
World Bank / WWF Alliance

Establishing the Foundation for
Sustainable Forest Management in Africa

**Legal Origin of Timber as a Step Towards
Sustainable Forest Management**

FINAL DRAFT

SGS Global Trade Solutions (GTS)

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Table of Contents

<u>ACRONYMS</u>	V
<u>EXECUTIVE SUMMARY</u>	1
<u>GENERAL ASSESSMENT</u>	5
<u>1 SUSTAINABLE FOREST MANAGEMENT</u>	5
1.1 <u>OVERVIEW</u>	5
1.2 <u>INITIATIVES TO PROMOTE SFM IN AFRICA</u>	6
1.3 <u>COMMON CONSTRAINTS TO FOREST CERTIFICATION IN AFRICA</u>	7
1.4 <u>LIMITATIONS OF FOREST CERTIFICATION AS A MEANS OF VERIFYING LEGAL COMPLIANCE AND TACKLING ILLEGAL LOGGING IN AFRICA</u>	9
1.5 <u>POSSIBLE IMPACTS OF CERTIFICATION AND LEGAL COMPLIANCE ON RURAL COMMUNITIES</u>	10
<u>2 VERIFICATION OF LEGAL ORIGIN (VLO)</u>	11
2.1 <u>MAIN DRIVERS FOR NEW 'LEGALITY' REQUIREMENTS</u>	11
2.2 <u>LEGAL ORIGIN OF TIMBER VS. FOREST CERTIFICATION SYSTEMS</u>	11
2.3 <u>VLO AS PART OF A STEPWISE APPROACH TO SFM AND CERTIFICATION</u>	12
2.4 <u>FACTORS THAT MAY LIMIT PROGRESS</u>	14
<u>PROGRESS OF CERTIFICATION IN SELECTED COUNTRIES</u>	15
<u>1 BENIN</u>	15
1.1 <u>HISTORY</u>	15
1.2 <u>STAKEHOLDER PARTICIPATION</u>	15
1.3 <u>ANALYSIS</u>	15
1.3.1 <u>Constraints and Disincentives</u>	15
1.3.2 <u>Potential and Incentives for Certification</u>	16
1.3.3 <u>Steps to Achieving Certification</u>	16
<u>2 CAMEROON</u>	17
2.1 <u>HISTORY</u>	17
2.2 <u>STAKEHOLDER PARTICIPATION</u>	17
2.3 <u>ROLE OF THE PUBLIC AND PRIVATE SECTOR</u>	17
2.4 <u>ANALYSIS</u>	18
2.4.1 <u>Constraints and Disincentives</u>	18
2.4.2 <u>Potential and Incentives for Certification</u>	18
2.4.3 <u>Steps to Achieving Certification</u>	18
<u>3 CENTRAL AFRICAN REPUBLIC</u>	19
3.1 <u>HISTORY</u>	19
3.2 <u>STAKEHOLDER PARTICIPATION</u>	19
3.3 <u>ANALYSIS</u>	19
3.3.1 <u>Constraints and Disincentives</u>	19
3.3.2 <u>Potential and Incentives for Certification:</u>	20

3.3.3	Steps to Achieving Certification	20
4	CONGO-BRAZZAVILLE	20
4.1	HISTORY	20
4.2	STAKEHOLDER PARTICIPATION	20
4.3	ANALYSIS	20
4.3.1	Constraints and Disincentives	20
4.3.2	Potential and Incentives for Certification	21
4.3.3	Steps to Achieving Certification	21
5	DEMOCRATIC REPUBLIC OF CONGO	21
5.1	HISTORY	21
5.2	STAKEHOLDER PARTICIPATION	22
5.3	ANALYSIS	22
5.3.1	Constraints and Disincentives	22
5.3.2	Potential and Incentives for Certification	22
5.3.3	Steps to Achieving Certification	22
6	GABON	23
6.1	HISTORY	23
6.2	STAKEHOLDER PARTICIPATION	23
6.3	ROLE OF THE PUBLIC AND PRIVATE SECTOR	23
6.4	ANALYSIS	24
6.4.1	Constraints and Disincentives	24
6.4.2	Potential and Incentives for Certification	24
6.4.3	Steps to Achieving Certification	24
7	GHANA	25
7.1	HISTORY	25
7.2	STAKEHOLDER PARTICIPATION	25
7.3	ROLE OF THE PUBLIC AND PRIVATE SECTOR	25
7.4	ANALYSIS	26
7.4.1	Constraints and Disincentives to Certification	26
7.4.2	Potential and Incentives for Certification	26
7.4.3	Recommended steps to achieving certification	26
7.4.4	Wider reforms required to support the development of SFM and certification	27
8	MOZAMBIQUE	27
8.1	HISTORY	27
8.2	STAKEHOLDER PARTICIPATION	28
8.3	ANALYSIS	28
8.3.1	Constraints and Disincentives	28
8.3.2	Potential and Incentives for Certification	29
8.3.3	Steps to Achieving Certification	29
9	TANZANIA	30
9.1	HISTORY	30
9.2	STAKEHOLDER PARTICIPATION	30

9.3	ROLE OF THE PUBLIC AND PRIVATE SECTOR	30
9.4	ANALYSIS	30
9.4.1	Constraints and Disincentives	30
9.4.2	Potential and Incentives for Certification	31
9.4.3	Steps to Achieving Certification	31
	CONSUMER COUNTRY ANALYSIS	32
1	NATIONAL GOVERNMENTS AS DIRECT OR INDIRECT BUYERS OF WOOD	32
2	COUNTRY REVIEW	32
2.1	PROCUREMENT IN THE UK	32
2.1.1	Centre Point for Expertise on Timber	33
2.1.2	UK-Indonesia Memorandum of Understanding	34
2.2	PROCUREMENT INITIATIVES IN THE EU AND OTHER COUNTRIES	35
2.2.1	The European Union	35
2.2.1.1	Denmark	36
2.2.1.2	The Netherlands	36
2.2.1.3	France	36
2.2.1.4	Other countries	36
2.3	OTHER MECHANISMS FOR COMBATING ILLEGAL TRADE IN TIMBER	36
2.3.1	Financial controls	36
2.3.2	Enhanced border controls	37
2.3.3	Tariff reductions	37
2.3.4	Data exchange	38
2.3.5	Support for private sector initiatives to promote legal trade	38
2.4	THE G8 COUNTRIES	39
3	PROCUREMENT AND FREE TRADE	39
4	AVOIDING ILLEGALLY LOGGED WOOD	39
	CONCLUSIONS	42
1	VOLUNTARY FOREST CERTIFICATION (AT INDIVIDUAL COMPANY LEVEL) VS. MANDATORY VERIFICATION OF LEGAL ORIGIN (AT COUNTRY LEVEL)	42
2	PUBLIC PROCUREMENT AND LEGISLATION TO RESTRICT IMPORTS	44
3	ACTION FOR THE ALLIANCE	44
	REFERENCES	46
	APPENDIX 1 – IMPLEMENTATION OF VLO AND VLC	48
	APPENDIX 2 – REVIEW OF FOREST CERTIFICATION SYSTEMS	51
	OVERVIEW	51
	FOREST STEWARDSHIP COUNCIL (FSC)	51
	PAN EUROPEAN FOREST CERTIFICATION (PEFC)	52
	ENVIRONMENTAL ISO 14000 SERIES	52
	AFRICAN INITIATIVES ON FOREST CERTIFICATION	52

[NATIONAL SCHEMES](#)53
[MUTUAL RECOGNITION](#)53
[CHAIN OF CUSTODY](#)53

List of Tables

Table 1. Controlling the trade in illegally logged timber - VLC/VLO System Design48
Table 2. Controlling the trade in illegally logged timber - VLC/VLO System Implementation49

ACRONYMS

ADF	French Agency for Development
ATIBT	Association Technique Internationale des Bois Tropicaux
ATO	African Timber Organisation
CARPE	Central African Regional Program for the Environment
CEFDHAC	Conference of the Central African Moist Forest Ecosystems
CBO	Community Based Organisation
CEFDHAC	Conference of the Central African Moist Forest Ecosystems
CFMC	Community Forestry Management Committee
CIFOR	Centre for International Forestry Research
COMIFAC	Conference of the Ministers in Charge of Forests in Central Africa
DFRN	Direction des Forêts et Ressources Naturelles
DNFFB	National Directorate of Forestry and Wildlife
ECA	Export Credit Agency
EFI	European Forestry Institute
FLEGT	Forest Law Enforcement, Governance and Trade
FMCSP	Forest Management Certification System Project
FPIB	Forest Product Inspection Bureau
FRMP	Forest Resource Management Project
FMS	Forest management System
FSC	Forest Stewardship Council
GSBA	Globally Significant Biodiversity Area
IFIA	Inter-African Forest Industries Association
IFIR	International Forest Industry Roundtable
ITTO	International Tropical Timber Organisation
IUCN	International Union for the Conservation of Nature
LMCC	Log Measurement Conveyance Certificate
NRMP	Natural Resource Management Project
PAFC	Pan African Forest Certification System
PCI	Principles, Criteria and Indicators
PEFC	Pan European Forest Certification
PGRN	Projet de Gestion des Ressources Naturelles
PGFTR	Programme de Gestion des Forêts et Terroirs Riverains
SADC	Southern African Development Community
TEDB	Timber Export Development Board
UNFF	United Nations Forum on Forests
VLC	Verification of Legal Compliance
VLO	Verification of Legal Origin
WWF	World Wildlife Fund for Nature

EXECUTIVE SUMMARY

Forest Certification and Verification of Legal Origin

Although voluntary forest certification may have positive impacts on a local level, the real challenge is to support governments in achieving widespread improvements in forest management that will contribute significantly to preserving the economic, ecological and social value of forests. This implies that improvements in forest management are required on a national level.

One of the most significant improvements that can be made to forest management in all the countries studied is simply the enforcement of legislation. Most of the countries studied have, or are currently developing, policy and supporting legislation that is broadly supportive of sustainable forest management. Examples include the introduction of more market oriented, transparent systems for controlling access to productive forests. Governments are also recognising the need to improve resource security to enable a longer term approach to forest planning and management. In association with this, forest administrations are making the development of management plans compulsory.

In spite of the positive changes being made, the key problem is that countries almost universally lack the means, and in some cases the political will, to enforce legislation. The recommended means for assisting Government to improve enforcement is through the development of independent monitoring of timber flows and forest management auditing on a compulsory basis.

Clearly Government commitment will be essential to enable effective enforcement of forest legislation through the application of independent monitoring. Donor support may also be required, although, from the perspective of financial sustainability, independent monitoring should more than pay for itself through increased recovery of forest rents, fees and charges.

The development of independent monitoring and associated improvements in forest sector regulation can be viewed as steps towards sustainable forest management and are likely to contribute to increased voluntary uptake of certification by commercial operators once implemented.

Policies on public procurement and towards banning imports of illegal timber

National Governments of consumer countries purchase considerable volumes of timber. For example, estimates of UK Government procurement range from 15-40% of the 14 million m³ of timber products traded in the UK annually. Increasingly, NGOs and the public are putting pressure on consumer Governments in Europe and the US to improve timber procurement policies to ensure, at least initially, that timber is legally sourced and that eventually it is sustainably produced. Declarations made at Bali and The Hague demonstrate that the procurement of sustainably produced timber is high on the political agenda. Countries in the EU that are pursuing 'green' procurement policies include the UK, Denmark, the Netherlands, France, Germany and Sweden. The US and Switzerland are also following similar programs.

However, tropical timber products represent only a fraction of the total public procurement in importing countries and certification requirements, being particularly difficult to achieve in tropical forests, may be counter productive and may be seen as potentially discriminatory under WTO rules.

In 2000 the G8 countries expressed their long term commitment to procuring *legal* timber. The European Union's Forest Law Enforcement, Governance and Trade (FLEGT) group is recommending that the EU puts pressure on government sponsored Export Credit Agencies (ECAs) to undertake more checks on the *legality* of their customers' forestry operations. Recently the EU finalised its FLEGT action plan. The plan emphasises bilateral agreements where partner countries issue a legality permit for all timber exported to the EU.

Importing countries are therefore increasingly expected to require independent third-party verification of legality as a condition for trading with producer countries where market/civil society confidence in official and companies' documentation is limited. In some cases, producer countries may have appropriate institutional structures to allow them to issue credible and internationally acceptable 'legal origin' certificates. In other cases, assistance may be required to build capacity within Government

which may involve establishing an independent third party verification agency to issue, or at least prepare the certificates on behalf of the Government. This could be a permanent arrangement or a transitory measure as part of a Build-Operate-Transfer process. Determining the approach to be taken with each individual producer country may be possible through bi/multilateral agreements whereby producer countries or regions, and the consumer countries or regions they trade with, can agree the definition of legality and how it is to be verified. Given time, these agreements may lead to the development of a global agreement that defines the basic measures that must be in place to permit all countries to trade in legal timber.

From the point of view of importing country governments there are two possible approaches to discriminating between legally and illegally produced timber. One would be to insist on proof that the timber was produced according to the regulations of the country of origin. However, what is legal in one country of origin may be illegal in another, so this approach does not necessarily provide a 'level playing field'. It might even prompt some countries to relax their laws so as to make their exports more acceptable to western markets; although this is unlikely given the commitments made to sustainability and international pressure.

The alternative approach is to require timber traders to demonstrate the legal origin of their products by adhering to the 'legality' principles and criteria of an internationally recognised third-party verification scheme. Before a universal definition of what is legal and what is not for timber products is eventually adopted through an international treaty, mechanisms developed in bilateral or multilateral agreements between producer and consumer countries would likely be sufficient and acceptable under WTO rules.

For such a legal origin verification scheme to provide the maximum efficiency, a central and continuous log/timber tracking and data monitoring system should be implemented country wide throughout the production chain and on a mandatory basis as follows:

- A robust, technology and computer-based tracking system is needed so that exports can be traced back to legal sources and to ensure that fraud is not perpetrated after the timber has left the forest by forging documents or substituting timber from verified sources with other produce. It should be implemented nationwide or at least be independently verifiable if producing companies use their own system. A uniform system (across an entire province/country/region) is recommended so that it can be operated or supervised by a single independent organization for reasons of technical coherence, cost-efficiency and accountability of the system.
- A single database system is also needed to centralize, aggregate, cross check and consolidate the data. The central database system should logically be integrated with the Log Tracking System and be operated by the same appointed organization. If this organization is also a recognized verification body, it can undertake the continuous monitoring and verification activities and the checks (randomly sampled or guided) that are required, both on documents and in the field; this organization would also be best positioned to issue credible 'Verified Origin' Statements for, or on behalf of, the authorities.

Certification schemes such as FSC, PEFC or ISO 14000, or any scheme derived from them in future to cover 'legality' aspects, may not be the most appropriate and comprehensive solutions to the illegal logging problem. Voluntary certification systems will never stop the widespread uncontrolled logging in tropical forests. These 'quality assurance' systems have not been designed as tools to enforce the law and to be made compulsory. They are not based on regular and unannounced audits and on continuous sampling and they rely on paper-based chain-of-custody systems that are possible to forge. Given this, certification schemes do not provide the level of confidence that is likely to be required to demonstrate legal origin. In addition, some of these schemes may be reluctant to adopt a stepwise approach i.e. legal compliance requirements on the way to 'sustainability'.

However, whilst *continuous monitoring and verification* should be under the central supervision of a *single organization*, for the *tracking* and central data processing elements of the legal origin verification scheme, some criteria related to the *legal compliance* of timber production activities may require only *periodic auditing*, for which producers could be provided with a *choice of accredited verifiers/certifiers* possibly performing their activities in the framework of the FSC or a similar certification scheme.

A Stepwise Approach to Sustainable Forest Management

It is clear from both producer and consumer countries' perspectives that a new stepwise approach is needed to improve the legality and sustainability of forest operations in Africa. This approach should have three major milestones:

1. Proof of legal ownership of the product, payment of all relevant royalties, fees, duties etc.;
2. Proof of compliance with national legislation, subsidiary legislation and terms and conditions of concession agreements; and,
3. Voluntary certification to a stringent scheme such as FSC P&C.

The first two stages should be compulsory at the national level. Producer countries could remain at Stage 1 or Stage 2 for a period of time (to be defined in a Schedule as part of Government to Government agreements) before moving to the next stage. Products successfully verified at both Stage 1 and Stage 2 would qualify as 'Validated Legal Timber'.

To implement these milestones the following steps are suggested:

- Step 1. **Review of policy, legislation, regulations, forest charges and of the institutions that administer the forest sector.** Many countries have already completed parts of this step; others need to urgently address the issue, particularly the lack of appropriate forest regulations. The procedures for forest resource allocation need to be transparent and fair, giving the operators sufficient tenure to allow investment in management and infrastructure whilst giving the country the right to take back the resource if contractual obligations are not met. It is an urgent requirement that forest charges are set at levels fair to both the country and producers. To set these accurately requires up to date knowledge of international and local prices and the local costs of production – computerised collection and analysis of data should be the norm, with the results published on the Internet. Systems should be set up to continually review the level of forest charges to ensure that there is timely updating of the relevant legislation. If institutional structures are inappropriate it is unlikely that there will be significant improvement in the sector.
- Step 2. **Develop more robust systems for recording and verifying the production, transport and export of timber.** Preferably there should be third party verification and regular results summaries published in papers and on the Internet. Independent third party verification is an extremely useful tool in reducing fraud and increasing transparency. Computerised databases should be set up to produce invoices, accounts and statements for each producer. Terms should be established so that operations can be routinely suspended if arrears build up beyond a certain limit. Again, this must be subject to independent third party audit.
- Step 3. **Verification of legal origin by independent and internationally recognised organisations.** This is an increasing requirement for importers, particularly to high value markets in Europe and the United States.
- Step 4. **Increase forest management standards through improved monitoring and control of management planning and implementation.** The goal should be to verify that producers are working within all the relevant national legislation and regulations. This will probably require additional assistance to the concessionaires and operators, as introduction of tropical forest management planning and implementation can be technically complex. Use of new techniques in the forest, such as reduced impact logging etc., will require operator investment and training. Management, and supervision of management, should, as far as possible, utilise modern technology such as management information systems, GIS for mapping and compartment records, and Global Positioning System for stock surveys, surveying, road alignments etc.
- Step 5. **Establish an internationally credible verification system that verifies that the timber is not just legally owned (certified under step 3) but has also been produced in accordance with national legislation.** Verification of legally valid timber will be of benefit to nations wishing to import only 'legal' timber. Currently there are moves within several

European countries and at EU level to ensure that Government only procures timber from legal sources or that appropriate legislation for imports is passed to keep illegally owned or produced timber out of their markets. It is essential that consumer countries either pass such legislation and/or sign agreements with as many producer countries as possible and encourage the trade and industry at home to deal preferably with those countries. To ensure efficiency and avoid discriminatory situations, consumer countries should also commit themselves to enforcing the scheme at their end by implementing the relevant checks (that imported products are adequately documented with proofs of legal origin or legal compliance) and taking the appropriate sanctions when necessary.

