

Timber Legality Risk Assessment Bulgaria

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COUNTRY RISK
ASSESSMENTS



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

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B. Overview of legality risks

Timber Risk Score: 5 / 100 in 2017

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

- **Specified risk for 18 sub-categories.**
- **Low risk for 1 sub-categories.**
- **No legal requirements for 2 sub-categories.**

The Timber Risk Score for Bulgaria is 5 out of 100. The key legality risks identified in this report concern timber harvesting activities related to legal rights to harvest, taxes and fees, timber harvesting activities, third parties' rights and transport and trade.

For **Legal rights to harvest**, there is a risk that:

- ownership rights are violated due to unclear tenure and management and corruption (1.1).
- logging or forest road construction by the former owner without the consent of the new owner (1.1)
- logging of a forest by a co-owner without the consent of the other co-owners (1.1)
- logging in forest plots of other owners without their consent (1.1)
- tender processes for the assigning of timber harvesting and/or for wood purchase in public forests (state-owned and municipal) are compromised by illegal activities and corruption (1.2).
- prior agreement between the participants leads to non-market prices being fixed (1.2)
- documents are being manipulated (1.2)
- data on forest volumes and tree species given in the inventory on the one hand, and in the logging site certification documents does not match (1.3)
- planned forest activities are often not in compliance with the silvicultural or ecological characteristics of the forests (1.3)
- harvesting permits are issued and logging takes place without having the relevant Forest Management Plan developed (1,3; 1.4)
- illegal logging without a harvesting permit takes place (1.4)
- logging is not in compliance with harvesting permits (1.4)
- logging occurs outside the boundaries of permitted sites (1.4)
- collection of firewood without a permit (1.4)

For **Taxes and fees**, there is a risk that:

- royalties/harvesting fees are reduced though cases of illegal logging and/or illegal transport of timber, or in cases of manipulated (i.e. incorrect) classification of the logged timber (1.5)

- VAT payment is reduced though incorrect classification of volume, quality and species of timber during sale (1.6).
- wood of private forests (mainly firewood) is sold without invoices or receipts, leading to evasion of VAT payment (1.6)
- individual logging companies do not declare the full amount of their income and activities, or submit false tax declarations in order to reduce the tax due (1.7)

For **Timber harvesting activities**, there is a risk that:

- logging of unselected trees and subsequent false marking of the illegally logged trees takes place (1.8)
- harvesting techniques are not properly implemented (e.g. damaging regenerating trees, remaining trees, or roads during the extraction and transport of the logged timber, etc.) (1.8)
- protocols, data of logged timber and transportation tickets are manipulated (1.8)
- illegal logging takes place in protected areas (1.9)
- logging takes place during the breeding season and within the breeding sites of threatened and rare species (1.9)
- deadwood and habitat trees for "sanitary" reasons are logged (1.9)
- old-growth forests are logged (1.9)
- environmental requirements are violated (1.10).
- water courses, water-catchment areas, habitat trees are damaged/destroyed (1.10).
- soil is polluted by machinery oil (1.10).
- forest roads are destroyed and eroded (1.10)
- regulations concerning personal protective equipment for forest workers are being violated (1.11, 1.12)
- violations of the labour law, including lack of contracts, training, insurance, and unjustified dismissals (1.12)

For **Third parties' right**, there is a risk that:

- Local peoples' rights are not respected (1.13)

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

- incorrect classification of harvested material takes place, with the intention of reducing/avoiding payments taxes and fees (1.16)
- wood is transported without valid transport documents (1.17).
- valid transport tickets are used more than once (1.17)
- transport tickets are used to accompany timber with another origin than indicated in the documents (1.17)
- transfer pricing can take place (1.18)
- export regulation is violated (1.19)

- lack of control of trucks crossing the borders, making it possible to smuggle out illegal timber (1.19)
- Due diligence systems required is not implemented (1.21)

Timber source types and risks

There are 6 timber source types found in Bulgaria. 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 that where there is applicable legislation, the risks do not differ between them.

Managed forests	Wood from intensely managed forest areas. Harvesting permits as well as a Forest Management Plan or a plan-extract is required. Managed forests can be state or privately owned.
Special use forest	Wood from protected areas and Natura 2000 sites, managed to protect biodiversity. Harvesting permits may be issued only if the forest activities are included in a Forest Management Plan for a 10-year period or in a plan-extract. Special use forests can be state, publicly or privately owned.
Protection forest	Wood from forests managed to protect soil, water, and infrastructure, and to prevent erosion. Harvesting permits may be issued only if the forest activities are included in a Forest Management Plan for a 10-year period or in a plan-extract. Protection forest can be state, publicly or privately owned
Farmland forest	Wood from farmland forest. Harvesting permits as well as a Forest Management Plan or a plan-extract is required. Farmland can be publicly or privately owned.
Single trees on farmland	Wood from single trees grown on farmland. Logging on farmland is allowed with a permit. For the logging of individual trees (up to 5), permits are given by the Mayor of the Municipality on request of the land owner when a reason can be argued. For logging of more than 5 trees, permits are given by the head of the Municipal Agricultural Department on the request of the land owner when a serious reason can be argued. Farmland can be publicly or privately owned.
Reserves and national parks	Wood from strictly protected areas. Limited source of timber, as there is no industrial production. Logging aims solely to maintain protected forests. Reserves and national parks are state owned.

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

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

C. Overview of the forest sector in Bulgaria

According to the annual report of the Executive Forestry Agency (2015) the total forest area in Bulgaria as of 31 December 2015 was 4,222,874 hectares. Of this 73.23% is state owned, 13.06% municipal, 10.13% private, and 3.58% others.

State-owned forests had an area of 3,092,386 ha (73.23% of the total forest area):

- 2,906,508 ha (68.83%) – forest areas managed by State Enterprises under Art. 163 of the Forest Act;
- 174,463 ha (4.13%) – forest areas managed by the Ministry of Environment and Waters (including Rila National Park, Pirin National Park, Central Balkan National Park, and all Reserves);
- 431 ha – forest areas along the Maritsa River managed by the state-owned Irrigation Systems JSC (according to the map of restored ownership of Pazardzhik); and
- 11,415 ha (0.27%) – forest areas under the management of the Educational and Experimental Forest units of the Forestry University of Sofia.

Non-State forest covered an area of 1,042,101 ha (24.68% of the total forest area):

- 551,334 ha (13.06%) – municipal;
- 427,573 ha (10.13%) – privately owned;
- 42,849 ha (1.01%) – owned by business entities; and
- 20,345 ha (0.48%) – owned by religious communities.

Agricultural territories which in recent decades have acquired the characteristics of a forest within the meaning of Art. 2 para. 1 of the Forest Act had an area of 88,387 ha (2.09%).

All forests outside natural reserves and national parks are subject to silvicultural activities under the Forestry Act (2011). Forestry in National parks is limited and it is regulated by the Protected Areas Act. According to Article 5 of the Forestry Act, forest areas are divided into three functional categories:

1. Protection forest areas – forest which should be managed in such a way as to protect soil, water, and infrastructure, and to prevent erosion, etc.;
2. Special use forest areas – protected areas and Natura 2000 sites, managed in a such a way as to protect biodiversity; and
3. Timber-extraction forest areas – intensively managed forests for wood production.

Nearly 68% of Bulgarian forest areas have protection and/or special functions. The largest share (>50%) belongs to forests with special functions, mainly as a result of the establishment of the Natura 2000 network.

Water protection forests in Bulgaria occupy an area of 248,943 ha, which is 6.1% of the total forest area. They accumulate, annually, 1-1.5 billion m³ of water. These forests serve as an equaliser, providing a steady flow of clean water to end users through a water-supplying infrastructure.

Under the Forest Act (2011), forest policy in Bulgaria is developed and carried out by the Ministry of Agriculture and Food (MAF) supported by the Executive Forest Agency (EFA). The

EFA is responsible for state control at the national level of forest territories outside reserves and national parks. At the regional level, the EFA is represented by 16 Regional Forest Directorates (RFD). The RFDs have rights to exert control over the forest activities within their territorial range, impose sanctions and provide methodological guidance to forest owners.

Bulgarian forests are managed in compliance with the requirements of the Forest Act (2011), the Ordinance for Felling in Forests (2011), and administrative acts (orders, instructions, etc.) issued by the Executive Director of the EFA and the Minister of Agriculture and Food. Forest harvesting may start only if it has been included in a management plan, if the trees to be felled have been marked in the field, and if a logging licence has been issued. Forest management planning and the selection of trees for felling is carried out by the owner of the forest under the strict control of the state authorities (the EFA and its RFD), while harvesting permits are issued, under the oversight of the EFA and RFD, by persons with a forestry education who have been certified to conduct silvicultural activities by the EFA. All harvesting permits are issued through the EFA's web-based system (<http://system.iag.bg>), where all of the documents accompanying the licence can be found. Upon completion of logging, the site is inspected and the observations are recorded in a final document called the "Protocol for certification of the logging site".

In Section III "Forest certification" and the subsequent Articles 14, 20, 21, and Article 115 of the Forest Act, special preference is given to companies that have declared a commitment to certification of their forests and forestry activities. In essence, only certified companies may be assigned to develop Forest Management Plans (Art. 14) and may be assigned the right to log larger volumes of timber (Art. 115).

In general, Bulgaria's national legislation concerning the management and protection of forests is quite modern and strict. Nevertheless, the high levels of corruption in the country and the political interference in the forest sector suggest a high risk of legal violations at the national level. It is considered that the corruption level in the forest sector is similar to the average national corruption level which, according to the assessment of the Corruption Perception Index (CPI) for Bulgaria, was 41 points in 2016. Further, according to the World Bank World Wide Governance Indicators Bulgaria, on a governance scale of -2.5 to +2.5, scores an estimated 0.09 in Government Effectiveness, -0.08 in Rule of Law, and -0.28 in Control of Corruption. This places Bulgarian governance in the low middle band of scores.

Regarding the above, this risk assessment was performed based on both governmental and non-governmental sources, as well as based on personal field experience and interviews with anonymous forest experts and stakeholders.

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 Bulgaria (1991). Chapter I, art. 17. *The right of land ownership*. Available at: <http://www.government.bg/cgi-bin/e-cms/vis/vis.pl?g=&n=4&p=0034&s=001>
- Law for Restitution of Lands and Forests from the Forest Fund (1997). Art. 2-6. *Restitution*. Available at: <http://lex.bg/laws/ldoc/2134171136>
- Law for the Ownership and Use of Farm Lands (1991). Chapter I, art. 3a; Chapter II, art. 10, *Rrestitution*. Available at: <http://lex.bg/laws/ldoc/2132550145>
- Forest Act (2011). Chapter III, Section 1, *The ownership of forest areas*; Section 3, *The management of forest areas*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Trade Act (1991). *Business registration*. Available at: <http://www.lex.bg/bg/laws/ldoc/-14917630>

1.1.2. Legal authority

- Council of Ministers
- Ministry of Agriculture and Food
- Ministry of Justice
- Regional courts
- Supreme Prosecutor's Office
- Ministry of Interior
- District Governor
- Mayor
- Municipal Council
- Municipal Department for Agriculture and Forests

1.1.3. Legally required documents or records

- Proof of ownership – notarial act (deed), sale contract, court judgment, writ of possession, decision of the Municipal Department for Agriculture and Forests, Map of the restored ownership/cadastral map;
- Certificate of registration for logging companies – art. 230 of the Forest Act;
- Certificate of application for private forestry practice. Art. 235 and art. 241 of the Forest Act;
- Notarised power of attorney or contract for management;

1.1.4. Sources of information

Government sources

- EFA (2015): Annual report of the Executive Forestry Agency for 2015. Executive Forestry Agency. Sofia 2015.
- EFA (2014). *Annual report of the Executive Forestry Agency for 2014*. Executive Forestry Agency. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013*. Executive Forestry Agency. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012*. Executive Forestry Agency. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2013N.pdf
- EFA (2013). *Report of EFA on the implementation of Regulation 995/2011 of EC*. Executive Forestry Agency. Sofia 2013. Available at: <http://www.iag.bg/data/docs/Otchet-2013PRG.doc>
- MoAF (2016). *Annual reports of the Ministry of Agriculture and food on the state of agriculture and forests*. Ministry of agriculture and food. Sofia 2016. Available at: <http://www.mzh.government.bg/MZH/bg/Documents/AgrarenDoklad.aspx>

Non-Government sources

- Viaranews (2014). *Mother and son stop scandalous logging in the area of Pea Ridge in Samokov*. Available at: <http://viaranews.com/2014/05/30/майка-и-син-блокираха-скандална-сеч-в-м/>
- Botevgrad (2013). *A new fraud scheme in the forests*. Available at: <http://botevgrad.com/news/52634/Nova-shema-za-izmama-v-gorite/>
- Sevlievo-online (2016): *Illegal logging in private property found in Gabrovo*: <http://www.sevlievo-online.com/statii/nezakonna-sech-v-chastni-gori-hvanaha-v-gabrovo-868>
- Sevlievo-online (2017): *The logging in Kravenik, with a signal in NOVA, was legal*: <http://www.sevlievo-online.com/statii/sechta-v-kravenik-za-koyato-ima-signal-v-nova-bila-zakonna-1642>

- WWF (2016). Available at: Investigation of violations of the FSC standard in FMU Dikchan (personal communication)
- 24chasa (2016): *How many families have lost their property during the frauds in Pancharevo and Bistritsa*. Available at: <https://www.24chasa.bg/novini/article/5810160>

1.1.5. Risk determination

Overview of legal requirements

In 1956 the communist government of Bulgaria nationalised all private and municipal forests and lands. After the collapse of the Soviet system in 1989, restitution of the nationalised lands began, and this led to the adoption, in 1997, of the Law for Restitution of Forests and Lands from the Forest Fund. This law foresaw and allowed forests to be returned to their 1956 owners. The restitution process was completed by 2004. Art. 18 of the Law instructs the State Forestry Units to keep a register of forest owners.

