

INDEPENDENT VERIFICATION AND MONITORING IN SUPPORT OF FOREST LAW ENFORCEMENT

Model

The model that is presented here is one of a national (or provincial) government outsourcing specific administration and monitoring functions of the public forest control to an independent verification company.

Justification

The justification for outsourcing services to a private sector organization can be either:

- 1 Outsourcing as a strategy *per se*,
to improve the efficiency and reduce the cost
of public forest administration and control
for an unlimited period of time.
- 2 Outsourcing as a transitory strategy
towards local institution capacity building,
through a Build-Operate-Transfer (BOT) process.

Or,

Main experience of SGS

See table next page.



Main experience of SGS

Country	Started	Ended	Client	Assignment	Scope		
					Geographic	Products	Processes
Papua New Guinea	07.1994	On-going	PNG Forest Authority	Export Monitoring	All ports	Logs	Export + Tagging at source + Declaration of origin
Cameroon	10.1994	On-going	Ministry of Finance	Export Monitoring	All ports	Logs	Export
Congo (Brazzaville)	11.1995	03.1998	Ministry of Finance	Export Monitoring	All ports in Congo + Cameroon	Logs + Timber products	Export + Containers at mills
Central African Rep.	01.1996	On-going	Ministry of Finance	Export Monitoring	All ports in Cameroon	Logs + Timber products	Export
Ghana	05.1999	03.2000	Min. of Lands, Mines and Forests	Pilot Log Tracking project	Accra + pilot area	Logs + Timber products	N/A
Ecuador	02.2003	02.2013	Ministry of Environment	National Forest Control Service (Contracted out)	Country (exc. Galapagos)	All forest products	Forest Management + Harvesting + Transport
Congo (Brazzaville)	03.2003	03.2005+	Min. of Forest Economy and Environment	Forest Product Export Control Service (B.O.T.)	Ports in Congo + Cameroon + borders	All forest products	Export monitoring + Tagging + Declaration of origin



Summary of selected projects

Assignment Name: Log Export Monitoring Agreement	Country: Papua New Guinea (PNG)
Location within Country: Port Moresby and all other export sites	N^o of Staff: 56 full time staff on average
Name of Client: PNG Forest Authority Independent State Of Papua New Guinea (Public)	Approx. cost (average annual budget): USD 1,500,000
Narrative Description of Project <p>An Independent Commission of Inquiry established that there was a significant lack of control of the Forestry Sector of Papua New Guinea, particularly in the area of log exports where the Country was suffering major losses of revenue. The project monitors all log exports from the Country (approx. 2 million m3 annually) through 30 export ports. All logs are tagged in the forest by the forest companies. All impending log shipments are required to be notified to SGS by Government and exporters. The export process then involves physical checks for species identification and log measurement plus independent tally for each shipment, reporting vessel cargo details independently to Government. All shipping and commercial documentation is checked. All information is entered into a database with monthly reports provided to the Forest Authority, Internal Revenue Commission (export duty and company tax monitoring), Bank of PNG (foreign exchange monitoring), Departments of Finance and Planning. The project is also designed to transfer new skills, technology and management skills to the PNG Forest Authority staff – many of whom are working for SGS on a seconded basis.</p>	
Services Provided by SGS <p>Conduct awareness campaign for all stakeholders: Government (at all levels, National and Provincial), landowners and the forest industry. Design and implementation of the monitoring and inspection service. System design for both field and office computing systems including field software and database design. Set up bases at strategic locations and provide logistical support systems for 42 inspectors operating at 30 logging camps. Management system certified to ISO 9002.</p>	
Comments <p>The European Union provided the majority of funding for this operation (K10.5 million) from 1995 to 1999. Recognising the profit making nature of the project, PNG Government now pays for the service via its normal recurrent budget. The contract fees include all the costs of employing the officers seconded from the Forest Authority. The main benefit of the programme is to prevent losses of government revenue in foreign exchange and taxes. In addition approximately 25% of the total cost is actually returned to Government by way of various taxes.</p> <p>Other benefits include:</p> <ul style="list-style-type: none"> - training of local staff (only 2 expatriate staff) - industry no longer suffers from inefficient monitoring that resulted in vessel delays and costly claims for demurrage. 	