- Step 6. **Develop national standards** and support producers in their voluntary efforts to achieve certification of sustainable forest management to schemes such as the Forest Stewardship Council. Special attention should be given to including small producers and community forests in group schemes to reduce costs. At the same time, a certification support programme should be established to assist producers to pursue certification.
- Step 7. **Increase participation in forest management.** Local community participation in management and benefit sharing is fundamental to sustainable forest management. Donor support should be sought to continue building the community support capacity of government institutions, national and local NGOs and CBOs. Decreasing the level of illegal logging may also reduce the opportunities for local people currently working in the logging sector. Therefore, there must be an alternative livelihoods approach pursued in tandem with any campaign to prevent illegal logging.
- Step 8. **Certification to an internationally recognised scheme.** Once the first seven stages have been completed, producers should be close to achieving certifiable standards. With the support provided in step 6, producers will want to make the most of their investments in forest management by becoming certified.

Action is urgently needed to reduce illegal logging and the under-reporting of timber harvests and under-valuing of forest resources. The levels of loss under current unsustainable management systems will be more than sufficient to justify (in the long term) the developments needed. In the short term, assistance is required to design, install, and implement the new management and verification systems in producer countries.

GENERAL ASSESSMENT

1 SUSTAINABLE FOREST MANAGEMENT

1.1 OVERVIEW

There have been innumerable attempts to define what is meant by "sustainability" and "Sustainable Forest Management" (SFM). In relation to the latter the International Tropical Timber Organisation's (ITTO) definition is both typical and relevant in the context of tropical forestry.

ITTO defines SFM as 'the process of managing forests to achieve one or more clearly specified objectives of management with regard to the production of a continuous flow of desired forest products and services without undue reduction of its inherent values and future productivity, and without undue undesirable effects on the physical and social environment'.

Several conclusions relevant to the African context can be drawn from ITTO's definition of SFM:

- ♦ SFM is clearly not possible where there is extensive deforestation, as this reduces the forest's 'inherent values and productivity'. For this reason, a basic requirement for implementing SFM is to have a clear legal definition of forestland, and, most importantly, to designate this forestland as permanent. In much of Africa the importance of establishing a Permanent Forest Estate is understood. However, enforcement of land use designations remains a major challenge.
- ♦ Reference to the social dimension of sustainability implies that the rights of local communities and other stakeholders interacting with the forest should generally be respected - insofar as this does not reduce the flow of desired benefits from the forest. Defining what is desired also implies democratic processes for deciding how the forest resource should be managed. This necessitates a degree of flexibility on the part of the forest administration, which, in most African countries, retains ultimate ownership of the forest resource.
- ♦ Clearly a sustained financial return is required to maintain the flow of products and services from the forest. SFM therefore needs sufficient funds to cover the costs of managing the forest. Donor subsidies for SFM in tropical developing countries can be substantial by local standards, and may result in the promotion of management practices that under other circumstances cannot be sustained. This is a particularly important point given the generally poor technical capacity and limited financial resources of forest administrations in most African countries. However, the long-term objective should be a financially self-sustainable forest sector, financed out of the sales of the forest products and services. It is only possible for a producer to improve management, pay the due taxes and fees (including those taxes or fees that are required for adequate government control) and increase the selling prices of its products accordingly, if the same rules apply to all producers across the board.
- ♦ The 'physical environment' encompasses a broad range of elements including landscapes, species and habitats. Biodiversity conservation is a key means of sustaining the physical environment and is concerned primarily with the conservation of habitats and their associated flora and fauna. SFM should ensure the preservation of the forest's overall species composition thereby maintaining biodiversity value. Particularly in West and Central Africa, the indirect impacts of forest management on hunting activities are a serious problem in seeking to retain a diverse population of forest fauna.

There have been many initiatives aimed at supporting SFM, including global level intergovernmental processes (ITTO Criteria and the UNFF), regional level (African Timber Organisation Criteria and Indicators) and national initiatives; Ghana's Forest Management Certification Systems Project being the most highly developed. In addition to Governmental processes, NGOs, industry associations and producer groups have also been involved in establishing mechanisms for improving forest management standards through SFM certification (FSC, PEFC, ISO14000, SFI). An overview of these certification schemes is provided as Appendix 2 at the end of this report.

1.2 INITIATIVES TO PROMOTE SFM IN AFRICA

1) The “**European Foundation for the Preservation of African Forest Resources**” was established in 1995 by several major European forest industry companies operating in Africa. The Foundation undertakes a range of activities including; the promotion of Reduced Impact Logging (RIL), the development of a framework for management planning, a Code of Conduct for its members and the development, testing and promotion of the Pan-African Forest Certification system.

The Foundation’s Code of Conduct is being developed in association with the IUCN and the Conference of the Central African Moist Forest Ecosystems (CEFDHAC). The code seeks to ensure that members respect existing national and international regulations on forest management.

In order to ensure wider support for SFM amongst the forest industry in Africa, the Foundation established the Inter-African Forest Industries Association (IFIA), headquartered in Abidjan. Jointly the two organisations comprise 300 companies operating primarily in West and Central Africa.

2) In 1996 nine Central African countries, including Cameroon, CAR, Congo Brazzaville, the DRC and Gabon, established **CEFDHAC**. The IUCN regional office for central Africa functions as the secretariat to CEFDHAC. To date, much of CEFDHAC’s work has focused on facilitating regional co-operation between Central Africa’s states in the conservation and sustainable management of forest resources. It has undertaken several forest sector studies comparing legislation, policy and taxation systems between its member countries.

3) The **African Timber Organisation (ATO)** is involved in supporting policies on a regional level to promote improved forest management in Africa. The ATO was established following an intergovernmental process involving 14 countries, including most of the major timber producers in Africa. The ATO has collaborated with all of the major agencies concerned with SFM in Africa including; ITTO, UNFF, WWF and IUCN. The ATO is seeking to develop its capacity to facilitate the harmonisation of forest laws across Congo basin countries and has worked with ITTO in developing Principles, Criteria and Indicators (PCI) for SFM¹. Although PCI are being tested for application at FMU level, questions remain regarding the feasibility of the scheme (Indufor Oy 2002). It has also collaborated with WWF to a limited degree on some of its regional projects. Despite its ambitions, due to a lack of funds, the ATO has so far had a relatively minimal impact on SFM policies in the region².

4) Of **WWF**’s projects in the region, the ‘Promotion of sustainable forest management and certification in timber producing countries of the Congo Basin’ has focused specifically on establishing and building the capacity of stakeholder groups to develop and manage certification systems. The project has established working groups and pilot projects in Cameroon, Gabon and Congo.

5) The **ITTO** has funded several projects focused on improving forest management standards, primarily in the Congo basin region. The ITTC recently announced its intention to finance a project to assist in the implementation and monitoring of SFM through the application of the ITTO/ATO regional criteria and indicators for SFM in ATO member countries. The proposed project is substantial, with a total cost of US\$3.5 million.

6) During its second meeting in June 2002, **COMIFAC** (Conference of the Ministers in Charge of Forests in Central Africa) established an action plan to advance SFM in the Central African region. Participating countries agreed to contribute US\$22.3 million to implement the action plan. COMIFAC’s Secretariat will be established in Yaounde.

7) As part of a programme known as “the **Congo Basin Initiative**”, the US with private partners including the American Forest and Paper Association and the Association Technique Internationale des Bois Tropicaux (ATIBT) intends to support the development of a network of national parks and protected areas, improve forest concession management and assist forest dependant communities in six Central African countries (Cameroon, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of Congo). Funds will also be used to combat illegal logging and

¹ Further details of the ATO Principles, Criteria and Indicators are provided by Indufor Oy 2002

² The International Tropical Timber Council (ITTC) at its 33rd session approved additional funding for the African Timber Organisation (ATO) to help "reinforce its existence as a regional grouping" and train foresters in sustainable forestry.

poaching. The US proposes to invest up to \$53 million to support SFM in the region over four years (2002-2005), including a \$36 million increase for the Central African Regional Program for the Environment (CARPE).

8) The French Agency for Development is working with ATIBT to facilitate the development of sustainable management planning by promoting a '**code of conduct**', involving eight companies in Gabon and in Congo-Brazzaville. Under the Code, companies and their sub-contractors must commit themselves to using forest resources sustainably based on national forest policy and policies defined by ITTO and ATO. Eight companies have signed up to the code including; in Gabon, Thanry/C.E.B, Leroy-Gabon, Rougier-Gabon and S.B.L; in Congo-Brazzaville, CIB, IFO/Danzer, ITBL/BTA and Mokabi-Rougier. The World Resources Institute has been asked to monitor and audit the code of conduct.

9) A meeting of the **Pan African Forest Certification scheme** took place in Gabon in December 2002. The meeting began the process of establishing a pan African certification scheme similar to the Pan European Forest Certification scheme.

1.3 COMMON CONSTRAINTS TO FOREST CERTIFICATION IN AFRICA

In an ideal world, all producers would be voluntarily certified in a rigorous sustainable forest management certification scheme, thereby proving that their forests are being sustainably managed; buyers and consumers could then decide only to buy certified timber from sustainable supplies. However, especially in the tropics, the difficulties, including costs and skills required to attain this goal, are often great. The fact is, although things may now be changing, there has been much resistance in the past from both governments and producers.

The problems facing countries and producers vary with each situation, but there are constraints common to many and some of them are felt particularly strongly in the context of African tropical forests and countries. In this section the major common constraints are presented – individual country situations and progress are discussed in the relevant country reports.

- ♦ **Lack of political will** – without national level support from government and all key stakeholder groups it is unlikely that certification will progress in anything other than a piecemeal fashion, with concessionaires and producers proceeding individually and in small numbers. Given the importance of state-owned forests in most African countries the State should have an even greater sense of responsibility than in other regions for the sound management of its national forest resource, even where this responsibility is passed on to concessionaires.
- ♦ **Insufficient national capacity to control illegal logging** – illegal logging precludes certification so even legitimate concessionaires (who do not have the authority to stop illegal logging) will be prevented from achieving certification if there is illegal logging inside their concession areas.
- ♦ **Lack of disincentives** – currently non-compliance with national legislation and regulations is frequently either not detected, or, if detected, the necessary corrective actions and penalties are often not enforced or avoided through corruption. In most cases, if companies were compliant with national regulations, the steps required to achieve certified status would be few.
- ♦ **Lack of a national standard** – a national standard can greatly increase stakeholder ownership and make certification more relevant to the country and easier to implement.
- ♦ **Lack of a national dialogue** between government, producers, buyers and local communities - effective stakeholder dialogue is needed to ensure that responsibilities are understood and accepted and that there are fair benefit sharing mechanisms in place.
- ♦ **Lack – or cost of acquisition - of the necessary skills** to introduce improved forest management planning and implementation.
- ♦ **Difficulties and costs** in a competitive environment – many individual producers will find SFM certification too technically difficult and costly, in terms of implementing improved management systems and covering inspection costs, in the current conditions of price-driven competition. This

issue is magnified by the fact that the costs of implementing SFM and undertaking certification usually apply to *entire* forest management units, whereas improved market access benefits only a *fraction* of the products (i.e. specific combinations of species, product, grade, and client). If, in addition, the *total output* is reduced, costs per m³ are bound to increase³.

- ♦ **Lack of clear incentives** in terms of price and market share for certified timber products, resulting in insufficient trade in certified products to deter illegal or unsustainable trade in tropical timber. Price advantages are also a fragile argument: the tropical timber industry is linked to the world's economy and a downturn in the world timber demand, and hence price, especially from high value markets, will undoubtedly reduce the incentive for companies to embrace new non-mandatory schemes.
- ♦ **The lack of a level playing field** owing to the inherent voluntary nature of certification. Even compliant producers may fear to be put at a competitive disadvantage if they pursue certification in isolation, because of the likely cost implications in raising management standards and achieving certification, while producers solely interested in quick profits will not be included.
- ♦ **Many small scale operators obtain a significant proportion of their timber supplies through illegal harvesting.** Some may resist or circumvent any moves to regulate forest harvesting.

Market forces, in the right circumstances, have been shown to positively influence forest management. In only a few years we may reach a point where the majority of the timber trade is certified. The emergence of new non-FSC certification schemes in Europe and Africa may also be good news for forests, provided that these address the current lack of recognition of certified products in the market place and gain support from environmental groups, without causing confusion for buyers and customers or diluting the standards involved.

Voluntary certification has much to contribute: however, there are a number of obstacles in its way before it can deliver SFM on a large scale. It is therefore a matter of concern that, until recently, international forest policy debates did not appear to contemplate any serious alternative to certification - except for more institutional capacity building as part of a traditional government 'command and control' approach, which has had little impact so far on the level of illegal logging.

Certification of SFM was principally designed to reduce the loss of natural tropical forests through sustainable and verifiable management. The prediction of some that voluntary forest certification was not going to be a universal panacea seems to have been confirmed by the figures so far. Certification has had obvious limitations to date in natural tropical forests. The area certified is still small in regional or global terms, although it is on the increase. As of March 2003 the total area of certified forest globally was 139.2 million ha. The vast majority of this area is in North America and Europe. The rest of the world only contributes 5% to the total area certified. The predominance of industrial forests also indicates that certification has failed to have the desired impact in natural forests.

Why has the progress of certification been so slow in developing countries? Indications are that there is only limited support from consumers, industry and some governments for the current certification process? Why is it that support from key stakeholders is not forthcoming?

Consumers have little incentive to pay a higher price for certified timber if they are given the choice. Retailer associations (buyers' groups) and, increasingly, producer groups, often under the guidance (or pressure) of environmental NGOs, are the real driving forces behind certification, not the final consumer.

Governments have long resisted certification because of the perceived loss of sovereignty. The fact that, at the same time, certification appeared at the top of their agendas was seen by many observers as evidence that governments were prepared to talk but not do much about illegal logging and deforestation. This situation now seems to be changing, mainly through the ITTO (International Tropical Timber Organisation): a more structured international framework is being established through the development of global PCIs (Principles, Criteria & Indicators) for SFM, local PCIs which are now

³ Implementation of legal compliance across the whole production and across producers does not have this disadvantage.

being adapted in several countries, and auditing guidelines for external auditing. The focus is now on identifying auditing systems.

But certification takes time and, in the meantime, producing and trading companies committed to legal and sustainable practices need to be able to demonstrate their commitment and achievements to their clients and customers as well as to their shareholders, the general public and environmental pressure groups.

Both retailers' and producers' associations (the main market driving forces of certification) are becoming increasingly worried that:

- (i) producers cannot meet the demand for certified products;
- (ii) the lack of certified sources may undermine traders' commitment to buy or sell certified products;
- (iii) markets may ban uncertified (mainly tropical) timber before a solution can be found.

It is clear that new, complementary or alternative, approaches are needed at least in the short and medium term.

1.4 LIMITATIONS OF FOREST CERTIFICATION AS A MEANS OF VERIFYING LEGAL COMPLIANCE AND TACKLING ILLEGAL LOGGING IN AFRICA

Forest certification is a voluntary market mechanism; should Governments be tempted to use it to transfer to the private sector the responsibility and cost of managing a national resource? Several limitations are evident.

Certification does not prevent illegal logging or poor management outside certified areas because it is not a universal tool for detection or suppression of illegal activity.

By design, certification cannot be used as a detection tool: although "respect of all national and local laws and administrative requirements ... and of all the provisions of binding international agreements ..." is part of FSC principles 1.1 to 1.5 (Bourke, 2002), certification audits do not involve probing, in-depth investigation for fraud. Legality is not the primary concern: assessors are not policemen. Certification is a quality assurance approach and demands trust and goodwill. Initial assessments and surveillance visits are limited in time, frequency and area. Current chain-of-custody requirements and audit systems are therefore vulnerable to abuse. As certification develops, an increasing number of unscrupulous timber companies may be tempted to cheat. It has been suggested (Bourke, 2002) that, since certification processes are not designed to address legal compliance in any detail, certification is not a robust legal compliance verification system. It could even be suggested that the whole set of FSC-type of certification principles will only be satisfactorily fulfilled if the legal compliance principles are properly verified in the first instance through independent verification of legal origin (VLO), for the products, and verification of legal compliance (VLC) for the production methods, as described in this report. Under this approach VLO/VLC becomes a prerequisite for certification.

Certification only affects the companies and forest owners that sign up for it. Being site-based, it cannot address the problems of illegal activity or poor management outside or sometimes even inside the areas under certification. The legitimate yet uncertified concessions often continue to be managed simply for short-term profits.

A further issue is that certification was not designed to compile and cross-check data at the country or province level for information consistency on timber flows, which is the only way to understand and control the real origin and destination of timber products.

Nor can certification be used as a punishment tool, to aid law enforcement by governments:

- Certification requirements are usually wider in scope and more comprehensive than regulatory ones, hence forest authorities cannot use the results of the certification process to apply any kind of legal sanction. Moreover, voluntary certification schemes do not have any legal status in the country in which they operate (Bourke, 2002).
- Certification could be made compulsory: i.e. possession of a certificate would be made a condition of obtaining or keeping a concession. However, gaining a certificate of SFM can take

several years (whereas legal compliance can be checked from the first day of activities), - it is unrealistic to include a mechanism with such a transitional period (without a certificate being issued and in the absence of any other form of control) in a legally-enforceable regime.

- Then, what happens during the life of the certificate? While certificates can be suspended or withdrawn once awarded, denial or withdrawal of a certificate may prove to be counter-productive in trying to compel producers to practise responsible management. Scaled financial penalties, based on *government* control of non-compliance with laws and regulations, are needed before withdrawing the concession agreement; which should only ever be used as a last resort.

