for areas and species that cannot be harvested legally (e.g., protected areas, areas that do not fulfil requirements of minimum age or diameter, tree species that cannot be harvested, etc.). In cases where harvesting permits classify species and qualities to estimate fees, corruption and bribery can be used to classify products that will result in a lower fee. The level of corruption in a country or sub-national region is considered to play an important role and corruption indicators should therefore be considered when evaluating risks. In cases of illegal logging, harvesting permits from sites other than the actual harvesting site may be provided as a false proof of legality with the harvested material.

1.4.1. Applicable laws and regulations

- Rules on logging license issuance (Order of Minister of Environment 2010-12-30, No. D1-1055)
- Rules on logging site preparation (Order of Minister of Environment 2004-11-10, No. D1-577)
- Rules on forest logging for technological and management purposes (Order of Minister of Environment 2002-04-03, No. 145)
- Procedure for logging timber, which is needed for private household building, maintenance or reconstruction, in private forests (Order of Minister of Environment 2002-03-18, No. 118)
- Rules on logging forests that are reserved for private ownership restitution (Order of Minister of Environment 2002-04-30, No. 219)

1.4.2. Legal authority

- Environment Ministry of the Republic of Lithuania;
- State Forest Service.

1.4.3. Legally required documents or records

- Logging licenses, forest management plans, written notice regarding logging

1.4.4. Sources of information

Government sources

- Rules on logging license issuance (Order of Minister of Environment 2010-12-30, No. D1-1055)
- Rules on logging site preparation (Order of Minister of Environment 2004-11-10, No. D1-577)
- Rules on forest logging for technological and management purposes (Order of Minister of Environment 2002-04-03, No. 145)
- Procedure for logging timber, which is needed for private household building, maintenance or reconstruction, in private forests (Order of Minister of Environment 2002-03-18, No. 118)
- Rules on logging forests that are reserved for private ownership restitution (Order of Minister of Environment 2002-04-30, No. 219)

Non-Government sources

- Statistical data on forest protection in 2012 (State Forest Service, 2012)
- Statistical data on round wood procurement in 2012 (State Forest Service, 2012)

1.4.5. Risk determination

Overview of Legal Requirements

In Lithuania there is detailed and strict legislation covering process of issuing logging licenses. The process implementation and control is done by State Forest Service. In majority of cases logging operations are done based on the requirements of forest management plan and issued logging licenses. However, there are some specific types of logging where logging licenses are not needed and logging can be done either after providing written notice to legal authorities (sanitary logging, selective logging of soft deciduous trees like aspen, grey alder, willow and sallow, commercial thinning, etc.) or even without it (property boundary logging, pre-commercial thinning, selective sanitary logging).

Description of Risk

Even though legal authorities have increased control of illegal logging in Lithuania, some illegal logging still occurs. The number of illegal logging was more or less stable during the past four years (2008-2012), but has decreased by 64% compared to 2002. In 2011, 527 cases were detected in state and private forests, 8,500 m³ were illegally logged. The major share (71%) of illegally felled wood, amounting to 6,000 m³, was felled in private forests. In 2011 there were 46 cases where already produced round wood was stolen from state forests (total 700 m³). According to statistical data provided by State Forest Service, illegal logged wood in Lithuania amounts only to 0.1% of the total felled timber volume. Latest available data for 2013 shows trends in decreasing numbers of illegal logging cases and volumes.

Over the last three years there are no official cases reported about bribery among persons responsible for issuing logging licenses. Transparency international corruption perception index for Lithuania in 2016 was 59 (above the threshold of 50), therefore corruption is not considered as key factor influencing the possibility to obtain harvesting permits for areas and species that could not be harvested according to the legislation.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.4.6. Risk designation and specification

Low risk

1.4.7. Control measures and verifiers

N/A

TAXES AND FEES

1.5. Payment of royalties and harvesting fees

Legislation covering payment of all legally required forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue often combined with bribery of officials in charge of controlling the classification.

1.5.1. Applicable laws and regulations

Not applicable: In Lithuania, there are no forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. There are also no fees based quantities, qualities and species.

1.5.2. Legal authority

N/A

1.5.3. Legally required documents or records

N/A

1.5.4. Sources of information

N/A

1.5.5. Risk determination

N/A

1.5.6. Risk designation and specification

N/A

1.5.7. Control measures and verifiers

N/A

1.6. Value added taxes and other sales taxes

Legislation covering different types of sales taxes, which apply to the material being sold, including selling material as growing forest (standing stock sales). Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.

1.6.1. Applicable laws and regulations

- Law on Value-Added Tax (2002-03-05, No. IX-751)
- Procedures for calculating and paying obligatory payments to state budget for the income received from round wood and standing timber sales in state forests (Decision of the Government, 2002-08-10, No. 1229)

- Prices of standing timber in state forests (Order of Minister of Environment, 1998-09-30, No. 194)
- Rules for selling standing timber in state forests (Decision of the Government, 2001-10-31, No. 1286)
- Rules for registering tax payers to value added tax registry (Order of Head of State Tax Inspectorate, 2002-06-26, No. 178)

1.6.2. Legal authority

- State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania;
- Customs Department under the Ministry of Finance of the Republic of Lithuania;
- Competition Council of Republic of Lithuania;
- Environment Ministry of the Republic of Lithuania;
- Directorate General of State Forests;

1.6.3. Legally required documents or records

- Harvesting permits
- Information about taxpayers / VAT payers (Database of State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania)
- VAT invoices
- Annual VAT declaration.

1.6.4. Sources of information

Government sources

- Law on Value-Added Tax (2002-03-05, No. IX-751)
- Procedures for calculating and paying obligatory payments to state budget for the income received from round wood and standing timber sales in state forests (Decision of the Government, 2002-08-10, No. 1229)
- Prices of standing timber in state forests (Order of Minister of Environment, 1998-09-30, No. 194)
- Rules for selling standing timber in state forests (Decision of the Government, 2001-10-31, No. 1286)
- State Tax Inspectorate database of tax payers in Lithuania
- Rules for registering tax payers to value added tax registry (Order of Head of State Tax Inspectorate, 2002-06-26, No. 178)

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.6.5. Risk determination

Overview of Legal Requirements

Value added tax (VAT) in Lithuania is paid by all persons (natural and legal) having annual turnover from their business activities higher than 155.000 LTL. State Tax Inspectorate is responsible for collection of VAT, which has to be declared every month by tax payer.

Description of Risk

Since 2010 VAT for timber is paid by purchaser and not by the seller in order to avoid VAT laundering. This significant change in VAT law gives very good preventive measures to stop illegal activities related to paying VAT, therefore it is considered that risk related to VAT is low.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.6.6. Risk designation and specification

Low risk

1.6.7. Control measures and verifiers

N/A

1.7. Income and profit taxes

Legislation covering income and profit taxes related to the profit derived from sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies or related to salary payments.

1.7.1. Applicable laws and regulations

- Law on Corporate income tax (2001-12-20, IX-675)
- Law on Personal Income Tax (2002-07-02, No. IX-1007)
- Procedures for calculating and paying obligatory payments to state budget for the income received from round wood and standing timber sales in state forests (Decision of the Government, 2002-08-10, No. 1229)
- Prices of standing timber in state forests (Order of Minister of Environment, 1998-09-30, No. 194)
- Rules for selling standing timber in state forests (Decision of the Government, 2001-10-31, No. 1286)
- State Tax Inspectorate database of tax payers in Lithuania
- Rules for registering tax payers to value added tax registry (Order of Head of State Tax Inspectorate, 2002-06-26, No. 178)

1.7.2. Legal authority

- Ministry of Finance of the Republic of Lithuania

- Competition Council of the Republic of Lithuania
- Environment Ministry of the
- Republic of Lithuania

1.7.3. Legally required documents or records

- Income tax declarations and reports

1.7.4. Sources of information

Government sources

- Law on Corporate income tax (2001-12-20, IX-675)
- Law on Personal Income Tax (2002-07-02, No. IX-1007)
- Procedures for calculating and paying obligatory payments to state budget for the income received from round wood and standing timber sales in state forests (Decision of the Government, 2002-08-10, No. 1229)
- Prices of standing timber in state forests (Order of Minister of Environment, 1998-09-30, No. 194)
- Rules for selling standing timber in state forests (Decision of the Government, 2001-10-31, No. 1286)
- State Tax Inspectorate database of tax payers in Lithuania
- Rules for registering tax payers to value added tax registry (Order of Head of State Tax Inspectorate, 2002-06-26, No. 178)

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.7.5. Risk determination

Overview of Legal Requirements

If timber is sold by a person to a legal entity, then the person is liable to pay income tax, which is 15% from the amount received. In this case income tax for the person is paid by the company, which is purchasing the wood and the income tax amount is deducted from the purchase price before money is transferred to that person. If wood is sold by an individual entrepreneur doing timber sales business, then income tax is paid by that person once a year through the income declaration process. Income tax declaration is coordinated by State Tax Inspectorate. Declaration of income and payment of income tax is promoted by a possibility to get back part of income tax declared, therefore there is economic incentive to do so.