The current Forest Act was adopted on 8 March 2011. Under this Act, the management rights of public forests – state-owned and municipal – are given to the Ministry of Agriculture and Food and to the municipal councils respectively.

The effective management of state-owned forests, which make up about 75% of all forests, is performed by six State Enterprises (Article 163 of the Forest Act). These State Enterprises are registered under the Trade Act and are companies that manage the state forests and pay all fees and taxes determined by national legislation. They have territorial divisions called Forest Management Units (Article 174 of the Forest Act), which govern, manage and guard the state-owned forest areas within their jurisdiction. They are relatively autonomous. The municipal forests are managed by municipal forest structures as set out in art. 181 of the Forest Act. The Forest Act gives private forest owners and business entities the right to manage their own forests. The management rights for private forests can also be granted to third parties, such as logging companies, by means of a notarised power of attorney or contract for management. As a result of the restitution, a single area of forested land is often co-owned by numerous private persons (the heirs of the original owner).

The restitution of forest lands includes the following steps:

- (1) A decision of the court restoring the ownership right of a private party to an area of forest land;
- (2) A decision of the Municipal Department for Agriculture and Forests for allocation of the rectituted forest lands; and
- (3) A writ of possession issued by the court.

The control of the ownership and change of ownership of forest lands is assigned to the municipal departments for agriculture and forests, the Cadastre Agency, and the Executive Forest Agency.

In order to prevent illegal practices in forests, the forest management activities in forest areas shall be organised and/or carried out by individuals and trade companies who are registered in the public records at the Executive Forest Agency and possess a certificate of registration (Art. 230, 235 and 241 of the Forest Act).

Description of risk

There have been systematic violations of ownership rights, including logging or forest road construction by the former owner without the consent of the new owner (e.g. in forests which have been the subject of restitution) (WWF, 2016), logging of a forest by one of the co-owners without the consent of the other co-owners (Botevgrad, 2013; Viaranews, 2014) and logging in forest plots of other owners without their consent (Sevlievo-online, 2016, 2017)

The restitution procedures for forest lands and the obligations of the state and of the supervisory bodies are clearly defined. However, the main control authorities on regional level, the Regional Forestry Directorates, have no legal obligation to maintain a register of forest owners. This obligation falls only to the Municipal Departments for Agriculture and Forests and to the Cadastre Agency. There is also no obligation under the Forest Act for the State Forestry Units to maintain a register of all other forest owners, as referred to in Article 18 of the Law for Restitution of Forests and Lands from the Forest Fund. The lack of a register of all forest owners results in a lack of information for the control authorities about the ownership of private forests. This often leads to tenure and management rights being unclear and a risk of violating these rights. In addition, there are systematic violations (including corruption), in the process of issuing land tenure and management rights in Bulgaria (24chasa, 2016). There were found no instances of individuals or logging companies that had no valid certificates of registration.

Risk Conclusion

Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.1.6. Risk designation and specification

Specified risk

1.1.7. Control measures and verifiers

- Land registry shall confirm ownership and validity of property deed.
- The management contract or other agreements with the owner shall clearly indicate management rights.
- The issuance of legal rights and registrations shall be subject to public disclosure prior to commencement of any activities within FMUs.
- Inspections of harvesting sites shall confirm that harvesting takes place within property boundaries (including felling, transport and log landings).
- Stakeholder consultation and document check shall confirm that registration of FMEs has been granted following legally prescribed processes.
- Stakeholder consultation and document check shall confirm that the legal status of operations or rights for conducting the established activities are not subject to court orders or other legally established decisions to cease operations.
- For non-state forests, it is necessary that contracts for usage of wood (incl. logging) are legalized by a notary.

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

- Forest Act (2011):
 - Chapter 4, Section II, Article 95. *Ordinance for logging contracts*
 - Chapter 5, Section I, Article 111-114. *Logging contracts*
 - Chapter 16, Section II, Articles 235 and 241. *Registration for activities in forest areas*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance for the terms and conditions for assigning the carrying out of activities in forest areas – state and municipal property, and use of wood and forest products (2011). Chapter One, Art. 5. Available at: www.iag.bg/data/docs/naredba_deinostiGF.doc

1.2.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- State enterprises
- Municipal Mayor
- Municipal Council

1.2.3. Legally required documents or records

- Logging contracts

1.2.4. Sources of information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2014_1.pdf

- EFA (2012). *Annual report of the Executive Forestry Agency for 2012. Executive Forestry Agency*. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2013N.pdf
- MoAF (2016). *Annual reports of the Ministry of Agriculture and food on the state of agriculture and forests*. Ministry of agriculture and food. Sofia 2016. Available at: <http://www.mzh.government.bg/MZH/bg/Documents/AgrarenDoklad.aspx>

Non-Government sources

- Dnevnik (2016). *Boycott of participants failed the first electronic auction for wood*. Available at: http://www.dnevnik.bg/bulgaria/2016/04/07/2738340_boikot_na_uchastnici_provali_purviia_elektronen_turg/
- Nikolov, M. (2015). Investigation. *Are forest units concealing illegal logging?*. Available at: http://novanews.novatv.bg/news/view/2015/12/13/133308/разследване-прикриват-ли-горските-стопанства-незаконна-сеч-/?utm_source=news&utm_medium=link&utm_campaign=related
- Transparency.bg (2016): Corruption perception index 2016: <https://www.transparency.org/country/BGR>

1.2.5. Risk determination

Overview of Legal Requirements

The Forest Act does not provide for forest concessions within the meaning of the Concession Act. Logging in state and municipal forests by private logging companies is realised on the basis of logging contracts, which can be considered a kind of concession licence, because the public forest owner grants management rights to private legal entities to exploit the public forest resources for up to 15 years and the logging contract sets out concrete management requirements of the forest resources. The Forest Act and the Ordinance for Assigning the Carrying Out of Activities in Forest Areas – State and Municipal Property, clearly defines:

- (1) The types of contracts between public forest owners and logging companies regulating rights and obligations for timber harvesting and collection of non-timber forest products in public forests,
- (2) The type of tender procedures, and
- (3) The conditions for assigning these activities, as well as
- (4) The individuals and legal entities which have the right to carry out the activities (Art.111, 235 and 241 of the Forest Act).

The logging contracts are of two types: (1) contract for logging alone, and (2) contract for logging and direct purchase of the harvested timber. Currently, logging contracts have terms of up to five years, however, the Forest Act allows for up to 15-year contracts. The contracting for timber harvesting in private forests (incl. forested farmlands) is not subject to the Forest Act.

In IUCN cat. I and II protected areas, the logging of individual trees is contracted by the MoEW or its substructures to private persons or private logging companies in compliance with the Protected Areas Act.

Description of risk

According to personal communications with representatives of logging companies, as well as evidence from media investigations (Nikolov, 2015; Dnevnik, 2016), tender processes for the assigning of timber harvesting and/or for wood purchase in public forests (state-owned and municipal) are often compromised by illegal activities and corruption. For instance, prior agreement between the participants leads to non-market prices being fixed. Manipulation of tender documents is also given as an example of benefits being illicitly provided to particular logging companies. Distortion of free competition at the cost of the public interest was also observed by the authors of this report, including violations of particular logging companies being covered up in order to prevent termination of their logging contracts and to prevent the participation of the company in question in new tenders being limited.

This indicator can be defined as 'specified risk' due to the inadequate implementation of the forestry legislation, which is exacerbated by Bulgaria's low score on the Corruption Perception Index (41 points in 2016).

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.

1.2.6. Risk designation and specification

Specified risk for state forests licenced to private entities

N/A for private forests

1.2.7. Control measures and verifiers

- Proper legal procedures for obtaining (concession) logging licenses shall be followed. The auditors shall check if there is evidence for violation of the implementation of the relevant procedure by checking for court decisions, running court cases, running prosecutor's investigations, issued internal for the Organization orders of punishment or other evidence.
- Valid logging license agreements shall exist
- The process of obtaining logging (concession) license shall follow an open and transparent process based on clear criteria and be confined to eligible organizations.

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

- Forest Act /2011/. Article 13. *Forest management planning*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 18 on the Inventory and Planning in Forest Areas (10 July 2015). Available at: www.iag.bg/data/docs/Nova_Naredba_ocenki_2016.doc
- Ordinance No. 8 of 05.08.2011 for Felling in Forests. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc

1.3.2. Legal authority

- Ministry of Agriculture and Food
- State Enterprises
- Municipal forest structures
- Executive Forest Agency
- Ministry of environment and waters

1.3.3. Legally required documents or records

- Forest Management Plans
- Forest management programmes
- Plan-extracts
- Forest inventory

1.3.4. Sources of information

Government sources

- EFA (2016). *Register of acts of the Executive Forest Agency*. Available at: <http://www.iag.bg/docs/lang/1/cat/1/index>
- EFA (2016). *Register of Forest Management Plans of the Executive Forest Agency*. Available at: <http://www.procurement.iag.bg:8080/cgi-bin/lup.cgi>

Non-Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified during the certification process that are likely to be common for non-certified operations):
- WWF (2014). Analysis of WWF on the illegal logging in Bulgaria. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report> [Accessed 22 June 2016].
- Spasov, S. (2016). *Somebody is logging quietly*. Available at: http://www.capital.bg/politika_i_ikonomika/bulgaria/2016/04/28/2751774_a_niakoi_ti_ho_seche_li_seche/ [Accessed 22 June 2016].

1.3.5. Risk determination

Overview of Legal Requirements

All forest areas in Bulgaria (including forests on farmland), regardless of their ownership, must be subject to inventory and planning (Art. 13 of the Forest Act). In the planning documents (forestry plans and forestry programmes) are set the permissible volumes of forest use, the so-called "allowable cut". Inventories and plans are reviewed every 10 years (Art. 13, para 4. of the Forest Act). Every 5 years, an intermediate check is done on the implementation of the plans. A special ordinance stipulates the inventory and planning procedures. Forestry plans and forestry programmes should be assessed for compatibility with the object and purpose of the conservation of Natura 2000 protected sites under the Biodiversity Act, Art.13. para 12. At a higher, strategic level, the Regional Forestry Directorates assign the development of Regional Plans for Development of Forest Areas (valid for a period of 10 years), the National Strategy for Forest Development and the Strategic Plan for Development of the Forestry Sector. The main state control authorities are the Regional Forest Directorates.

Any forest use (i.e. logging) should be included in a Forest Management Plan, or should be subject to the so-called "plan-extracts" (e.g. plan modification under para. 3 of the Ordinance for Felling in Forests) (Art. 52 of the Ordinance). Thus, the provisions of management plans can be changed at any time in the 10-year period by means of "plan-extracts".

The inventorying of all forest areas, regardless of ownership, is granted and controlled by the Executive Forest Agency. Planning is assigned by the forest owners to certified companies specialising in forest inventorying and planning. Management plans or programmes are approved by the Regional Forest Directorates. All plans and programmes are reviewed by the Ministry of Environment and Waters or its regional inspectors. Based on the Forest Management Plans or forest management programmes, the standing timber to be harvested is marked and detailed planning documents for each specific type of cutting or plantation are developed – technological plans and inventory carnets (Art.52-53 of Ordinance No. 8 for Logging in Forests). Marking the trees for logging shall be conducted by persons, registered in Public register, according to the Art. 235 of the Forest Act – the activity marking of stands foreseen for felling.

The trees, determined for felling, must be marked with a visible sign, on height 130 cm, which does not cause damage on their bark. Also, the trees with diameter 14 cm and bigger than 14 cm, measured at a height 130 cm, shall be marked with control forest mark at the bottom of the tree. The control forest mark must be placed at the base of the stem on the underside of the slope, or on some of the surface roots, so after cutting the tree the mark to be visible.

Forests in IUCN Cat. I and II protected areas are subject to inventory and planning during the development of their management plans under the Protected Areas Act.