Interestingly, there have been reports of timber companies claiming that effective government control is needed to protect their forests from encroachment and illegal logging if they are to achieve and retain SFM certification. This indicates that there is a need for tying together the mandatory and the voluntary approaches. Indeed, the success and rapid spread of certification in many countries in Europe and elsewhere has to a large extent been due to good existing government control of forest operations and the high management standards enforced in both state-owned and private sector forests.

Given the above it is clear that governments cannot use a market-driven instrument such as forest certification as a means of controlling compliance with legal and regulatory requirements.

Adding in certification requirements to the public procurement codes of producer countries, especially where it relates to the correct use of donor funding, could have some positive impact on illegal logging and help promote SFM and change mentalities locally. It may be that domestic markets are often neglected just because of the importance of un-recorded transactions, however, local public procurement markets are probably marginal compared to public procurement in consumer countries (see Consumer Country Analysis section in this report).

There are clearly limitations to the use of certification as a public policy instrument for demonstrating compliance with laws and facilitating the work of national forest institutions. A more appropriate instrument for this purpose is described in Section 2 of this report.

1.5 POSSIBLE IMPACTS OF CERTIFICATION AND LEGAL COMPLIANCE ON RURAL COMMUNITIES

Under voluntary certification schemes local communities who hold rights to forest land have similar responsibilities to other forest managers (concessionaires, logging companies) with associated rights and obligations. Local communities who rely on forest land, but have no formal rights, enjoy some protection through the social criteria of certification schemes such as FSC. However, this protection may be limited in some circumstances as FSC schemes must be compliant with national legislation and, if recognition of local communities' de facto rights to forest land conflicts with legislation, this will limit the potential for FSC certification to empower local communities.

In most tropical developing countries certification is a difficult and costly exercise requiring financial and technical support from donors. Given this, it is not surprising that certification has progressed slowly outside the temperate industrialised world. The small areas of forest certified to date in tropical developing countries implies that impacts on rural communities are highly localised. Part of the reason for the slow progress is the need to ensure that local communities engage effectively in the process of improving forest management thereby increasing the likelihood that certification has a net positive impact on their livelihoods. Nonetheless, although it is evident that certification schemes such as the FSC are designed to benefit rural communities, the minimal scale of impact means that on a national level benefits accruing to rural communities are limited.

The impacts of legal compliance systems on rural communities are more complex to interpret than those of certification schemes such as the FSC because the nature of the impacts, positive or negative, will depend on the legislation to be complied with. However, there are a number of broad conclusions that can be drawn:

Possible negative impacts on rural people's livelihoods:

- Where existing legislation prohibits the collection of forest products by local people, or requires payment of duties that are currently being evaded, improved enforcement will increase local people's costs.
- Legislation may require local people to apply for permits in order to use forest resources, this may be a difficult and time consuming process for many people, particularly the poorest who are more likely to be illiterate.
- Improved enforcement of regulations on larger commercial forestry operations may reduce the number of employment opportunities for local people and prevent them from supplying timber to such operations.

Possible positive impacts on rural livelihoods:

- Improved law enforcement and increased transparency may disadvantage politically powerful and wealthy individuals or companies who are currently restricting local people's access to and rights over forest resources.
- Increased tax revenue collected from forestry companies in conjunction with increased transparency may lead to increased investment in rural communities
- Increased protection of forest resources from illegal loggers should reduce forest degradation thereby improving the livelihood security of forest dependent people.

Given the above, it is clear that the indiscriminating application of all forest laws could result in unpredictable and possibly detrimental impacts on rural communities. However, this argument, though important, should not be overstated; most of the countries studied in this report have demonstrated a progressive approach to forest law reform and already have some legal mechanisms in place that protect local people's rights to use forests. Consultation involving all stakeholders, including representatives of local communities, should ensure that legal compliance systems adopt a pragmatic approach that does not significantly penalise small-scale producers.

2 VERIFICATION OF LEGAL ORIGIN (VLO)

2.1 MAIN DRIVERS FOR NEW 'LEGALITY' REQUIREMENTS

All stakeholder groups are deemed to be interested in "solutions that work". The main initial drivers however are those groups who started promoting the idea that market access should be denied to illegal timber, and who therefore need mechanisms to reliably verify the 'legal' origin of timber:

- the G8, who in 1999 through their Action Program on Forests, gave high priority to solving the problem of illegal logging and associated illegal trade - with particular focus on tropical timber;
- the UK Department for International Development (DfID), who were given a mandate by the G8 to co-ordinate the donor community to explore such issues and mechanisms;
- environmental NGOs such as Friends of the Earth;
- national or local governments (e.g. Denmark and New York City) in producing or importing countries who would like to set constraining public procurement rules, making certified legal/sustainable timber a condition for purchase;
- importing countries (e.g. Japan, China) or economic unions (e.g. the EU) that are considering making it illegal to import and trade illegally-sourced timber products but would allow trade in 'legal' timber through bilateral agreements between producer and consumer countries.

Validation of 'legal' timber' can be the key that will provide such market access.

2.2 LEGAL ORIGIN OF TIMBER VS. FOREST CERTIFICATION SYSTEMS

Verification of Legal Origin (VLO) is a recent approach that is compatible, and complementary to, other certification systems. In many countries, given the currently poor enforcement capacity and

limited adherence to forest legislation, it is not possible to guarantee that timber being sold has been produced and marketed legally.

Verification of Legal Origin (VLO) provides the assurance that the timber being sold derives from a legal, valid and locally approved source, with all changes of ownership documented and validated, product specifications compliant with regulations and all royalties and other fees paid. The statement of verification also demonstrates that the producer is not over-harvesting. If the producer meets all the requirements products can qualify as 'Timber from a Legal Origin'.

VLO is distinct from Chain of Custody (CoC) systems because it has been developed to deal specifically with the problem of illegal logging. It is implemented on a national scale and is compulsory. It uses robust technology-based log tracking systems. As a technology-based system integrated with a centralised forest industry database at a national level, VLO is a more effective CoC verification system than a traditional CoC system that is paper based and voluntary, reliant on good will and only audited once a year with prior notification. Under VLO, all producers would typically be required to label produce - any produce that is not labelled is considered illegal and confiscated. Logs and timber products are bar-coded and uniquely numbered to minimise reliance on documentation which can be easily falsified. Declarations (of volume and species) are cross-checked at various stages throughout the supply chain to reduce the risk of uncertified produce entering the system. Due to its application at a national level, VLO systems will enable Governments to maintain accurate statistics on forest sector production and allow rapid and accurate invoicing for payment of royalties.

Verification of Legal Origin can be further enhanced through Verification of Legal Compliance (VLC). This requires the producer to respect all regulations relating to forest management and logging. If the producer is a concessionaire, then he must not be in contravention of any of the terms of the concession agreement. If a producer has both the VLO and VLC, the products can qualify as 'Validated Legal Timber'. The purchaser and his customers are then assured that the timber has been obtained entirely legally.

To summarise, VLO/VLC is the verification by an independent third-party, on behalf of the Government of:

- the legal origin of *logs and timber products*
- the compliance of log and timber *sources* with relevant legislation and regulations.

Key elements of VLO/VLC include:

- it is established at the national / provincial level;
- it is a compulsory programme for all producers (although a self-imposed programme on large producer groups is an option to be considered);
- it can be outsourced to large, credible independent verification organisations – either permanently or as the first phase of a B.O.T. (Build Operate Transfer) process.

Mainly a *detection* tool, VLO/VLC also contributes to the other two arms of law-enforcement policies:

- the *prevention* of illegal activities (through its deterrent effect);
- the *suppression* of illegal activities when the market only recognises 'Independently Validated Legal Timber'.

2.3 VLO AS PART OF A STEPWISE APPROACH TO SFM AND CERTIFICATION

The ultimate goal of having all producers performing to stringent standards such as the FSC Principles and Criteria and possibly certified under such schemes will not be feasible in a single step. A process of ongoing improvement needs to be mapped out over a realistic period with achievable and meaningful milestones along the way. There needs to be government and stakeholder support to the process within the country and donor and buyer support from outside.

It is therefore recommended that a stepwise approach be adopted. The process should have three major milestones:

1. Proof of legal ownership of the product, payment of all relevant royalties, fees, duties etc.;
2. Proof of compliance with national legislation, subsidiary legislation and terms and conditions of concession agreements; and,
3. Voluntary certification to FSC P&C or similar.

The first two stages should be compulsory at the national level. Implementation should be gradual and it is suggested that producer countries - rather than individual producing companies – could remain at Stage 1 or Stage 2 for a period of time (to be defined in a Schedule as part of Government to Government agreements) before moving to the next stage. Products successfully verified at both Stage 1 and Stage 2 would qualify as 'Validated Legal Timber' - and could be labelled as such if an independent third-party legality verification scheme exists that includes a labelling system.

To implement these milestones the following steps are suggested:

Step 1. Review of policy, legislation, regulations, forest charges and of the institutions that administer the forest sector. Many countries have already made some progress with this; others need to urgently address the issue, particularly the lack of forest regulations. The procedures for allocating forest resources need to be transparent and fair, giving the operators sufficient tenure to allow investment in management and infrastructure, whilst giving the country the right to take back the resource if the conditions are not met. If inappropriate institutions exist then it is unlikely that there will be significant improvement in the sector. It is an urgent requirement to ensure that forest charges are set at levels fair to both the country and producers. To set the levels accurately requires up to date knowledge of international and local prices and local production costs – computerised collection and analysis of these data should be the norm, with the results published on the Internet. Systems should be set up to continually review the level of forest charges and ensure timely updating of the relevant legislation.

Step 2. Develop more robust systems for recording and verifying the production, transport and export of timber. Preferably there should be third party verification and regular results summaries published in papers and on the Internet. Independent third party verification is an extremely useful tool in reducing fraud and increasing transparency. Computerised databases should be set up to produce invoices, accounts and statements for each producer. Terms should be established so that operations can be routinely suspended if arrears build up beyond a certain limit. Again, this must be subject to independent third party audit.

Step 3. Verification of legal origin (VLO) by independent and internationally recognised organisations. This is an increasing requirement for importers, particularly to high value markets in Europe and the United States.

Step 4. Increase forest management standards through improved monitoring and control of management planning and implementation. The goal should be to verify that producers are working within all the relevant national legislation and regulations. This will probably require additional assistance to the concessionaires and operators, as introduction of tropical forest management planning and implementation can be technically complex. Use of new techniques in the forest, such as reduced impact logging etc., will require operator investment and training. Management, and supervision of management, should, as far as possible, utilise modern technology such as management information systems, GIS for mapping and compartment records, and Global Positioning System for stock surveys, surveying, road alignments etc.

Step 5. Establish an internationally credible verification system that verifies that the timber is not just legally owned (verified under step 3) but has also been produced in accordance with national legislation or internationally recognised 'legality' criteria. Verification of legally valid timber will be of benefit to nations wishing to import only 'legal' timber. Currently there are moves within several European countries and at EU level to ensure that Government only procures timber from legal sources or that appropriate legislation for imports is passed to keep illegally owned or produced timber out of their markets. It is essential that consumer countries either pass such legislation and/or sign agreements with as many producer countries as possible and encourage the trade and industry at home to deal preferably with those countries. To ensure efficiency and avoid discriminatory situations, consumer countries should also commit themselves to enforcing the scheme at their end by implementing the relevant checks (that imported products are

adequately documented with proofs of legal origin or legal compliance) and taking the appropriate sanctions.

Step 6. Develop national standards and support producers in their voluntary efforts to achieve certification of sustainable forest management to schemes such as the Forest Stewardship Council. Special attention should be given to including small producers and community forests in group schemes to reduce costs. At the same time, a certification support programme should be established at national level to assist producers to pursue certification. It is believed that trade in large volumes of 'legal' tropical timber products will stimulate market demand for legally *and* sustainably produced timber, hence creating the desired virtuous circle in favour of certification. With all producers within a given country, province or region raising forest management standards, there will be scope for the formation of producer groups to promote certification. With substantial numbers of producers applying for certification in a country, certification bodies will be able to form local units to reduce costs.

Step 7. Increase participation in forest management. Local community participation in management and benefit sharing is fundamental to sustainable forest management. Donor support should be sought to continue building the community support capacity of local institutions, local NGOs and CBOs. Decreasing the level of illegal logging may also reduce the opportunities for local people currently working in the logging sector. Therefore, there must be an alternative livelihoods approach pursued in tandem with any campaign to prevent illegal logging.

Step 8. Certification to an internationally recognised scheme. Once the first seven stages have been completed, producers should be close to achieving certifiable standards. With the support provided in step 6, producers will want to make the most of their investments in forest management by becoming certified.

Action is urgently needed to stem the tide of illegal logging, and to deal with under-reporting and under-valuing the removal of forest resources. The levels of loss under current systems will be more than sufficient to pay for the developments needed (in the long term). In the short term, assistance is required to design, install and implement the new management and verification systems in producer countries.

2.4 FACTORS THAT MAY LIMIT PROGRESS

The existence of an 'informal' economy in many countries is an important limiting factor. Facing up to illegal timber trading does not just involve detecting and suppressing illegal activities. When local communities, involving large numbers of people, have become used to making a living out of illegal logging or land occupation and conversion, the issues of social and economic change cannot be disregarded. Also, for this proposal to be realistic, certified 'legal' timber needs to be made available in sufficient volumes to supply the trade.

A transitional period is therefore needed for converting the informal forest economy into a legally compliant sector, and for offering alternative economic opportunities to the local communities involved (especially in countries where the overall harvest is well above the sustainable level). Often this will affect small scale illegal operators such as loggers, mobile saw millers, transporters and retailers. The significance of small scale illegal operations varies greatly from one country or region to another. In some cases it is difficult to determine if such operations supply significant volumes to the market.

Large companies are easier to identify, monitor, and involve in co-ordinated programmes, but the situation is rarely black and white: legal and illegal activities are often intricately mixed. Big players buy from smaller players, and it is precisely by tracing back and verifying their sources of supply that those big players will be led to renounce illegal suppliers. These larger companies may even develop durable forms of association with those small suppliers if they are to maintain their level of operations. Further downstream processing activities should be developed, thereby also helping to provide legal employment to former illegal operators. The key condition for large companies to accept a change in their behaviour is to ensure a level playing field for them, and therefore to work at the provincial, national or even sub-regional level.

PROGRESS OF CERTIFICATION IN SELECTED COUNTRIES

1 BENIN

1.1 HISTORY

There have been no attempts to introduce forest certification into the country. The recent history of forest sector development can provide some indication of the stage the country has reached in managing its forest resources.

A new forest policy and associated legislation was developed during the early 90's. The main themes of the forest policy appear sound and suggest that policy makers were aware of the major problems facing the sector at that time. The policy recognised the need not only for institutional strengthening but also reorganisation of the forest administration.

In order to fund implementation of the new policy the Government stated its intention to revise taxes and charges on forest harvesting. It appears to have appreciated the need to change the way the private sector secures access to forest resources and to tighten up on revenue collection and improve accountability. Despite the fact that the legislation to support the 'new' forest policy was passed in 1996, very little has been achieved in terms of implementation.

Development of the forest sector has been, and continues to be, almost entirely driven by donor agencies. The first major co-ordinated attempt at forest sector development ended in 1999 with the completion of the PGRN (Projet de Gestion des Ressources Naturelles). Following this the World Bank and other donors working with Government prioritised a more participatory approach to sector development.

Recently there has been a move towards administrative decentralisation. Unfortunately decentralisation is proceeding without a clear understanding of the respective roles and responsibilities of central and local Government in relation to the management and regulation of the forest sector.

1.2 STAKEHOLDER PARTICIPATION

Until recently there had been no serious effort to incorporate stakeholders in the process of policy formulation. Although the current Forest Law dates from 1993 and does incorporate some provision for participation, it was not passed by Parliament until 1996⁴. Where Stakeholders have been recognised, this has been primarily at national level.

There are recent signs that the Government is developing an understanding of the importance of stakeholder participation. However, there is very little evidence of this being translated into action at field level.

1.3 ANALYSIS

1.3.1 Constraints and Disincentives

Benin has a very small forest economy; as a result there are no trade statistics available. This implies that exports in each of the main categories (plywood, veneer, roundwood and sawn timber) are less than 1000 m³ per year. Given the limited impact of the forest sector on foreign exchange earnings, support for certification is unlikely to be high.

Several factors limit the potential for SFM and the widespread adoption of certification:

⁴ This delay implies that forest policy does not rate particularly high on the political agenda.

- The Government is still focused on a command and control approach to regulating forest sector development. This results in the application of inadequate or counterproductive measures that fail to encourage sustainable management. Stumpage fees have remained unchanged since 1974, resulting in massive undervaluing of the timber resource, excessive exploitation, and low financial returns to Government.
- The Direction des Forêts et Ressources Naturelles (DFRN) controls the exploitation, trading and processing of wood from natural forests through a permit system. Despite this many sawmills are supplied by logging operations that are unlicensed and therefore illegal (Agbetou, 2002).
- Even if attempts to control illegal logging are successful, deforestation will need to be greatly reduced if there is to be any possibility of sustainable forest management. Deforestation resulting from agricultural activities, fires and harvest of fire wood cause the loss of 70,000 ha of forest annually (FAO, 2001). This represents 2.3 % of the total forest area.
- The likelihood of deforestation being brought under control seems slight given Benin's population growth. The population is expected to double by 2020. This will result in a significant increase in the demand for wood products and agricultural land. With limited alternative sources of income and fuel, rural communities are likely to place even greater pressure on the forest resource in the coming years.
- Because of the relatively small contribution of the forest sector to the national economy, it has tended to be ignored by Government when determining policies for other sectors, particularly agriculture. As a consequence it is likely that agricultural policies will need to be revised to ensure that a permanent forest resource is adequately identified and protected. It seems unlikely that there will be sufficient political commitment to properly carry through such legislative reforms.

1.3.2 Potential and Incentives for Certification

The incentives for certification in Benin are relatively few in comparison to other countries in the region. One recent positive development is the introduction of political and administrative decentralisation. This could allow local communities greater financial and administrative autonomy, thereby providing a greater incentive for improved management of forestland.