Description of Risk

Although the social chamber expressed the concern that small business entities still have the possibility to avoid the payment of some taxes, all of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.7.6. Risk designation and specification

Low risk

1.7.7. Control measures and verifiers

N/A

TIMBER HARVESTING ACTIVITIES

1.8. Timber harvesting regulations

Any legal requirements for harvesting techniques and technology including selective cutting, shelter wood regenerations, clear felling, transport of timber from felling site and seasonal limitations etc. Typically, this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.

1.8.1. Applicable laws and regulations

- Regulations on private forests management and use (Decision of the Government, 1997-07-24, No. 799)
- Methodology on defining the amount of main forest cuttings (Order of Minister of Environment, 2008-07-02, No. D1-362)
- Regulations on forest cuttings (Order of Minister of Environment, 2010-01-27, No. D1-79)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Schedule of procedures to issue the forest cutting permissions (Order of Minister of Environment, 2010-12-30, No. D1-1055)
- Regulations on marking and evaluation of forest cutting area (Order of Minister of Environment, 2004-11-10, No. D1-577)
- Schedule of procedures on forest cuttings in private forests estates without forest management plan (Order of Minister of Environment, 2004-11-08, No. D1-569)
- Regulations on selling the uncut state forests to persons who's buildings are damaged by natural calamities (Order of Minister of Environment, 2002-01-23, No. 28)
- Regulations on main forest cuttings of premature forest stands as well as mature and over-mature trees in not mature forest stands in private forests (Order of Minister of Environment, 2002-03-18, No. 118)
- Schedule of procedures on forest cutting in forests reserved for privatization (Order of Minister of Environment, 2002-04-30, No. 219)
- Regulations on evaluation of compliances of tractors, its trailers and other machines in agriculture and forestry (Order of Minister of Agriculture, 2004-12-29, No. 3D-685)
- Regulations on forest cuttings for technological and commercial purposes in forest sector (Order of Minister of Environment, 2002-04-03, No. 145)

1.8.2. Legal authority

- Environment Ministry of the Republic of Lithuania;
- Forest State Service;

- Regional Environment Protection Department;
- State Service for Protected Areas under the Ministry of Environment;
- State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania;
- State Machinery Testing Station under the Ministry of Agriculture of the Republic of Lithuania.

1.8.3. Legally required documents or records

- Technological cards, forest management plan, harvesting rate

1.8.4. Sources of Information

Government sources

- Regulations on private forests management and use (Decision of the Government, 1997-07-24, No. 799)
- Methodology on defining the amount of main forest cuttings (Order of Minister of Environment, 2008-07-02, No. D1-362)
- Regulations on forest cuttings (Order of Minister of Environment, 2010-01-27, No. D1-79)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Schedule of procedures to issue the forest cutting permissions (Order of Minister of Environment, 2010-12-30, No. D1-1055)
- Regulations on marking and evaluation of forest cutting area (Order of Minister of Environment, 2004-11-10, No. D1-577)
- Schedule of procedures on forest cuttings in private forests estates without forest management plan (Order of Minister of Environment, 2004-11-08, No. D1-569)
- Regulations on selling the uncut state forests to persons who's buildings are damaged by natural calamities (Order of Minister of Environment, 2002-01-23, No. 28)
- Regulations on main forest cuttings of premature forest stands as well as mature and over-mature trees in not mature forest stands in private forests (Order of Minister of Environment, 2002-03-18, No. 118)
- Schedule of procedures on forest cutting in forests reserved for privatization (Order of Minister of Environment, 2002-04-30, No. 219)
- Regulations on evaluation of compliances of tractors, its trailers and other machines in agriculture and forestry (Order of Minister of Agriculture, 2004-12-29, No. 3D-685)
- Regulations on forest cuttings for technological and commercial purposes in forest sector (Order of Minister of Environment, 2002-04-03, No. 145)
- www.amvmt.lt (N.Y). Report on timber harvesting violations and control measures. Available at: <http://www.amvmt.lt>

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers.

1.8.5. Risk determination

Overview of Legal Requirements

Timber harvesting is regulated in details by legal acts mentioned in the source information. The Regulations on forest cuttings describes the types of forest cuttings and defines the minimum age of forest trees to be cut which depends on tree species and forest categories. In addition, it requires that certain number of trees per/ha shall be left after harvesting for biodiversity purposes. These trees shall match the criteria described in this legal act. The harvesting is prohibited around nesting places of rare and endangered bird species. Such places shall be clearly marked in the field and on maps. The Regulations on forest cuttings defines the minimum width of cutting area which depends on tree species, forest type, and forest category as well as on tree species to be used for reforestation. The procedures and time for selecting and preparing forest cutting area is also defined.

The technological requirements mentioned in the Regulations of forest cuttings describes how much of shelter wood and wood residues or dead wood shall be left, how the skidding trails shall be prepared and used, how timber shall be extracted from the cutting area and stored. The use of the road structure, drainage systems and bridges, which depends on the harvesting season, cutting type, forest category, etc. is also described in this legal act.

In addition to the Regulations on forest cuttings, the timber harvesting in private forests is regulated by the Regulations on private forest use and management, which describes how the cutting rate for one decade shall be managed according to cutting age, permissible width of cutting area, forest stand condition, etc.

The Regulations on marking and evaluation of forest cutting area describes the preparation process for selection and marking the forest cutting areas. It defines how the trees to be cut are selected and marked based on cutting type, forest category and other environmental conditions.

Description of Risk

State Forest Service periodically controls how forest operations in cutting areas are being or have been implemented according to existing legal acts. The State Forest Service has the annual control plan where the aspect and places to be checked are listed (2013 annual control plan). According to annual control plan reports of State Forest Service (2012-2013 annual reports) data of checks was submitted, which is showing that violations in timber harvesting in most cases was elucidated and infringers punished. Comparing (2012-2013) violation elucidation is increasing.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.8.6. Risk designation and specification

Low risk

1.8.7. Control measures and verifiers

N/A

1.9. Protected sites and species

International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal harvesting within protected sites, as well as illegal harvest of protected species. Note that protected areas may include protected cultural sites, including sites with historical monuments.

1.9.1. Applicable laws and regulations

- The Law on Protected Areas (1993-11-09, No. I-301)
- Law on Environmental Protection (1992-01-21, No. I-2223)
- Law on Land (1994-04-26, No I-446)
- Law on Forests (1994-11-22, No.I-671)
- Regulations on preparation of management plans for state parks, biosphere reserves and strict reserves (Order of Minister of Environment, 2002-12-21, No. 656)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Regulations on the register of protected areas of the Republic of Lithuania (Decision of the Government, 2002-04-30, No. 587)
- Law on Protected Animals, Plants, Mushrooms Species and Habitats (2009-12-17, No. XI-578)
- Typical protection regulations for protected areas (Decision of the Government, 2004-08-19, No. 996)
- Law on Wild Plants (1999-06-15, No. VIII-1226)
- Law on Wild Animals (1997-11-06, No. VIII-498)
- Regulations on common habitats or areas important for birds protection (Decision of the Government, 2011-05-25, No. 614)
- Schedule of procedures for calculation and payment mechanism related to compensation to private forest owners in whose estates the new protected areas is established or the status of the existing protected area is changed or restriction of activities are defined which decrease the profit or prohibits the former activities (Decision of the Government, 2012-03-07, No. 260)
- The list of Red Book of plant habitats (Order of Minister of Environment, 1998-11-30, No. 237)

1.9.2. Legal authority

- Environment Ministry of the Republic of Lithuania;
- State Service for Protected Areas

- under the Ministry of Environment;
- Regional Environment Protection Departments;
- Directorate General of State Forests at the Ministry of Environment Republic of Lithuania;
- State Forest Service;
- Ministry of Agriculture of the Republic of Lithuania;
- National Land Service under the Ministry of Agriculture of the Republic of Lithuania;
- Customs of the Republic of Lithuania;
- State Food and Veterinary Service.