Description of Risk

The main risks during the inventorying and planning processes are associated with their quality (WWF, 2014). There are huge differences between the data on forest volumes and tree species given in the inventory on the one hand, and in the logging site certification documents on the other. These differences are sometimes as great as 200% and average 10-20%. For the planning process, recent investigations in certified forest management units show that the planned forest activities are often not in compliance with the silvicultural or ecological characteristics of the forests in question – e.g. planned regeneration cutting in premature stands and in old-growth forests (FSC FM Public summary reports). There have

also been cases of logging in forests for which there is no Forest Management Plan (Spasov, 2016).

Risk Conclusion

This indicator has been evaluated as specified risk. Identified laws are not enforced by the competent authorities.

1.3.6. Risk designation and specification

Specified risk

1.3.7. Control measures and verifiers

- Maps shall exist which show harvesting areas (in compliance with the harvesting plan).
- Approved harvesting and management plan documents shall be subject to public review.
- Approved Forest Management Plans shall exist for the FMU in which the harvesting is taking place.
- Forest Management Plans shall contain all legally required information and procedures.
- Annual operating or harvesting plans shall be in place and approved by the legally competent authorities.
- Annual operating or harvesting plans shall contain information and procedures in accordance with all legal requirements.
- The contents of operating and harvesting plans shall be consistent with approved Forest Management Plans.
- Plans for carrying out harvesting operations shall be subject to public disclosure and objections prior to commencement, if legally required.
- Harvesting restrictions shall be identified in management plans and maps, if legally required.
- Harvesting inventories shall be conducted according to legal requirements.
- Field verifications shall indicate that the contents of the harvesting plans are adhered to in the field.
- Stakeholder consultation shall indicate that Forest Management Plans have been approved according to legally prescribed process.

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

- Forest Act (2011):
- Art. 108. Harvesting permits.
- Art. 235 and 241. *Licensing regime for logging companies.* Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 8 for Felling in Forest (05 August 2011). Articles 45, 51b, 55-57, 62 and para. 3. *Conditions for issuing a harvesting permit.* Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc
- Administrative acts (i.e. orders and instructions) of the Executive Forest Agency issued under the Forest Act on Felling Permits and Compulsory Documents. Available at: <http://iag.bg/docs/lang/1/cat/10/index>
- Ordinance No. 1 for Protection and Control in Forest Areas. (30 June 2012) Available at: http://www.iag.bg/data/docs/NAREDBA_1_ot_30012012_g_za_kontrola_i_opazvaneto_na_gorskite_teritorii.pdf
- Law on the Protection of Agricultural Property. Available at: <http://lex.bg/laws/ldoc/2128112642>

1.4.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates

1.4.3. Legally required documents or records

- Harvesting permits – forms on the information system of the Executive Forest Agency;
- Technology plans;
- Decree No. 429/2012, No. 155/2015 and No.513/2016 of the Executive Forest Agency
- Carnet inventory and assortment data-sheets;
- Protocols under Article 11 of the Ordinance for protection and control in forest areas;
- observation protocols for certification of logging sites;

1.4.4. Sources of information

Government sources

- EFA (2016). Official website of the EFA with records of certificates issued for private forestry practice and felling. Available at: <http://www.iag.bg/docs/lang/1/cat/1/index>

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012. Executive Forestry Agency*. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2013N.pdf

Non-Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified during the certification process that are likely to be common for non-certified operations);
- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- WWF (2015). *Election rigging funded by-illegal-logging-in-Bulgaria*. Available at: http://wwf.panda.org/wwf_news/?258811/Election-rigging-funded-by-illegal-logging-in-Bulgaria
- BNT(2016). *Illegal logging in Vitosha impacted old-growth forests*. [online]. BNT.bg. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015). *Hundreds of trees disappeared in front of the eyes of the foresters*. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- NovaTV (2016). *Illegal logging near Sofia*. [online]. Novatv.bg. Available at: <http://novanews.novatv.bg/news/view/2016/04/14/145065/безмилостна-сеч-в-покрайнините-на-софия/>
- Spasov, S. (2016). *Somebody is logging quietly*. [online]. Capital.bg. Available at: http://www.capital.bg/politika_i_ikonomika/bulgaria/2016/04/28/2751774_a_niakoi_ti_ho_seche_li_seche/
- Nikolov, M. (2015). *Investigation: Are forest units concealing illegal logging?*. [online]. Novatv.bg. Available at: http://novanews.novatv.bg/news/view/2015/12/13/133308/разследване-прикриват-ли-горските-стопанства-незаконна-сеч-/?utm_source=news&utm_medium=link&utm_campaign=related [Accessed 13 December 2015].
- Botevgrad (2013). *A new fraud scheme in the forests*. [online]. botevgrad.com. Available at: <http://botevgrad.com/news/52634/Nova-shema-za-izmama-v-gorite/> [Accessed 11 December 2013]

- Dnevnik (2015). *Inspection found illegal logging of 170-years-old forest*. [online]. Dnevnik.bg Available at: http://www.dnevnik.bg/zelen/jiva_planeta/2015/05/12/2531433_proverka_ustanovi_nezakonna_sech_na_170_godishna_gora/

1.4.5. Risk determination

Overview of Legal Requirements

Logging in the forests areas shall only occur with the existence of a written permit, called a harvesting permit (Art. 108 of the Forest Act). There is only one type of harvesting permit for forest areas (i.e. protection, special and production forests) and permits are issued under the Forest Act by licensed foresters (Decree No.429/2012, No. 155/2015 and No. 513/2016 of the Executive Forest Agency). Harvesting permits may be issued only if the forest activities are included in a Forest Management Plan covering a 10-year period, or in a plan-extract ("план извлечения"), which may change the Forest Management Plan in case of "force majeure" events requiring rapid and urgent silviculture interventions. Article 108 of the Forest Act also regulates the responsibilities and the persons who may issue harvesting permits. The different conditions which should be met for issuing the harvesting permit are stipulated in Ordinance No. 8 for Felling in Forests, in particular Articles 45, 51b, 55-57, 62 and para. 3. The Forest Act stipulates that the extraction of timber from forest areas shall be carried out by logging companies registered in the public register under art. 241, para. 1, of the Forest Act, except in cases where:

1. The logging is carried out independently by individuals in their own forests; or
2. The logging is carried out by individuals who bought standing timber for personal use from state or municipal forests without right of re-sale.

A web-based information system (<http://system.iag.bg>), which is administered by the control authority (the Executive Forest Agency), allows issuance and control over harvesting permits, and also allows the publication of all necessary documents for issuing harvesting permits (e.g. technological plans, wood assortment data-sheets, carnets).

The Forest Act requires that logging in forest stands can be performed only if:

- (1) The owner or user has rights over the forest area through lawful command or has been assigned the rights by the rightful owner,
- (2) The planning document for the forest property is available, or when the exceptions referred to in Article 52 and paragraph 3 of the Ordinance for Felling in Forests are met,
- (3) The trees to be felled in the forest stands are marked in accordance with Article 49 and Article 50 of the Ordinance for Felling in Forests, and
- (4) A harvesting permit is issued with all relevant documents concerning the volumes to be exploited and the relevant requirements for soil protection, protection of the remaining trees and protected species etc., as well as the technology plan for the logging.

Harvesting permits are issued under Art. 108 of the Forest Act by a certified forest expert. Felling shall be carried out subject to a written permit issued in standard form by:

1. The director of the relevant state forest enterprise or state game reserve, or officials designated by either with university degrees in forest engineering, for wooded areas in state ownership, as well as for those assigned to be managed by other entities on contract;
2. A person with a university degree in forest engineering, listed in the public register as a forester, authorised by the mayor of the relevant municipality or by the manager of the municipal forest structure - for wooded areas - municipal ownership, as well as for those assigned to be managed on the basis of contract;
3. A person with a university degree in forest engineering, listed in the public register as a forester, with whom a forestry association has a valid contract.

A logging permit is issued to a person listed in the public register as a forester.

Within 30 days following completion of the felling, the official who issued the logging permit shall draw up a protocol certifying the logging ground, on the basis of a template, approved by the Executive Director of the Executive Forestry Agency. All logging permits are issued through a web-based system of EFA (<http://system.iag.info>), where can be found the whole set of documents, warranting the issuance of license for felling. The issued permits for felling and protocols for certification of clearings/cutting areas are publicly available and can be found on the website of Executive Forestry Agency: <http://www.iag.bg>

Harvesting permits shall enter into force three days after their issuance, which allows the co-owners of the forest to appeal the harvesting permit and/or for the control authority to react in case of identified violations of the legal requirements for issuance of harvesting permits. In IUCN category I and II protected areas, harvesting permits are issued under the Protected Areas Act by the Minister of Environment or his/her delegates. Permits for logging of individual trees in farmlands are issued by the municipality under the Law on the Protection of Agricultural Property.

Description of Risk

Firstly, recent media reports have detailed cases of issuing of harvesting permits before the adoption of the relevant Forest Management Plan (Spasov, 2016). Secondly, illegal logging without a harvesting permit is considered to be a common occurrence in Bulgaria (WWF, 2014, 2015). Most often, harvesting permits for individual forest stands are issued without correct selection of the trees to be harvested (e.g. bad implementation of the planned felling type), or without correct estimation of the volume of the trees selected and marked for logging, which allows misconduct during the logging process (WWF, 2014; Dnevnik, 2015). Further, logging is often not in compliance with harvesting permits, e.g. logging of trees which are not selected, or leaving parts of trees unfelled (NEPCon, 2016; BNT, 2016; BTV, 2015; NovaTV, 2016). Incidentally logging sometimes takes place without a permit in the process of fire-wood collection along roads or near villages, or logging occurs outside the boundaries of permitted sites (Nikolov, 2015; Botevgrad, 2013).

When logging companies have political protections and/or when the control authorities are subject to corruption, violations by the logging companies are often covered up so that no sanctions are imposed and no preventive measures taken (Nikolov, 2015). Bulgaria has a score of 41 points in the 2016 Corruption Perception Index.

Risk Conclusion

This indicator has been evaluated as specified risk. There are numerous cases in which law/regulations are violated, and these violations are not always efficiently followed up by the authorities taking preventive actions.

1.4.6. Risk designation and specification

Specified risk

1.4.7. Control measures and verifiers

- Harvesting permits (licence or similar legal documents governing the harvesting of forest resources) shall exist.
- Harvesting limits shall be clearly defined based on maps and quantities.
- Field inspections shall confirm that harvesting takes place within limits defined in harvesting permits.
- Field inspections shall confirm that information regarding area, species, volumes and other information given in the harvesting permit are correct and within the limits prescribed in the legislation.
- Harvesting permits shall be in compliance with the provisions of Forest Management Plans/programmes.

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

- Forest Act (2011):
 - Chapter V, Section I. art. 111-113. *Use of wood from forest areas.*
 - Art. 178 fund "Investments" and fund "Reserve". Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance for the terms and conditions for assigning the carrying out of activities in forest areas – state and municipal property, and use of wood and forest products (2011). Available at: www.iag.bg/data/docs/naredba_deinostiGF.doc

1.5.2. Legal authority

- Ministry of Agriculture and Food
- State enterprises
- Municipal council of the municipality
- National revenue agency

1.5.3. Legally required documents or records

- Protocols for issuance and acceptance of the harvested timber
- Transport tickets
- Invoices
- Cost orders
- Cash receipt

1.5.4. Sources of information

Government sources

- Trade Register providing access to the Financial annual reports of the state enterprises under Article 163 of the Forest Act, as well as of the municipal forest enterprises under art.181 Forest Act. Available at: <https://public.brra.bg/CheckUps/Default.ra?0>

Non-Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified)

during the certification process that are likely to be common for non-certified operations);

- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. [online]. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- WWF (2015): *Election rigging funded by illegal logging in Bulgaria*. [online]. Available at: http://wwf.panda.org/wwf_news/?258811/Election-rigging-funded-by-illegal-logging-in-Bulgaria
- Mladenova, T. (2016): *Illegal logging in Vitosha impacted old-growth forests*. (web-page: bnt.bg). [online]. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015): *Hundreds of trees disappeared in front of the eyes of the foresters* (web-page: bnt.bg). [online]. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- Viaranews (2014): *Mother and son stop scandalous logging in the area of Pea Ridge in Samokov*. [online]. viaranews.com. Available at: <http://viaranews.com/2014/05/30/майка-и-син-блокираха-скандална-сеч-в-м/>

1.5.5. Risk determination

Overview of Legal Requirements

Use of wood from forest areas – (state or municipal) is to be paid through royalties (Art. 113 of the Forest Act). Royalties for the use of wood from state-owned forests are collected during the sale of the timber and are submitted in fund "Investments" and fund "Reserves" (established by the State Enterprises pursuant to Art. 178 of the Forest Act). Royalties for use of wood from municipal forests are included in the municipal budget. Royalties shall not be paid for timber harvested in private forests.

Payments of royalties/harvesting fees are based on classification of the quantities, qualities and species of trees felled. These classifications are described in protocols for acceptance and issuance of the harvested timber and in the transport tickets.

