

## Independent verification of legal timber: complementing certification and encouraging positive governance?

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### INTRODUCTION

This paper outlines a new approach to addressing the problem of illegal logging in countries where current government enforcement is of limited effectiveness. Although focused on tropical producer countries, the approach proposed is also applicable to temperate regions, particularly countries with economies in transition.

Independent Verification of Legal Timber (IVLT) is designed to support Governments in their efforts to improve regulation of the forest sector. IVLT will provide Governments with comprehensive information on production and trade in forest products nationwide. And, most importantly, it will provide regular and transparent feedback to government enforcement agencies on companies' compliance with legislation. IVLT also complements certification by making it easier for individual producers to reach the standards required by certification schemes.

### THE PROBLEM

Between 1980 and 1995 developing nations lost 200 million hectares of forest (FAO 1999). FAO statistics for the late 90's have suggested that depletion and destruction of natural forests in the humid tropics is continuing at a slower rate than during the 80's. However, the FAO statistics for forest cover include plantations that have been increasing at a rate of 3 million ha per year during the 90's. If plantations are excluded from the forest cover figure it appears that natural tropical forests are being lost at a rate of 16 million ha per year (Mathews 2001).

Tropical deforestation rates vary regionally and appear to have increased during the 90's in tropical Africa, remained constant in Central America, and declined slightly in tropical Asia and South America (Mathews 2001)<sup>1</sup>. The underlying causes of tropical deforestation and forest degradation are complex and vary from one country to another (IISD 1999). However, illegal logging is, in many cases, a major contributory factor, either directly or indirectly through improving accessibility and thereby making alternative forms of land use feasible.

Although accurate data are scarce, a number of studies have indicated the scale of illegal logging. In Ghana, one of the better regulated and developed forest economies in West Africa, it is estimated that illegal logging is more than twice the legal harvest (Birikorang *et al* 2001). In Indonesia it is estimated that approximately US\$1.5 billion was lost to Government due to illegal logging in 1998. This represents approximately 1.5% of Indonesia's GDP (Palmer 2001). According to Contreras-Hermosilla (2002) in many tropical producer countries more than 50% of all logging is illegal, either completely or in many significant aspects. On a global level the World Bank estimates that the annual market value of losses resulting from illegal logging is at least US\$10 billion (World Bank 2002). (World Bank 2002).

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<sup>1</sup> Brazil may be an important exception as recent data indicates that the deforestation rate has increased by 40% between 2001 and 2002 (Vidal 2003).

## CURRENT 'SOLUTIONS'

A combination of supply and demand side policies have been implemented in recent decades in an attempt to improve forest management standards and combat illegal logging in the tropics. Supply side policies have included Government regulations, voluntary industry initiatives such as codes of practice and donor funded projects to improve institutional capacity in forest management. Demand side policies have been dominated by voluntary certification schemes such as the FSC (Forest Stewardship Council). In recent months this has been complemented by consumer country government procurement policies designed to reduce the trade in illegal timber. The major mechanisms for improving forest management standards and combating illegal logging in the tropics are considered briefly below.

### Government regulation in producer countries

Given the extent of illegal logging it is clear that traditional methods of government control in tropical countries are failing. Although governments in many tropical countries have made progress in developing forest laws and regulations, designating protected areas, increasing the knowledge base on SFM (Sustainable Forest Management) and improving forest and land use planning (Mitchell et al 2002), they have almost without exception failed to ensure effective implementation of the law (ibid 2002). This lack of success has been attributed to poor expertise, insufficient resources, inappropriate management systems and a traditional 'command and control' approach to regulating the forest sector.

Existing institutional structures in the forest sector also pose a problem for the effective implementation of forest laws. The absence of a clear separation between a) approval of concessions and management plans, and law enforcement on one side and b) verification of compliance on the other, creates conflicts of interest and the potential for significant levels of corruption fuelling illegal logging. In recognising the importance of effective Government control in addressing the problem of tropical forest degradation, donor agencies have funded institutional capacity building projects. However, despite spending US\$2 billion annually (Kaimowitz 2000) there has been no significant improvement in performance, and this has caused a general loss of confidence in governments' capacity to achieve legal compliance in the forest sector.

## Certification

### Overview

As of March 2003 the total area of certified forest globally was 159 million ha. 95% of this is located in North America and Europe.