1.9.3. Legally required documents or records

- Planning documents of individual protected area, the individual regulation of protected objects or selective areas and contracts on protection

1.9.4. Sources of Information

Government sources

- The Law on Protected Areas (1993-11-09, No. I-301)
- Law on Environmental Protection (1992-01-21, No. I-2223)
- Law on Land (1994-04-26, No I-446)
- Law on Forests (1994-11-22, No.I-671)
- Regulations on preparation of management plans for state parks, biosphere reserves and strict reserves (Order of Minister of Environment, 2002-12-21, No. 656)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Regulations on the register of protected areas of the Republic of Lithuania (Decision of the Government, 2002-04-30, No. 587)
- Law on Protected Animals, Plants, Mushrooms Species and Habitats (2009-12-17, No. XI-578)
- Typical protection regulations for protected areas (Decision of the Government, 2004-08-19, No. 996)
- Law on Wild Plants (1999-06-15, No. VIII-1226)
- Law on Wild Animals (1997-11-06, No. VIII-498)
- Regulations on common habitats or areas important for birds protection (Decision of the Government, 2011-05-25, No. 614)
- Schedule of procedures for calculation and payment mechanism related to compensation to private forest owners in whose estates the new protected areas is established or the status of the existing protected area is changed or restriction of activities are defined which decrease the profit or prohibits the former activities (Decision of the Government, 2012-03-07, No. 260)

- The list of Red Book of plant habitats (Order of Minister of Environment, 1998-11-30, No. 237)
- vstt.lt (N.Y.) Information on protected sites and species violations and control measures. Available at: http://www.vstt.lt/VI/rubric.php?rubric_id=163

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.9.5. Risk determination

Overview of Legal Requirements

The Law on Forests states that according to the management purpose Lithuanian forests are divided into 4 categories (forest reserves, special-purpose forests, protective forests, exploitative forests). Forest cuttings are allowed depending on the management and protection regime assigned based on the forest category.

The management of established protected areas is regulated by the Law on Protected Areas. It states that the main legal documents, which regulate the protection and management regime of protected areas, are: Law on Protected Areas, Regulations of individual protected area, the planning documents of individual protected area, the individual regulation of protected objects or selective areas, and contracts on protection.

The management of Lithuanian forests according to the Law on Forests is based on forest management plan, which includes the special section on nature protection measures where the protected species, habitats and other environmental protection values or objects are listed, marked on the maps with prescribed and detailed protection measures.

The statistical information on Lithuanian protected areas, rare and endangered species found in Lithuanian forests and other relevant data can be found in the website of the State Forest Service.

The State Forest Service periodically controls how the application of legal acts targeted to protection of natural values, objects and protected areas are implemented. The State Forest Service has the annual control plan where the aspect and places to be checked are listed (2013 annual control plan).

Description of Risk

According to annual control plan reports of State Forest Service (2012-2013 annual reports) data of checks was submitted, which shows that there weren't violations in protected sites and species.

In addition, the regional offices of environmental protection agency periodically control how the management and application of legal requirements for environmental protection are implemented in the management unite. The reports about places checked and issues found are published in the website of State Service for Protected Areas under the Ministry of Environment. Most cases are related with protected areas regime violation, fishing and collecting berries without proper permit. Violations in protected sites and species in most cases was elucidated and infringers punished. According to information submitted in following website, violation cases is decreasing.

Lithuanian legal acts cover all aspects of this indicator.

The environmental chamber of the FSC National Working Group expressed the opinion that the enforcement of the legal base sometimes has difficulties because of the lack of supporting data. In addition, there are small contradictions in the legal base itself. However, after discussions all of the FSC National Working Group chambers (environmental, social and economic) agreed to assign „Low risk” to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.9.6. Risk designation and specification

Low risk

1.9.7. Control measures and verifiers

N/A

1.10. Environmental requirements

National and sub-national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to or affected by harvesting, acceptable level for soil damage, establishment of buffer zones (e.g. along water courses, open areas, breeding sites), maintenance of retention trees on felling site, seasonal limitation of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction, etc... Risk relates to systematic and/or large-scale non-compliance with legally required environmental protection measures that are evident to an extent that threatens the forest resources or other environmental values.

1.10.1. Applicable laws and regulations

- The Law on Protected Areas (1993-11-09, No. I-301)
- Law on Environmental Protection (1992-01-21, No. I-2223)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Law on Protected Animals, Plants, Mushrooms Species and Habitats (2009-12-17, No. XI-578)
- Law on Wild Plants (1999-06-15, No. VIII-1226)
- Law on Wild Animals (1997-11-06, No. VIII-498)
- Regulations on common habitats or areas important for birds protection (Decision of the Government, 2011-05-25, No. 614)
- The list of Red Book of plant habitats (Order of Minister of Environment, 1998-11-30, No. 237)

- Regulations on forest cuttings (Order of Minister of Environment, 2010-01-27, No. D1-79)
- Regulations on preparation of forest management schemes and forest management plans (Order of Minister of Environment 2010-06-30, No. D1-577)
- Regulations on evaluation of compliances of tractors, its trailers and other machines in agriculture and forestry (Order of Minister of Agriculture, 2004-12-29, No. 3D-685)
- Special land and forests use conditions (Decision of the Government, 1992-05-12, No. 343)
- Regulations on defining the protection zones of water bodies and protection belts of coastal areas (Order of Minister of Environment, 2007-02-14, No. D1-98)

1.10.2. Legal authority

- Environment Ministry of the Republic of Lithuania;
- State Service for Protected Areas under the Ministry of Environment;
- Regional Environment Protection Departments;
- Regional Department of Environmental Protection Agency Region;
- Ministry of Agriculture of the Republic of Lithuania;
- Customs of the Republic of Lithuania;
- State Food and Veterinary Service;
- State Machinery Testing Station under the Ministry of Agriculture of the Republic of Lithuania.

1.10.3. Legally required documents or records

- Reports of regional offices of environmental protection agency and State Forest Service

1.10.4. Sources of information

Government sources

- The Law on Protected Areas (1993-11-09, No. I-301)
- Law on Environmental Protection (1992-01-21, No. I-2223)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Law on Protected Animals, Plants, Mushrooms Species and Habitats (2009-12-17, No. XI-578)
- Law on Wild Plants (1999-06-15, No. VIII-1226)
- Law on Wild Animals (1997-11-06, No. VIII-498)
- Regulations on common habitats or areas important for birds protection (Decision of the Government, 2011-05-25, No. 614)
- The list of Red Book of plant habitats (Order of Minister of Environment, 1998-11-30, No. 237)

- Regulations on forest cuttings (Order of Minister of Environment, 2010-01-27, No. D1-79)
- Regulations on preparation of forest management schemes and forest management plans (Order of Minister of Environment 2010-06-30, No. D1-577)
- Regulations on evaluation of compliances of tractors, its trailers and other machines in agriculture and forestry (Order of Minister of Agriculture, 2004-12-29, No. 3D-685)
- Special land and forests use conditions (Decision of the Government, 1992-05-12, No. 343)
- Regulations on defining the protection zones of water bodies and protection belts of coastal areas (Order of Minister of Environment, 2007-02-14, No. D1-98)

Non-Government sources

- FSC national Working Group (WG) represented by environmental, social and economic chambers

1.10.5. Risk determination

Overview of Legal Requirements

The Regulations on preparation of forest management schemes and forest management plans states that forest management plan for state forests shall include sections related to forest protection against fires, sanitary protection, and biodiversity protection, recreational and social functions of forests. Forest management plan for private forest shall have the special part related to forest protection and implementation of requirements for environmental protection.

The forest operations shall be planned and implemented following requirements set up in the Regulations on forest cuttings. There are provisions in the mentioned regulations for seasonal harvesting operations according to the forest categories (for instance, in some forests of II and III categories the final cuttings are not allowed from 1st March till 1st April). There are requirements for protection of nesting places of rare and endangered bird species as well as detailed requirement to leave trees and dead wood for biodiversity protection in logging sites.