Description of Risk

Annually, the State Enterprises present the relevant financial reports to the state authorities and these are also checked by internal auditors under the Law for Internal Control, which suggests that the risk of tax- and fee-related violations occurring is low. However, royalties/harvesting fees are determined on the basis of the description of the logged timber (volume, tree species, category and quality of timber). In cases of illegal logging and/or illegal transport of timber, or in cases of manipulated (i.e. incorrect) classification of the logged timber (see 1.16), the royalties/harvesting fees can be reduced in favour of the private party (WWF, 2014). Such cases are reported regularly by EFA (2013, 2014, 2015), NGOs (WWF, 2014, 2015) and the media (Viaranews, 2014; BTV, 2015; Mladenova, 2016).

Risk Conclusion

This indicator has been evaluated as specified risk. Illegal logging and transport of timber, as well as the incorrect classification of timber data are difficult to detect, and often royalties and payments for harvested timber are not paid as required.

1.5.6. Risk designation and specification

'NA' for private forests

'Specified risk' for all other source types.

1.5.7. Control measures and verifiers

- Receipts shall exist for payments of harvesting-related royalties, taxes, harvesting fees and other charges.
- Volumes, species and qualities given in sales and transport documents shall match the fees paid.
- Classification of species, volumes and qualities shall match the royalties and fees paid.
- Inspections for illegal logging.
- Inspections shall confirm the correct classification of timber during sale and transport.

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 the Value Added Tax (2007). Available at: <http://www.lex.bg/bg/laws/ldoc/2135533201>

1.6.2. Legal authority

- Ministry of Finance
- National Revenue Agency

1.6.3. Legally required documents or records

- Invoices;
- Transport ticket;
- VAT return;

1.6.4. Sources of information

Non-Government sources

- Reshovski, B. (2016). *VAT frauds and tax control*. [online]. ejournal.vfu.bg. Available at: http://ejournal.vfu.bg/bg/pdfs/Boris_Reshovski-Izmami_s_DDS_i_tehnika_na_danachniya_kontrol.pdf

- Fakti (2013). *Conev: we lose 4 billion lev because of VAT frauds and smuggling*. [online]. Fakti.bg. Available at: <http://fakti.bg/bulgaria/69584-conev-gubim-4-mlrd-leva-ot-dds-izmami-i-kontrabanda> [Accessed 19 June 2013]
- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. WWF, 2014. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- SlivenSega (2016). *An illegal wood storage found with 35 m3 of fire-wood*. [online]. Slivensega.wordpress.com. Available at: <https://slivensega.wordpress.com/2016/02/25/откриха-незаконен-склад-с-35-кубика-дърв/> [Accessed 25 February 2016]
- Botevgrad (2013). *A new fraud scheme in the forests*. [online]. botevgrad.com. Available at: <http://botevgrad.com/news/52634/Nova-shema-za-izmama-v-gorite/> [Accessed 11 December 2013]
- Dobrichonline (2014). *Tax controllers checked five markets for the sale of firewood, drew four acts*. [online]. Dobrichonline.com) <http://www.dobrichonline.com/?com=news&cid=26265> [Accessed 20 November 2014]
- Expert consultation conducted by NEPCon, 2014-2016

1.6.5. Risk determination

Overview of Legal Requirements

According to Art. 66 (1) of the Law on VAT, the tax rate is 20 percent. Timber from all forests shall be sold through invoices and with relevant transport documents which are linked to the invoice. Since 2015, the National Revenue Agency is allowed to receive information from the internet-based system of the Executive Forest Agency (system.iag.bg), which would allow the Agency to control the taxes paid with respect to the declared amounts and quality of the harvested wood.

Description of Risk

VAT fraud is widespread in the Bulgarian economy (Fakti, 2013; Reshovski, 2016). In the forest sector, the main risk relates to the incorrect classification of the volume, quality and species of timber during its sale (see indicator 1.5). This leads to reduction of the real market price and, respectively, to illegal avoidance of taxes. The wood of private forests (mainly firewood) is sometimes sold without invoices or receipts in violation of the national legislation, which in turns prevents the payment of taxes (Botevgrad, 2013; Dobrichonline, 2014). The same applies to subsequent sales to individuals by wood-processing plants.

Further, there is no established direct link between the Regional Forest Directorates and the relevant tax authorities at the local or state levels. This, in turn, makes the payment of taxes, both from forest owners and from logging companies rather doubtful, as there is no confirmation of the amount of timber sold compared to the taxes being paid (Expert consultation conducted by NEPCon 2014-2016).

This indicator has been evaluated as specified risk because timber sales are often done without correct or adequate financial documents.

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.

1.6.6. Risk designation and specification

Specified risk

1.6.7. Control measures and verifiers

- Sales documents shall include applicable sales taxes.
- Receipts for payment of sales taxes shall exist.
- Volumes, species and qualities given in sales and transport documents shall match the fees paid.
- Sales prices shall be in line with market prices.
- Harvested species, volume and qualities shall match the sales documents.
- Authorities shall confirm that operations are up to date in payment of applicable sales taxes.
- Consultation with financial authority shall verify that all required income and profit taxes have been paid.

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 Cooperative Income Tax (2007):
 - Section I. *Objects of taxation, types of taxes, taxpayers and taxpayers.* Article 5.
 - Section II. *Profit and income from sources in the country.* Article 7. Available at: <http://www.lex.bg/laws/ldoc/2135540562>

1.7.2. Legal authority

- Ministry of Finance
- National Revenue Agency

1.7.3. Legally required documents or records

- Annual tax declaration

1.7.4. Sources of information

Non-Government sources

- NEWS.bg (2015). *Logging companies are being intensively controlled.* [online]. news.bg. Available at: <https://news.bg/economics/usileno-proveryavat-darvodobivnite-firmi.html> [Accessed 14 May 2015]

- Plovdivglas (2016). Record: *Businessman pays 777,198 lev fine for concealing tax*. [online]. Plovdivglas.bg. Available at: <http://www.plovdivglas.bg/145975/rekord-biznesmen-plasha-777-198-leva-globa-za-ukrit-dank.html> [Accessed 31 March 2016]

1.7.5. Risk determination

Overview of Legal Requirements

The Law on Cooperative Tax is covering income and profit taxes related to profit derived from the sale of forest products and harvesting activities. According to the Law on Corporate Income Tax, "taxable persons" are:

1. Local legal entities (e.g. the forest management units);
2. Foreign entities doing business in Bulgaria;
3. Private traders and individuals registered as tobacco producers and farmers (e.g. individual private owners);
4. Individuals – traders within the meaning of Art. 1, para. 3 of the Commercial Law; or
5. Employers and clients under contracts for management and control.

Description of Risk

Tax fraud is a common issue in Bulgaria. Media articles describe various cases of income and profit tax fraud in the forestry sector (news.bg, 2015; Plovdivglas, 2016). Often, individual logging companies do not declare the full amount of their income and activities, or submit false tax declarations in order to reduce the tax due.

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.

1.7.6. Risk designation and specification

Specified risk

1.7.7. Control measures and verifiers

- Consultation with financial authority shall verify that all required income and profit taxes have been paid.

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

- Forest Act (2011):
 - Chapter IV. *Management of the forest areas*
 - Chapter V. *Use of timber and non-timber wood products*
 - Chapter XVI. Section I. art. 230. *Registration for activities in the forest areas*. Available at: <http://www.lex.bg/laws/ldoc/2135721295>
- Ordinance No.8 for Felling in the Forests (05 August 2011). Chapter III. *Rules for harvesting*. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc
- Ordinance No.1 for Protection and Control in Forest Areas (30 June 2012). Available at: http://www.iag.bg/data/docs/NAREDBA_1_ot_30012012_g_za_kontrola_i_opazvaneto_na_gorskite_teritorii.pdf
- Administrative acts of the Executive Forest Agency and the Minister of Agriculture and Food (e.g. orders and instructions) which specify the requirements and the applicability of the Ordinances. Available at: <http://www.iag.bg/docs/lang/1/cat/4/index;>
<http://iag.bg/docs/lang/1/cat/10/index>
- Ordinance for the terms and conditions for assigning and carrying out of activities in forest areas (state and municipal property), and use of wood and forest products (2011). Chapter II. *Assigning forestry activities*. Available at: http://www.iag.bg/data/docs/naredba_deinostiGF.doc

1.8.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Ministry of Interior

1.8.3. Legally required documents or records

- Proof of ownership or right to possession
- Planning of timber harvesting – Forestry Plan or Programme, or plan-extract

- Harvesting permit and related documents

1.8.4. Sources of Information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012. Executive Forestry Agency*. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2013N.pdf

Non-Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified during the certification process that are likely to be common for non-certified operations):
- WWF (2014). Analysis of WWF on the illegal logging in Bulgaria. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- WWF (2015). *Election rigging funded by illegal logging in Bulgaria*. Available at: http://wwf.panda.org/wwf_news/?258811/Election-rigging-funded-by-illegal-logging-in-Bulgaria
- BNT (2016). *Illegal logging in Vitosha impacted old-growth forests*. [online]. BNT.bg. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015a). *Hundreds of trees disappeared in front of the eyes of the foresters*. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- NovaTV (2016). *Illegal logging near Sofia*. [online]. Novatv.bg. Available at: <http://novanews.novatv.bg/news/view/2016/04/14/145065/безмилостна-сеч-в-покрайнините-на-софия/>
- Spasov, S. (2016). *Somebody is logging quietly*. [online]. Capital.bg. Available at: http://www.capital.bg/politika_i_ikonomika/bulgaria/2016/04/28/2751774_a_niakoi_ti_ho_seche_li_seche/
- Nikolov, M. (2015). Investigation: *Are forest units concealing illegal logging?* [online]. Novatv.bg. Available at: http://novanews.novatv.bg/news/view/2015/12/13/133308/разследване-прикриват-ли-горските-стопанства-незаконна-сеч-/?utm_source=news&utm_medium=link&utm_campaign=related [Accessed 13 December 2015]

- Botevgrad (2013). *A new fraud scheme in the forests*. [online]. botevgrad.com. Available at: <http://botevgrad.com/news/52634/Nova-shema-za-izmama-v-gorite/> [Accessed 11 December 2013]
- Dnevnik (2015). *Inspection found illegal logging of 170-years-old forest*. [online]. Dnevnik.bg. Available at: http://www.dnevnik.bg/zelen/jiva_planeta/2015/05/12/2531433_proverka_ustanovi_n_ezakonna_sech_na_170_godishna_gora/
- BTV (2015). *Illegal logging in Sinite Kamani*. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/regionalni-novini/nezakonna-sech-i-v-sinite-kamani.html>
- Transparency.bg (2016). Corruption perception index 2016. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016
- World Bank (2015). World Bank Worldwide Governance Indicators. Available at: <http://info.worldbank.org/governance/wgi/#reports>

1.8.5. Risk determination

Overview of Legal Requirements

The Bulgaria's harvesting regulations are quite detailed. Art. 52 of the Ordinance for Felling in Forests requires that any logging should be included in a management plan, that the trees to be logged should be selected and marked in advanced, that the planned logging should be described in terms of species, volumes and assortments. Further, the Ordinance prescribes the conditions for carrying out the different felling types and defines the parameters of timber harvesting with respect to the various parameters of the forest stands, e.g. intensity of the felling with respect to the forest structure, the form of the gaps with respect to the possible degree of regeneration, protection of habitat trees, etc. The Ordinance requires also that felling activities are described in a so-called "technology plan", which is part of the harvesting permit (e.g. location of regeneration gaps, skidding trails, road construction, temporary storage, etc.).

Description of Risk

According to the annual reports of the Executive Forest Agency (EFA, 2013, 2014, 2015), nearly 6-7 million cubic metres of wood are exploited in Bulgaria every year, while up to 30,000 cubic metres of wood, or less than 0.5%, are proven to be logged illegally. All of the facts described above can be considered requirements for compliance with the logging regulations. However, independent research by NGOs (WWF, 2014; 2015), audits of FSC certification bodies (public audit reports on fsc.org, e.g. NEPCon, 2016), and media investigations (BNT, 2016; BTV, 2015; NovaTV, 2016; Spasov, 2016; Nikolov, 2015; Dnevnik, 2015) show that the timber harvesting regulations are often violated. The most widespread violations of harvesting regulations concern:

1. Improper selection of trees to be logged – lack of selection and marking of trees at the time of permit issuance, selection of biotope trees, designing the felling in non-compliance with the prescribed felling type, etc.);
2. Illegal logging of unselected trees and subsequent false marking of the illegally logged trees in order to cover up violations;

3. Improper application of harvesting techniques aimed at lowering harvesting costs (e.g. damaging regenerating trees, remaining trees, or roads during the extraction and transport of the logged timber, etc.); and
4. Manipulation of protocols, data of logged timber and transportation tickets aimed at financial fraud.