**Table 1. Global forest area certified**

Scheme	Area (million ha)	Date
FSC	37	May-03
PEFC	47	Feb-03
Keurhout	36	Jun-03
SFI	39	2002
<b>Total</b>	<b>159</b>	

Source: FSC, PEFC, Keurhout, SFI web sites

A brief review of the progress of the major certification schemes follows.

#### Forest Stewardship Council (FSC)

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 36 815 272 ha. Most FSC certified forest is located in temperate countries, primarily Europe. Currently the only FSC certified forests in Africa are located in South Africa, Zimbabwe, Namibia and Uganda, of which natural forests are restricted mainly to 61 130 ha in Namibia and 41 579 ha in Zimbabwe. In Asia approximately 250 000 ha had been certified under the FSC by August 2002. Much of this area was certified in Indonesia (152 000ha) and Malaysia (77 000ha).

#### Pan European Forest Certification (PEFC)

By the end of 2001 the PEFC became the world's largest certification scheme with 32.37 million ha certified. 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 and Brazil and Malaysia are currently applying to join the scheme.

#### Sustainable Forestry Initiative (SFI)

The American Forest and Paper Association established the SFI in 1994. In 1998 it was opened to non-members. There are currently 55 million ha of forestland in North America enrolled in the SFI program ( of which 39 million ha are third party certified) making it one of the largest sustainable forest management programs in the world.

#### Keurhout

The total area certified to date is 36.5 million ha. Much of this certified area is in Europe (primarily Finland) although 80 000 ha is certified in Brazil and 615 000 ha in two separate concessions is certified in Gabon.

#### 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. 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.

#### *Limitations of Certification in Protecting Forests*

Certification has provided many forest managers with an opportunity to demonstrate that they are complying with high standards of forest management. However, it has had a limited impact on improving forest management standards, particularly in tropical countries. Some of the reasons for this lack of progress are given in **Table 2** (see next page).

Although certification is, and will remain, an important element in the international effort to improve forest management, given its limitations, particularly the fact that it is voluntary, it is unlikely to develop into an effective means to combat illegal logging and the associated unsustainable trade in timber that

is contributing significantly to the degradation of forest resources. It is therefore clear that an alternative, yet complementary, approach is required.

**Table 2. Limitations of Certification**

<b>Limitation</b>	<b>Explanation</b>
Certification can take years to achieve	Particularly in tropical countries where environmental and social issues are generally more complex and difficult to resolve than in temperate regions.
Certification demands trust and good will	In countries where there is a history of proper law enforcement certification is an effective approach to improving management standards. However, in a context where laws are routinely ignored, there are significant opportunities for abuse because voluntary certification was not designed to verify and enforce compliance continuously over time and does not incorporate rigorous audits of compliance.
Certification only affects the companies that voluntarily sign up to it	Companies voluntarily implementing certification do not normally contribute significantly to the problem of forest degradation, and any improvements in management standards resulting from certification, though positive, are relatively minor in comparison to the damage caused by illegal logging and poor management outside certified areas.
Certification is difficult where the law is routinely ignored	Widespread illegal logging is likely to preclude certification as concessionaires seeking certified status may be unable to control third party illegal logging inside their concession areas. Indeed, the success of certification in many countries in Europe 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.
Many individual producers find certification too difficult and costly	Implementing improved management systems and covering inspection costs is particularly problematic 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).
Adopting certification puts the producer at a disadvantage compared to their competitors	The lack of a level playing field owing to the inherent voluntary nature of certification means that producers may fear competitive disadvantage if they pursue certification in isolation because of the cost implications in raising management standards to achieve certification.
Lack of clear market signals	The lack of clear incentives in terms of price and market share for certified timber products results in insufficient trade in certified products to deter illegal or unsustainable trade in tropical timber. 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.