The maintenance of buffer zones along water courses or open areas as well as some limitation in relation to protection of soil against erosion is foreseen in the Regulations on forest cuttings. For instance, the final forest cuttings are not allowed in the slopes along water courses with degree more than 10° and in any slopes with degree more than 45°.

The requirements for forestry machinery are defined in the Regulations on evaluation of compliances of tractors, its trailers and other machines in agriculture and forestry.

State forest enterprises constantly check how the forest operations are being performed in state forests, whether they follow environmental requirements stated in the planning documents and logging permissions.

The State Forest Service periodically controls how the application of legal acts targeted to protection of natural values, objects and protected areas are implemented. The State Forest Service has the annual control plan where the aspect and places to be checked are listed (2013 annual control plan).

In addition, the regional offices of environmental protection agency periodically control how the management and application of legal requirements for protection are implemented in management unite. The reports about places checked and issues found are published in the website of the Ministry of Environment.

Description of Risk

Based on the reports produced by the mentioned authorities it is evident that there is no identified systematic and/or large scale non-compliance with legally required environmental protection measures to an extend that threatens the forest resources or other environmental values.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.10.6. Risk designation and specification

Low risk

1.10.7. Control measures and verifiers

N/A

1.11. Health and safety

Legally required personnel protection equipment for persons involved in harvesting activities, use of safe felling and transport practice, establishment of protection zones around harvesting sites, and safety requirements to machinery used. Legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations in the forest (not office work, or other activities less related to actual forest operations). Risk relates to situations/areas where health and safety regulations are consistently violated to such a degree that puts the health and safety of forest workers at significant risk throughout forest operations.

1.11.1. Applicable laws and regulations

- Labour Code of the Republic of Lithuania (2002.06.04, IX-926)
- Law on Safety and Health at Work (2003.07.01, IX-1672)
- Law on the State Labour Inspectorate of the Republic of Lithuania (2003.10.14, IX-1768)
- List of dangerous activities (Government decision, 2002.09.03, 1386)
- Order on providing personal health and safety equipment for workers (Minister of Social Security and Labour, 2007.11.26, A1-331)
- Government decision concerning special conditions for land and forest use (Government decision 1992.05.12, 343)
- Order on hearing protection at work and measures to control (Chief State Labour Inspector, 2006.03.30, 1-66)
- Adaptation of agricultural machinery for forest work (Agriculture Minister, 2004.12.29, 3D-685)

- Order on hygiene requirements for heating in working premises (Minister of Health, 2003.12.24, V-770)
- Order on hygiene requirements for pesticide active ingredient concentration in surrounding environment (Minister of Health, 2004.06.03, V-412)
- Order on forest work safety (1996.11.25, 208)
- Health and Safety strategy for 2009-2012 (Government decision 2009-06-25, No. 669).

1.11.2. Legal authority

- Ministry of Health of the Republic of Lithuania;
- State Labour Inspectorate at the Ministry of Social Security and Labour;
- Republic of Lithuania Ministry of Social Security and Labour,
- State Public Health Care Service at the Ministry of Health of the Republic of Lithuania;
- Fire and Rescue Department under the Ministry of the Interior of the Republic of Lithuania;
- Disability and Working Capacity Assessment Office at the Ministry of Social Security and Labour Republic of Lithuania;
- State Machinery Testing Station under the Ministry of Agriculture of the Republic of Lithuania;
- State Forest Service.

1.11.3. Legally required documents or records

- Subcontracting agreements, summary statistic on different accidents in work by different business sectors, health and safety equipment's issuance card, health and safety verification acts

1.11.4. Sources of information

Government sources

- Labour Code of the Republic of Lithuania (2002.06.04, IX-926)
- Law on Safety and Health at Work (2003.07.01, IX-1672)
- Law on the State Labour Inspectorate of the Republic of Lithuania (2003.10.14, IX-1768)
- List of dangerous activities (Government decision, 2002.09.03, 1386)
- Order on providing personal health and safety equipment for workers (Minister of Social Security and Labour, 2007.11.26, A1-331)
- Government decision concerning special conditions for land and forest use (Government decision 1992.05.12, 343)
- Order on hearing protection at work and measures to control (Chief State Labour Inspector, 2006.03.30, 1-66)

- Adaptation of agricultural machinery for forest work (Agriculture Minister, 2004.12.29, 3D-685)
- Order on hygiene requirements for heating in working premises (Minister of Health, 2003.12.24, V-770)
- Order on hygiene requirements for pesticide active ingredient concentration in surrounding environment (Minister of Health, 2004.06.03, V-412)
- Order on forest work safety (1996.11.25, 208)
- Health and Safety strategy for 2009-2012 (Government decision 2009-06-25, No. 669).
- Report from State Labour Inspectorate, 2012 (I)
- Report from State Labour Inspectorate, 2012 (II)
- Report from State Labour Inspectorate, 2013

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.11.5. Risk determination

Overview of Legal Requirements

Health and safety in forestry activities is monitored by State Labour Inspectorate. It fulfils not only control and monitoring functions but also provides guidance on health and safety issues in different business sectors. Forestry sector in Lithuania is considered among dangerous activities and special control by State Labour Inspectorate is applied, i.e. at least annually Inspectorate makes preventive monitoring of logging activities in various parts of Lithuanian forest to control possible illegal employment as well violations of health and safety requirements. Furthermore, Inspectorate collects data on different accidents in work and provides summary statistics by different business sectors.

Description of Risk

Based on analysis of various reports provided by State Labour Inspectorate it is evident that forestry sector still has a high rate of accidents at work. Forestry sector is 4th among most dangerous sectors (1. Construction, 2. Transport and security services, 3. Water supply and sewage treatment, 4. Forestry, 5. Electricity, gas and steam supply), in terms of death and serious injuries. During 2012 there were 4 death and 4 serious injury accidents in forestry sector.

Despite the accidents that still occur at work, the rate of serious injuries per 100,000 workers in 2012 in Lithuania has decreased by 29 % and, death cases by 39%. In order to prevent accidents at work, State Labour Inspectorate has prepared Health and Safety strategy for 2009-2012, which is approved by the Government. Based on the strategy various risk mitigation measures are foreseen and implemented by various institutions. The above mentioned resulted of decreased accidents at work are considered as a result of the implemented Health and Safety strategy.

Logging companies that are working in FSC FM/COC certified forest operations (e.g. State Forest Enterprises) based on subcontracting agreements are monitored not only by the forest

managers, that are requiring to fulfil FSC requirements set in P4 (P2 in FS-STD-o1-oo1 v 5-0), but also by the accredited FSC certification bodies that do field observations of such companies during certification audits. Logging companies providing logging services for FSC certified operations are considered being at low risk for health and safety requirements.

The social chamber expressed the concern about the application of health and safety requirements in private sector where it could be the high risk of violation of these requirements. After discussions, all of the FSC National Working Group chambers (environmental, social and economic) agreed to assign „Low risk” to this indicator with the note from social chamber that additional data shall be evaluated to check if the situation in private sector concerning the implementation of health and safety requirements is being improved.

Additional data was obtained during this assessment that did not confirm that the situation was improving, therefore this category has been assessed as a specified risk.

Risk Conclusion

This indicator has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.11.6. Risk designation and specification

Specified risk

1.11.7. Control measures and verifiers

1. Can the products be traced back to the logging company responsible for conducting the harvest operation?

1.1 If yes, go to 2.

1.2 If no, the products cannot be sourced as controlled material.

2. Does the logging company have a recognized 3rd party certification system covering health and safety procedures such as OHSAS or contractor certification?

2.1 If yes, the wood can be accepted as controlled material

2.2 If no, go to 3

3. Does the logging company have valid contract with FSC FM/CoC certified operation for providing logging services?

3.1 If yes, the wood can be accepted as controlled material

3.2 If no, go to 4.

4. Does the logging company have health and safety procedures in place that ensure that all staff involved in the logging operation have all required personal protection required by the legislation?

4.1 If yes: go to 5.

4.2 If no: go to 8.

5. Does audit of ongoing operation site confirm that staff has and uses all legally required personal protection equipment?