Even though the harvesting regulations are explicit and detailed, the inadequate objectivity of the control on harvesting leads to poor implementation of the regulations, particularly in forest areas where there is political pressure on the control authorities and the state foresters. It is considered that the corruption level in the forest sector is similar to the average national corruption level which, according to the assessment of the Corruption Perception Index (CPI) for Bulgaria for 2016, is assessed at 41 points (Transparency.bg, 2016). Further, the findings above are in line with the World Bank's assessment of the World Wide Governance Indicators for Bulgaria; on a scale of -2.5 to +2.5, Bulgaria scores 0.09 on Government Effectiveness, -0.08 on Rule of Law, and -0.28 on Control of Corruption, indicating inadequate governance (World Bank, 2015).

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.

1.8.6. Risk designation and specification

Specified risk

1.8.7. Control measures and verifiers

- Harvesting shall be conducted within the authorised boundaries of the FMU.
- Harvesting shall not take place in areas where harvesting is legally prohibited.
- Tree species or selected trees found within the FMU of which felling is prohibited shall be listed in operational plans.
- Tree species or selected trees found within the FMU of which felling is prohibited shall be marked in the field.
- Onsite verification shall confirm the felling type and the logging technology to be in compliance with the condition of the forest stands.

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

- Protected Areas Act (1999). Available at: <http://lex.bg/laws/ldoc/2134445060>

- Biodiversity Act (2002). Art. 30. *Forestry*. Art. 31 *Appropriate assessments*. Available at: <http://lex.bg/laws/ldoc/2135456926>
- Forest Act (2011). Art. 5. *Forest categorisation*; Art. 101. *Harvesting*. Available at: <http://www.lex.bg/bg/laws/ldoc/213572129>
- Ordinance No.18 on the inventory and planning in forest areas (10 July 2015). Available at: www.iag.bg/data/docs/Nova_Naredba_ocenki_2016.doc
- Ordinance No.8 for fellings in the forests (05 August 2011). Chapter IV. *Forestry measures in Natura 2000*; Chapter V. *Forestry measures in protection and special forests*. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc

1.9.2. Legal authority

- Ministry of Environment and Water
- Regional Inspections for Environment and Water
- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates

1.9.3. Legally required documents or records

- Orders for Designation of Protected Areas and Protected Sites under Natura 2000
- Management plans for Protected Areas and Protected sites under Natura 2000
- Relevant assessments for Natura 2000
- Reports on the High Conservation Value Forests
- Maps of protected areas, protected sites, rare species or HCVF

1.9.4. Sources of Information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014*. Executive Forestry Agency. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013*. Executive Forestry Agency. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012*. Executive Forestry Agency. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2013N.pdf
- EFA (2013). *Report of EFA on the implementation of Regulation 995/2011 of EC*. Executive Forestry Agency. Sofia 2013. Available at: www.iag.bg/data/docs/Otchet-2013PRG.doc

- EC (2014). National Summary for the reporting under Article 17 of the Habitats Directive. Available at: https://circabc.europa.eu/sd/a/c3d5d7f4-fc6f-4f0e-ad96-9522d398d3b6/BG_20140528.pdf

Non-Government sources

- NEPCon (2016). Public reports of audits by FSC-FM certified forest management units on the page of fsc.org. Available at: <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000dbza6EAA> [Accessed 22 June 2016]
- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- ForTheNature (2008). *Illegal logging in protected sites "Besaparski ridove" and "Besaparski vazvishenia"*. [online]. forthenature.org. Available at: <http://forthenature.org/news/540>
- BNT (2016). *Illegal logging in Vitosha impacted old-growth forests*. [online]. BNT.bg. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015). *Hundreds of trees disappeared in front of the eyes of the foresters*. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- Dnevnik (2014). *Preannounced logging of an old-growth forest*. [online]. Dnevnik.bg. Available at: http://www.dnevnik.bg/zelen/2014/08/14/2360946_fotogaleriia_edna_predizvestena_sech_na_vekovna_gora_v/?pic=3#picture
- Dnevnik (2013). *Logging of old-growth forests in 'Sinite Kamani' threatens protected bird species*. [online]. Dnevnik.bg. Available at: http://www.dnevnik.bg/zelen/2013/10/02/2152722_sech_na_stari_gori_v_sinite_kamuni_zastrashava/

1.9.5. Risk determination

Overview of Legal Requirements

According to Art. 101 (2) of the Forest Act and Art. 30 of the Biodiversity Act, management of forests should be in compliance with management plans and the orders for the designation of protected areas under the Protected Areas Act and of protected sites within the Natura 2000 network under the Biodiversity Act.

Orders for designation of protected areas/sites and management plans, if available, shall include detailed conservation measures concerning protected habitats and species. In addition, every Forest Management Plan or programme is subject to appropriate assessment for Natura 2000 under Art. 31 of the Biodiversity Act (Art. 6 (3) of the Habitats Directive). This assessment should guarantee that the implementation of the Forest Management Plan/programme would not lead to significant impact on protected habitats or species within the Natura 2000 network. Apart from this assessment, Chapter IV of the Ordinance for Felling in Forests prescribes a series of measures concerning the protection of the genetic and biological diversity of forests, including protection of habitat trees, deadwood, the forest

landscape, water-courses, etc. In addition, Art. 75 (5) of the Ordinance for Inventory and Planning in Forest Areas, and Art. 72 (6) of the Ordinance for Harvesting in Forests requires protection of identified old-growth forests.

Description of Risk

Despite the strict legislation related to protected areas putting various restrictions on forest management, the effective protection of rare, threatened and/or protected forest habitats and species is compromised by inadequate implementation of the environmental legislation. Risks include illegal logging in protected areas, logging during the breeding season and within the breeding sites of threatened and rare species, logging of deadwood and habitat trees for "sanitary" reasons, logging of old-growth forests, etc. Such violations are reported by NGOs (WWF, 2014; for the Nature, 2008), the media (BNT, 2016; BTV, 2015; Dnevnik, 2013, 2014), and audits of certified forest management units (e.g. NEPCon, 2016). As a result, the conservation status of most forest habitats and species in Bulgaria is reported under Art. 17 of the Habitats Directive as "unfavourable" for the period 2006-2012 (EC, 2014).

Risk Conclusion

This indicator has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and are not effectively enforced by the relevant authorities.

1.9.6. Risk designation and specification

Specified risk

1.9.7. Control measures and verifiers

- All legally protected areas (including species and habitats) shall be included in management plans or related documentation, if required by the legislation.
- Legally established procedures for surveying, managing and protecting endangered or threatened species within management units shall be followed.
- Nature protection regulations, such as protected areas, set-aside areas, protected species and hunting, shall be established and followed.
- The felling type and the logging technology shall comply with the requirements for protection of nature and protected species.

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

- Law on Environmental Protection (2002). Chapter 3. *Protection of the components of the environment*. Available at: <http://lex.bg/laws/ldoc/2135458102>
- Forest Act (2011). Art. 4-5. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Law on Soils (2007). *Chapter II. Control over the conservation, sustainable use and restoration of the soil*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135569762>
- Law on the protection of the clean air (1996). Section V. *Management and Control*. Available at: <http://www.lex.bg/laws/ldoc/2133875712>
- Ordinance No. 8 for Felling in Forests (2011). Art. 53, art. 72. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc
- Biodiversity Act (2002). Available at: <http://lex.bg/laws/ldoc/2135456926>
- Water Act (2000). Available at: <http://lex.bg/laws/ldoc/2134673412>

1.10.2. Legal authority

- Ministry of Environment and Water
- Regional Inspections for Environment and Water
- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates

1.10.3. Legally required documents or records

- Forest Management Plans
- Regional Plans for the Development of the Forest Areas
- Technological plans for harvesting
- Signal sheets and Technology Plan for forest protection
- Harvesting permits
- Orders for categorisation of forests

1.10.4. Sources of information

Government sources

- MOEW (2014). *Report of Environmental Protection of the Ministry of Environment and Waters*. Available at: <http://eea.government.bg/bg/soer/2014/forest/zdravoslovno-sastoyanie-na-gorite-v-balgariya>
- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2014_1.pdf

- EFA (2012). *Annual report of the Executive Forestry Agency for 2012*. Executive Forestry Agency. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2013N.pdf
- MoAF (2016). *Annual reports of the Ministry of Agriculture and food on the state of agriculture and forests*. Ministry of agriculture and food. Sofia 2016. Available at: <http://www.mzh.government.bg/MZH/bg/Documents/AgrarenDoklad.aspx>
- MoAF (2016). *Order banning the transport of wood by wet weather*. Available at: http://www.mzh.government.bg/MZH/Libraries/%D0%9E%D1%84%D0%B8%D1%86%D0%B8%D0%B0%D0%BB%D0%BD%D0%B8_%D0%B4%D0%BE%D0%BA%D1%83%D0%BC%D0%B5%D0%BD%D1%82%D0%B8_%D0%94%D1%80%D1%83%D0%B3%D0%B8/zapoved_RD_49-90_ot_14_03_2016_patishta_sechi_i_pretovarni_sta.sflb.ashx

Non-Government sources

- FSC (2016). Public reports of audits by FSC-FM certified forest management units in Bulgaria. [online]. www.fsc.org. Available at: <http://fsc.force.com/> [Accessed 22 June 2016]
- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- BNT(2016). *Illegal logging in Vitosha impacted old-growth forests*. [online]. BNT.bg. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015). *Hundreds of trees disappeared in front of the eyes of the foresters*. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- NovaTV (2016). *Illegal logging near Sofia*. [online]. Novatv.bg. Available at: <http://novanews.novatv.bg/news/view/2016/04/14/145065/безмилостна-сеч-в-покрайнините-на-софия/>
- Dnevnik (2015). *Inspection found illegal logging of 170-years-old forest*. [online]. Dnevnik.bg. Available at: http://www.dnevnik.bg/zelen/jiva_planeta/2015/05/12/2531433_proverka_ustanovi_n_ezakonna_sech_na_170_godishna_gora/
- Dariknews (2016). doc. Ivanov; *Logging should be immediately stopped in sanitary zones*. [online]. Dariknews. Available at: http://dariknews.bg/view_article.php?article_id=1570894 [Accessed 26 April 2016].
- Forthenature (2016): *Stara planina – Is logging in forests leading to water regime and floods?*: <http://forthenature.org/cases/49>

1.10.5. Risk determination

Overview of Legal Requirements

The requirements of the special environmental laws (Environmental Protection Act, Biodiversity Act, Act on Soils, Act for Protection of the Air, Water Act, etc.) should be included in Forest Management Planning and during the development of harvesting technology plans.

In addition, according to the Ordinance for Inventory and Planning in Forest Areas, Forest Management Plans should be in compliance with environmental requirements concerning the protection of water-catchment areas, recreational areas, technical infrastructure, old-growth forests, etc. Any relevant special orders or management plans concerning the protection of other environmental elements (water, air, infrastructure, etc.) should be included in forest management plans. According to the Ordinance for Felling in Forests, harvesting technology plans should be designed in a way that protects the soil, water courses, habitat trees, breeding sites, etc. Thus, these requirements are present either in the Ordinance or in Forest Management Plans. However, there are no specific requirements in the forest legislation concerning the protection of clean air, the use of pesticides, the protection of the soil from chemicals, machinery oils, etc. Such general requirements are included only in the specialised legislation (Law for the Protection of the air, Law on Soils). There are also special orders of the Minister of Agriculture and Food (e.g. Order No. RD-49-90/14.03.2016 – MoAF, 2016) banning the transport of wood during wet weather in order to prevent erosion of forest roads and turbidity of waters. According to Articles 4 and 5 of the Forest Act, particular measures for the protection of soils, water, air and biodiversity should be taken in forest areas which are categorized as Protection Forests or Special Use Forests. Verification of forest categorization is done every 10 years as part of the process of the development of the Forest Management Plans and the Regional Plans for the Development of Forest Areas.

Description of Risk

There is a risk of environmental requirements to be violated. Media investigations (Dariknews, 2016; NovaTV, 2016; Dnevnik, 2015; BTV, 2015; BNT, 2016, Nikolov, 2016) and audits in certified forest management units (FSC, 2016) show systematic flaws in the protection of old-growth forests, water courses, habitat trees, and against contamination of the soil with machinery oil, destruction and erosion of forest roads, as well as in water-catchment areas (Forthenature, 2016). Furthermore, there is no data regarding identified violations of the specialized environmental legislation in forest areas, which indicates inadequate state control.

In this regard, the flaws in the state's control of forests, and the limited public control of forest activities in remote forest areas (See sub-category 1.8; 1.9) allows for violations to take place.

This indicator has been evaluated as specified risk because of the registered flaws in the control over the forest activities leading to lack of implementation of the environmental requirements.

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.

1.10.6. Risk designation and specification

Specified risk

1.10.7. Control measures and verifiers

- Environmental and/or Social Impact Assessments shall be in place and approved by the legally competent authority, if legally required.

- Environmental monitoring requirements shall be observed.
- Environmental restrictions shall be followed in the field, such as requirements related to soil damage, buffer zones, retention trees, seasonal restrictions etc.
- Onsite verification shall confirm the felling type and the logging technology to be in compliance with the condition of the forest stands.