A major World Bank funded project 'Programme de Gestion des Forêts et Terroirs Riverains '(PGFTR) is due to commence this year and should provide some impetus for improving forest management. The project will incorporate institutional strengthening and participatory forest management.

1.3.3 Steps to Achieving Certification

Major hurdles remain in attempting to implement forest certification in Benin. Unlike Ghana which already has access to significant and valuable markets in Europe, Benin exports minimal quantities of timber and the market incentive to pursue certification is therefore not great. For these reasons it is probably not desirable to have certification as an explicit objective yet, but rather to focus on implementing the existing forest policy.

The following measures should be considered in order to make progress towards SFM:

- ♦ The current extremely low stumpage rates are starving the forest administration of much needed funds and should be increased as soon as possible. If necessary, legislation should be passed to index link stumpage rates and all other charges associated with forest utilisation.
- ♦ Government urgently needs to clarify the respective role of local and central Government in administering the forest resource. The current confusion is likely to result in inconsistent and counterproductive implementation of forest policy. Where feasible, forest management should be devolved to the local level with central government retaining a regulatory role.

- ◆ In addition to the legislative changes, changes in culture are also required within all levels of government to support a more collaborative approach to forest sector development. The establishment of formal and informal mechanisms to engage stakeholders from industry, local communities and other Government departments and ministries would be an appropriate starting point. Some moves have already been made in this regard. However, it will take time before Government can engage effectively with all stakeholders and emerge with agreement on stakeholder roles and responsibilities for sector development.
- ◆ Once an effective dialogue has been established with stakeholders the Government should seek to solicit stakeholder opinions on the key issues of access to productive forest, security of tenure and benefit sharing.

2 CAMEROON

2.1 HISTORY

An FSC-endorsed National Working Group was established in 1996. It comprised representatives of the government, NGOs, timber enterprises, local communities and the scientific and academic community. The working group has drafted a set of national standards. These are based on a combination of FSC principles and criteria, the ITTO guidelines, and the ATO principles and criteria. These were field tested under the guidance of CIFOR and standards were revised as a result of the field tests. In late February 2002 a workshop was held to validate the draft national certification standard against FSC and ATO/ITTO criteria. The workshop revised aspects of the national standards to bring them in line with FSC and ATO/ITTO standards.

Among private sector stakeholders, interest in the certification process has been limited. Concessionaires are focused on developing management plans to ensure that they retain their concessions. Only a small number of the larger concessionaires have actively participated in the process by integrating certification objectives into their management plans.

Several donors are actively engaged in improving forest management standards in Cameroon. The French development agency AFD has supported French concessionaires in financing the development of management plans and associated field operations. The EU and WWF have supported the development of SFM and certification through a pilot project. At one stage this involved working with a concessionaire, but this aspect of the project was discontinued.

2.2 STAKEHOLDER PARTICIPATION

Stakeholder participation in the certification process has been largely restricted to the key stakeholders at a national level. To date there have been few serious attempts to actually implement certification in the field. As indicated above, private sector interest is currently not great as concessionaires are focused on meeting legal requirements related to the development of management plans.

2.3 ROLE OF THE PUBLIC AND PRIVATE SECTOR

Most of the productive forest resource in Cameroon is now managed by the private sector and regulated by Government. The Government's role in improving forest sector management is paramount and centres on its ability to effectively enforce existing legislation. Some measures have been taken to increase transparency and ensure greater accountability in sector regulation. However, doubts remain regarding the level of political determination to control corruption - an essential first step in improving regulation.

2.4 ANALYSIS

2.4.1 Constraints and Disincentives

According to Forests Monitor (2000), log production is estimated to be between 4.5 million m³ and 5.1 million m³. Official government estimates of the sustainable level of log production are 3.5 million m³ per annum. This implies widespread illegal logging and unsustainable levels of timber extraction. The considerable installed capacity of the processing sector also suggests excessive exploitation.

Although the Government has taken steps to curb some of the more flagrant abuses of concession contracts, there is evidence that companies with effective political links avoid paying fines. This greatly undermines government efforts to improve enforcement. Without effective enforcement significant improvements in forest management standards are extremely unlikely.

Continued illegal hunting and the trade in bushmeat are huge problems for sustainable forest management in Cameroon. The high level of poaching, if maintained, will have serious implications for the biodiversity value of the tropical forest resource. Populations of rare primates are particularly at risk.

2.4.2 Potential and Incentives for Certification

There are several factors helping to create an enabling environment for the development of certification in Cameroon. The legislative framework is reasonably sound and is generally supportive of SFM. For example, legislation has included provision for benefit sharing with local communities and local government - an essential mechanism for enabling stakeholder participation in forest management.

The forest administration is undergoing a process of reform suggesting that the Government appreciates the need for institutional change in order to improve regulation of the forest sector. Some significant reforms have already been made. Forest law enforcement is now undertaken by the 'Unité Centrale de Contrôle', reporting directly to the minister and assisted by the independent observer Global Witness⁵. This arrangement demonstrates some degree of Government commitment to dealing with the related problems of illegal logging and corruption. Indeed, the Government was broadly supportive of field reports released by Global Witness during January 2003 detailing cases of illegal logging.

The considerable level of donor interest in, and international concern for, the forests of Cameroon is another possible stimulant for the development of forest certification. Financing is likely to be readily available for any initiatives promoting improved management of the forest resource. The availability of funds will of course depend on the donor community's perception of the Government's commitment to improving forest management.

Over 90% of timber production in Cameroon is exported. In 1998-1999 timber exports represented 27% of total export earnings. Although Asian markets are important, higher value markets in the EU and US that are showing an increased preference for sustainable wood remain significant. The development of certification is likely to ensure that Cameroonian exporters retain, or even increase, their share of these higher value markets.

2.4.3 Steps to Achieving Certification

The potential for achieving certification of forest management on a significant scale in Cameroon over the next five years is considered moderate.

The following steps are recommended:

- ♦ increased donor and government support to those concessionaires who are attempting to take account of certification standards in their plans and operations.

- ♦ building on existing initiatives in the region, particularly ECOFAC, encourage other concessionaires to engage with Government and donors to discuss voluntary improvements in management standards.
- ♦ development, on a national scale, of a log tracking system to enable compliant concessionaires to demonstrate the source of their logs to purchasers and Government.

More generally:

- ♦ The Government must act, with the support of donors, to stem the illegal bushmeat trade. The solution is likely to incorporate greatly improved regulation of the trade - in part requiring logging companies to take greater responsibility for the actions of their employees, but also to improve enforcement and increase the fines for companies and individuals either directly involved in the illegal trade or supporting it. In the short term it may be difficult to greatly reduce the trade, as for many poor rural people, it is one of the most profitable activities they can engage in. Alternative forms of income generation and improved benefit sharing from forest management should help to encourage rural people to reduce their reliance on hunting.
- ♦ The development of effective systems for engaging all key stakeholders in forest management and for dealing with conflicts of interest is critical in the context of Cameroon given the complex nature of stakeholder interactions with the forest resource. Government extension agents must work closely with NGOs and donors if they are to develop the necessary systems to engage local stakeholders throughout the country.
- ♦ The government needs to further demonstrate its commitment to dealing with corruption and to continue to improve enforcement of forest regulations.

3 CENTRAL AFRICAN REPUBLIC

3.1 HISTORY

In the late 90's, with EU support, an attempt was made to establish a national working group for certification with a similar structure and purpose to the group established in Cameroon. Due to political instability the working group was disbanded. According to key stakeholders there is currently limited motivation for developing national standards in CAR. To date only one company, IFB, has publicly stated that they are pursuing certification - although they are not intending to meet FSC requirements as they are considered too onerous. IFB are hoping instead to achieve Keurhout certification⁶. They have already taken the first step towards improving forest management practices following the recent approval of their management plan by government.

3.2 STAKEHOLDER PARTICIPATION

There is minimal evidence of any organised stakeholder participation in forest sector development other than at a very localised level.

3.3 ANALYSIS

3.3.1 Constraints and Disincentives

CAR faces similar problems to DRC particularly in relation to the transport infrastructure which is dilapidated resulting in excessive harvesting levels in accessible areas. Other problems include the bush-meat trade, which is a significant source of income for poor rural people, particularly for many hunter-gatherer communities. The process of engaging hunter-gatherer communities in controlling the bush-meat trade is likely to be challenging.

⁶ The Keurhout system is an initiative of the Dutch Government to ensure that imports of timber into The Netherlands are from sustainably managed forests. A third party assessment determines the origin of the timber and whether management meets the criteria set by Government.

3.3.2 Potential and Incentives for Certification:

There are several factors that are supportive of SFM and by implication certification:

- ◆ Under the current concession management system, companies have rights to a concession indefinitely. This is not a typical arrangement, but should encourage concessionaires to take a longer-term approach to management, as well as improving access to funds for capital investment.
- ◆ The relatively small number of concessionaires operating in CAR should make improved regulation easier to achieve than in most other countries in the region.
- ◆ The CAR Government has contracted SGS to monitor log exports through Cameroon. This is an indication of the Government's desire to better regulate exports in order to improve recovery of revenue.
- ◆ The ECOFAC supported project involving the concessionaire IFB (Industrielle Forestière de Batalimo) in managing a forest concession near a protected area, could provide a suitable example for other concessionaires to follow. A variety of progressive measures have been included in the concession management plan, including action to limit hunting.

3.3.3 Steps to Achieving Certification

There is potential for localised certification, particularly in donor-funded projects. Elsewhere, achieving certification will be substantially more difficult without greatly increased regulation by Government. For this reason VLO is considered a realistic option in the short term to support Government enforcement and to ensure progress towards SFM and voluntary certification.

Specific measures:

- share experience from the ECOFAC project with other concessionaires
- convene meetings with Government, donors and other key stakeholders to discuss the feasibility of VLO and assess the level of support.

4 CONGO-BRAZZAVILLE

4.1 HISTORY

An ITTO pre-project to identify and analyse the major constraints to the application of the ITTO criteria and indicators commenced in early 2002 (ITTO 2002). This project is at a very preliminary phase and is unlikely to have any significant impact on forest management practices. One company, CIB, was certified under the Keurhout system in January 2001. The certificate covers an area of **1,150,816 ha**.

4.2 STAKEHOLDER PARTICIPATION

Under the Keurhout system it is assumed that stakeholder consultations took place, although the extent of benefit sharing with local stakeholders is unclear. In other areas of the country there is minimal organised stakeholder participation in forest management. At national level, stakeholder participation in policy development is poor.

4.3 ANALYSIS

4.3.1 Constraints and Disincentives

As in DRC and CAR there are very serious constraints to the development of certification:

- ◆ Government regulation of the forest sector is poor. Human resources for monitoring are very limited and this results in concessionaires effectively regulating themselves.

- ◆ Finalisation of the new law is ongoing and supporting legislation to enable implementation is yet to be developed. Should the legislative process become drawn out this may increase uncertainty – this will not be conducive to sector development and may further degrade the resource base.
- ◆ The new forest law seems to incorporate some progressive measures. However, although the law is an improvement, it appears still to lag behind the legislation being developed for most other countries in the region. For example, there is apparently only minimal provision for community involvement in forest management.
- ◆ The country is not yet politically stable. This results in uncertainty, which is unlikely to encourage investment in the development of the processing sector - an important element in building an economically productive forest sector more likely to implement improved management practices and certification.

4.3.2 Potential and Incentives for Certification

The participation of CIB, IFO/Danzer, ITBL/BTA and Mokabi-Rougier in implementing a code of conduct through the ATIBT is a positive step (See Section 1.2). However, it is not yet clear specifically how this code of conduct will be implemented at FMU level.

Incentives for certification are currently minimal - although the experience of CIB should be useful in assessing the potential for more widespread application.

4.3.3 Steps to Achieving Certification

Given the current state of the forest sector and the wider problems in the country, forest certification is not a priority for most stakeholders. However, CIB's successful certification under the Keurhout scheme suggests that there may be potential for other concessionaires to pursue certification.

Specific steps:

- The development of a national level forum to discuss the issues surrounding forest certification, as has been implemented in Cameroon, may be an appropriate measure should the political climate improve in the future.
- CIB's experience in achieving Keurhout certification should be shared more widely with other concessionaires.
- VLO should be discussed with Government and other key stakeholders. It should be emphasised that VLO can support the Government in enforcing the new laws, which it is currently finalising. The establishment of a national tracking system should also provide an incentive for concessionaires to pursue certification as the costs and difficulties faced by concessionaires in proving timber origin (an essential part of delivering certified produce to the market) will be greatly reduced.
- The Ministry of Forests has appointed SGS in June 2002 to establish an Export Monitoring Programme for logs and timber products exported by sea and by land mainly through Cameroon from the North Congo. The logs will be bar-coded in the forest. This is the first step in the development of a VLO system. The next component to be implemented should be the independent verification of the legal origin of the logs and timber products and their effective tracking from the forest to the mills and /or to export.

5 DEMOCRATIC REPUBLIC OF CONGO

5.1 HISTORY

There have been no significant attempts to introduce certification in DRC. However, a UK based company in partnership with SOCEBO is considering the possibility of seeking FSC certification. The joint venture is called SAB Congo and is managing a 209,000 ha concession in the Katanga Province of the DRC.

5.2 STAKEHOLDER PARTICIPATION

Stakeholder participation in any aspect of forest sector development has been severely limited until recently. The main mechanism for engaging stakeholders is the FAO supported forum for discussing forest sector reform. Key stakeholders (mainly government and some private sector representatives) are being consulted to review options for legal, institutional and fiscal reform.

5.3 ANALYSIS

5.3.1 Constraints and Disincentives

Despite their interest in certification, stakeholders do not believe that it is a priority, as they feel there are several more pressing problems that should be addressed first. Most stakeholders emphasised the importance of improving the forest sector's institutional and fiscal framework as well as the need to rehabilitate basic infrastructure. The lack of human and capital resources to implement the new forestry legislation is also recognised as a huge constraint to effective development of the sector.

DRC has, until recently, been plagued with internal conflict and remains a politically and economically unstable country. This internal conflict has resulted in serious damage to the country's infrastructure, including the relatively few wood processing facilities.

During the last years, most of the timber production took place in the north-east part of the country, in areas controlled by guerrilla movements.

The capacity of the forest administration is severely limited with resulting weak enforcement of forest management regulations and poor collection of tax revenue. Government collection of revenue from the sector averaged only US\$1.4 million between 1996 and 2000. This is clearly grossly insufficient for effective Government participation in sector development. Given the poor capacity for sector regulation most companies can easily under-declare production levels and export logs without making any significant official payments to government.

5.3.2 Potential and Incentives for Certification

Although there has been no formal widespread discussion of certification in DRC there is an awareness of it amongst many key stakeholders. The private sector has some interest in certification, as they are concerned that without it their access to traditional markets in Northern Europe may be reduced (Trindade 2002 SODEFOR *pers. comm.*). Members of the administration are broadly supportive of certification believing that it will help to improve monitoring of forest management operations and compliance with regulations (Zasy Ngisako 2002 (SPIAF) *pers. comm.*) In general, informants seem to demonstrate an interest in forest certification although they are not fully informed of the detailed requirements for effective implementation and, as indicated previously, it is not considered a priority issue.

The current government appears to be aware of the need to undertake fiscal and wider macroeconomic reforms to encourage private sector investment in the country. However, the level of overseas investment in DRC is unlikely to increase significantly in the short term due to the high level of risk.

The new forest policy and the ongoing development of supporting legislation should provide a basic framework for supporting sustainable forest management, but the details of the legislation are not yet clear.

5.3.3 Steps to Achieving Certification

Certification is not a priority for DRC at present. There are many more important actions that Government must undertake simply to bring a basic level of organisation to the forest sector.

Significant donor funds and technical support will be required to assist Government in rebuilding and restructuring the forest administration. Considerable funds will also be needed to rebuild much of the country's infrastructure, the lack of which has resulted in serious degradation of accessible forest near the coast.

The recent peace initiative has resulted in the opening up of trade with eastern rebel held regions. It is probable that this will result in a significant increase in the volume of timber harvested in areas where river transport of logs is possible, increasing the risk of rapid and uncontrolled exploitation of forests. This scenario again implies the need to enforce existing regulations rather than to pursue longer term objectives.

Although the potential for certification is limited in the short term, the following measures are considered appropriate:

- The ongoing FAO support for forest sector reform has begun the process of identifying a path for forest sector development. Greater involvement of other potential donors to create a framework for directed and coordinated investment in the forest sector would logically be the next step.
- Discussion of the VLO/VLC approach with key stakeholders in the context of addressing the problem of sector regulation.
- Possible inclusion of VLO/VLC in the framework for forest sector development in order to ensure effective regulation of the sector.

6 GABON

6.1 HISTORY

There is a national working group (established in 1997) to develop national standards for forest certification. Certification Principles and associated Criteria and Indicators (PC&I) have been developed and field tested. The working group now intends to promote the new certification scheme to the private sector. The certification scheme is based on the ATO/ITTO standards for SFM. According to the President of the National Working Group, the scheme is compatible with FSC standards (Ondo 2002 *pers. comm.*) - although the FSC have not yet formally evaluated it.

The area of independently certified forest in Gabon nearly doubled in March following the announcement that Keurhout had recognised concessions belonging to LeRoy Gabon. Two concessions are now Keurhout certified in Gabon: the 575,000 ha LeRoy Gabon (CFAD) concession and a 615,000 ha concession managed by the Thanry-CEB group.

Four concessionaires have agreed to participate in implementing a code of conduct through the ATIBT. This code of conduct is linked to the ITTO/ATO policy on SFM, although it is not clear what specific requirements this places on participating companies. The companies concerned are Thanry/C.E.B, Leroy-Gabon, Rougier-Gabon and S.B.L (See Section 1.2).

6.2 STAKEHOLDER PARTICIPATION

The Government has succeeded in recent years in engaging more directly with the private sector. The ECOFAC project is an example of this. Although experience is limited, the Government appears to recognise the need to improve dialogue with the private sector and other stakeholders.

6.3 ROLE OF THE PUBLIC AND PRIVATE SECTOR

Gabon is proceeding with the development of concession systems that invest management responsibility in the private sector, leaving Government with responsibility for regulation. Although the private sector has sought to improve standards - particularly in relation to developing management plans, the Government needs to tighten its regulation of concession management to be confident that standards continue to improve.