5.1 If yes, the material can be sourced as controlled material.

5.2 If no, go to 6.

6. Does Logging Company agree to observe legally required health and safety requirement and audits by representative of the organization?

6.1 If yes: go to 7.

6.2 If no: The material cannot be sourced as controlled material

7. Does field audit verify compliance with health and safety requirements?

7.1 If yes, the material can be sourced as controlled material.

7.2 If no, the material cannot be sourced as controlled material.

8. Does the logging company agree to establish procedures that ensure that all health and safety requirements in connection with forest harvesting is observed?

8.1 If yes, go to 7.

8.2 If no, the material cannot be sourced as controlled material.

Applicable to Private forest owners.

1.12. Legal employment

Legal requirements for employment of personnel involved in harvesting activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Furthermore, the points cover observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association. Risk relates to situations/areas where systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.

1.12.1. Applicable laws and regulations

- Labour Code of the Republic of Lithuania (2002.06.04, IX-926)
- Civil Code of the Republic of Lithuania (2000.07.18 d, No. VIII-1864)
- Law on Social Security (1991.05.21d, No. I-1336)
- Government decision on seasonal work (1994.03.07, No. 154)
- Government decision on employment of persons under 18 year old (2003.01.29, No. 138)
- Order on forest work safety (1996.11.25, 208)
- Law on Temporary Agency Employment (2011.05.19, XI-1379)

1.12.2. Legal authority

- Republic of Lithuania Ministry of Social Security and Labour;
- State Labour Inspectorate at the Ministry of Social Security and Labour;

- Lithuanian Labour Exchange under the Ministry of Social Security and Labour; Disability and Working Capacity Assessment Office at the Ministry of Social Security and Labour Republic of Lithuania;
- Ministry of Health of the Republic of Lithuania;
- State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania.

1.12.3. Legally required documents or records

- Employment contract

1.12.4. Sources of information

Government sources

- Labour Code of the Republic of Lithuania (2002.06.04, IX-926)
- Civil Code of the Republic of Lithuania (2000.07.18 d, No. VIII-1864)
- Law on Social Security (1991.05.21d, No. I-1336)
- Government decision on seasonal work (1994.03.07, No. 154)
- Government decision on employment of persons under 18 year old (2003.01.29, No. 138)
- Order on forest work safety (1996.11.25, 208)
- Law on Temporary Agency Employment (2011.05.19, XI-1379)
- Report from State Labour Inspectorate, 2012
- Action plan for State Labour Inspectorate, 2013
- Eurofund report on Tackling undeclared work in the European Union
- vdi.lt (2014). *Information on illegal labor by industries 2014.09.30*. Available at: <http://www.vdi.lt/PdfUploads/NDinformacijaPagalEV.pdf>

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.12.5. Risk determination

Overview of Legal Requirements

Legal employment in Lithuania is defined by number of different legislation. According to legislation all employees shall have signed employment contract which is a basis for obligatory social security, ensured by paying taxes to social security company SoDra. According to the requirements of the Labour Law, the employment contract must be in writing and it must contain essential provisions in order to be valid, such as conditions of payment, the place of work and a job description. Certain types of employment contract may require additional provisions such as the term of the contract, seasonal work, etc. Temporary hires, provided through employment agencies, offer an alternative to fixed term contracts. Temporary employment is rapidly growing in Lithuania as a flexible solution for part time, project or fixed term employment, and as a risk management strategy at the startup stage.

Temporary employment is regulated by Law on Temporary Agency Employment, which was adopted to implement the EU Directive on temporary agency work.

Description of Risk

Illegal employment in Lithuania is controlled and preventive measures implemented by different institutions such as State Labour Inspectorate, State Social Security Fund Council, State Tax Inspectorate, Financial Crime Investigation Service and Police Department. Based on report provided by State Labour Inspectorate most common cases of illegal employment in Lithuania for all economic sectors are: 1. Work without employment contract, 2. Individual persons performing economical activities without self-employed licenses, 3. Performing economical activities without legally registering company or without required licenses or through other illegal activities.

In order to tackle undeclared work more effectively, in 2011 the State Labour Inspectorate set up standing groups to control illegal work in Lithuania's five largest cities to undertake control and prevention of undeclared work. The groups consist of VDI inspectors (lawyers) who were provided with appropriate resources. Where necessary, assistance can be sought from representatives of other institutions. The results show that this initiative has contributed to better detection of undeclared work compared to previous years.

State Labour Inspectorate in 2012 conducted more than 3700 checks of possible illegal employment and identified 1700 illegally employed people. Most illegal (illicit) labour cases in 2012 years were in following economy sectors: construction - 35.85%, other public services - 12.46%, wholesale/retail trade - 10.53%, agriculture - 7.84%. Riskiest sectors of the economy continue to remain the same: construction, wholesale and retail trade, agriculture.

It should be noted that the number of persons employed illegally in the forestry sector has decreased from 6.86% in 2011, to 4.44% in 2012 and 1.81% in 2013. State Labour Inspectorate has prepared action plan for 2014, which highlights the need to strengthen enforcement of illegal employment control and preventive measures in order to achieve better results compared to 2013.

Based on the information provided above it is seen that there might be some cases of illegal employment in forestry sector, but control and preventive measures implemented by legal authorities as well as positive trends towards reduced illegal employment rates in forestry sector provide solid background for defining this sub-category as low risk.

The social chamber expressed the concern that social dialogue is not efficient enough yet, however the situation constantly is being improved. Therefore, all of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.12.6. Risk designation and specification

Low risk

1.12.7. Control measures and verifiers

N/A

THIRD PARTIES' RIGHTS

1.13 Customary rights

Legislation covering customary rights relevant to forest harvesting activities including requirements covering sharing of benefits and indigenous rights.

1.13.1. Applicable laws and regulations

- Law on Forest (1994-11-22, Nr. I-671)
- Rules for visiting Cepkeliai Strict Nature Reserve
- Rules for fishing in Zuvintas biosphere Strict Nature Reserve

1.13.2. Legal authority

- Ministry of Environment Republic of Lithuania
- Čepkeliai State Strict Nature Reserve Authority
- Žuvintas Biosphere Reserve Authority
- Directorate General of State Forests at the Ministry of the Environment Republic of Lithuania
- Regional Environment Protection Departments

1.13.3. Legally required documents or records

- Permits to visit Strict Nature Reserve

1.13.4. Sources of information

Government sources

- Law on Forest (1994-11-22, Nr. I-671)
- Rules for visiting Cepkeliai Strict Nature Reserve
- Rules for fishing in Zuvintas biosphere Strict Nature Reserve

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.13.5. Risk determination

Overview of Legal Requirements

In Lithuania there are no groups of individuals having customary rights to forest harvesting activities. Customary rights to non-timber forest products in state strict nature reserve areas are defined by special regulations allowing local communities to collect berries and mushrooms as well as fishing activities following special provisions. Logging activities in strict nature reserves is prohibited by law.

Description of Risk

All of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.13.6. Risk designation and specification

Low risk

1.13.7. Control measures and verifiers

N/A

1.14. Free prior and informed consent

Legislation covering "free prior and informed consent" in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.

1.14.1. Applicable laws and regulations

Not applicable: There is no legislation on free prior and informed consent in Lithuania

1.14.2. Legal authority

N/A

1.14.3. Legally required documents or records

N/A

1.14.4. Sources of information

N/A

1.14.5. Risk determination

N/A

1.14.6. Risk designation and specification

N/A

1.14.7. Control measures and verifiers

N/A

1.15. Indigenous/traditional peoples' rights

Legislation that regulates the rights of indigenous/traditional people as far as it's related to forestry activities. Possible aspects to consider are land tenure, right to use certain forest related resources or practice traditional activities, which may involve forest lands.

1.15.1. Applicable laws and regulations

Not applicable: There are no indigenous people in Lithuania since Lithuanians are native people in their homeland.

1.15.2. Legal authority

N/A

1.15.3. Legally required documents or records

N/A

1.15.4. Sources of information

N/A

1.15.5. Risk determination

N/A

1.15.6. Risk designation and specification

N/A

1.15.7. Control measures and verifiers

N/A

TRADE AND TRANSPORT

1.16. Classification of species, quantities, qualities

Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce/avoid payment of legality prescribed taxes and fees. Risk relates to material traded under illegal false statements of species, quantities or qualities. This could cover cases where this type of false classification is done to avoid payment of royalties or taxes or where trade bans on product types or species are implemented locally, nationally or internationally. This is mainly an issue in countries with high levels of corruption (CPI<50).