## Procurement policies in consumer countries

Institutional and private sector-led initiatives aiming to deny access to illegally sourced and illegally produced timber products are developing quickly in consumer countries. For example,

- The European Commission (EC) has issued a Proposal for an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). The Action Plan includes developing a multilateral framework on which voluntary actions would be based, such as helping partner countries to build reliable and credible verification systems and structures to identify and certify timber harvested legally and to monitor timber flows to the EU and elsewhere. The EU Plan also includes reviewing options for more constraining legislation in future<sup>2</sup>. The EU aims to immediately conclude bilateral (or regional) FLEGT partnership agreements<sup>3</sup>.
- The EU, together with other large consumer markets such as Canada, China, Japan and the US, also supports similar international efforts such as the regional FLEG initiatives (including the Africa FLEG) co-ordinated by the World Bank.
- A number of central and local governments are preparing public procurement procedures which are expected to require that timber products are independently verified or certified so as to qualify under one of the following status: legal, legal progressing to sustainable or sustainable. These schemes increasingly identify 'legality' as the first level of requirement.
- Large buyers and retailers are increasingly looking for ways to secure long term timber supplies, which includes ensuring that timber sources comply with laws and regulations.
- Trade Federations such as the UK Timber Trade Federation (TTF) have developed codes of practice for timber sourcing focusing specifically on ensuring that timber used by their members derives from a legal source. The TTF is now looking to develop systems to verify that the code of practice is being adhered to.

These initiatives, the activism of NGOs, and the media's portrayal of illegal logging combine to create a demand for systems that can effectively verify the origin of timber and demonstrate that it is being produced and traded in compliance with the law.

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<sup>2</sup> Communication from the Commission to the Council and the European Parliament (21.5.2003) – COM (2003) 251 final.

<sup>3</sup> The EU Action Plan also encourages public procurement procedures for specifying 'legal' timber, private sector initiatives for good practice in the forest sector (including the use of codes of conducts to source only legal timber), and appropriate due diligence procedures for banks and financial institutions financing forest sector projects.

## INDEPENDENT VERIFICATION OF LEGAL TIMBER

### Overview

Illegal logging is a continuum of activities ranging from outright theft and disregard of legislation through to minor infringements of subsidiary legislation in otherwise responsible operations.

Independent Verification of Legal Timber (IVLT) is a new tool to assist governments in combating illegal logging by supporting the enforcement of forest sector legislation. IVLT has been designed for countries with limited forest (and forest product industry) sector control, mostly tropical producer countries and countries with 'economies in transition'.

IVLT is designed to be **mandatory** and operate at a **national level**. The mandatory nature of IVLT is an essential element. IVLT must be compulsory at the national (or provincial) level within the producing country. Only a comprehensive programme imposed on all producers provides an effective and cost-efficient detection tool to support national governments in enforcing legislation.

IVLT is recommended as a two-step process for improving forest management (See **Figure 1**) starting with Verification of Legal Origin (VLO). VLO focuses on demonstrating that timber and timber products derive from a legal source and are legally owned at all points in the supply chain<sup>4</sup>. This will significantly support the improvement of forest governance. Once VLO has been achieved, for each consignment of timber or timber products produced in compliance with the requirements of the scheme, a Statement of Legal Origin will be issued<sup>5</sup>. The second step, Verification of Legal Compliance (VLC), demonstrates that timber is managed in accordance with forest legislation and other relevant specified laws. Compliance with the terms and conditions of concession contracts and the Forest Code would typically be assessed at this stage. Once VLC is achieved timber is verified as legal and a Statement of Legal Compliance can be issued.