6.4 ANALYSIS

6.4.1 Constraints and Disincentives

A considerable proportion of Gabon's log production enters the Asian market where there is negligible concern over the environmental impact of forestry operations. If Gabon continues to focus on developing Asian markets it is extremely unlikely that there will be any significant market demand for certified produce in the foreseeable future.

Gabon's high reliance on log exports also limits the potential for certification as it is the added value market for processed products that is most likely to demand certified produce.

6.4.2 Potential and Incentives for Certification

Timber is Gabon's second largest export contributing 15% to foreign exchange earnings. The Government seems to recognise the potential for increasing the forest sector's contribution to the economy through added value processing, and plans to greatly increase primary and secondary processing capacity over the next five years. If its objectives are achieved, this may provide a greater incentive for producers to pursue certification.

The new multi-donor supported cross-sectoral programme PSFE (Programme Sectoriel Forêts & Environnement) is being developed to assist Government in implementing the National Forestry Plan. This includes support for improved management planning and the promotion of certification. It is not clear what exactly this will entail, but it should at least raise awareness among producers.

6.4.3 Steps to Achieving Certification

The potential for achieving certification in Gabon is moderate. As in all other countries studied, Government commitment to pushing through reforms, and effective regulation of the sector, is critical for certification to have a widespread impact. The following specific measures are recommended:

- ♦ Determine if the national certification scheme is compatible with the FSC. If it is not, stakeholders should consider what measures are necessary to achieve compatibility, and whether such measures are desirable.
- ♦ Given the lack of a market incentive for forest certification in Gabon, it may be more appropriate in the medium term to focus on Verification of legal Compliance (VLC). The first stage of the process would incorporate Verification of Legal Origin (VLO) - see Appendix 1 for details.
- ♦ Once VLC and VLO systems are in place Government and donors should encourage concessionaires to take further steps to bring forest management in line with the national certification standard.

More generally the following steps must be taken to make progress towards SFM in Gabon:

- ♦ The Government's failure to date to obtain adequate returns from the forest sector is a serious problem that limits the extent to which it can finance forest sector development in a sustainable manner. Clearly improved systems of revenue collection ("sécurisation des recettes forestières") must be introduced, and the rate of tax on the raw material supply must also be increased.
- ♦ As in Cameroon, the bushmeat trade is a significant problem for the development of certification. Some moves have been made to deal with the problem – for example a workshop made recommendations that were subsequently implemented by the CEB-Thanry Group. But measures clearly need to be implemented more widely to have any meaningful impact on the problem.
- ♦ Lack of participation in forest management, though not as significant an issue as it is in other countries (due to the low population density in rural areas), nonetheless remains an important problem that needs to be addressed.

7 GHANA

7.1 HISTORY

In June 1996, a workshop was held to consider the potential advantages and disadvantages of forest certification. This led to the formation of a National Committee on Forest Certification to manage the process of establishing a national certification scheme. With assistance from the EU and the Dutch Government, a Forest Management Certification System Project (FMCS) was established within the Ministry of Lands and Forestry. A project Steering Committee comprising of representatives from EU, the Forestry Department, Timber Export Development Board (TEDB) and Forest Product Inspection Bureau (FPB) was established, chaired by the Ministry of Lands and Forestry, in order to supervise the project (EFI undated).

In June, following stakeholder consultations, the FMCS published a document defining forest certification standards and Criteria and Indicators for the scheme.

Ghanaian stakeholders have strongly supported the development of a Ghanaian national scheme that reflects Ghana's conditions in terms of the forest resource and forest industry. The scheme covers certification of the forest, Chain of Custody, and provides a label. A log-tracking scheme is also being piloted. Though independent, the scheme has sought to ensure international recognition by adhering to the FSC, ATO and ITTO C&I.

The development of the national certification scheme has recently encountered financial difficulties. As a result implementation has halted awaiting additional funds.

7.2 STAKEHOLDER PARTICIPATION

Under procedures introduced during the Forest Resource Management Project (FRMP) and the current Natural Resources Management Programme (NRMP), mechanisms exist to involve stakeholders at many levels. There are national & local working groups and committees, from the Parliamentary Subcommittee on Lands and Forestry, through national and sectoral fora to Community Forestry Management Committees (CFMC) at district level. CFMCs comprise representatives of the main stakeholders, including; the Forestry Commission, the timber industry and local landowners. The CFMCs have been established to discuss forest management and support SFM, both inside and outside Forest Reserves.

Other examples of structures for stakeholder participation include: the Collaborative Forest Management Unit, based in Kumasi, which is a forum for stakeholders to debate policy issues. At a higher level the Natural Resource Management Project (NRMP) has its own Programme Coordinating Committee where inter-sectoral issues are discussed.

The involvement of other government stakeholders in the forest sector is partially addressed by the NRMP; other related ministries such as Agriculture, Mines, Energy, Environment and other agencies e.g. FORIG (the Forest Research Institute) participate in the NRMP Project Coordination Committee.

7.3 ROLE OF THE PUBLIC AND PRIVATE SECTOR

The Government along with donor agencies has played the lead role in developing Ghana's certification scheme. This has helped ensure that the scheme is integrated with other Government policy processes. Although the steering group responsible for overall management of the forest certification project does not include private sector representation, the private sector has been able to contribute to the development of the scheme through their participation in various working groups.

The NGO community, whilst playing a traditional role in supporting the rights of local people, may also be positioned to take a key role in supporting the extension of certification schemes. NGOs are currently active in the forestry sector and some have begun to work closely with Government. For example, the NGO Conservation International has been contracted by government to carry out forest inventory, strategy development for ecotourism and the development of forest-based livelihoods in areas designated as Globally Significant Biodiversity Areas (GSBAs).

7.4 ANALYSIS

7.4.1 Constraints and Disincentives to Certification

Illegal felling of timber is widespread. Ghana's Minister for Lands and Forestry, Prof. Kasim Kasanga, has stated that the total quantity of logs removed in 1999 amounted to 3.7 million m³ -around four times the annual allowable cut (The Times website, undated). A significant proportion of illegal logging appears to be under the tacit approval of local communities who are paid by the loggers (Birikorang, 2001).

Illegal logging is encouraged by the limited sharing of revenue from legal logging with local communities. According to Birikorang (2001) only 11% of the total potential value of the harvest (potential stumpage) is shared with local people. The sharing of revenue from illegal felling is considerably higher.

Illegal logging is further fuelled by the sawmill capacity which is several times the legal harvest. Unless measures are taken to further reduce processing capacity, the demand for illegal logs will remain high, representing a major risk to any certification process.

Deforestation is possibly an even greater threat to certification than illegal logging. Conversion of forest land into Cocoa plantations, the expansion of slash and burn agriculture, and frequent bush fires all degrade and destroy significant tracts of forests throughout the country.

Other factors limiting the potential application of certification in Ghana include the complexity of the forest management system - this may result in a high administrative burden for certification and may also complicate monitoring. Although the new Government is adopting a more open and market oriented approach to managing the forest sector, many key changes have not yet been implemented. Until they are, certification will be a more difficult process to implement than it need be.

7.4.2 Potential and Incentives for Certification

Given the progress made to date in developing the national certification scheme, the potential for implementing certification on a meaningful scale appears high – assuming donor support for the early phases of implementation.

The Ghanaian Government currently have limited procedures in place to monitor log movements through the use of a Log Measurement Conveyance Certificate (LMCC). This certificate is required to permit log haulage from forest to mill gate (ITTO 2001a). The existence of such procedures should make it easier to institute CoC systems. Ghana exports significant volumes of timber to important markets in Europe. Many exporters are therefore aware of the potential benefits of obtaining internationally credible certification. Although certification may not increase profits *per se*, exporters are aware of its importance in retaining and possibly expanding market access.

7.4.3 Recommended steps to achieving certification

- ◆ Secure sufficient funds to allow continued development of the national certification scheme. In the short-term, donor funding will be required, over the longer term charges levied on the forest sector could contribute to a national certification fund.
- ◆ Provide technical assistance to major concessionaires to improve management standards in line with the national certification scheme.
- ◆ Develop closer links to markets in Europe to ensure that certified material is adequately promoted.
- ◆ As the certification system develops, independent auditing and verification capacity will be required to verify adherence to the Principles and Criteria, and to enable logs to be tracked from the forest to the sawmill. It is essential that the agency responsible for monitoring compliance with the certification scheme is independent of the agencies allocating timber rights and enforcing forest legislation in order to ensure impartiality and maintain public support.

7.4.4 Wider reforms required to support the development of SFM and certification

- ◆ Improved revenue sharing with local communities.
- ◆ Building CBO capacity is essential if local communities are to be properly engaged as serious stakeholders. This could be achieved through developing the existing links between Government and national and international NGOs who have experience of supporting CBOs in developing their capacity to represent the interests of local people.
- ◆ Building log tracking, monitoring and verification capacity and, though separately, enforcement capacity at central and local government levels is critical in controlling illegal logging and deforestation. More substantial punitive measures should also be used against transgressors. Such measures might include penalties significantly higher than the financial benefit gained from the transgression. For particularly major illegal acts Government should have the right to ban the logger from bidding for future contracts.
- ◆ Corruption remains a significant problem in Ghana, particularly in the forest sector. The development of a strong civil society aware of their rights and confident that they can report transgressions to independent and transparent agencies will go a long way towards dealing with the problem. But specific measures to combat corruption in local and central government agencies will almost certainly be needed.
- ◆ Returns from legal logging can be increased by using market mechanisms to price the resource. Currently there is too much reliance on administrative price setting with the result that the resource is undervalued. The Government is currently considering implementing an auction process. This should help ensure that payments for access to timber resources more accurately reflect the true value of the resource, providing a greater share of revenue to government and local communities, and improving transparency in the selection of concessionaires.

8 MOZAMBIQUE

8.1 HISTORY

Limited initiatives relating to forest certification have already begun in Mozambique. In Manica Province the National Directorate of Forestry and Wildlife (DNFFB), the Ford Foundation and the World Bank have studied certification in association with local people. In Gaza Province the Dutch-funded FAO Community Forestry (CBNRM) project is working with the DNFFB and the local community to investigate the possibility of certifying charcoal for export to South Africa (EFI 2000).

Mozambique, as a SADC member state, is participating in the Dry-Zone Africa Process which includes regional discussions on Criteria and Indicators for Sustainable Forest Management for SADC countries.

Mozambique's forest policy and legislation is largely sound, focusing on participation of stakeholders and measures to ensure improved benefit sharing. The major recent changes to forest legislation are the Land Law of 1997 and the Law of Forestry and Wildlife of 1999.

Some basic measures have been implemented recently to improve resource access and security of tenure. Concession management for companies with their own processing facilities was introduced in 2001. Communities are also legally empowered to manage concessions for up to 50 years. This is a significant improvement on the previous system of licensing which permitted an operator to extract a specified volume of timber from a particular area with no provision for long-term management.

Donors are working to improve forest management in Mozambique. Due to the lack of recent and accurate data on the forest resource several projects are focusing on inventory work and following this up with management planning.

8.2 STAKEHOLDER PARTICIPATION

The role of all major stakeholders is generally well recognised by Government. A clear example of this is the recent formation of a national level Policy Working Group (“Forum de Consulta”) under the DFID-funded Policy Support Programme. Representatives from DNFFB, the private sector, NGOs and Maputo University form the core group. Each member of the core group heads a technical working group on legislation, investment, communities and concessions. A wider stakeholder group of 80 – 100 people meet quarterly to debate policy issues. NGO involvement is through national and international bodies, such as ORAM (a Mozambican NGO), IUCN, Alisei (Italy), and Worldvision (US). It is intended that the group will adopt a consensus approach, allowing all stakeholders to contribute to forest policy development.

To better co-ordinate stakeholder participation in forest sector development at the local level the Forestry and Wildlife Law includes a regulation requiring the formation of Natural Resources Management Committees/Councils at sub-district level. These committees are required to include, apart from community representatives, the private sector, farmer associations and local government (Nhantumbo, 2000).

There is no private trade association specifically for timber companies, although the CTA, the national coordinating body for private companies, is now involved in the Policy Working Group (described above). Codes of conduct and other guidelines for the timber industry have not yet been developed.

8.3 ANALYSIS

8.3.1 Constraints and Disincentives

Mozambique currently exports only modest quantities of timber products overseas. Much of its exports are directed towards Asian markets where there is unlikely to be significant demand for certification in the foreseeable future. Furthermore, the poor state of the processing sector means that Mozambique is unlikely in the medium term to produce added value products to the quality standards required by those markets where certification is an important factor.

Improving participation, particularly of local people, in forest management is a critical element in achieving certification in tropical developing countries. In Mozambique, this will be a significant challenge. Much of the rural population remains heavily reliant on forest resources, particularly for fuelwood⁷, charcoal and building poles. In Mozambique, the civil war was an additional factor affecting subsistence use of forest resources. The war resulted in internal displacement of the population, with a resulting concentration of resource use where the displaced population settled. Given communities dependence on forest resources, their active participation will be essential in meeting the challenge of SFM.

Currently, community participation in forest management is poor. For example, Kloeck-Jenson (2000) sought, in a series of interviews with concessionaires, to ascertain the extent to which local people participate in the management of concessions. Participation was found to be minimal, restricted to employment for clearing paths and assisting with the transport of logs.

The Government appears to be aware of the need to engage local communities in the process of improving forest management. The Forest Law provides the framework for this by, amongst other measures, defining roles for stakeholders. However, there are major problems with the legal framework; for example, there is no requirement to consult local communities when allocating timber extraction licenses and concessions. This is because the Land Law only requires full consultation where there is a request for full and exclusive land use rights. This is not the case with the allocation of forest harvesting and concession contracts. These legal provisions will be increasingly tested as concessions begin to be allocated in areas which conflict with community use (Kloeck-Jenson, 2000).

⁷ The fuelwood output from Mozambique’s forests is considerable. This is indicated by the national fuelwood consumption figure of 31 million m³ for the year 2000, which is significantly greater than any other country in the southern Africa region (FAO 2001).

Although the law makes provision for community management of forests, in many cases communities cannot secure their rights to forestland, as the process of delimiting the boundaries of their claims is proceeding slowly.

Under the law, 10-20% of the royalties for timber extracted from concessions will be paid to local communities. Clearly this is a positive development, but, given the lack of community experience in managing funds, setting up structures to receive and manage this money will be a great challenge.

Poor institutional capacity is not simply a problem at village level. The extension services, who should have an important role in supporting community based initiatives, will require significant material and staff resources along with training in participatory working methods to help them in establishing an effective dialogue with communities.

In addition to the challenge of community participation in forest management, there are several other major constraints facing the development of certification on a meaningful scale in Mozambique. Possibly most important is the severely limited institutional capacity in the forest sector due to poor educational standards and a lack of expertise. The lack of management planning expertise is recognised as a particularly significant problem (Saket 1994 quoted in FRA 2000). At provincial level the capacity to regulate forest management is also poor.

The potential for productive management of the forest resource may be limited by the inclusion of two of Mozambique's principal commercial species *Dalbergia melanoxylon* (*pau preto* / blackwood) and *Khaya nyassica* (*umbaua* / African mahogany) on the list of species recommended for inclusion in CITES. This may eventually entail either a complete trade ban or monitoring of trade in the species concerned.

8.3.2 Potential and Incentives for Certification

Notwithstanding the current poor standard of forest management, the potential for forest certification in Mozambique is reasonably high according to GTZ (GTZ 2000). There is a good level of interest in FSC and other certification schemes amongst key stakeholders, and the legal framework for forestry is considered conducive for certification (EFI 2000). Current initiatives exist within DNFFB to set up a technical working group at a national level to prepare the way for companies to approach certification.

The increasing level of Government revenue from the forest sector, growing from 3.4 billion MT in 1998, to 6.2 billion in 1999, and again from 13.2 billion in 2000 to 19.1 billion in 2001 (US 0.8 million⁸) is a positive sign⁹. Capturing a fair share of the economic rent will be critical for effective regulation of the sector, thereby facilitating progress towards improved forest management.

Recently, donors have expressed satisfaction with the way the Government is handling the country's development. This is not only in terms of the legal and regulatory reforms made, but also in relation to the level of transparency and apparently low level of institutional corruption in government (IRIN News 2002). Again, these factors should help to provide an enabling environment for the introduction of certification.

8.3.3 Steps to Achieving Certification

Given the significant constraints to the development of certification on a meaningful scale in Mozambique, and the risk of certification initiatives being overly dominated by donors, it is recommended that a forum be established to enable stakeholders to discuss the feasibility of pursuing certification. The forum should build on existing consultation exercises and might be associated with the national level Policy Working Group. The forum should endeavour to inform stakeholders of the full range of options available. More generally, the following issues will have to be addressed before significant improvements in forest management can be achieved in Mozambique:

- ◆ Given the size of the country and the fact that commercial timber reserves are thinly spread, it will be very difficult for government to control timber harvesting on its own. This means that

⁸ at 0.00004370 US Dollar for one Mozambique Metical (conversion rate as of 31-12-2001)

⁹ There has also been a rise in license applications, and this may account for some of the increase

Government, in association with civil society, must develop the capacity to support the participation of local communities in forest management.

- ♦ Capacity building at national and provincial level to improve regulation of the forest sector –initially in relation to management planning. There are significant differences in capacity between provinces in terms of their ability to regulate forest management. Provinces such as Manica and Sofala have historically been better organised to control timber production. This implies that some degree of consistency should be sought across the country.
- ♦ The roles and responsibilities of all stakeholders need to be clearly understood. There is scope for confusion and conflict between concessionaires and local communities - unless structures and procedures are established for them to resolve their differences amicably.
- ♦ Finally, given the experience of donor-funded projects in the forest sector, particularly in management planning, workshops should be held to encourage information exchange throughout the country.

9 TANZANIA

9.1 HISTORY

There have been no significant initiatives relating to forest certification in Tanzania.

9.2 STAKEHOLDER PARTICIPATION

Local communities have been actively involved in forest management in Tanzania for several years. According to Wily (2000) there are several hundred examples of community management of forests in Tanzania. However, the area covered (300,000 ha) is relatively small compared to the total forest area, estimated at 38.8 million ha (FAO 2001).