1.16.1. Applicable laws and regulations

- Law on Forests (1994-11-22, No.I-671)
- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Regulations on measuring and defining the volume of round wood and standing forests (Order of Minister of Environment, 2010-09-10, No. D1-747)
- Regulations on round wood trading (Order of Minister of Environment, 2011-12-16, No. D1-984)
- Regulations on round wood classification and marking (Order of Minister of Environment, 2001-07-05, No. 358)
- Schedule of procedures on round wood calculation (Order of Minister of Environment, 2007-12-12, No. D1-672)

1.16.2. Legal authority

- Ministry of Environment Republic of Lithuania
- Directorate General of State Forests at the Ministry of the Environment Republic of Lithuania
- State Forest Service
- Regional Environment Protection Departments
- Ministry of Agriculture of Republic of Lithuania

1.16.3. Legally required documents or records

- Round Timber Electronic Trading System, Wood Waybill and Wood Reception Card, Transmission - Reception Card, Reclassification card, Wood Records Documentary, Round Wood inventory sheet

1.16.4. Sources of information

Government sources

- Law on Forests (1994-11-22, No.I-671)

- National Program on Development of Forest Sector 2012-2020 (Decision of the Government, 2012-05-23, No. 569)
- Regulations on measuring and defining the volume of round wood and standing forests (Order of Minister of Environment, 2010-09-10, No. D1-747)
- Regulations on round wood trading (Order of Minister of Environment, 2011-12-16, No. D1-984)
- Regulations on round wood classification and marking (Order of Minister of Environment, 2001-07-05, No. 358)
- Schedule of procedures on round wood calculation (Order of Minister of Environment, 2007-12-12, No. D1-672)

Non-Government sources

- FSC national Working Group (WG) represented by environmental, social and economic chambers

1.16.5. Risk determination

Overview of Legal Requirements

According to the Law on Forests, the Ministry of Environment is responsible for legal acts and regulations related to classifications, measurement of qualities and quantities of round wood. The legal acts approved by the minister of Environment are mentioned in the source information.

Regulations on measuring and defining the volume of round wood and standing forests defines how the volume for different timber products (round wood, sown timber, commercial wood, etc.) shall be calculated and provides the tables of logs volume calculations as well as other formulas for calculation of timber volume.

The Regulations on round wood trading defines how the standing forest shall be sold and provides the rules and procedures for organizing auctions of standing forests. It sets the transparent rules for selling the standing state forests.

Schedule of procedures on round wood calculation sets the order, how the round wood shall be accepted (documents and data required) as well as provides the rules on round wood re-classification (or classification test), describes the documented timber tracking system and explains in details, how the required documents shall be filled.

Description of Risk

Transparency international corruption perception index for Lithuania in 2016 was 59 (above the threshold of 50), therefore, corruption is not considered as key factor negatively influencing classification of species, quantities and qualities in Lithuania.

All of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.16.6. Risk designation and specification

Low risk

1.16.7. Control measures and verifiers

N/A

1.17. Trade and transport

All required trading permits shall exist as well as legally required transport document which accompany transport of wood from forest operation. Risk relates to the issuing of documents permitting the removal of timber from the harvesting site (e.g., legally required removal passes, waybills, timber tags, etc.). In countries with high levels of corruption, these documents are often falsified or obtained by using bribery. In cases of illegal logging, transport documents from sites other than the actual harvesting site are often provided as a fake proof of legality with the harvested material.

1.17.1. Applicable laws and regulations

- Schedule of procedures on round wood calculation (Order of Minister of Environment, 2007-12-12, No. D1-672)
- Schedule of procedures on round wood transportation, produced in private forests (Order of Minister of Environment, 2004-06-03, No. D1-313)
- Regulations on round wood trading (Order of Minister of Environment, 2011-12-16, No. D1-984)
- Regulations on extraction and transportation of illegally produced round wood and cut trees and bushes grown in forest land (Order of Minister of Environment, 2002-05-13, No. 237)

1.17.2. Legal authority

- Ministry of Environment Republic of Lithuania;
- State Forest Service;
- Directorate General of State Forests at the Ministry of the Environment Republic of Lithuania;
- Regional Environment Protection Departments.

1.17.3. Legally required documents or records

- Harvesting permits, Timber Shipping Sheet

1.17.4. Sources of information

Government sources

- Schedule of procedures on round wood calculation (Order of Minister of Environment, 2007-12-12, No. D1-672)

- Schedule of procedures on round wood transportation, produced in private forests (Order of Minister of Environment, 2004-06-03, No. D1-313)
- Regulations on round wood trading (Order of Minister of Environment, 2011-12-16, No. D1-984)
- Regulations on extraction and transportation of illegally produced round wood and cut trees and bushes grown in forest land (Order of Minister of Environment, 2002-05-13, No. 237)

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.17.5. Risk determination

Overview of Legal Requirements

State standing forests have to be sold through the auction system described in the Regulations on round wood trading. The long-term or half year contracts are signed with the winner of the auction. The detailed procedures for carrying on the auctions are described in the mentioned regulations.

Schedule of procedures on round wood calculation sets the order, how the round wood shall be accepted (documents and data required) as well as describes the rules of the documented timber tracking system and explain in details, how the required documents shall be filled.

Schedule of procedures on round wood transportation, produced in private forests, states that the person, transporting timber from private forests, shall have the timber transportation sheet, document proving his identity, cutting permission (in case it is necessary), forest ownership document (when the cutting permission is not necessary and transportation is carried on by owner) or document proving the legal ownership (contract, etc.) of the timber (when transportation is carried on by contractor). The information and data which have to be included in the transportation sheet and other documents are defined in the mentioned schedule of procedures.

The mentioned legal acts allow clearly link documents related to transportation, trade or export to the specific material in question and to the origin.

The Forest control division of the regional office of State environmental protection agency controls, how requirements set up in legal acts for trade and transportation, is being implemented. In case illegal timber is found in the forests, the mentioned institution shall issue the transportation permission. The procedures for such transportation are set up in the Regulations on extraction and transportation of illegally produced round wood and cut trees and bushes, grown in forest land.

Risk description

Please, see the statistical data on illegal cuttings in the section of the indicator 1.4 (Harvesting permits). Bribery among persons responsible for issuing logging licenses or transportation documents as well as producing and providing the fake documents might be an issue; however, there is not enough evidence about cases when such documents were issues.

The Lithuanian legal basis includes all required trading and transport permits.

All of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.17.6. Risk designation and specification

Low risk

1.17.7. Control measures and verifiers

N/A

1.18. Offshore trading and transfer pricing

Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens combined with artificial transfer prices is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and considered as an important generator of funds that can be used for payment of bribery and black money to the forest operation and personnel involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading as far as it is legally prohibited in the country, can be included here. Risk relates to situations when products are sold out of the country for prices that are significantly lower than market value and then sold to the next link in the supply chain for market prices, which is often a clear indicator of tax laundry. Commonly, the products are not physically transferred to the trading company.

1.18.1. Applicable laws and regulations

- "Transfer pricing rules" (Order of the Minister of Finance No. 1K-123, 09-04-2004).
- Thin capitalization rules (The decision of the Government of the Republic of Lithuania, 2003-12-09, No. 1575)
- Advance pricing arrangement procedure rules (The order of the head of the State Tax Inspectorate, 2011-10-21, No. VA-106)
- Rules of filling in form FR0438 about associated persons (The order of the head of the State Tax Inspectorate, 2004-09-22, Nr. 376)
- Rules of filling in form FR0528 about controlled transactions (The order of the head of the State Tax Inspectorate, 2005-03-22, No. VA-27)
- Law on Corporate income tax (2001-12-20, IX-675)
- List of Offshore countries (Order of the Minister of Finances, 2001-12-22, No. 344)

1.18.2. Legal authority

- Ministry of Finance of the Republic of Lithuania;
- State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania.