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

- Law on Safe Working Conditions (latest revision in 2015). Available at: <http://lex.bg/laws/ldoc/2134178305>
- Forest Act (2011). Chapter 16, Section 1, art.230, para. 3. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Rules for Healthy and Safe Conditions at Work (2007). Available at: http://www.iag.bg/data/docs/Pravilnk_bezopasnost.pdf

1.11.2. Legal authority

- Ministry of Labour and Social Welfare
- Inspector of Labour Safety
- Executive Forest Agency
- Regional Forest Directorates

1.11.3. Legally required documents or records

- Risk assessment for each workplace and post
- Records of training
- Proof of qualification
- Annual medical examinations
- Instructions – introductory and periodic
- Insurances for logging workers

1.11.4. Sources of information

Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified)

during the certification process that are likely to be common for non-certified operations)

- National Insurance Institute [NSSI] (2016). *Annual statistics of the accidents of the National Statistical Institute*. Available at: <http://www.nssi.bg/aboutbg/st/statistic/304-tzpb/infotz>

1.11.5. Risk determination

Overview of Legal Requirements

The legal requirements include specific rights and obligations of the employer, appointed employees and workers (e.g., managers of the harvesting process, loggers, wood collectors, tractor drivers, crane operators, etc.). Any organisation – private or state – is required to develop, implement and maintain a system for managing health and safety in accordance with applicable requirements of the Law on Safe Working Conditions, the Forest Act and the related regulations. In particular, this should include: risk assessment, qualifications for each position in the process, identification and assignment of specific roles and responsibilities for implementation of logging processes, training in accordance with the functional responsibilities and roles of each worker, work tasks, and use of appropriate safety equipment. These measures also include the creation of official registers of forest companies operating in Bulgaria and the introduction of licences for forest workers who must attend specific training sessions.

Description of Risk

Logging activity is categorised as an activity with a high risk of accidents, since non-compliance with the rules for felling and skidding is dangerous to the life and health of workers. In Bulgaria, there are between 20 and 30 work-related accidents reported per year (NSSI, 2016). However, the real number of accidents (often as result of misapplication of legal requirements) is higher; forest workers often have no labour contract (see 1.12), and accidents thus often go unreported. This under-reporting can be explained by the fact that the harvesting process is remote and hidden from the direct observation of outsiders, allowing companies to violate regulations concerning personal protective equipment for forest workers, particularly when state control is insufficient or inconsistent. Such violations have been reported mainly during independent audits of FSC-certified forest management units (FSC, 2016). Due to known under-reporting and otherwise low knowledge of how the law is complied with in un-certified forest, risk is considered specified due to a precautionary approach.

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

- All safety and health regulations shall be followed and all required safety equipment shall be used.
- Occupational health and safety requirements shall be observed by all personnel involved in harvesting activities.
- Interviews with staff and contractors shall confirm that legally required protection equipment provided and its use mandated by organisations.
- Interviews with public authorities in charge of monitoring the health and safety of working conditions shall confirm that applicable legal requirements are met and that there are no major violations.
- Request list of all workers, including information about their qualifications, insurances, personal protection equipment;

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 (1986). Chapter V. *Employment*; Section I, art. 61-63. *Labour Contracts*; Art. 4-11. *Associations of employees*; Chapter III, art. 33-60. *Organisations of Employees and Employers*; Chapter XV. *Special protection of certain categories of employees*. Available at: <http://lex.bg/laws/ldoc/1594373121>
- Forest Act (2011). Chapter XVI, Section I, art. 230. *Registration of Activities in Forest Areas*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Social Insurance Code (1999). Article 5-6. *Insurance Income*. Available at: <http://www.lex.bg/laws/ldoc/1597824512>
- Law on Obligations and Contracts (1950, last amendment 2008). Art. 258-26. *Contract for Manufacturing*; Art. 280-292. *Contract for Order*. Available at: <http://lex.bg/laws/ldoc/2121934337>
- Law on Protection against Discrimination (2003). Chapter II, Section I. *Protection of the Exercise of the Right to Work*. Available at: <http://lex.bg/laws/ldoc/2135472223>

1.12.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Labour Inspectorate
- National Insurance Institute

- National Revenue Official Agency

1.12.3. Legally required documents or records

- Employment contract
- Civil contract
- Certificate of employment with the relevant technical equipment
- Financial documents for paid insurance
- Insurance policy
- Collective agreement
- Declaration No. 1 for registration of persons who have received compensation under civil contracts

1.12.4. Sources of information

Government sources

- Reports and statements of National Revenue Agency. Available at: www.nap.bg/document?id=13027
- Information System of the Executive Forest Agency. Available at: <http://system.iag.bg>
- Annual statistics of the accidents of the National Statistical Institute. Available at: <http://www.nssi.bg/aboutbg/st/statistic/304-tzpb/infotz>

Non-Government sources

- Public summaries of FSC forest management certification reports published at info.fsc.org (information on legal areas where non-compliances have been identified during the certification process that are likely to be common for non-certified operations)
- DarikNews (2015). *Uneasy foresters being fired in Velingrad*. [online]. DarikNews.bg. Available at: http://dariknews.bg/view_article.php?article_id=1535723 [Accessed 11 December 2015]
- Gospodari (2015). *A forester reveals illegal logging and is fired*. [online]. Gospodari.com. <http://gospodari.com/горски-разкрива-незаконна-сеч-и-го-уволняват-video81790.html> [Accessed 01 July 2015]

1.12.5. Risk determination

Overview of Legal Requirements

According to Art. 241 of the Forest Act, all companies operating in forest areas must be licensed to undertake forestry work. Employers are required to enter into a written contract – employment (Article 61 of the Labour Code) or civil (Art. 258, 280 of the Law on Obligations and Contracts) – with each worker, and must submit information on contracts to the National Revenue Agency. All employed workers must be qualified for logging activities (Art. 230 of the Forest Act), must be adults (Art. 301-305 of the Labour Code), must be insured, and must be equipped with appropriate personal protective equipment in compliance with the requirements

of the Law on Safe Working Conditions. Art. 4 of the Labour Code grant rights to workers to associate on a voluntary basis and to negotiate working conditions with employers. National labour legislation includes prohibitions on discrimination on grounds of gender (Art. 8 of the Labour Code), and makes illegal any form of discrimination based on gender in relation to access to employment opportunities, salary levels, career opportunities, etc., while ensuring full protection of maternity and paternity rights. Prohibitions on discrimination based on age, personal beliefs, religious beliefs, disability, and sexual orientation are set out in Chapter II, Section I of the Law on Protection from Discrimination.

Description of Risk

Despite the presence of a strict regulatory framework which, in theory, should protect workers, violations of the labour law, including lack of contracts (NEPCon, 2016), unjustified dismissals (Gospodari, 2015; DarikNews, 2015), and lack of personal protective equipment are common in Bulgaria (FSC, 2016). Data for the forestry sector is scarce and of low quality, but there is a common understanding that forestry sector workers are unskilled, poorly equipped, irregularly qualified, and unreasonably exposed to the risk of accidents. Forestry activities are often carried out in remote areas that are inaccessible to inspectors from relevant institutions, and this leads to inadequate control and thus to violations of workers' rights (such as a illegal labour, lack of contracts, training, insurance, or personal protective equipment). More evidence can be found in the public audit reports by FSC-FM-certified forest management units. [online]. fsc.org (FSC, 2016; NEPCon, 2016). The lack of a public register of all acquired licences to operate with specialised logging equipment also limits effective control. According to the National Statistical Institute's Operational Information on Accidents for 2014, only 0.8% of all accidents in Bulgaria take place in the forest sector. Based on general field experience by the authors it was found that this disproportionately low number of accidents is possibly due to under-reporting as a result of the small percentage of workers in the timber industry who are legally employed. A plurality of workers are from minorities who are less literate, and most of these workers have never been trained to work with logging equipment. A large number of these minority workers are enrolled in the lists of long-term unemployed citizens and are receiving social assistance, which leads to them refusing to sign written contracts for work in the forests because this would lead to termination of their social benefits.

Risk Conclusion

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

1.12.6. Risk designation and specification

Specified risk

1.12.7. Control measures and verifiers

- Persons involved in harvesting activities shall be covered by all obligatory forms of insurance.
- Persons involved in harvesting activities shall hold required certificates of competence for the function/s they carry out.

- At least the legally established minimum salaries shall be paid for personnel involved in harvesting activities.
- Salaries shall be paid officially and declared by the employer according to requirements for personnel involved in harvesting activities.
- Minimum age shall be observed for all personnel involved in harvesting activities.
- Minimum age shall be observed for all personnel involved in hazardous work.
- Organization shall facilitate a list of (permanent and temporary) workers' as well as their contracts with the organization, salary payment records. These may be verified on-site if required;
- Interviews with Organization employees/workers shall provide confidence that there is no illegality in terms of social security, insurance, contract or other statutorily-required working terms and conditions.

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

- Forest Act (2011):
 - Chapter V, Section I. *Use of wood*; Article 111. *Use of timber by individuals for their own needs*;
 - Chapter V, Section II. *Use of non-timber forest products*. Art. 117-119. *Use of non-timber products by individuals for their own needs*;
 - Chapter V, Section III, Art.123-125. *Grazing in forest areas*;
 - Chapter VII, Art. 144. *Access to forest areas*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 18 of 10.07.2015 on the Inventory and Planning in Forest Areas. Available at: http://www.iag.bg/data/docs/Nova_Naredba_ocenki_2016.doc
- Law on Medicinal Plants (2000). Chapter III, Section I and II, Art.20-41. *Use of medicinal plants*. Available at: <http://www.lex.bg/bg/laws/ldoc/2134916096>
- Law on Hunting and Game Protection Act (2000). Chapter III, Art. 290-30. *The right to hunt*. Available at: <http://www.lex.bg/bg/laws/ldoc/2134941184>
- Law for the restitution of lands and forests from the forest fund

1.13.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates
- Ministry of Environment and Water
- Regional Inspectorates of Environment and Water

1.13.3. Legally required documents or records

- Harvesting permit
- Permit for collection of non-timber products
- Permit for grazing in forest areas
- Court decision for restitution of a forest land

1.13.4. Sources of information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012. Executive Forestry Agency*. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2013N.pdf
- MoAF (2016). *Annual reports of the Ministry of Agriculture and food on the state of agriculture and forests*. Ministry of agriculture and food. Sofia 2016. Available at: <http://www.mzh.government.bg/MZH/bg/Documents/AgrarenDoklad.aspx>

Non-Government sources

- Nikolov, M. (2016): Is there a scheme "Firewood for vote": <https://nova.bg/news/view/2016/11/07/164136/разследване-на-нова-има-ли-схема-дърва-срещу-вот/>
- Forthenature (2016): Stara planina – Is logging in forests leading to water regime and floods?: <http://forthenature.org/cases/49>

1.13.5. Risk determination

Overview of Legal Requirements

The rights and obligations of users of the forests, and the conditions under which such rights are exploited, are clearly defined in the national legislation. The traditional rights of local communities are guaranteed by laws allowing them to take advantage of some physical goods and services granted by the forest, such as wood, mushrooms, herbs, grazing, hunting, fishing, hiking, etc. These rights are set out in the following provisions:

- Article 111 of the Forestry Act allows individuals who are residents of settlements to purchase wood for their own use;
- Article 119 of the Forestry Act allows every citizen of Bulgaria to use, free of charge, non-timber forest products;
- Article 123 of the Forestry Act allows grazing in forest areas;
- Article 144 of the Forestry Act allows free access to all forest areas (excluding logging sites and nursery gardens).

In addition, according to the Ordinance on the Inventory and Planning in Forest areas, the Regional plans for the development of the forest territories as well as the forest management plans for public forests are subject to public discussions before approval. This allows local communities to provide comments concerning their customary rights which may be taken into account during the planning process.

Description of Risk

The rights of local communities can be infringed as a result of:

1. The unresponsiveness of institutions and bureaucracy;
2. The limited qualifications of foresters with respect to the rights of local communities;
3. Illegal practices.

At present, the national legislation fully recognises the rights of local communities over forest resources. The municipalities should also guarantee that the public enjoys its rights to public forest resources. The national legal system provides a solid framework with which to address disputes concerning the rights of local communities to forest resources.

However, there are serious concerns that these rights are misused during elections by political parties. Often individual mayors, as well as forest authorities are alleged of providing better conditions for logging of firewood from the public forests to potential voters (e.g. preferential logging rights, preferential rights to more accessible forest stands, etc.) instead of guaranteeing equal rights for logging to all community members (Nikolov, 2016). However, these risks are not directly related to the harvesting of timber and is thus not considered to be a risk related to this indicator.

Different cases are registered of violations of the environmental rights of local communities during the planning process, e.g. disrespecting the statement of Sevlievo Municipality against the commercial logging in water-catchment areas (Forthenature, 2016). (This is covered under 1.10 – Environmental requirements). There are also problems with destruction of public forests and village roads during the transportation of wood (see 1.8). Due to disrespecting rights of the local stakeholders the risk for this indicator is considered specified.