The Forest Conservation and Management Project (FCMP), supported by the World Bank, should help to improve stakeholder participation in forest sector development, although it will take time before meaningful participation is achieved at local level.

9.3 ROLE OF THE PUBLIC AND PRIVATE SECTOR

Government currently has responsibility for over half of the country's forest resource. Central Government has responsibility for 10 million ha of Forest Reserves and Local Government Reserves cover around 3 million ha. Approximately 20 million ha, much of it *miombo* woodland, has no protected status. The Government intends that much of the country's unprotected forest will be managed by local communities as Village Forest Reserves.

The industrial sector does not currently play a major role in the management of forest resources in Tanzania. This may change in the future, particularly as pressure grows to privatise some of the country's forest plantations.

9.4 ANALYSIS

9.4.1 Constraints and Disincentives

Tanzania has a small and largely outmoded forest industry with minimal exports of produce to overseas markets. This imposes a considerable constraint on the development of certification initiatives as the usual market incentives are not present.

Government regulation of the forest sector is poor- this is clearly demonstrated in the very low collection of forest taxes (Kobb 1997). Many small traders in charcoal, fuelwood and building materials generate profits from the forest without any official payments for using the resource. Given the number of these traders it will be difficult for Government to fully regulate their activities. Should tighter

regulations be introduced there is a danger of dissent as alternative sources of income generation are limited for many rural people.

Improving forest sector regulation will require changes to the internal organisation of the administration-particularly clearer accountability amongst staff charged with collecting tax revenues. There could be some resistance to this from staff who may currently benefit from unofficial payments.

As in many other countries in the region, local people (particularly the poorest), are heavily reliant on the forest as a source of subsistence and income. Certification must ensure that local people's interests are protected; otherwise their participation will not be possible, rendering attempts at certification extremely difficult.

Much of the forest resource in Tanzania is under threat from population pressure. The lack of legislation to protect much of the forest resource, and the poor state of law enforcement in areas that are protected, means that large areas of forest continue to be converted into agricultural land.

9.4.2 Potential and Incentives for Certification

- ♦ The World Bank supported FCMP is a national level project that intends to make a major contribution both to improving forest management and to strengthening the institutional and regulatory framework. Assuming this project is successful, it should significantly increase the potential for certification in the country.
- ♦ The numerous examples of community forestry in the country - largely donor supported - should provide a solid basis for ensuring community participation in attempts to certify forests.
- ♦ Although the forest industry in Tanzania is poorly developed, there may be potential to further expand the tourist market for wooden ornaments and souvenirs. This may provide an incentive for certification on a local scale.

9.4.3 Steps to Achieving Certification

Although there is potential for certification over the longer term, currently it is probably not appropriate to place too much emphasis on the promotion of voluntary certification for natural forests¹⁰ as Tanzania has a small forest industry and does not currently sell significant volumes of timber products to high value overseas markets. Additionally, most of the international pressure to improve forest management in Africa is focused on tropical moist deciduous forest, of which Tanzania has a tiny fraction. Even if there is stakeholder support for forest certification, there are some fundamental problems that need to be addressed before it could be implemented on a meaningful scale. In particular, Government regulation of the sector needs to be greatly improved.

Given this situation, it is recommended that a stepwise approach (described previously) be taken to improving forest management in Tanzania. Such an approach would complement the FCMP project. Under a stepwise approach the development of improved systems for recording and verifying production and monitoring the transportation of timber would support proper regulation of the forest sector and increase revenue recovery - the two major constraints to forest sector development in Tanzania.

¹⁰ There may be potential for certifying some forest plantations- although the benefits for the stakeholders concerned are unlikely to be substantial .

CONSUMER COUNTRY ANALYSIS

1 NATIONAL GOVERNMENTS AS DIRECT OR INDIRECT BUYERS OF WOOD

Governments are large customers. The UK government spends more than £40 billion per year on goods and services. According to WWF figures, public procurement represents more than 14% of the EU's GDP. Other estimates put the percentage of UK-traded timber that is purchased by public bodies as high as 40% (Friends of the Earth, pers. comm.). The construction of public buildings and other infrastructure is a major market for wood products, most of which, in the case of the UK and many other industrial nations are imported. As large buyers of timber and wood products, government procurement policies can be used to significantly affect the domestic timber market.

The importance of national governments as timber customers is enhanced by the international setting in which they operate. Governments influence and are influenced by other countries and groupings, for example in other European countries, the United States and the EU as a whole, where public concern is expressed about the origin of timber products. National governments can also influence producer country policies, as for example in the case of the Memorandum of Understanding recently signed between UK and Indonesia, which promotes co-operation in the fields of legislation, capacity building, industry, enforcement, product tracking and information exchange.

National governments are sensitive to criticism and are therefore a prominent target for campaigning NGOs, as witnessed by the direct action by Greenpeace against the purchase by a contractor of Sapele from unidentified sources in Cameroon for the UK Government. Greenpeace also delivered a petition of 30,000 signatures urging the Government to end the import of illegal timber from ancient forests in April 2002.

National government policies also have an influence on local government purchasing, another large market for timber supplies. Across Europe many local authorities have already implemented public procurement policies. In its publicity materials WWF quotes examples from the UK, Sweden, Netherlands, Germany, France, Spain, Denmark and Belgium of local governments specifying certified timber in their tendering processes.

However, tropical timber products represent only a fraction of the total public procurement in importing countries and certification requirements, being particularly difficult to achieve in tropical developing countries, may result in a de facto ban of tropical wood in those countries. In this regard, procurement policies initially meant to improve forest management may be counter productive for the tropics, and may be considered as discriminatory barriers to trade under WTO (World Trade Organisation) rules, if they insist on sustainability rather than legality requirements. If governments proceed too quickly down the route of insisting that only certified products are purchased, it will also have the effect of driving the tropical producers to find less discriminating markets elsewhere, such as the Middle East and Asia. This would only have a negative impact on forest management standards.

2 COUNTRY REVIEW

2.1 PROCUREMENT IN THE UK

Michael Meacher, the UK Environment Secretary, announced in July 2000 that all Government departments and their agencies *would be required to actively seek to buy timber products from legal and sustainable sources*¹¹.

¹¹ The press release is viewable on the internet at:
http://www.press.dtlr.gov.uk/pns/DisplayPN.cgi?pn_id=2000_0516.

In the UK, Government departments *are urged to introduce a system* for monitoring their timber procurement, and maintain a list of certified and documented purchases. Timber should be **certified** as having been produced according to internationally recognised principles. In Europe, these principles should correspond to the Pan-European Operational Level Guidelines for Sustainable Forest Management as endorsed by the Lisbon Ministerial Conference on the Protection of Forests in Europe (2-4 June 1998). Outside Europe they are to correspond to the UNCED Forest Principles (Rio de Janeiro, June 1992) and, where applicable, to the criteria of guidelines for sustainable forest management as adopted under recognised international and regional initiatives, e.g. ITTO, Montreal Process, Tarapoto Process, UNEP/FAO Dry-Zone Africa Initiative.

Work has begun to implement this policy in central government departments and executive agencies, and an inter-departmental buyers group has been established to advise on and monitor performance. Steps are now being taken to improve the availability of information about legal and sustainable timber, and the implementation of the policy across all departments. Work is being coordinated through the "Green Ministers" group, chaired by Mr Meacher, and involving many key ministries including the Department for Trade and Industry.

The role of the Office of Government Commerce (OGC) and the use of framework agreements for purchasing mean that the performance of relatively few suppliers and brokers can affect a large percentage of the sector. UK Government Departments normally have a central procurement arm that negotiates framework agreements either directly with large suppliers, or through the OGC, which provides assistance on procuring supplies, including stipulating the terms of the contract. Executive Agencies of departments usually use their own framework agreements, either with the OGC or directly with suppliers.

Progress to date has been slow, with the complexities of the various government procurement systems being a barrier to rapid progress. Purchasers in general know little about the origin of the timber that they buy, partly because of the labyrinthine nature of the international timber market. For example, tropical hardwood from Indonesia may be shipped to Malaysia for sawing, and then pass through Singapore or Hong Kong before reaching its market in Europe, America or Japan. It is therefore essential to verify not only forest management, but also the links in the chain of custody.

Confusion about the origin of timber has led recently to considerable embarrassment for the UK Government. In April 2002, Greenpeace accused the Government of using Sapele from an illegal Cameroonian source for the refurbishment of Government offices. Greenpeace later blockaded a ship carrying what they claimed to be illegally logged Sapele wood, identical to that used for the Government's £22.6m refurbishment. The UK Prime Minister, Mr Blair, assured the House of Commons that the timber in question was legal and "certified sustainable". However, it turned out not to be; it was sourced from Cameroon, a country with no independent certification system. The UK Government clearly has the intention to source wood sustainably, but it has failed in its execution due to a lack of verifiable information. Parliament's environmental watchdog is to investigate the controversy.

It has become apparent that Government buyers need clearer guidance and advice. To address this need, the Department for the Environment, Food and Rural Affairs (DEFRA), acting on behalf of all Government departments and their agencies, commissioned the consultants Environmental Resources Management (ERM) to assess the diverse range of current Government procurement practices, and to recommend methods for implementation - including the assessment of claims of legal origin and sustainable management.

2.1.1 Centre Point for Expertise on Timber

The UK Government intends to establish a Centre Point of Expertise on Timber (CPET) that is intended to develop clear working definitions for legality and sustainability.

The definition of sustainability is likely to be based on international protocols, specifically the principles, criteria, indicators and operational guidelines published by the European Forest Ministers Conferences and the International Tropical Timber Organisation (ITTO). Legality may be more difficult to define, as there is as yet no international agreement on a basic standard for legality in relation to timber production and trade.

CPET will be responsible for assessing the evidence provided by importers regarding the legality and sustainability of their timber supplies. It is likely that two types of evidence will be permissible under the scheme:

- A label or declaration issued by an independently-audited, third-party certification scheme with specific criteria for forest management and chain of custody.
- Documentation provided by the supplier of a consignment concerning its sustainability or legality, verified by a qualified organisation.

These procurement policies will allow for discrimination between the three variants (legal, legal and progressing towards sustainable, and sustainable). Therefore, assuming that cost criteria are met, timber verified as being sustainable will be given preference over timber that is only verified as legal.

The UK Government's procurement scheme is still in development and the precise definition of the variants and evidence required to support claims has yet to be finalised.

In developing their procurement policies the UK Government have consulted a variety of stakeholders. However, some commentators have suggested that producers in many developing countries will be at a competitive disadvantage because even though they may be making substantial progress towards demonstrating compliance with domestic legislation, they will be unable to participate in tenders for UK Government contracts until they are completely compliant

2.1.2 UK-Indonesia Memorandum of Understanding

The UK Government has agreed a Memorandum of Understanding (MoU) with the Government of Indonesia that defines roles and responsibilities for reducing the illegal trade in timber between the two countries. The MoU recognises that importing countries such as the UK have responsibilities, both to support exporting countries in combating illegal logging and to address the demand for illegal timber in the UK through enhanced controls on imports.

The MoU recognises that both governments must act to prevent the harvesting, export and trading of illegally logged timber and other wood products. In addition to establishing systems for the verification of legal compliance, the two governments will:

- Identify key legislative reforms required to prevent illegal logging and the associated trade in illegal timber;
- Jointly develop systems for the timely collection and exchange of data on timber trade;
- Work with enforcement agencies in both countries to assist in applying the relevant Indonesian and UK law;
- Work with industry to eventually eliminate illegal timber and wood products from the trade. This will be achieved by sourcing only timber that has been identified as legal through compliance verification systems or other effective mechanisms.

The MoU has made progress on a number of fronts. Most importantly the two governments are currently developing a working definition of legality that can be applied throughout Indonesia. From a UK perspective, changes to trade-related legislation have been identified.

An important element of the MoU is a pilot log-tracking project that will develop, test and implement systems for verifying the legal origin of timber in selected regions of the country. The specific mechanisms for implementing the project are currently being developed. It is likely that a number of the larger producers will be required to participate in the project and to demonstrate that their timber supplies are obtained from legal sources.

Clearly bilateral agreements have limitations. Evasion is relatively straightforward, as consignments of timber can be easily shipped via a third country. However, despite this weakness, bilateral agreements provide a signal to the timber industry that illegal activity is no longer tolerated, and give NGOs and others an opportunity to expose any companies they find attempting to circumvent the agreement. Such agreements also allow the testing of new approaches to combating illegal logging and the demonstration of support from stakeholders prior to wider regional or international replication.

2.2 PROCUREMENT INITIATIVES IN THE EU AND OTHER COUNTRIES

As a result of national statements made at Bali, The Hague and elsewhere, questions of public procurement of **sustainably** produced timber *are now high on the political agenda* in a number of countries. It is hoped that “green” procurement policies will help to curb the trade in illegal timber and limit the need for more drastic measures such as import bans, which would be difficult to enforce. Countries are now *engaging with the* (often difficult) *issue of enforcing such policies* across the complex machinery of public procurement.

2.2.1 The European Union

In the EU the Directorate General for external relations (DG Relex) is in the course of *producing an action plan* on **illegal** logging. As part of this, the inter-service FLEGT (Forest Law Enforcement, Governance and Trade) group is examining what measures can be developed by the various services of the Commission to combat illegal logging and the trade in illegal wood. The conclusions of a meeting in April 2002 included the *intention to draft a new directive* making it illegal to import, trade or finance timber from **illegal** sources (not only in relation to public procurement).

Member states will be encouraged to include a clause on **non-illegal** origin in each government procurement contract for timber. New procurement *regulations* for the EU are currently *being developed*. Under current EU rules, at the first stage of public procurement, that of defining the technical specifications, authorities may require that wood comes from a **sustainably** managed forest, but not that they must come from a legal source, as this is not a technical specification.

At the second stage, selection of candidates, **illegal** logging may be used as a criterion for excluding a candidate, if they have a conviction for an offence concerning professional conduct, or grave verifiable professional misconduct. The latter situation is currently determined not by European law but by Member States’ legislation.

At the final award stage the current position is that the **legality** of the source of the wood cannot be used as a criterion for awarding the contract, since these must concern only the economic advantages of a particular tender. However, the Court of Justice of the European Communities is currently clarifying this situation. In January 2002 the European Parliament voted to include environmental criteria in the new proposals for EU procurement directives.

The European Commission recently finalised the details of an action plan on Forest Law Enforcement, Governance and Trade (FLEGT). The Action Plan covers the following areas:

- Helping partner countries to build systems to verify timber has been harvested legally.
- Initiate a voluntary licensing scheme, where partner countries issue a permit attesting to the legality of timber exported to the EU.
- A public procurement policy where contracting authorities will be guided on how to deal with legality when specifying timber in procurement procedures.
- Measures to prevent investment in activities that encourage illegal logging.
- Encourage private sector initiatives for good practice in the forest sector, including the use of voluntary codes of conduct to source only legal timber.
- Address the problems posed by use of revenues from illegally harvested timber to fund and prolong armed conflicts.

The Plan is currently a proposal to the European Council. Should it be approved it will be passed to Parliament for consideration as a resolution.

2.2.1.1 Denmark

In Denmark *initiatives exist to promote* government procurement of timber only from **sustainable** sources. These initiatives are at a more advanced stage than in the UK. The Danish Parliament decided in June 2001 to change Denmark's public procurement policy on tropical hardwoods, to ensure that timber from tropical forests bought by public and semi-public institutions is legally and sustainably produced. Members of parliament argued that the Forest Stewardship Council (FSC) is presently the only global environmental label that guarantees timber as legally and sustainably produced.

2.2.1.2 The Netherlands

In the Netherlands in 1996 the government sponsored the voluntary "Keurhout" (Hallmark) scheme for tropical wood imports, using a series of "minimum requirements" to define **sustainably** produced timber. *A national requirement* for only sustainably produced wood to be used in government procurement *is being progressively introduced*, and a national, government-sanctioned labelling scheme will declare on every wood product whether it has been sustainably produced. The minimum requirements were formulated in 1997 as a result of the Dutch government's consultation with the business community and environmental NGOs. This fulfilled WTO obligations for the labelling of timber originating from sustainably managed forests (see below). The requirements cover sustainable forest management and chain-of-custody, and function as the basis for a checklist to be used by labelling bodies for the assessment of certificates for sustainably produced timber traded on the Dutch market.

2.2.1.3 France

At the Convention on Biological Diversity in the Hague, France announced their *intention to change* public procurement policies to include environmental criteria for purchasing timber in order to favour schemes such as the FSC. The French Ministry of Cooperation has announced its intention to give priority in public tenders to wood coming from **certified** sources, as long as the certification is internationally recognised. This has yet to be developed into well-defined criteria that could be imposed as a mandatory requirement. In April 2002 the Ministries of Foreign Affairs and Ecology & Sustainable Development set up a national working group to take this initiative forward.

2.2.1.4 Other countries

Germany also recently announced their *intention to provide leadership in the fight against* the illegal timber trade and the destruction of ancient forests. This will include public procurement policies based on internationally recognised forest **certification** schemes.

The Swiss federal council announced in October 2001 that it *intends to* avoid purchasing timbers that may originate from illegal harvesting operations, and recommended public procurement of timber **certified** by internationally recognised certification bodies such as the FSC.

In Sweden the government has *recommended that* the public sector procure FSC **certified** and labelled products.

The United States have expressed an *intention to* pursue similar procurement policies to prevent the use of **illegal** timber or timber obtained from **unsustainable** sources.

Implementation of these policies and intentions is likely to be complex and is being studied in many countries. As yet no European government has implemented a mandatory requirement for documented proof of origin (either legal or sustainable) and chain of custody for all timber purchased, although several countries are at various stages along the path to this goal.

2.3 OTHER MECHANISMS FOR COMBATING ILLEGAL TRADE IN TIMBER

2.3.1 Financial controls

The European Commission and member states have a number of other instruments that they *could use to* deny access to capital to companies engaged in **illegal** activity. Existing international

agreements prohibit banks from receiving money generated through illegal activities, or from lending for illegal activities, including illegal logging. Many large-scale forestry companies rely on commercial banks as sources of capital. Greater public awareness of lending for illegal logging could lead to pressure being put on banks to scrutinise their customers more closely. The same would apply to government sponsored Export Credit Agencies (ECAs) in developed countries, most of which currently lend money with no social or environmental standards.