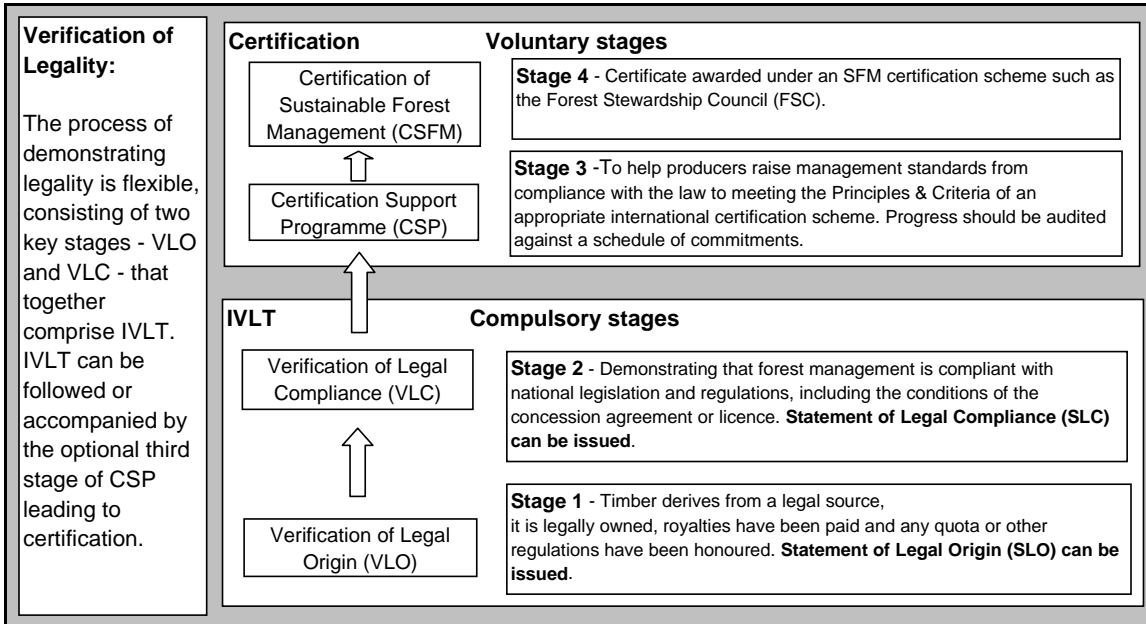
The two-stage approach to achieving legality (VLO first, then VLC) is of fundamental importance. It recognises that proving legal compliance is not necessarily a simple undertaking. Given the varying institutional capacities and forest resources of tropical countries any schedule for achieving Legal Compliance must be flexible. Some countries may be able to move rapidly to VLO and then proceed to VLC, whereas others will require more time to build the necessary structures and technical capacity even to achieve VLO.

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<sup>4</sup> Payment of royalties and compliance with regulations, e.g. protected species and quota restrictions would also typically be required to achieve verified legal origin status

<sup>5</sup> Statements can be issued at any point in the supply chain but are most likely to be issued at the point of export. The use of bar coded tags in association with VLO should provide the necessary assurance to those purchasing timber within the country that it derives from a legal source.

**Figure 1. Independent Verification of Legal Timber and Sustainable Forest Management**



Once VLC is achieved, forest certification becomes significantly easier (Stages 3 and 4 in **Figure 1**). Therefore, the approach described for achieving compliance with the law can provide a clear route (with verifiable milestones) to voluntary certification of forest management.

## Defining legality

Defining the laws to be complied with for the purposes of verifying timber as legal is not a straightforward task. The agreed set of 'relevant laws and regulations' to be retained for implementation of an IVLT programme in a country are likely to include environmental, forest, tax and customs legislation. It might exclude some parts of national law that are recognised as not relevant to the IVLT programme, or conflicting with internationally accepted best practice, until the law has eventually been reviewed and modernised. What is of key importance is that stakeholders (Government, industry and civil society) have an opportunity to work collaboratively..

The process of agreeing the 'relevant laws and regulations' to be complied with is likely to take some time. Given this, minimum standards should be developed for defining 'legal origin' (see **Table 3**) in order to begin the process of implementing IVLT whilst discussions are ongoing regarding the precise definition of 'legality'.

In order to be clear which laws are being complied with all statements of legal origin or legal compliance issued for timber consignments should include an attached schedule listing the laws that have been complied with.