Assignment Name: Log Export Verification Programme	Country: Cameroon
Location within Country: Douala and other ports	N° of Staff: 20 (on average)
Name of Client: Ministry of Finance, Government of Cameroon (Public)	Cost of Services: 0.95% of log export value, approx. USD 750,000 per year
Narrative Description of Project: A project to verify all log exports from the ports of Cameroon. Volume and species declarations made by exporters are checked against a sample of independent inspections. Based upon the taxable value determined by SGS, the tax payable is adjusted as necessary and the logs can be shipped. SGS has controlled and monitored 0.7 - 2 million m3 of logs exported each year from Cameroon since 1994. SGS provides a comprehensive service package to the Government of Cameroon, thereby increasing its log export revenues and repatriated foreign currency by an estimated 30%.	
Services Provided by SGS: <ul style="list-style-type: none"> • Development of inspection procedures • Design of information systems • Management of project • Liaison with government and exporters • Inspection of logs and reconciliation with declarations • Training SGS inspectors and Customs officers in species identification and measurement of logs • Information on international log markets • Reporting to government • Internal system auditing. 	
Comments It is a requirement for all exporters to notify all forthcoming log shipments to SGS for verification. SGS can do nothing to address un-notified shipments. Tracking all national and imported logs from forest sources and borders would allow more efficient cross-checking of information.	

Assignment Name: National Forest Control Service		Country: Ecuador
Duration of Assignment: 10 years	Nº of Staff: 130 full-time staff	Cost of Services: US\$ 2.70 per m3 from native forests + US\$ 0.10 per m3 from plantations, US\$ 4 million per year on average for 3 million m3
Narrative Description of Project:		
<p>The project aims to ensure that forest products are harvested legally and at a sustainable level. The monitoring and control function of Ecuador's forest sector has been outsourced to SGS as an independent verification company. Ecuador's "Modernisation of the State" programme, which includes delegating specific Government roles to private sector organisations, has yielded the legal framework for this contract. In the process, the Ministry of Environment changes its role from controller and tax collector to enforcement authority and facilitator of sound management. Taxes and service fees are to be collected by SGS for each cubic meter of logs and sawn timber authorised for extraction. Representatives of the police, army and civil society will participate at each checkpoint. The fee rates and the levels of administrative and operational infrastructure are to be adjusted annually to the volume of operation within the limits of agreed financial criteria.</p>		
Services Provided by SGS:		
<ol style="list-style-type: none"> 1. Approval of management and harvesting plans; 2. Approval and issue of logging licences and timber transportation permits; 3. Collection of forest taxes; 4. Supervision of forest exploitation and the performance of forest stewards; 5. Monitoring of transportation of forest products; 6. Building and operation of a data network for the forest sector. <p>SGS Ecuador will provide the services out of 32 offices including 14 forest inspection units and also 12 road checkpoints and 6 mobile units as part of a log tracking system. SGS will perform documentary and random physical checks to verify compliance with relevant laws, regulations and best practice, and will issue reports of findings and professional opinions to inform decision-making and law enforcement. SGS will operate an on-line forest management information system linking the different units and the Ministry. The public will have access to reliable forest sector information on a dedicated website.</p>		