Governments, and other authorities such as the European Commission, who regulate these creditors *could induce them to* carry out more thorough checks on the **legality** of their customers' forestry operations. Companies that engage in illegal activity usually carry a greater commercial risk, so such checks could be seen as being in the banks' own business interests, as well as protecting their reputation.

The recent EU FLEGT group meeting produced many recommendations for the EU to *bring pressure to bear on* ECAs and other creditors of large international logging concerns.

Forestry companies, for example, *could be required to* furnish proof that they have a **legal** claim to their concessions, and banks could be required to obtain such information before they extend credit. International agreements on money laundering can also be brought to bear on banks when they start receiving money back from companies engaged in illegal logging. Similarly, ECAs *could be made subject to* the whole raft of European and international agreements which already regulate the activities of other bodies, such as the World Bank, in environmental and social areas.

2.3.2 Enhanced border controls

Customs authorities in many importing countries lack the specialist knowledge needed to identify illegal timber imports. In many countries customs resources are targeted on the detection of other illegal imports, most notably drugs. Physical and documentary inspections applied to timber imports require different training and methods to be used. Political will is needed to provide the additional resources, in terms of staff, equipment and training, required to target imports of illegal timber.

However, before customs authorities can confiscate illegal imports there must be a clear and workable definition of legality. In the current situation there is no international consensus as to what "legal timber" means and the definition of legality must be agreed with each producer country concerned. As a minimum, standardised documentary evidence of compliance with legislation (in the form of certificates or verified statements) should be provided by the importer to enable customs officials to verify the legality of a consignment.

Consignments of timber from countries recognised as having a high level of illegal logging could be prioritised for additional scrutiny by customs authorities, while consignments from countries that have implemented effective control measures would be sampled less intensely.

2.3.3 Tariff reductions

The use of punitive legal sanctions to reduce the trade in illegal timber should be complemented by measures, such as favourable tariff rates, which support producer countries that are making efforts to eliminate illegal timber from their supply chains. Thus timber that can be shown to have been sustainably produced could attract a lower tariff rate than timber whose origin is unknown. Clearly such measures, like any other trade rules imposed by importing countries, would have a greater impact if applied at a regional (i.e. EU or NAFTA) level rather than a national level. Any such tariff measures must also be designed in such a way as to avoid possible action through the WTO.

WTO rules, which govern what restrictions countries may make on their trade, are extremely complex. Importing countries need to design mechanisms for restricting trade in illegal timber that do not contravene these rules. Although there is currently considerable uncertainty as to what the ruling of the WTO would be in any given specific case, there are precedents for restricting trade in environmentally damaging products, as long as the restriction is applied fairly and impartially. Governments of importing countries therefore need to make a well-argued case to the WTO if they are going to be allowed to discriminate against illegal timber by this mechanism.

2.3.4 Data exchange

International data on trade in timber and other forest products is generally of poor quality. Data is often inaccurate and it is difficult to reconcile the volumes of products declared to have been exported from one country with those declared by the importing country. The situation is further complicated because timber is bought and sold in many forms, and measured in different units, such as numbers of pieces, area, weight and volume. In addition there are many inconsistencies between importing and exporting countries with regard to product categorisations and the time-scales over which data is collated.

Importing countries should support the work being undertaken by the FAO and ITTO to harmonise trade data. If data on timber volumes collected by importing and exporting countries can be reliably compared, it will be possible to identify cases when large volumes of unauthorised timber appear on the market in a consumer country. International trade can then be measured and regulated more effectively.

2.3.5 Support for private sector initiatives to promote legal trade

Consumer country governments should encourage importing companies to accept greater responsibility for ensuring that their timber supplies are obtained from legal sources. In the UK, the Department for International Development (DFID) is working closely with the Timber Trade Federation (TTF) and supporting its commitment to the trade in legal timber.

The TTF, through its environmental campaign known as Forests Forever, is:

- promoting sustainable improvements in the environmental performance of the timber industry;
- supporting sustainable forestry practice among industry members by encouraging them to use credible and independent timber certification schemes.

Although the TTF does not require members to purchase timber from independently certified sources, it has developed an environmental code of practice with which all members are required to comply. The code of practice is based on a pragmatic approach that encourages members to continuously improve their timber procurement policies. Although the TTF supports certification it recognises that for many producers in tropical countries this is not yet feasible, and that alternative approaches based on legal compliance are required. As 'legality' has yet to be clearly defined, the level and type of evidence required to demonstrate legal compliance remains undetermined.

An important element of the code is the requirement that members must ensure that timber supplies are derived from legal, documented and well-managed sources. Specific initiatives relating to timber sourcing include an Environmental Timber Purchasing Policy (ETPP) and a Timber Agents' Sourcing Policy (TASP). Both policies are intended to provide a binding framework for signatory companies when purchasing timber.

The TTF's policy regarding timber sourcing emphasises:

- flexibility to accommodate the diverse interests of companies sourcing a wide range of timber products globally, and to accommodate variation in forestry practices between countries;
- rigour - to ensure continuous improvement in performance;
- integration with new timber procurement guidelines required by central government, local authorities and other large timber purchasing organisations.

The TTF recognises that there is confusion amongst stakeholders over what constitutes legal timber. They therefore intend to develop guidelines that will provide a basic definition of legality, recognising that this is a first step towards independent validation of legality, which will lead eventually to Sustainable Forest Management. The TTF is currently developing guidelines on legality for Cameroon, and intends to follow a similar approach in Indonesia and Russia.

2.4 THE G8 COUNTRIES

The G8 group of industrialised countries (the USA, Canada, Germany, UK, Italy, Japan, France and Russia) expressed, at their Okinawa summit in August 2000, a *long-term commitment* to the use of **legal** timber, including in procurement policies. This was followed up by statements at the Ministerial Conference organised by the World Bank in Bali.

3 PROCUREMENT AND FREE TRADE

Importing countries are increasingly expected to require independent third-party verification /certification of *legality and sustainability* as a condition for trading with producer countries where market/civil society confidence in official and companies' documentation is limited.

Any law or procurement policy that restricts free trade may conflict with World Trade Organisation (WTO) regulations¹². The issues are complex, but countries may not normally impose rules that specifically disadvantage other countries' imports.

There are powers under WTO regulations to allow countries to impose restrictions on trade relating to the conservation of exhaustible natural resources. However, the application of these rules to discriminate between legally and illegally produced timber, let alone between sustainably and unsustainably produced timber, is fraught with legal uncertainty and has not been thoroughly clarified. An analogous case involving the import into the US of shrimps, whose production was claimed to threaten certain turtle species, was recently the subject of a prolonged legal debate.

Any government procurement restrictions, therefore, must be well targeted, multi-lateral, and as un-damaging as possible in order not to be the subject of an unwelcome ruling from the WTO. For example, it would not be possible to specify that products must be verified/certified to a particular named standard such as that of the FSC: separate international legality or sustainability guidelines would need to be developed so that timber from any origin could be measured objectively against the guidelines.

4 AVOIDING ILLEGALLY LOGGED WOOD

There is still widespread confusion about what constitutes legal timber. In most cases there is a lack of reliable information to back up any claim that is made, and no consensus about the criteria to be applied to determine legality.

From the point of view of the government of the importing country there are two possible approaches to discriminating between legally and illegally produced timber. One approach would be to insist on proof that the timber was produced according to the regulations of the country of origin; there is a precedent for this in the American "Lacey Act", which makes it unlawful to trade any fish or wildlife taken or sold in violation of another country's law. Although the Lacey Act is said to operate reasonably well in the field of animal products (it does not apply to timber), what is legal in one country of origin may be illegal in another, and so this approach does not provide a "level playing field" between countries. It might even prompt some countries to relax their laws so as to make their exports more acceptable to western markets.

The alternative approach is to require timber traders to demonstrate the legal origin of their products by some impartial method acceptable under WTO rules, either by adhering to an internationally recognised third-party verification/certification scheme. It should be emphasised that the issues of the *legality* of timber and the *sustainability* of its production are separate. Proof of legality of origin does not necessarily guarantee sustainability. It is also possible that timber could be produced sustainably but contrary to the laws of the producer country. Under the terms of certification schemes such as the FSC, timber must be produced in accordance with the laws of the country in order to be certified, but

¹² A Royal Institute of International Affairs report Options for Europe (RIIA 2002) covers this issue in greater detail

voluntary SFM certification schemes are not always found to be robust enough legal compliance verification systems, as verification and continuous monitoring of legality was not their primary purpose. Existing certification schemes such as FSC, PEFC or ISO 14000, or any scheme derived from them in future to cover 'legality' aspects, are unlikely to provide appropriate and comprehensive solutions to the illegal logging problem. *Voluntary* systems will never be able to stop widespread and uncontrolled logging in tropical forests. These 'quality assurance' systems have not been designed as tools to enforce the law and to be made compulsory. Because they are not based on regular and unannounced audits and on continuous sample checks, and because they allow paper-based chain-of-custody systems that are possible to forge, they do not provide the level of confidence that will be required from verification and traceability systems to credibly demonstrate legal origin. In addition, some of these schemes may be reluctant to adopt a stepwise approach i.e. legal compliance requirements on the way to 'sustainability'.

In addition to the certification schemes mentioned above, there are other more general labelling schemes such as the German "Blue Eco Angel" scheme, and the EU's "Ecolabel" which could have a role in identifying wood from well-managed sources.

It would be illegal under the WTO international agreement to impose restrictions that favour suppliers from one particular country or one particular verification/certification scheme (any legislation or procurement policy must lay down impartial standards and test any applicant schemes against those standards). Before a universal definition of what is legal and what is not for timber products is eventually adopted through an international treaty, mechanisms enshrined in bilateral or multilateral agreements between producer and consumer countries would likely be sufficient and acceptable under WTO rules.

Producers would have to adhere to a standard that offers robust chain-of-custody verification, as well as forest management certification, to ensure that fraud is not perpetrated after the timber has left the forest by forging documents or substituting certified timber with uncertified produce.

For such a legal origin verification scheme to provide the maximum efficiency, a central and continuous log/timber tracking and data monitoring system should be implemented country wide throughout the production chain and on a mandatory basis, as follows:

- A robust, technology and computer-based tracking system is needed so that exports can be traced back to legal sources and to ensure that fraud is not perpetrated after the timber has left the forest by forging documents or substituting timber from verified sources with other produce. It should be implemented nationwide, or at least be independently verifiable if producing companies use their own system. A uniform system (across an entire province/country/region) is recommended so that it can be operated or supervised by a single independent organization for the technical coherence, cost-efficiency and accountability of the system.
- A single database system is also needed to centralize, aggregate, cross check and consolidate data. The central database system should logically be integrated with the Log Tracking System and be operated by the same appointed organization. If this organization is also a recognized verification body, it can undertake the continuous monitoring and verification activities and the checks (randomly sampled or guided) that are required, both on documents and in the field; this organization would also be best positioned to issue credible 'Verified Origin' Statements for, or on behalf of the authorities.

Whilst *continuous monitoring and verification* will be needed under the central supervision of *one single organization* for the tracking and overall data processing and verification elements of the legal origin verification scheme, some criteria related to the *legal compliance* of timber production activities may require only *periodic auditing*, for which producers could be provided with a *choice of accredited verifiers/certifiers*, possibly performing their activities in the framework of the FSC or of a similar certification scheme.

Improvements to procurement policy

The consultants' report commissioned by DEFRA in the UK made recommendations for improving the government's record on buying **legally and sustainably** produced timber. It is a complex area, taking into account the large number of different government offices involved in procuring timber, and their different modes of working. However, supply contracts that are handled centrally, or by contractors

who have a long-term framework agreement to supply timber for a series of contracts, can be targeted initially.

One of the problems with requiring that timber should be **certified** is the gap between the demand for and supply of certified timber products. Only a tiny proportion of the world's internationally traded tropical wood products are certified. This begs the question of where the (uncertified) bulk of the trade will go. If governments proceed too quickly down the route of insisting that only certified products are purchased, it will have the effect of driving the tropical producers to find less discriminating markets elsewhere, such as the Middle East and China. This would only have negative impacts on the standards of forest management.

This situation calls for a step-by-step implementation that will gradually improve the performance of producer nations. Although the ultimate goal might be for all supplies to reach the FSC or a similar standard, it will be necessary to verify to lower standards first. This could commence with insistence on **legal** origin, and move forward to require overall legal compliance¹³, and, finally, full certification of sustainable origin and trade. The process would have the following steps:

1. Require that all timber and timber products come from legitimate sources. If this were to be implemented separately there would need to be a new standard established to monitor legal ownership and title in each country, recognising the fact that in some countries the legislation is far less stringent than in others.
2. Require that all timber products are produced, transported, processed and exported in accordance with specified producer country national legislation. Again, some countries have less stringent regulations than others. This would need to be verified through modified chain-of-custody systems.
3. Insist on the certification of forest management and chain of custody to a standard such as the FSC. Major NGOs such as Greenpeace, Friends of the Earth and WWF maintain that currently the FSC forest management and chain of custody certification scheme is the only way of ensuring that wood is produced sustainably and transported without mixing with other uncertified wood.

¹³ The CLO and CLC systems, as described in section 2.7 and Appendix 1 of this report, would be appropriate tools for this purpose.

CONCLUSIONS

1 VOLUNTARY FOREST CERTIFICATION (AT INDIVIDUAL COMPANY LEVEL) VS. MANDATORY VERIFICATION OF LEGAL ORIGIN (AT COUNTRY LEVEL)

Given the differences between the countries studied in terms of enforcement capacity, commitment of the public sector to reform, forest resource value and ownership, and the availability of non-timber based sources of income, each country needs to develop its own programme to support a trade in only legally and sustainably produced timber. However, there are some common themes relevant to the countries studied.

Virtually all countries studied are either developing or have developed policy frameworks and supporting legislation to promote sustainable forest management. For example, several countries appear to be moving away from dependency on administrative procedures for regulating resource use and forest management. Market based systems are beginning to be recognised, in some circumstances, as a more effective means to encourage the private sector to operate in a more sustainable manner. This is most evident in the introduction of auctioning as a means to allocate access to the forest resource.

Another important change is that Governments are beginning to recognise the need to provide forest managers with resource security to enable a longer-term approach to forest planning, management and investment. In association with this, forest administrations are handing over responsibility for managing forest resources to concessionaires and making the development of management plans compulsory.

Stakeholder participation is also gradually being recognised as a key element in forest sector development. Although the degree of participation is often minimal, mechanisms are at least being established to enable stakeholder feedback on Government reforms. In some of the more progressive countries systems of revenue sharing are being developed to provide an incentive factor for local people's involvement in SFM. Although these schemes are at the planning stage, and questions remain as to how effectively they will be implemented, they do at least indicate Government commitment to engage local stakeholders as partners in improving forest management.

Although there are clearly some positive trends, huge threats remain:

- ◆ Illegal logging, illegal encroachment of forest land, and the bush-meat trade are significant contributors to local economies in virtually all countries studied¹⁴. Any policy focusing solely on increased penalties and improved enforcement to combat these issues is unlikely to be fair or effective given the likelihood of considerable dissent amongst the rural poor.
- ◆ Deforestation, as a result of subsistence and commercial collection of fuelwood and charcoal, is also a significant cause of forest loss and should be addressed through methods of controlled production and exploitation.
- ◆ Corruption amongst government agencies remains a problem in all countries studied and needs to be brought under control for any significant improvements in forest management to be realised.
- ◆ Enforcement capacity is weak in every country studied and in some is virtually non-existent.

Isolated attempts to certify forests are likely to encounter great difficulties in protecting the certified resource from these threats. Solutions are dependent on good government control of the forest sector and the enforcement of management standards.

¹⁴ See the report Forest Law Assessment in Selected African Countries.

This dependency between governance and certification helps explain the greater area of forest certified in temperate developed countries to date ¹⁵. Currently only around 10%¹⁶ of FSC certified forests are located in tropical areas. Most certified tropical forest is in Latin America (mainly Bolivia, Brazil and Mexico) and most of it is plantations. Although certification is having an impact, it is localised, and takes time¹⁷.

Certification as a *voluntary* initiative is only ever likely to be adopted by the best forest managers who believe that certified status can improve access to the best markets, help protect valuable market share or, to a lesser extent, improve their public profile.

Africa has a bad reputation for unscrupulous and unprofessional logging operations (GFW 2000, Forests Monitor 2001, GW 2002). Some operators tend to seek out countries where regulations are weak and/or poorly enforced and will clearly have limited interest in participating in voluntary certification schemes. Altering the practices of such operators is the key to addressing the problem of illegal logging - this can only be achieved through compulsory measures. Undoubtedly there are reputable companies operating in Central and West Africa. However, they have no real incentive to operate 'by the book' when their competitors transgress regulations with relative impunity.

A further problem with the use of certification as a means to improve management standards in Africa, is the relatively weak and unpredictable market for certified produce. Particularly in Central and West Africa, where trade with China and other Asian countries is growing in importance, it is likely that the market incentive for certification will remain weak - and possibly even diminish.

Given the circumstances described above, it is unlikely that certification will have a significant impact on forest management unless there are accompanying changes in the regulatory framework and effective enforcement of forest management standards by Government.

The key constraint to the development of certification, and more generally to improved forest management, is the poor enforcement of regulations. In many countries, regulations are basically sound, and where they are not, the Governments concerned are currently engaged in a process to reform the legislation. If the objective is to significantly improve forest management standards it is logical to assist Governments to enforce existing regulations.

This assistance should incorporate independent¹⁸ sector monitoring at a national level. Such monitoring could progress in a stepwise fashion to ease implementation. Initially a system could be established to track timber flows to ensure that all raw material derives from legal sources (Verification of Legal Origin). Once this system is functioning effectively the next logical step would be to audit forest management to ensure that the conditions of the concession contract are being respected (Verification of Legal Compliance). At this stage, Government, donors, and most importantly timber purchasers, can be confident that timber is being produced and sold legally. A summary of the various stages involved in developing this approach can be found in Appendix 1 (table 2).