Risk Conclusion

Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.13.6. Risk designation and specification

Specified risk

1.13.7. Control measures and verifiers

- Stakeholder consultation shall confirm that customary rights are observed during harvesting activities.
- Complaints for infringed customary rights of stakeholders in the forest management units shall be followed up upon.

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 covering free prior and informed consent in Bulgaria

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: no Indigenous people are acknowledged within the country – specific language minorities are fully recognised (by national and regional legislation) but these are not relevant to the forestry sector.

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

- Forest Act (2011). Art. 148. Transport of wood; Chapter 13. Section II. *Control in forest areas*; Art. 127 and 273. *Timber Regulation*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 1 for Protection and Control in Forest Areas. (30.06.2012). Art. 14-15. *Transport of timber*; Art. 54 (2). *Marking of timber*. Available at: http://www.iag.bg/data/docs/NAREDBA_1_ot_30012012_g_za_kontrola_i_opazvaneto_na_gorskite_teritorii.pdf
- Ordinance No. 8 for Felling in Forests (05.08.2011). Art. 50. *Marking of trees for logging*. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc
- Ordinance for the Terms and Conditions for Assigning the Carrying Out of Activities in Forest Areas – State and Municipal Property, and Use of Wood and Forest Products (2011)

1.16.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates

1.16.3. Legally required documents or records

- Transport ticket
- Protocols for acceptance of the harvested timber
- Harvesting permits
- Decree No. 429/2012, No. 155/2015 and No. 513/2016 of the executive forest agency
- Carnet inventory and assortment data-sheets
- Observation protocols for certification of logging sites

1.16.4. Sources of information

Non-Government sources

- Public reports of audits by FSC-FM certified forest management units. [online]. fsc.org. Available at: <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000dbza6EAA>
- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- Viaranews (2014). *Mother and son stop scandalous logging in the area of Pea Ridge in Samokov*. Available at: <http://viaranews.com/2014/05/30/майка-и-син-блокираха-скандална-сеч-в-м/>
- Transparency.bg (2016). Corruption perception index 2015. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016

1.16.5. Risk determination

Overview of Legal Requirements

The Ordinance for Protection and Control in Forest Areas, the Ordinance for Logging in Forests, and the Ordinance for the Conditions and Procedures for Assigning Activities in Forest Areas require strict measurement and classification of timber at any stage of the logging process. The calculation of the volumes and categories of marked timber before logging is carried out through a normative-reference base approved by the Executive Director of the Forestry Agency and/or on the basis of the data in the existing forestry plan or programme. The result of the calculation is entered in the Carnet inventory and the assortment data-sheets. When it is stored in temporary storage in the forest, harvested timber is described in protocols in compliance with the State Standard Classification. On the basis of these protocols, the timber is classified and described in the transport ticket, including information about the tree species, the quality, the volumes and the dimensions of the timber. Then the timber is invoiced by the forest owner and paid for according to the category of the wood, the species, the quality and the quantity.

Description of Risk

The incorrect classification of harvested material with the intention of reducing/avoiding payments of legally prescribed taxes and fees is considered to be one of the most common frauds in the forest sector in Bulgaria (WWF, 2014; Viaranews, 2014). As a result of limited control over the classification of harvested timber, timber is often described in the transport tickets as being of lower volume and quality. Bulgaria's high levels of corruption, including in the forestry sector, as assessed by means of the Corruption Perception Index (41 points in 2016), are considered to be a major factor in this type of fraud and in the lack of effective control.

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.

1.16.6. Risk designation and specification

Specified risk

1.16.7. Control measures and verifiers

- Products shall be correctly classified (species, quantities, qualities etc.) on sales documents, customs declarations and other legally required documents.
- Evidence shall be provided upon request (i.e. photographs of labelling).
- Physical controls shall exist to verify that the present material is as invoiced and marked.

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

- Forest Act (2011). Art. 148. *Transport of wood*; Chapter 13. Section II. *Control in forest areas*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 1 for Protection and Control in Forest Areas. (30 June 2012). Chapter II. *Control*. Art. 15-16. Available at: http://www.iag.bg/data/docs/NAREDBA_1_ot_30012012_g_za_kontrola_i_opazvaneto_na_gorskite_teritorii.pdf
- Decree No. 336/22.02.2016 of the Executive Forest Agency for Issuance of Transporting Tickets. Available at: <http://www.iag.bg/data/docs/zapoved.pdf>

1.17.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates
- State Enterprises

1.17.3. Legally required documents or records

- Electronic transport ticket
- Paper transport ticket
- Transport ticket for wood originating from objects under Art.206 of the Forest Act where timber is being delivered, processed and/or shipped.

1.17.4. Sources of information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014. Executive Forestry Agency*. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>

- EFA (2013). *Annual report of the Executive Forestry Agency for 2013. Executive Forestry Agency*. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012. Executive Forestry Agency*. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otcheten_doklad_2013N.pdf

Non-Government sources

- WWF (2014). *Analysis of WWF on the illegal logging in Bulgaria*. Available at: <http://www.wwf.bg/?229532/Illegal-logging-report>
- WWF (2015). *Election rigging funded by illegal logging in Bulgaria*. Available at: http://wwf.panda.org/wwf_news/?258811/Election-rigging-funded-by-illegal-logging-in-Bulgaria
- BTV (2015). *Illegal logging in Sinite Kamani*. Available at: <http://btvnovinite.bg/article/bulgaria/regionalni-novini/nezakonna-sech-i-v-sinite-kamani.html>
- SlivenSega (2016). *An illegal wood storage found with 35 m³ of fire-wood*. Available at: <https://slivensega.wordpress.com/2016/02/25/откриха-незаконен-склад-с-35-кубика-дърв/>
- BNT(2016). *Illegal logging in Vitosha impacted old-growth forests*. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>

1.17.5. Risk determination

Overview of Legal Requirements

To be considered legally transported, any timber must be accompanied by a transport ticket issued by a person entitled to do so under Art. 211 of the Forest Act, and should be marked with printed and/or plastic signs. Transport tickets are issued from temporary storages in forests, and, in compliance with Decree No. 336/2016 of the Executive Forest Agency, must include information about the origin and destination of the timber, the date and time of issuance of the ticket, the harvesting permit, a description of the timber (species, volumes, etc.), and data for the plastic control signs. These tickets have a 12-hour period of operation for transportation of the timber from the place at which the ticket is issued to the place for which it is intended. According to Article 16 of the Ordinance, in situations of force majeure, such as the transport vehicle breaking down, transportation of the timber can continue after the expiration of the first ticket with the issuance of a second ticket. Transport tickets are also issued for transportation of round wood from warehouses and wood-processing plants. From 1 January 2016, trucks transporting timber must be equipped with a GPS to allow the control authorities to trace them.

Description of Risk

Control of the transportation of wood is performed by the Executive Forest Agency, its regional directorates, and the traffic police, whose capacity and training is considered to be adequate to perform effective control. However, due to the high levels of corruption in the country, including in the forest sector (see 1.16), the illegal transport of wood is still an issue (WWF, 2014, 2015; BTV, 2015; SlivenSega, 2016; BNT, 2016). Illegal transport of timber

usually occurs when no valid transport document is acquired, when valid transport tickets are used more than once, or when transport tickets for different timber origin are used (WWF, 2014). This is confirmed by the annual reports of the Executive Forest Agency and the Regional Directorates, which state that 60% of all administrative violations in forests concern the transportation of timber without a ticket or with an irregular one (EFA, 2013, 2014, 2015). In cases of manipulated (i.e. incorrect) classification of the transported timber, the transport ticket is used to illegally reduce the sale price in favour of the private party (see 1.5). The lack of a requirement for e-tickets for all forest owners and round-wood transportations, as well as the lack of an Executive Forest Agency database for all transport tickets and the logs of the wood-processing plants compromise this control tool.

In relation to the above the risk is identified as specified because of the numerous violations of the regulations concerning the transportation of timber.

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.

1.17.6. Risk designation and specification

Specified risk

1.17.7. Control measures and verifiers

- Requirements related to transport means (e.g. trucks) shall always be followed.
- Species and product types shall be traded legally.
- Required trade permits shall exist and be recorded.
- All required transport documents shall exist and be recorded.
- Volume, species and quality shall be classified according to legal requirements.
- Documents related to transportation, trade or export shall be clearly linked to the specific material in question.

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

- Act on Economic and Financial Relations with Companies Registered in Jurisdictions with a Preferential Tax Regime, Related Persons and their Beneficial Owners (1 January 2014). Article 3 *Prohibits the acquisition of land and forests of the state forest fund.*

Available at: <http://www.kik-info.com/novini/novini-i-akcenti/Zakon-za-ofshorkite.65509.php>

- Law on Corporate Income Tax. Available at: <http://www.lex.bg/bg/laws/ldoc/2135540562>
- Tax and Social Security Procedures Code. Available at: www.lex.bg/laws/ldoc/2135514513
- Ordinance No. H-9 on the Reimbursement of Value Added Tax to Taxable Persons. (29 August 2006). Available at: www.nap.bg/document?id=2387

1.18.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency
- Regional Forest Directorates
- State Enterprises

1.18.3. Legally required documents or records

- Court registration

1.18.4. Sources of information

Non-Government sources

- PWC 2015. *International Transfer Pricing 2015/16*. Bulgaria. Available at: <http://www.pwc.com/gx/en/services/tax/transfer-pricing/itp-download.html>

1.18.5. Risk determination

Overview of Legal Requirements

Article 3 of the Act on Economic and Financial Relations with Companies Registered in Jurisdictions with a Preferential Tax Regime, Related Persons and their Beneficial Owners (1 January 2014) prohibits the acquisition of land and forests from the state forest fund by offshore companies in order to prevent state property from becoming involved in potential financial frauds. However, there are no prohibitions on offshore companies undertaking logging, opening wood storages or processing plants.

Bulgaria is not a member of the OECD, but has, since 2006, implemented rules on transfer pricing that generally follow the OECD guidelines and the arm's-length principle by requiring that the exchange of goods with related parties be consistent with market prices. The Tax and Social Security Procedure Code includes a definition of "related parties" and stipulates the method to be used when determining prices for transactions between related parties.

The taxable person must hold evidence that their relations with related persons are in line with the arm's-length principle, but no specific documents are required to prove this relationship.

Description of Risk

The Bulgarian tax authorities do not have a special unit to deal with transfer pricing, so transfer pricing control is conducted with the general tax audit. Currently, there is no public information from the inspection body about cases of transfer pricing or forest land transactions with "offshore" companies. However, given the fact that all sub-category 1.5-1.7 (Taxes and fees) are specified, the country's relatively high corruption level (the Corruption Perception Index (CPI) score being 41 points in 2015 (Transparency.bg, 2016)), and the inadequacy of its governance (scoring 0.09 in Government Effectiveness, -0.08 in Rule of law and -0.28 in Control of Corruption on the World Wide Governance Indicators (World bank, 2015)) it is not possible to exclude that timber export procedure does not include transfer pricing.

Risk Conclusion

In compliance with the precautionary principle, this indicator is assessed as specified risk.

1.18.6. Risk designation and specification

Specified risk

1.18.7. Control measures and verifiers

- If illegal in the country of the supplier or sub-supplier, products shall not be traded through countries known to be "tax havens".
- There shall be no illegal manipulation of transfer pricing.

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

- Regulation (EC) No. 2173 / 2005 establishing a scheme for permits for wood imports into the EC – FLEGT. Available at: <http://eur-lex.europa.eu/legal-content/BG/TXT/?uri=CELEX%3A32005R2173>
- Forestry Act (2011). Chapter V, Section IV. *Import and export of wood*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Customs Act. Available at: <http://lex.bg/laws/ldoc/2134384640>
- Ordinance No. 8 for Phytosanitary Control (27 February 2015). Available at: http://www.babh.government.bg/userfiles/files/NAREDBA_8_ot_27.02.2015_g._za_fitosanitarniq_kontrol.pdf

1.19.2. Legal authority

- Customs Agency
- Minister of Agriculture and Food
- Executive Forest Agency

1.19.3. Legally required documents or records

- Customs Declaration Form
- Customs Bill of Entry

1.19.4. Sources of information

Government sources

- Customs (2009). *Rules of organisation and procedures of the Customs Agency*. Available at: <http://www.customs.bg/documents/1277898986.rtf>
- Bulgarian Agency for Food Safety and Phytosanitary Control [AFSPC] (2011). *Reports/program to implement international standards and phytosanitary measures No. 15*. Available at: http://babh.government.bg/uploads/File/Dokumenti_naredbi/Fitosanitaren_kontrol/Pril._%204_Programa%20ISPM%2015.pdf
- EC (2016). *European Customs Tariff database*. Available at: http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm
- Bulgarian Chamber of Commerce and Industry [BCCI] (2005). *National Custom Tariff*. Available at: http://www.bcci.bg/bulgarian/cust_tarifa_2005/chapters/44.htm

Non-Government sources

- EC (2015). Special Report No. 13/2015. *EU support for wood producing countries in accordance with the Action Plan of the EU to implement legislation on forest management and Trade (FLEGT)*. Available at: www.eca.europa.eu/Lists/ECADocuments/SR15_13/SR_FLEGT_BG.pdf
- Occrp.org (2016). *Bulgaria: Government Closes Border Customs Office over Corruption*. Published 08 January 2016. Available at: <https://www.occrp.org/en/daily/4770-bulgaria-government-closes-border-customs-office-over-corruption>.