Assignment Name: Forest Product Export Control Service		Country: Congo (Brazzaville)
Location within Country: Pointe Noire and border crossing points into Cameroon and Central African Republic. Also ports of final export from Cameroon.		N° of Staff: 57 full-time staff on average
Duration of Assignment: 2 years, renewable	Cost of Services: Export Fee of 1% of FOB value, approx. USD mio 2 per year + Fcfa 650 per barcode tag	
Narrative Description of Project: <p>Congo's Forest Law of 2000 provided the framework for setting up a National Forest Product Export Control Service. The government called upon the services of SGS to create and run this service during its start-up period, and then to possibly transfer it to the forest administration as a fully autonomous unit.</p> <p>The project physically verifies all exports of forest products (e.g: logs, sawnwood, non-timber products) and calculates the taxes due. It also provides an analysis of activity in the sector, especially of percentage of local processing of logs into primary wood products, which are subject to quota regulations.</p> <p>Teams of inspectors work throughout the country, especially at land borders and ports. Forest products are marked with a coded label, which identifies their origin and enables forest production to be estimated. The products are physically inspected for identification purposes and for the verification of quantity and quality, and export and transport documents are systematically checked and analysed. An inspection report, which is used to calculate export taxes, is generated for each export consignment. Statistics of forest product exports are supplied to the government administration on a regular basis. The project will employ 50 officers on secondment from the forest administration, whilst SGS will appoint 7 managers for supervision and training.</p>		
Services Provided by SGS: <p>SGS is responsible for the complete design, development, installation and operation of the inspection and monitoring service, as described above. Implementation will also include:</p> <ul style="list-style-type: none"> • Conduct of awareness campaign for all stakeholders: Government, landowners and the forest industry. • System design for both field and office computing systems, including field software and database design for the development of a comprehensive forest data management and Internet-based communication system. Reporting to Government. • Set-up of operations at strategic locations and provision of logistical support systems and training for inspectors operating at logging camps. 		

Evolution of the generic concepts

From: the initial concept of **Export Monitoring**, mainly for government revenue protection purposes,

- through inspection at ports and collection of export duties,
- resulting in the issuance of an Export Verification Statement which is required to ship the logs;

To: **Verification of Origin** for timber products (traceability of exports back to identified and legitimate sources), to be achieved through:

- independent verification of documentation, remote sensing and unannounced field inspections; use of barcodes to track product movements throughout the production chain, and verification of royalty payments and volumes/quotas,
- resulting in the issuance of a Verification of Origin Statement to demonstrate that timber is legally owned and derives from a legal source.

And to: **Verification of Legal Compliance**, for forest management activities, to be achieved through:

- independent verification of legal compliance with forest management regulations (through field inspections and auditing),
- resulting in a Verification of Legal Compliance Statement to demonstrate that the timber is both legally owned and legally produced.

Graphic representation of the model (see diagrams next pages)

SFM Performance by Producers - The GOAL

Four levels of requirements and performance are identified (from bottom up):

1. Verified Origin (Legal Ownership) of the products
2. Legal Compliance of forest management activities
3. Forest Certification
4. Sustainable Forest Management (absolute ideal).

The ultimate goal is to fill up the whole rectangle which means that all producers in a country perform to SFM standards.

SFM Performance by Producers - The REALITY

The reality is quite different, with producers ranging from “certified” to “illegal” status.