Developing systems and procedures to improve Government enforcement of forest regulations can go a long way towards improving forest management. Because rural communities often rely heavily on the forest resource, whether their use of the resource is legal or illegal, any substantial reduction in this use must, at least in part, be compensated for. Government measures to improve the sharing of tax revenues from commercial logging operations are a move in the right direction. But no Government in the region has yet to come up with any serious proposals to comprehensively address the problem of the bushmeat trade. Although some limited measures have been taken to improve enforcement, such measures are unlikely to work without much greater commitment to benefit sharing with local communities.

¹⁵ More complex management systems and stakeholder interactions also make certification in tropical developing countries more difficult.

¹⁶ Based on an analysis of the figures provided on the FSC website

¹⁷ The FSC scheme commenced in 1993 and has therefore had almost 10 years to influence forest management in tropical developing countries.

¹⁸ Monitoring needs to be separated institutionally from concession allocation and law enforcement in order to eliminate conflicts of interest and minimise the perception as well as the possibility of actual corruption.

It is evident that the complex problems associated with improving forest management practice in West and Central Africa are unlikely to be solved by focusing on the promotion of voluntary certification. A more effective approach would be to build on progress that Governments have already made in developing an enabling framework for sustainable forest management. Specifically, to assist them in enforcing regulations and to complement this with measures to enable local populations to continue to utilise the forest resource in an economically productive and environmentally sustainable manner. Improved regulation of the forest sector will almost certainly lead to increased voluntary uptake of forest certification.

2 PUBLIC PROCUREMENT AND LEGISLATION TO RESTRICT IMPORTS

The certification movement arose primarily as a response to the threats of tropical deforestation and unsustainable logging. Yet, it is in the tropical countries that certification is still to have a significant impact. The tropical producer countries frequently do not have the skilled manpower or resources to implement new systems, and are often plagued with corruption. It will therefore be difficult for them to raise their standards to certifiable levels quickly without outside technical assistance and institutional strengthening and without the market providing the necessary incentives and possibly the mechanisms for this.

Therefore, strong links should be maintained between the implementation of any procurement policy proposals in consumer countries and forest management initiatives from bilateral and multilateral donors such as the Department for International Development (DFID). This will help ensure support and assistance to key producer nations in the tropics. Assistance from DFID and other donors should help selected producer nations to upgrade their systems and management standards.

There are currently many international initiatives seeking to improve forest law enforcement, governance and trade, such as the UK's Memorandum of Understanding with Indonesia, and others referred to above. Proposals for government timber procurement should be viewed in the light of these initiatives, as an additional incentive for producer countries.

Any initiative will have a much greater impact if it is consistent across importing countries. Therefore there should be international liaison between consumer countries to prevent a situation where some importers have lower standards than others: this issue is being addressed by the FLEGT group. However, it will be important to construct any importing or purchasing regulations in such a way as to avoid conflict with the rules of the WTO.

Whatever system is implemented for guaranteeing the legal or sustainable origin of timber will need to include systematic checks and audits of claims by credible verifiers/certifiers. Falsification of documents, such as is said to be possible under the CITES system, is a likely hazard that will need to be designed out of any system, possibly by the means of statements issued on behalf of the authorities by accredited independent verifiers/certifiers. Different schemes of wood tracking technology, such as labelling with bar-coded tags, radio tags or chemically coded paint will have a role to play, and their cost-effectiveness as well as their utility in verifying/auditing and monitoring will need to be evaluated under each specific set of conditions. Systems can be designed to minimise the risk of fraudulent operations, or at least make it so expensive and difficult as not to be worthwhile.

3 ACTION FOR THE ALLIANCE

WWF is committed to the FSC certification scheme. Any initiative that helps producers in tropical countries certify their products would also promote legal and sustainable production and trade in the tropical hardwood sector. However, it is unlikely that there will be significant increases in areas certified unless support is provided and achievable milestones identified throughout the process.

Suggested areas for action:

- ◆ Support should be provided to producer Governments to set up their own compulsory systems, initially to verify legal origin and then legal compliance. A certification support programme to assist producers to reach certifiable status should also be initiated. If producer countries have

independently monitored systems to prove legality and compliance this will greatly facilitate procurement by importing countries that wish to only import 'legal' timber.

- ◆ Support for the EU FLEGT group and promotion of its recommendations in the areas of international credit organisations and controlling the illegal timber trade.
- ◆ Subsidising the cost of implementing and running national certification schemes that are accredited to the FSC.
- ◆ Supporting projects that aim to improve accountability in log production, for example by log tracking.

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APPENDIX 1 – IMPLEMENTATION OF VLO AND VLC

Table 1 depicts how Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC) might be implemented in West or Central Africa. The objective is to help ensure widespread compliance with the current legislation that is broadly supportive of SFM. Donor support for the implementation of a VLO-VLC system would be important, particularly in the initial stages of development. For most countries implementation of the system, in association with increased taxation on the raw material supply, will substantially improve regulation and enable Government to increase its share of forest sector revenue.

Table 1. Controlling the trade in illegally logged timber - VLO-VLC System Design

Options for system design	Advantages
Mandatory monitoring at provincial/national level	<ul style="list-style-type: none"> • Imposed on all producers • Country wide implementation
Independent third-party verification covering the processes of: i) data collection, verification and processing, ii) addressing claims ii) issuing the verification statements and iii) publishing the data	<ul style="list-style-type: none"> • Comprehensive monitoring throughout the production chain • Proven independence, neutrality, integrity and competence / qualifications • Transparency, credibility, recognition by importing authorities and market
Technology-based techniques	<ul style="list-style-type: none"> • Technically reliable and robust systems
Uniform log/timber tracking system for all producers Centralised data system	<ul style="list-style-type: none"> • Can be organised and verified efficiently at reduced costs (third-party) • Can be monitored by "fourth" parties i.e. an independent observer
Only one independent verification organisation in charge of the legal origin validation in each closed area (e.g. province)	<ul style="list-style-type: none"> • One verification organisation operating the log tracking, landuse monitoring and data systems across the province • The organisation can operate or liase with other partners for some elements (e.g. remote sensing, field investigation) • Cost efficiency of control (economies of scale), consistency of methods etc.
Two levels of intervention	<ul style="list-style-type: none"> • Continuous <i>monitoring</i> and high intensity <i>inspection</i> of the products and operations of "small" producers • Periodic external <i>auditing</i> of the management systems of well organised producers or producers groups - who may adopt the same technology (hardware, software) as the national verification system internally for their own management system linked to the central data system
User fee per m ³ to pay for the services	<ul style="list-style-type: none"> • Financially self-sustainable programme • Tax rebate to compliant products or to compliant companies under a low intensity auditing regime (low level of intervention)
BOT (Build Operate Transfer) process	<ul style="list-style-type: none"> • Gradual transfer of capacity, expertise and responsibilities to a national institution/agency planned over the long term • At final stage, the national institution could be placed under an ISO-compliant quality assurance certification programme.

Table 2 depicts a possible path for implementation of VLO-VLC. Initially efforts should focus on the development of a robust wood tracking system that will lead to Verification of Legal Origin (VLO). Forest management auditing could then be introduced to ensure that management practices are in keeping with the terms and conditions of the concession contract (VLC).

Table 2. Controlling the trade in illegally logged timber - VLO-VLC System Implementation

Options for a phased implementation plan	Advantages
<p>1. Start at both ends of the chain by making it compulsory for companies to:</p> <ul style="list-style-type: none"> - mark all logs in the forest and the primary products at the mills (with uniquely numbered and registered barcodes), and declare all log/product movement and sales throughout the CoC - establish an export monitoring programme for timber and wood products 	<ul style="list-style-type: none"> • This can commence very quickly (no legislative reform needed) • Producers are responsible for purchasing and affixing the bar-coded tags on products and providing declarations – no cost for the central system • Any truckload circulating without the tags would be deemed illegal • A centralised data system, including the whole chain of custody, can be developed and fed with the declarations • Exports are registered and physically inspected – compulsory declaration of destination deters un-recorded exports • Improved government revenue capture as products are duly declared, correctly classified and valued, and export duties are paid • Declaration of origins and movements of uniquely numbered and registered products provide the basic information for an efficient timber flow control system • Legal compliance of declared sources can be verified and monitored for ownership, harvesting rights, respect of boundaries, volumes, quotas etc. • Anomalies can be detected and reported • Essential elements regarding the legality of exports are already under control and official "verification statements" can be issued for all exports • Information is available both for buyers (trade promotion) and for fast customs clearance (trade facilitation)
<p>2. Use remote sensing simultaneously for land use verification and monitoring purposes</p>	<ul style="list-style-type: none"> • Illegal logging operations can be detected and legal sources can be further monitored by using: satellite imagery, aerial photographs, ground checks • Surveillance of protected areas, detection of illegal shipments, tracking of forest fires and resource monitoring can be included in the objectives
<p>3. Strengthen the tracking system</p>	<ul style="list-style-type: none"> • Legal origin and ownership verification can be enhanced throughout the CoC using random checks of truckloads and of produce in log/timber yards and cross checking information • At this stage official statements of verified legal origin can be issued and should be recognised by the market and importing country Governments - producers or producer countries may commit themselves to implementing the next step of the programme (VLC) within an agreed timeframe (continuous improvement process as part of Business to Business or Government to Government agreements.)
<p>4. Forest management auditing</p>	<ul style="list-style-type: none"> • Full compliance with concession, management plan and logging license requirements • The above mentioned appointed verification body should be made

	<p>responsible at least for the continuous and centralised reconciliation of volumes whilst accredited certifiers could possibly be hired to audit the qualitative elements only requiring periodic auditing.</p> <ul style="list-style-type: none">• At this stage, official statements of full legal compliance (VLC) can be issued by the verification body. Alternatively, sustainable forest management certificates could be used as a suitable mechanism - provided the certification scheme makes it a requirement that a robust legal origin validation system is implemented as above in the first instance.• Information can be used by banks and insurers for due diligence.
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APPENDIX 2 – REVIEW OF FOREST CERTIFICATION SYSTEMS

OVERVIEW

SFM certification systems have generally supported most of the basic tenets of SFM outlined in the General Assessment section of this report. However, some systems (most notably FSC) do not explicitly refer to sustainability as an objective but rather to 'good forest management' which some consider less controversial. Most systems refer to the economic, social and environmental aspects of SFM but place varying degrees of emphasis on these aspects.

The main SFM certification schemes along with the mutually compatible Legal Origin Verification are described below, followed by a description of the Chain of Custody (CoC) certification system - an element linking certified produce to the forest source.

FOREST STEWARDSHIP COUNCIL (FSC)

The Forest Stewardship Council (FSC) was established in 1993 with the objective of promoting good forest management through the development of ten key principles and associated criteria. Third-party certifiers are accredited by the FSC and charged with the task of assessing forest management standards against the FSC criteria for good forest management. Once a forest has achieved FSC certification a CoC must be established and certified before products from the forest can be labelled with the FSC logo.

The FSC is structured to ensure equality between the main interest groups concerned with forest management. It is directed by a general assembly of its members divided into three equal chambers representing economic, social and environmental interests. Each chamber is also sub-divided equally into northern and southern chambers. Government officials are barred from membership of the FSC.

The FSC is funded by charitable foundations, governments, membership subscriptions and fees from accredited certifiers. To ensure its independence from industrial interests the FSC does not accept funding from industry.

The FSC has demonstrated its capacity to innovate and review policy according to feedback from forest managers and industry. For example, it has introduced percentage based claims to facilitate the certification of mills and other facilities that are unable to guarantee that all of their raw materials derive from certified sources. Given the difficulty, and costs of achieving certification for many small producers, the FSC has sought to assist them by permitting groups of forest owners to apply collectively for forest and CoC certification.

The FSC supports the formation of national level working groups in order to assist in promoting FSC certification at a national level and to ensure that stakeholders, including the Government, are involved in adapting the certification scheme to suit local circumstances.

There are currently only eleven accredited certifiers none of whom are headquartered in tropical countries. Of the five agencies currently seeking accredited status only one, the Mexican based Fundación "vida para el bosque", is from a developing country.

Most FSC certified forest is located in temperate countries, primarily Europe. As of May 2002 there was a global total of 28,827,037 ha of forest certified under the FSC scheme. By May 2003 the area had increased to 36,881,272 ha. The total area of forests and plantations certified in tropical regions is approximately 10% of the global total (FSC undated). A significant majority of the tropical forest certified is located in South and Central America. Currently the only FSC certified forests in Africa are located in South Africa, Zimbabwe, Namibia and Uganda. Natural forests are restricted mainly to Namibia (61,130 ha) and Zimbabwe (41,579 ha). One attempt was made to secure FSC certification of a primary tropical forest in Africa but the certificate was subsequently revoked following insufficient compliance by the company with the Corrective Action Requests raised by the certifier.

PAN EUROPEAN FOREST CERTIFICATION (PEFC)

The PEFC scheme originated in 1999 as a voluntary private sector initiative driven by small forest owners in European countries. It arose in part as a reaction by small producer associations against the perceived stringent requirements of the FSC scheme. Many small producers believed that their existing systems of forest management and administration could not bear the additional costs required to achieve FSC certification. This led to the formation of the PEFC scheme, which functions as a framework for the mutual recognition of national certification schemes.

The PEFC Criteria for SFM are compatible with the Pan-European Criteria and Indicators for SFM drawn up by European Government Ministers. This has helped to ensure widespread support for the scheme in Europe.

PEFC governing bodies, operating at a national level, develop forestry standards and prepare national forest certification schemes for approval by the PEFC central council that comprises representatives from the national level PEFC governing bodies. If successful, they can use the PEFC trademark for product labelling.

The process of certifying forests is undertaken by organisations accredited by the respective national PEFC governing body.

In order to enable large numbers of small forest owners to easily enter the PEFC scheme, a system of regional certification has been developed whereby a region as a whole is certified and all forest owners are automatically eligible to apply for a licence to use the PEFC logo.

PEFC surveillance visits by the certification body are used to ensure that forest owners are complying with standards. It is not clear how frequent and rigorous such assessments are, but, given the regional scale of the certification and the small size of many forest holdings, it seems unlikely that monitoring will be stringent. The system appears to rely more on self-regulation than systematic independent monitoring to ensure compliance.

By the end of 2001 the PEFC became the world's largest certification scheme with 32.37 million ha certified (TTJ 2002). The area of forest certified under Pan European Forest Certification (PEFC) has rapidly increased in the last year, with 46.3 million ha being the latest figure. Almost half is taken up by the Finnish Forest Certification Scheme (21.9 million ha), with the second biggest area being Norway (9.3 million ha).

Over the last year the PEFC has rapidly expanded its membership to certification schemes outside Europe. It has also established a globalisation working group to look at developing the scheme into a worldwide framework. A pan African and ASEAN scheme are also under development.

ENVIRONMENTAL ISO 14000 SERIES

ISO is distinct from the PEFC and FSC schemes in that it does not require achievement of specific targets. Instead it focuses on the development of systems (Environmental Management Systems), emphasising their continual development through auditing procedures. For this reason it is compatible with both FSC and PEFC and may in some cases assist organisations in achieving performance based targets set by other certification schemes.

AFRICAN INITIATIVES ON FOREST CERTIFICATION

The Inter-African Forest Industries Association (IFIA), representing private sector interests¹⁹, in association with the African Timber Organisation (ATO), is currently developing a Pan African Forest Certification System (PAFC). Principles, Criteria and Indicators (PCI) have been developed in collaboration with CIFOR and the ITTO. The PCI have reportedly been validated in five member

¹⁹ 14 forestry companies have committed to the certification process. In 1999 these companies managed 14 million ha of forest concessions in Africa with a total annual production of 4 million CUM.

countries in West and Central Africa (IFIA undated). A panel of experts has convened to develop procedures for implementing the system and establishing an accreditation panel (Chipeta & Joshi 2001). The initial stages of the scheme's development are being financed by the French Agency for Development (AFD) - subsequently it is expected that financial contributions will be provided by the European Union and the ITTO.

NATIONAL SCHEMES

Currently only Cameroon and Ghana have taken significant steps in developing national level certification schemes. These schemes will be discussed in more detail under the relevant country sections.

MUTUAL RECOGNITION

The International Forest Industry Roundtable (IFIR) and the PEFC are particularly active in seeking mutual recognition. The IFIR is promoting an internationally representative committee to administer mutual recognition, and an independent quality assurance group to assess the credibility of certification systems seeking inclusion in the mutual recognition framework (Oliver 2002).

Meanwhile, the PEFC is considering extending their scheme outside Europe. One suggestion is that the PEFC could promote the creation of separate 'geographical colleges' based on established political processes; the Montreal Process for non-European temperate and boreal forests, and the ITTO process for tropical forests. A council would be established to facilitate mutual recognition between all countries participating in the scheme (ibid).

The FSC appears to be a rather unwilling participant in efforts to develop mutual recognition; concerned that recognition of other schemes may require some 'watering down' of its own standards for 'good forest management'. It seems likely that mutual recognition will be achieved between the PEFC, SFI (Sustainable Forestry Initiative)²⁰ and possibly certain national level initiatives. This should result in the retention of at least two major internationally applied certification schemes (most probably the FSC and a combined IFIR/PEFC framework), both performance based, but one with a lower threshold for acceptance.

CHAIN OF CUSTODY

CoC certification is a mechanism for demonstrating that forest products derive from a specified source. CoC systems are typically paper-based and record the links in the supply chain from forest through processing and distribution to the final customer. Most CoC systems are similar and there may be scope for a high degree of mutual recognition between the various schemes.

Throughout much of the tropics small producers supply a considerable volume of the wood used by the processing sector. The implementation of group CoC systems is therefore a key consideration in promoting forest certification, particularly in tropical developing countries. The FSC group CoC is aimed at making the CoC certification process easier and cheaper for small producers. Although the certification of group CoC is fairly limited to date, indications from the UK are that costs should be substantially reduced.

Under group CoC in the UK, costs for an individual enterprise to participate are likely to be around US\$400 with a recurring annual cost of US\$180. Current costs for individual CoC range from US\$1500 to US\$3000 (F&BT 2002).

The FSC is also introducing new regulations to allow single companies operating across multiple sites to gain CoC certification. In order to qualify, companies must have a central office co-ordinating and monitoring their activities across all sites. Companies are required to follow the same procedures across all sites.

²⁰ The American Forest and Paper Association established the SFI in 1994, in 1998 it was opened to non members.