1.19.5. Risk determination

Overview of Legal Requirements

Export and import of wood from third parties is carried out under the provisions of the Customs Act. The competent authority is the Customs Agency. Exports are preceded by the preparation of documents containing the following data: the name of the exporter; gross and net weight of goods; vehicles (trucks, containers, railway car, flight number of the plane); references to transport documentation and the type of goods, and; the full detailed inventory of wood.

Export/import tariffs are provided in the form of the Customs Tariff of the Republic of Bulgaria pursuant to Article 24 (2) of the Customs Act. According to the Ordinance for Phytosanitary Control, export taxes may be paid only on wood material such as should cover the costs of the phytosanitary control. According to Art. 126 (6) of the Forest Act, the Minister of Agriculture and Food can temporarily stop the export of unprocessed wood. This measure was applied for some months in 2015, but is not currently in place. The information included in the import/export documentation shall correspond to the Customs Tariff Code. The Code secures

uniform application of customs rules by all EU Member States, and gives all economic operators a clear view of all measures to be undertaken when importing goods into the EU or exporting goods from the EU.

Description of Risk

There are reporting of government officials involved in corruption and not checking trucks crossing the borders (occrp.org 2016). Reports published by the National Customs Agency make no specific mention of violations of customs regulations involving timber products. Similarly, no figures, information or data are reported by non-government sources on timber specifically. However, the lack of controlling trucks can allow timber to be transported out of the country without documentation and payment of custom tariffs. Generally, Bulgaria has a relatively high level of corruption (rated at 41 points on the Corruption Perception Index (CPI) in 2016 (Transparency.bg, 2016)), and its governance receives a low score (scoring 0.09 in Government Effectiveness, -0.08 in Rule of law and -0.28 in Control of Corruption on the World Wide Governance Indicators (World bank, 2015)). Thus, the risk of violating customs regulations is considered specified.

Risk Conclusion

In compliance with the precautionary principle, this indicator has been evaluated as specified risk.

1.19.6. Risk designation and specification

Specified risk

1.19.7. Control measures and verifiers

- Invoice shall show prices of timber sold to correspond with general sales prices in the country

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

- Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora - operating in Bulgaria since 1991 (ratified by Decision of the Grand National Assembly on 12.12.1990 – SG. 103 1990 In force for Bulgaria from 04.16.1991 Prom. SG. 6 on 01/21/1992). Available at: <https://www.cites.org/eng/disc/text.php>
- Law on Biodiversity (2002). Available at: <http://lex.bg/laws/ldoc/2135456926>
- Decree No. 233 on the Foreign Trade Regime of the Republic of Bulgaria (8 November 2000). Available at: <http://bourgas-kirklareli.org/documents/8.doc>
- Ordinance No. 49 on the health requirements to some animals, semen, ova and embryos exchange between the republic of Bulgaria and the member – states of the European Union, and when imported from third countries. (20 April 2006). In force since 30.05.2006. Available at: <http://www.lex.bg/laws/ldoc/2135527383>

1.20.2. Legal authority

- Ministry of Environment and Water
- Ministry of Agriculture and Food
- Executive Forest Agency
- Agency for Food Safety

1.20.3. Legally required documents or records

- CITES permits issued by the exporting country

1.20.4. Sources of information

Government sources

- CITES Checklist. Available at:
http://checklist.cites.org/#/en/search/country_ids%5B%5D=252&output_layout=alphabetical&level_of_listing=0&show_synonyms=1&show_author=1&show_english=1&show_spanish=1&show_french=1&scientific_name=plantae&page=1&per_page=20

1.20.5. Risk determination

Overview of Legal Requirements

With Bulgaria's acceptance as an EU member in 2008, the country was obliged to implement the various EU regulations (international instruments binding for the Member States). To ensure adequate protection of endangered animal and plant species, the EU has adopted a number of regulations that are in accordance with the provisions of CITES and are focused on EU-specific issues; in particular, Council Regulation (EC) No. 338/97 of 9 December 1996 on Conservation of Species of Wild Fauna and Flora by Regulating Trade Therein, and other similar regulations. Like CITES, the main principle of the Council Regulation (EC) No. 338/97 depends on the categorisation of species in Annexes A, B, C and D. The first three Annexes largely correspond to the three appendixes of CITES. Annex D has no equivalent in CITES. Overall, EU regulations on wildlife trade are more stringent than CITES; they include restrictions which apply to some species not covered by CITES.

Description of Risk

With regard to CITES, the Customs Agency and the Executive Forest Agency actively cooperate by exchanging information and expertise. No evidence of timber-related violations of the Convention have been found, essentially because there are no Bulgarian wood species on the CITES list.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld.

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

- Timber Regulation (EU) No. 995/2010. Available at: http://ec.europa.eu/environment/forests/timber_regulation.htm
- Forest Act (2011). Art. 148. *Transport of wood*; Chapter 13, Section II. *Control in forest areas*; Art. 127 and 273. *Timber Regulation*. Available at: <http://www.lex.bg/bg/laws/ldoc/2135721295>
- Ordinance No. 1 for protection and control in forest areas (30 June 2012). Available at: http://www.iag.bg/data/docs/NAREDBA_1_ot_30012012_g_za_kontrola_i_opazvaneto_na_gorskite_teritorii.pdf
- Ordinance No. 8 of 05.08.2011 for fellings in the forests. Available at: http://www.iag.bg/data/docs/Naredba_za_sechite_v_gorite1.doc
- Guidance on the Application of Regulation (EU) No. 995/2010. Available at: http://ec.europa.eu/environment/eutr2013/index_bg.htm

1.21.2. Legal authority

- Ministry of Agriculture and Food
- Executive Forest Agency

1.21.3. Legally required documents or records

- Ticket for transportation
- Due Diligence System

1.21.4. Sources of information

Government sources

- EFA (2014). *Annual report of the Executive Forestry Agency for 2014*. Executive Forestry Agency. Sofia 2014. Available at: <http://www.iag.bg/data/docs/godishen-doklad2014.pdf>
- EFA (2013). *Annual report of the Executive Forestry Agency for 2013*. Executive Forestry Agency. Sofia 2013. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2014_1.pdf
- EFA (2012). *Annual report of the Executive Forestry Agency for 2012*. Executive Forestry Agency. Sofia 2012. Available at: http://www.iag.bg/data/docs/Otchetan_doklad_2013N.pdf

- EFA (2013). *Report of EFA on the implementation of Regulation 995/2010 of EC*. Executive Forestry Agency. Sofia 2013. Available at: www.iag.bg/data/docs/Otchet-2013PRG.doc

Non-Government sources

- WWF (2015). *Election rigging funded by-illegal logging in Bulgaria*. Available at: http://www.panda.org/wwf_news/?258811/Election-rigging-funded-by-illegal-logging-in-Bulgaria
- BNT(2016). *Illegal logging in Vitosha impacted old-growth forests*. [online]. BNT.bg. Available at: <http://news.bnt.bg/bg/a/nezakonna-sech-na-vitosha-zasegna-vekovni-gori>
- BTV (2015a). Hundreds of trees disappeared in front of the eyes of the foresters. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/obshtestvo/stotici-darveta-kraj-chujpetlovo-izcheznaha-pod-nosa-na-gorskite.html>
- BTV (2015b). Illegal logging in Sinite Kamani. [online]. BTV.bg. Available at: <http://btvnovinite.bg/article/bulgaria/regionalni-novini/nezakonna-sech-i-v-sinite-kamani.html>

1.21.5. Risk determination

Overview of Legal Requirements

According to the Forest Act, the Executive Forest Agency (EFA) of the Ministry of Agriculture and Food is the supervisory body for the implementation of forest legislation, including the implementation of Regulation (EU) No. 995/2010 (Art. 127, para.3 of the Forests Act).

In turn, the EFA instructs its regional units to perform direct control over the fulfilment of obligations associated with tracking wood products and implementation of Due Diligence Systems at forest level under the Timber Regulation, by means of a series of administrative acts and guidelines. The Forest Act and administrative acts issued by the Executive Director of the EFA include specific rules for Due Diligence and tracking wood concerning: the issuance of transport tickets (mainly electronically) for harvested timber; the data to be included in transport tickets and logs of processing plants accepting the logged timber; the issuance of transport tickets (mainly on paper) for the processed wood, and; the data to be included in processing plant logs regarding the wood processed. According to Art. 15 (3) of Ordinance No. 1 of 30.06.2012 for Control and Protection of Forest Areas, transport tickets verify the legal origin of the wood they accompany. Art. 273, para 11 of the Forest Act harmonises Bulgaria's national legislation with the requirements of Regulation (EU) No. 995/2010, whereby the entirety of timber held in violation of the regulation should be utilised only for public purposes. There are also administrative penal provisions to discourage and prevent illegal logging and transportation of wood.

Description of Risk

Despite the ongoing efforts of the control authority to disseminate the Timber Regulation and the requirements for tracking wood products, three years after its adoption the Timber Regulation is still not known to the majority of employers in the control authority itself. There is no clear methodology for verification, and currently the whole DDS and timber tracking system lacks transparency. This is confirmed by reports of the EFA in which it is apparent that there were only 300 inspections throughout 2015 and a minimal amount of administrative

violations found. These controls cover both Due Diligence implementation and timber tracking. The unawareness of the requirements for proving the source of timber among companies processing and selling timber, the small number of checks by the supervisory authority, the inadequate awareness-raising campaigns, and the lack of effective sanctions all work to undermine the implementation of the timber tracking. Even when Due Diligence Systems are available in the forest units, there seem to be lack of actual implementation of the system and illegal logging and transportation of wood can take place. As a result, NGOs and the media regularly reveal cases of illegal wood being transported (including with electronic tickets) in clear violation of the regulation (WWF, 2015; BTV, 2015a, 2015b; BNT, 2016).

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.

1.21.6. Risk designation and specification

Specified risk

1.21.7. Control measures and verifiers

- Due Diligence System shall be in place.
- Under the Due Diligence System records of risks identified shall be presented as well as how these has been mitigated within the forest entity.
- Mitigated actions shall be verified through fields inspections.

Annex I. Timber source types

The table **Timber Source Types in Bulgaria** 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 BULGARIA

Forest type	Region/Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
<i>Natural and semi-natural forest</i>	<i>National</i>	Protected areas IUCN cat. I-II (reserves and national parks)	State-owned	State management by the Ministry of Environment and Water (Protected Areas Act, 1998)	Harvesting permits - issued only if the forest use is included in a special logging plan or plan-extract adopted under the Protected Areas Act. The plan should be in compliance with the provisions and restrictions of the Protected Areas Management Plan.	Strictly protected forests (Timber/NTFP Sourcing Limited – industrial logging prohibited)
		Forest lands with protective and/or special (protected areas IUCN cat. III-VI, Natura 2000) functions	Public	State or municipal	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan for a 10-year period or in a plan-extract adopted under the Forest Act – the agreement of the specialised protection	Protective/Special use forest
			Private	Private or cooperative		

					authorities (e.g. MoEW, etc.) is required.	
		Manged forest lands	Public	State or municipal	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan/forest management Program for a 10-year period or in a plan-extract adopted under the Forest Act.	Managed forest
			Private	Private or cooperative		
		Reforested farmlands	Public or private	State, municipal or private	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan or plan-extract ("план извлечения") adopted under the Forest Act.	Farmland forest
	At lower altitudes –	Protected areas IUCN cat. I-II (reserves and national parks)	State-owned	State management by the Ministry of Environment and Water (Protected areas Act, 1998)	Harvesting permits - issued only if the forest use is included in a special logging plan or plan-extract adopted under the Protected Areas Act. The plan should be in compliance with the provisions and restrictions of the Protected Areas Management Plan.	Strictly protected forests (Timber/NTFP Sourcing Limited – industrial logging prohibited)

Plantation forest	pine plantations in low-mountain areas and poplar/acacia plantations along inland rivers and the Danube	Managed forest lands	Public	State or municipal	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan/forest management Program for a 10-year period or in a plan-extract adopted under the Forest Act.	Managed Forest
			Private	Private or cooperative		
		Forest lands with protective and/or special (protected areas IUCN cat. III-VI, Natura 2000) functions	Public	State or municipal	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan for a 10-year period or in a plan-extract adopted under the Forest Act – the agreement of the specialised protection authorities (e.g. MoEW, etc.) is required.	Protective/Special Use Forest
			Private	Private or cooperative		
		Afforested farmlands	Public or private	State, municipal or private	Harvesting permits - may be issued only if the forest activities are included in a Forest Management Plan or plan-extract ("план извлечения") adopted under the Forest Act.	Farmland forest



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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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