Certification and Phased Approach to Certification

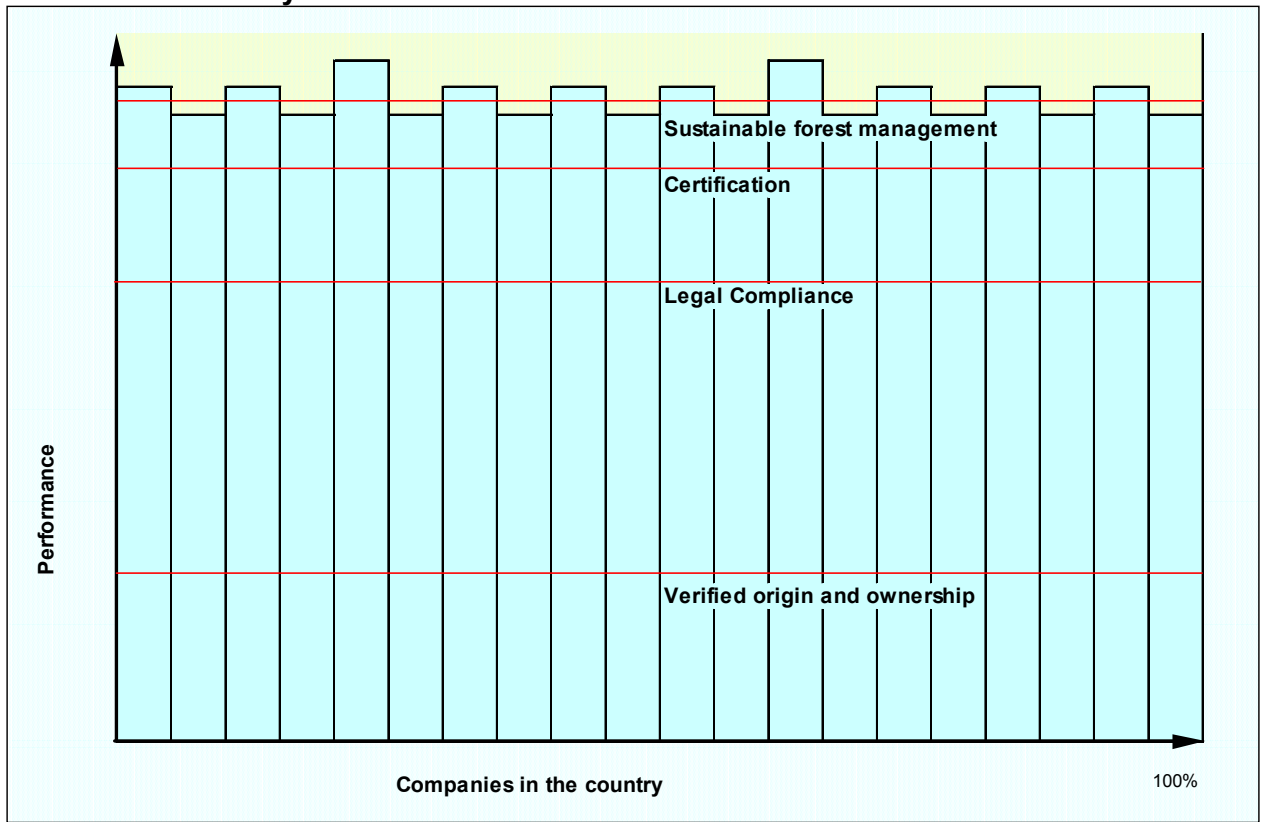
Filling up the whole rectangle through all producers engaging in voluntary certification in response to market demand, even with a CSP (Certification Support Programme, developed by SGS Malaysia) or MIV (Modular Implementation and Verification developed by WWF/Ikea) is going to be a very long and sometime counter-productive process.