1.18.3. Legally required documents or records

- Transfer Pricing Documentation, Financial reports according to the Law on Financial Statements of Entities

1.18.4. Sources of information

Government sources

- "Transfer pricing rules" (Order of the Minister of Finance No. 1K-123, 09-04-2004).
- Thin capitalization rules (The decision of the Government of the Republic of Lithuania, 2003-12-09, No. 1575)
- Advance pricing arrangement procedure rules (The order of the head of the State Tax Inspectorate, 2011-10-21, No. VA-106)
- Rules of filling in form FR0438 about associated persons (The order of the head of the State Tax Inspectorate, 2004-09-22, Nr. 376)
- Rules of filling in form FR0528 about controlled transactions (The order of the head of the State Tax Inspectorate, 2005-03-22, No. VA-27)
- Law on Corporate income tax (2001-12-20, IX-675)
- List of Offshore countries (Order of the Minister of Finances, 2001-12-22, No. 344)

Non-Government sources

- kpmg.com (2012). *Global Issues and insights, Lithuania*. Available at: <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/gtps-2012/lithuania.pdf>
- pwc.com (N.Y). *Transfer Pricing*. Available at: <http://www.pwc.com/lt/en/about/svcs/tax-transfer-pricing.jhtml>
- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.18.5. Risk determination

Overview of Legal Requirements

Offshore trading in Lithuania is regulated by The Law on Corporate Income Tax. Offshore trading is not illegal in Lithuania, however, there is a list of offshore countries approved by the minister Finances of Lithuanian. According to legislation different taxation rules apply to companies registered in offshore countries.

The transfer pricing (hereinafter – TP) rules was approved and incorporated into the Lithuanian tax system in 2004. The requirements for the TP documentation set in the Lithuanian TP Rules are largely based on Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations prepared by the Organisation for Economic Co-operation and Development. The regulations of the TP documentation in the European Union are laid down in the Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union approved by the Council of the European Union.

Pursuant to Chapter XI "Transfer pricing documentation rules of controlled transactions" of the Lithuanian TP Rules, the following entities must prepare the TP documentation:

- Lithuanian entities (enterprises) whose financial reports are prepared according to the Law on Financial Statements of Entities and whose annual income from sales (turnover) exceeds 10 million litas (~ 3 mil. EUR);
- Financial undertakings and credit institutions whose activity in Lithuania is regulated by the Law on Financial Institutions
- Insurance undertakings whose activity in Lithuania is regulated by the Law on Insurance
- Foreign entities (enterprises) operating through permanent establishments in the territory of the Republic of Lithuania if their annual income from sales (turnover) that are assigned to their permanent establishments exceeds 10 million litas (~ 3 mil. EUR).

Entities which do not fall under regulations concerning the mandatory preparation of TP documentation has option to prepare transfer pricing documentation or not. However, according to Law on Corporate Income Tax all entities have to be prepared to substantiate that controlled transactions are in compliance with the arm's length principle.

Description of Risk

Law enforcement related to offshore trade and transfer pricing is very strictly regulated and monitored by the State Tax Inspectorate, therefore there is not enough evidence that this subcategory can be an issue in Lithuania.

All of the FSC National Working Group chambers (environmental, social and economic) agreed to assign "Low risk" to this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.18.6. Risk designation and specification

Low risk

1.18.7. Control measures and verifiers

N/A

1.19. Custom regulations

Custom legislation covering areas such as export/import licenses, product classification (codes, quantities, qualities and species).

1.19.1. Applicable laws and regulations

- Customs Law (2004-04-27 NO IX-2183)
- Commission Implementing Regulation (EU) No 927/2012 of 9 October 2012 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff

1.19.2. Legal authority

- Ministry of Finance of the Republic of Lithuania;
- Customs Department under the Ministry of Finance of Republic of Lithuania;
- State Tax Inspectorate Under the Ministry of Finance of the Republic of Lithuania.

1.19.3. Legally required documents or records

- Annual Report from Customs of the Republic of Lithuania

1.19.4. Sources of information

Government sources

- Customs Law (2004-04-27 NO IX-2183)
- Commission Implementing Regulation (EU) No 927/2012 of 9 October 2012 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff
- The Integrated Tariff of the Republic of Lithuania database LITAR
- Annual Report from Customs of the Republic of Lithuania (2012).

Non-government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.19.5. Risk determination

Overview of Legal Requirements

In general Customs of The Republic of Lithuania have enforced strict customs control at different levels, including sample checks of product classification, product value evaluations and product country of origin evaluations. Furthermore, Lithuania is following EU regulations on different product classification.

Description of Risk

Based on annual report from Customs of the Republic of Lithuania, wood industry is not mentioned among risky business sectors, related to avoidance of paying custom taxes or inaccurate or false product classification.

There is not enough evidence to consider this sub-category as specified.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.19.6. Risk designation and specification

Low risk

1.19.7. Control measures and verifiers

N/A

1.20. CITES

CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention). Note that the indicator relates to legislation existing for the area under assessment (and not e.g., the area from which CITES species are imported).

1.20.1. Applicable laws and regulations

- Law concerning the ratification of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (2001-05-22, No. IX-337)
- Order of the Minister of Environment of the Republic of Lithuania, Director of the Customs Department under the Ministry of Finance and Director of the State Food and Veterinary Service "On Approval of the Rules for Trade in Wildlife" (2002-12-21, No. 658/831/743)
- Law on Environmental Protection (2005-03-24, I-2223)
- Law on Wild Flora (1999-06-15, No. VIII-1226)
- Order of the Minister of Environment "On Approval of Regulations on Trade in Protected Species of Wild Flora (2006-05-25, No. D1-260)

1.20.2. Legal authority

- Customs Department under the Ministry of Finance of Republic of Lithuania;
- Environment Ministry of the Republic of Lithuania;
- State Food and Veterinary Service;
- Regional Environment Protection Departments.

1.20.3. Legally required documents or records

- Fishing, hunting permits, Ministry of Environment issue permits to take wild animals from the natural environment, permits to import and export animals, plants or their parts, permits to trade wild plants

1.20.4. Sources of information

Government sources

- Law concerning the ratification of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (2001-05-22, No. IX-337)
- Order of the Minister of Environment of the Republic of Lithuania, Director of the Customs Department under the Ministry of Finance and Director of the State Food and Veterinary Service "On Approval of the Rules for Trade in Wildlife" (2002-12-21, No. 658/831/743)
- Law on Environmental Protection (2005-03-24, I-2223)
- Law on Wild Flora (1999-06-15, No. VIII-1226)
- Order of the Minister of Environment "On Approval of Regulations on Trade in Protected Species of Wild Flora (2006-05-25, No. D1-260)
- Annual Report from Customs of the Republic of Lithuania (2012)

Non-Government sources

- FSC National Working Group (WG) represented by environmental, social and economic chambers

1.20.5. Risk determination

Overview of Legal Requirements

CITES came into force in the Republic of Lithuania on 9 March 2002. The rules for trade in wild animals regulating bringing into and taking out of the Republic of Lithuania animals, parts thereof or articles made of them are prepared following the requirements of the CITES, provisions of Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein and Commission Regulation (EC) No 1808/2001 of 30 August 2001 laying down detailed rules concerning the implementation of the protection of species of wild fauna and flora by regulating trade therein.

The procedure set by the above-mentioned regulations is to be followed and the licenses, certificates and other documents as specified in these Regulations are required on bringing in (taking out) animals and plants, parts thereof or articles made of them. An individual license issued by the Ministry of Environment of the Republic of Lithuania must be presented for each consignment of animals and plants, parts thereof or articles made of them. On bringing of animals and plants, parts thereof and products made of them into/from Lithuania to the third countries, the accomplishment of customs formalities is allowed only upon presenting the required licenses.

Description of Risk

Based on annual report from Customs of the Republic of Lithuania in 2012 here were 13 cases when goods were confiscated due to violation of CITES requirements, however, there is no specification if these were related to animal or plant species.

There are no CITES tree species growing in Lithuania.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.20.6. Risk designation and specification

Low risk

1.20.7. Control measures and verifiers

N/A

1.21. Legislation requiring due diligence/due care procedures

Legislation covering due diligence/due care procedures, including e.g. due diligence/due care systems, declaration obligations, and /or the keeping of trade related documents, legislation establishing procedures to prevent trade in illegally harvested timber and products derived from such timber, etc.