Independent Validation of Legal Timber

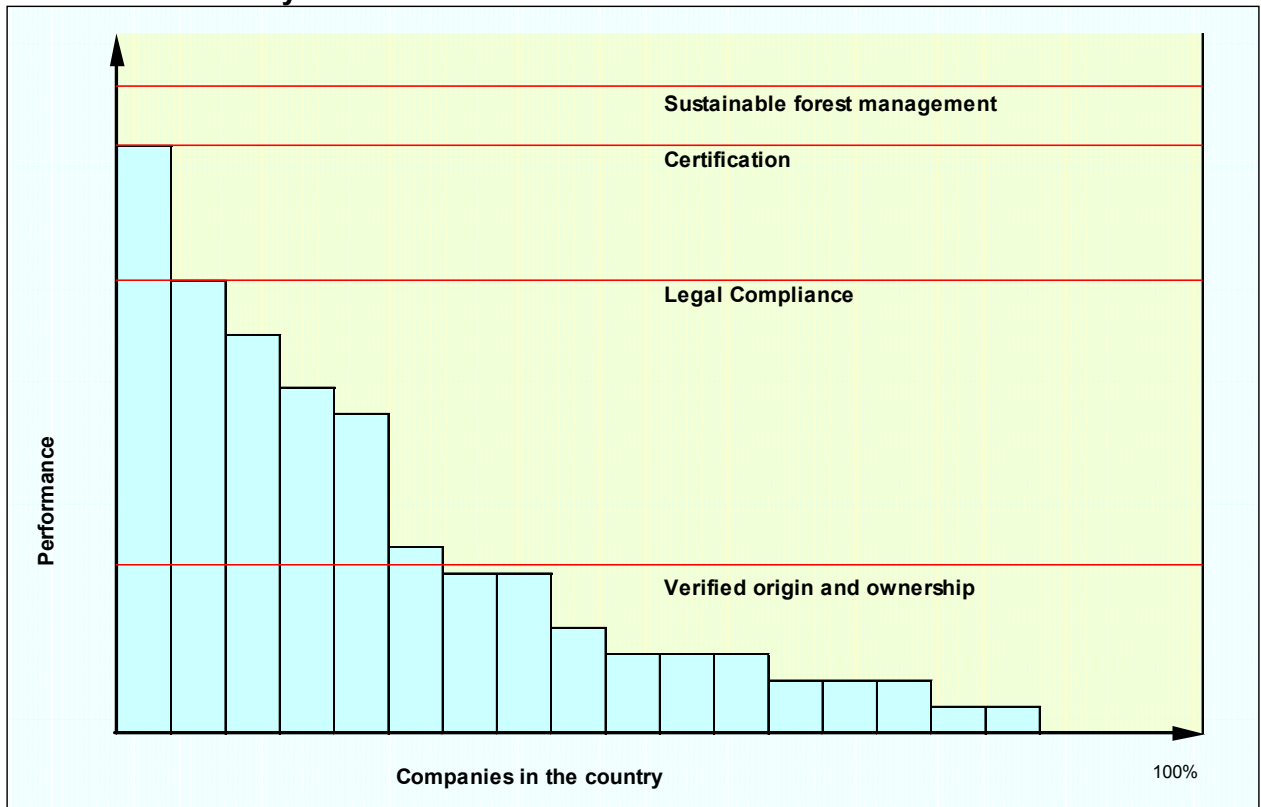
Mandatory implementation of the Verification of Origin and Verification of Legal Compliance modules, at country level, means that all producers are bound to meet the same legal and regulatory requirements if they are to remain in business.

It is believed that demonstrating legal ownership and legal compliance (i.e. ‘legality’) throughout the production chain, for all producers across an entire producer country, can provide incentives for these producers to engage in certification of forest management as the final step towards ‘sustainability’.

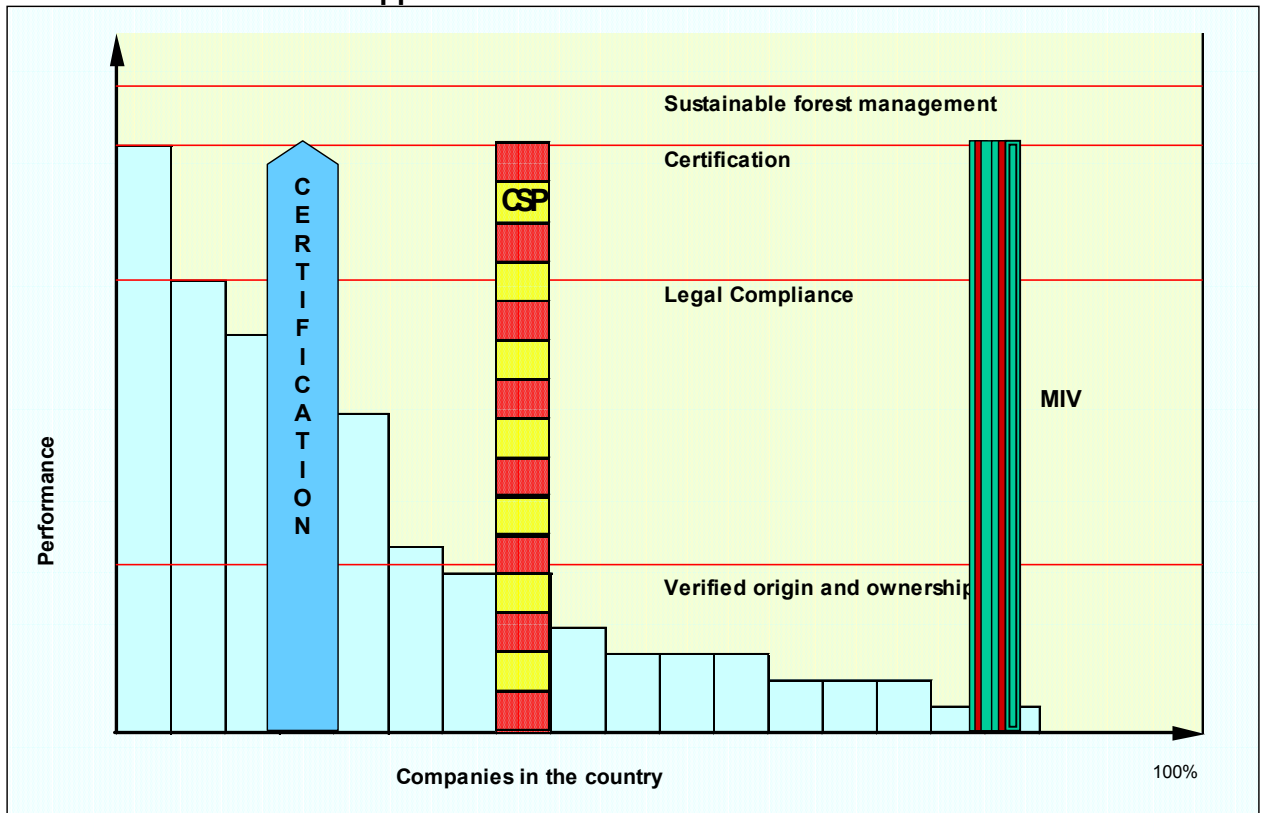
SFM Performance by Producers - The GOAL



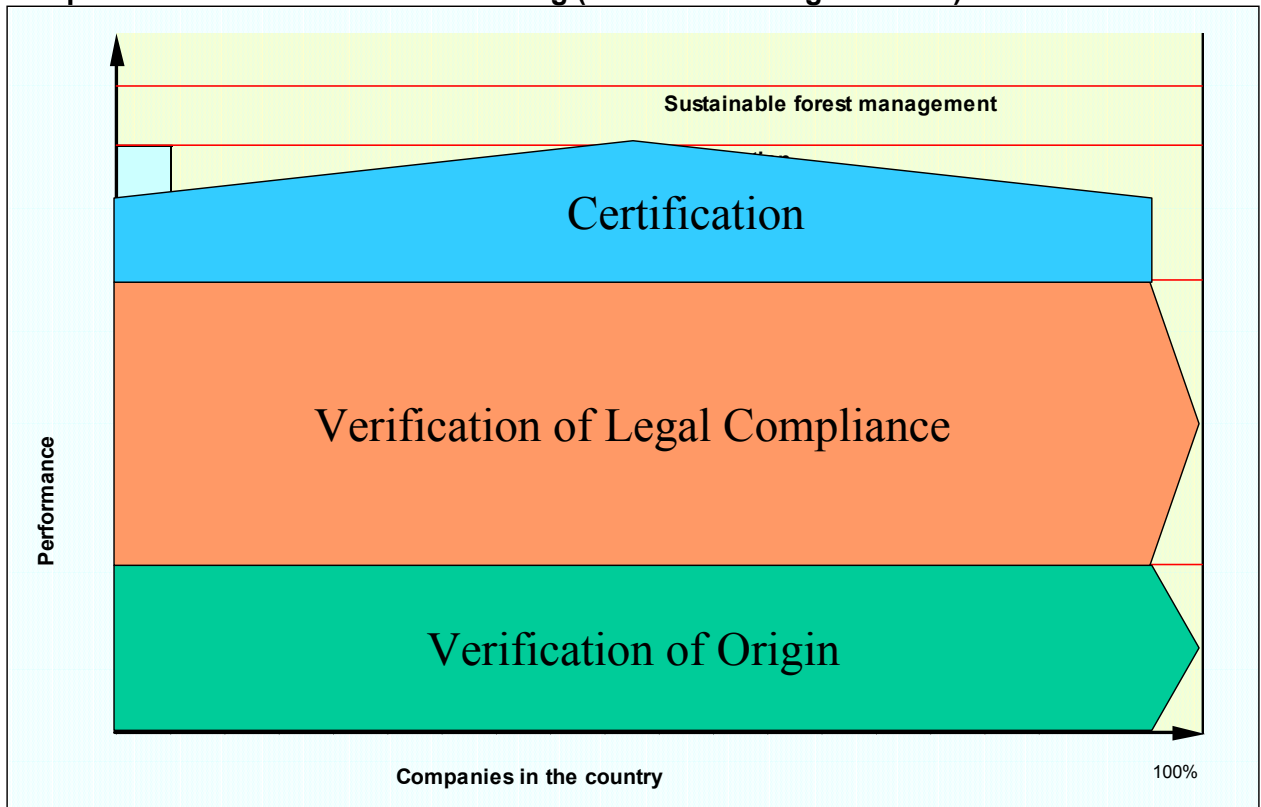
SFM Performance by Producers - The REALITY