1.21.1. Applicable laws and regulations

- Order due operator which submitting timber to market, Monitoring organisations monitoring and operational inspections description of the procedure approval (order of Lithuania Ministry of Environment State Forest Service Director, 2013-08-14, No. 190-13-V)
- Resolution of The Government of The Republic of Lithuania due Competent Authorities, responsible for 2010-10-20 European Parliament and Council regulation (EU) No. 995/2010 Application, Appointment (2013-03-06, No. 205)

1.21.2. Legal authority

- Ministry of Environment Republic of Lithuania
- State Forest Service
- State non-food products inspectorate

1.21.3. Legally required documents or records

- Ultimate report to European Commission, reports to Ministry of Environment of Lithuania from State Forest Service and State non-food products inspectorate.
- Documents or information about a company's due diligence system.

1.21.4. Sources of information

Government sources

- Order due operator which submitting timber to market, Monitoring organisations monitoring and operational inspections description of the procedure approval (order of Lithuania Ministry of Environment State Forest Service Director, 2013-08-14, No. 190-13-V);
- Resolution of The Government of The Republic of Lithuania due Competent Authorities, responsible for 2010-10-20 European Parliament and Council regulation (EU) No. 995/2010 Application, Appointment.

1.21.5. Risk determination

Overview of Legal Requirements

Existing legislation addressed the prohibition provision of the EUTR. Amendments were also made in relation to the due diligence provision to legal acts such as Regulations on Management and Use of Private Forests (approved by the Lithuanian government) and Logging Permits Assurance Procedure (approved by the Ministry of Environment).

Penalties: Administrative Code and the Criminal Code of the Republic of Lithuania. Fines from €15 to €8,688, for repeated violations - up to €17,377 (in the near future it is planned to increase fines for illegal felling and forest legislation infringements by two to 10 times). Also in some illegal felling cases the Administrative Code foresees confiscation of harvested timber, tools and means of illegal felling. The Criminal Code foresees penalty, arrest or imprisonment for up to two years if more than one hectare of forest was destroyed. Additional sanctions are set for damage to the environment caused by illegal felling (these sanctions were raised up to 10 times in March 2014). Amount of compensation to be paid depends on volume of timber and protected area status (if illegal felling was in a protected area). The

penalties and sanctions are high enough to be dissuasive and the process of legislation improvement is ongoing (WWF).

The Competent Authorities (CA) carries out periodic and spot checks of compliance with the EUTR. The Competent Authority has the ability to take appropriate steps or measures to rectify any instances of violations of the EUTR where necessary. They also keep records of the checks, Cooperate with other EU Member States competent authorities, third countries administrative authorities and European Commission.

There are members of staff allocated in several institutions. State Forest Service: three officers in central bureau, 98 inspectors involved in spot checks. Non-Food Products Inspectorate under the Ministry of Economy: two officers in central bureau, 10 inspectors involved in spot checks. CAs have annual budgets, but there is no clearly separated budget dedicated to EUTR activities. State Forest Service assessed 206 operators, State Non-Food Products Inspectorate under the Ministry of Economy, 25. CAs spoke at two workshops organised by Monitoring Organisations in the past 12 months. There were several articles in national newspapers, and information was provided on radio broadcasts. There are no checks further up the supply chain because the risk of infringement at that level is considered low. Information on the EUTR and its enforcement is available on CA websites. The CA Provides information / suggestions about the serious shortcomings in the inspection system.

There is clear evidence of coordinated activities and official correspondence between the Ministry of Environment of the Republic of Lithuania, CAs and other relevant institutions. Cooperation between CAs and relevant departments is also carried out continuously on the level of specialists in working procedures. There is no working group because it is not considered necessary. In Lithuania 3 State Forest checks have been enforced and 3 checks of wood-processing companies to date. Forests covers 33,3 % of Lithuania land area (about 2 230 000 ha). Private forests – 845 000 ha, State Forests – 1 052 000, rest – Forest reserved for restitution.

Description of Risk

All 42 State Forest Enterprises have been certified by a Monitoring Organisation, therefore the risk for state forests is low. There is no information about the level of implementation of due diligence systems in non-state forests. As the CA has only checked state forests to date there is a specified risk for non-state forests.

Risk Conclusion

This indicator has been evaluated as low risk for state forests. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

This indicator has been evaluated as specified risk for private forests. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.21.6. Risk designation and specification

Low risk for state forests

Specified risk for private forests.

1.21.7. Control measures and verifiers

1. Can the material be tracked back to the entity placing it on the market - the Operator?

- If the timber is sold as standing stock to a logging company, the logging company will be the Operator.
- If the timber is sold as an assortment by the forest owner/manager, then the forest owner/manager will be the Operator.

If no - do not buy

If yes - go to 2

2. Can the Operator document that a Due Diligence System is in place in accordance with the EU Timber Regulation No 995/2010 (EUTR)? Operators placing for the first time on the internal market for distribution or use in the course of a commercial activity any products listed in the annex to Regulation (EU) 995/2010 (EUTR) should present:

- documents required according to articles 4.2 and 6 of Regulation (EU) 995/2010 (EUTR),
- documents required according to article 3, Commission Implementing Regulation (EU) 607/2012,
- register of information concerning the Operator's supply as provided for in article 6.1 a) of Regulation (EU) 995/2010 and documentation of application of risk mitigation procedures.

If no – do not buy

If yes - risk mitigated for this point.

Annex I. Timber source types

The table **Timber Source Types in Lithuania** identifies the different types of sources of timber it is possible to find in the country of origin.

'Timber Source Type' is a term used to describe the different legal sources of timber in a country, in order to allow a more detailed specification of risk. The Timber Source Type is used to clarify:

- which forest types timber can be sourced from legally;
- what the legal requirements are for each source type, and
- if there are risks related to certain source types and not others.

Timber Source Type can be defined by several different characteristics. It may be based on the actual type of forest (e.g. plantation or natural), or other attributes of forests such as ownership, management regime or legal land classification. In this context Timber Source Types are defined and discerned using the following characteristics:

- Forest type** - refers to the type of forest such as plantation or natural tropical forest, or mixed temperate forest. Often the clearest differentiation is between natural forest and plantations.
- Spatial scale (Region/Area)** - relating to meaningful divisions of a nation. However, in some cases the assessment may be carried out at national level where that allows the risk assessment to establish risk at a meaningful level. E.g. a small country with uniform legislation and a uniform level of risk in all areas of the country, as national level assessment may be enough. In case there are significant differences in the legal framework or legality risks between different types of ownership (e.g. public forest, private forest, industrial forest), between different type of forest (e.g. natural forest and plantations) and/or between different geographical regions the conformance risk evaluation shall specify these differences when specifying the risk and apply the appropriate control measures.
- Legal land/forest classification** - refers to the legal classification of land. Focus is on land from where timber can be sourced, and this could entail a number of different legal categories such as e.g. permanent production forest, farm land, protected areas, etc.
- Ownership** - Ownership of land may differ in a country and could be state, private, communal etc. Ownership of land obviously have impacts on how land can be managed and controlled.
- Management regime** - Independently of the ownership of the land, the management of forest resources may differ between areas. Management may also be differentiated as private, state, communal or other relevant type.
- License type** - Licenses may be issued to different entities with a range of underlying requirements for the licensee. A license might be issued on a limited area, limited period of time and have other restrictions and obligations. Examples could be a concession license, harvest permit, community forestry permit etc.

TIMBER SOURCE TYPES IN LITHUANIA

Forest type	Region / Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
Semi-natural State Forest	National	Production Forest	State		Harvest permit or notice	Logging operations are done based on the requirements of forest management plan and issued logging licenses. In some cases logging licenses are not needed and logging can be done after providing written notice to legal authorities. The process implementation and control is done by State Forest Service.
Semi-natural Private forest	National	Production Forest	Privat		Harvest permit or notice	Logging operations are done based on the requirements of forest management plan and issued logging licenses. In some cases logging licenses are not needed and logging can be done after providing written notice to legal authorities. The process implementation and control is done by State Forest Service.



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About

Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint project run by NEPCon with the aim of supporting timber-related companies in Europe with knowledge, tools and training in the requirements of the EU Timber Regulation. Knowing your timber's origin is not only good for the forests, but good for business. The joint project is funded by the LIFE programme of the European Union and UK aid from the UK government.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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