Certification and Phased Approach to Certification



Independent Verification and Monitoring (Validation of Legal Timber)



Implementation of the modular generic concepts

1. The example of Congo

The programme initially includes two main components that relate to the verification of the legal origin of all exported forest products:

1. inspections at ports and borders (Export Monitoring)
2. compulsory marking of all products at source and declaration of the origin and movements of the products from forest to mill and from mill to port or border (preparatory to full Verification of Origin).

Opportunities exist for enhancing the programme at a later stage with two additional components:

3. enhanced documentary and physical verification of origin and ownership throughout the production chain (full Verification of Origin)
4. verification of the logging *activities* against management and harvesting *plans*, and verification of the management and harvesting *plans* against local laws and regulations, concession lease terms and logging permits (Verification of Legal Compliance).

2. The example of Ecuador

The opposite of Congo - starting in the forest rather than the port.

The programme initially includes components that are mainly related to the verification of legal compliance of forest management activities:

1. approve and inspect management and harvesting plans (Verification of Legal Compliance)
2. issue and monitor logging licences and timber transportation permits from forests to mills (Verification of Origin).

Opportunities exist for enhancing the programme with additional components that would fully validate the Legal Origin of the products and the Legal Compliance of the related forest management activities for all exports:

3. timber tracking from mills to ports and borders
4. export monitoring.

Conclusions

The comparison between the examples of Congo and Ecuador indicates that the 'Verification of Origin' module and the 'Verification of Legal Compliance' module can be implemented either simultaneously or in a variable order depending on the priorities set by the Government.

Current programmes demonstrate a flexible approach to implementation and are 'as good as' the requirements set for them in the Terms of Reference. Careful project design and implementation is the key to success.

All projects have been variable in scope and have evolved as both the generic concepts and our clients' requirements changed.

However, all projects have one common characteristic; they are all Independent Verification and Monitoring programmes, operated by SGS on a mandatory basis at country level.

We believe the model is robust and can be replicated in most countries. A regional setting (for example at the level of the Congo basin) can even be considered and would allow the system to capture inter-country flows at reduced costs.

An integrated approach - to systems for verifying the legal origin of products and systems for verifying legal compliance with forest management regulations – is recommended for use by governments in producer countries and governments in importing countries to effectively combat illegal logging and the trade in illegally produced timber products.

This paper was prepared in order to support a presentation by
Antoine de La Rochefordière
SGS Natural Monitoring Services (NRMS)
Sustainable Forestry Programme,

at the Pre-AFLEG¹ workshop hosted by the World Resource Institute (WRI) and the Government of Cameroon in Douala, 10-13.03.2003

¹ African Forest Law Enforcement and Governance