**Table 3. Draft Basic Standards for Legal Origin Verification**

Principle		Verifiable Indicator		Means of Verification
1	Timber or timber products shall originate from a legal, valid and locally approved source.	1.1	Valid concession documents, timber licence, title deeds, owners' written consent, approved felling permit.	Check documents held by Forest Authority for validity.
		1.2	Ownership of the forest resources is not disputed or that there are no reasonable claims over the forest resources	Checks will be made with the relevant authorities responsible for dealing with land tenure issues
		1.3	Forest resources were allocated in accordance with the process laid down in the local legislation	Check records of sale/tender
2	All trees shall be felled with the permission of relevant local authorities.	2.1	The necessary felling permissions, in terms of felling permits, permission to enter the coup, approved management plans (if required), have been obtained;	Check validity of permits with Forest Authority
		2.2	Trees are felled in the correct geographical location and according to the permissions granted from the Forest Authority;	GPS records at felling locations fed into GIS and verified as being within concession boundaries
		2.3	All the necessary returns are submitted to the Forest Authority;	Check with Forest Authority
3	The timber products derived from the forest shall have been paid for according to a contract of sale and all relevant forest charges (such as area fees, royalties, fees, export duties etc.) will have been paid.	3.1	All government forest charges have been paid (or will be paid – i.e. there is evidence that there are no outstanding payments and that previous payments have been made on time), and that all export taxes and duties will have been paid if appropriate;	Check declarations made by producers/processors and inform authorities of payments due
4	All products comply with regulations regarding minimum diameters, species bans and quotas;	4.1	Definitions of regulations to be complied with.	Comparison of removal data with regulations
5	There is a verifiable chain of custody and ownership in place.	5.1	All changes of ownership will demonstrate that a contract of sale has been agreed.	Check sales documentation from buyer and seller.
		5.2	All changes of ownership recorded from source to point of export/final sale.	Regular monitoring and reports generated by system manager and verified by an independent third party.

## Implementation

### *Verification of Legal Origin*

Timber sources must be identified and verified as being legally owned with no outstanding legally recognised claims disputing ownership. Once the legality of the source has been confirmed a timber tracking system must be established to connect the timber in the forest to the point of final sale or export. Data collection is a key element of the timber tracking system; data is collected, analysed and verified as follows:

- Producers and traders along the Chain of Custody (CoC) are responsible for data collection (see **Table 4**)

- An independent agency collates and analyses the data submitted by producers and traders. Databases are used to store and analyse the data collected<sup>6</sup> and data from different sources is routinely cross-checked to verify accuracy.
- A third party auditor verifies the independent agency's outputs by undertaking regular unannounced field visits and database checks.

**Table 4. Implementation of Legal Origin Verification System –Activities and Responsibilities**

Activity	Responsibility	Description
Data collection	Government	Provide details of concession agreements, approved management plans, felling permits, past royalty payments etc.
	Producers	Measuring, tagging, recording log volume, filling in felling register.
	Merchants /producers	Completion of waybill, including tag numbers. The details of the tag numbers, the date moved and destination should also be recorded.
	Mill	Record tag number, species, and volumes entering mill and record volumes exiting. Bar code each batch of timber products leaving the mill so they can be traced back to the original log and stump
	Exporter	Record tag number, species and volumes received
Data entry	Independent agency responsible for implementing IVLT	Details of the forest owner, the concession, the area coordinates, the coup area, tree numbers, tag numbers, date issued and to whom, the logger, measurements, species, date moved, destination etc will be entered into a database. Much of the data should be available electronically to ensure rapid and timely entry.
		Invoice producers for royalties, maintain records of payments.
		Inform government of infringements
Monitor system implementation		Query database for reuse of tags and check that certified volumes are correct. Check felling locations, tags, labels, measurements, specification and documentation at each stage in the CoC. Monitor revenue collection and generate report on data inconsistencies.
Auditing and verification	Independent Auditor	Frequent and unannounced verification of system management.

The tracking system established under VLO is distinct from the Chain of Custody (CoC) systems associated with certification schemes. Recognising the potential for corruption and forgery in producer countries, VLO is designed to be robust:



<sup>6</sup> Commercially sensitive data will be held in a secure password protected database.

- VLO does not rely on paper based verification of legality; it is based on the automated analysis of data from multiple points along the supply chain to check for data inconsistencies
- VLO requires the use of uniquely numbered and encrypted bar coded tags issued to producers on the basis of their production quotas
- VLO requires continuous monitoring of the supply chains by a system manager
- The VLO system is regularly audited through third party independent inspections of system management and field operations.

### Verification of Legal Compliance

Verification of Legal Compliance must be flexible and based on the specific legislation in the country in question. In many tropical producer countries industrial forest management is regulated by the terms and conditions of a Concession Contract (CC). In this case verification of forest management is based, at least in part, on verifying compliance with the CC. As it is not possible to establish standards for verifying Legal Compliance without reference to a specific country, a simplified hypothetical example of the legal requirements, indicators and means of verifying legal compliance is provided in Table 5.

**Table 5 Sample Principles, Indicators and Means of Verifying Legal Compliance**

Legal Requirements				Verifiable indicator	Means of verification	
1	Forest Act	1.1	Forest Inventory	1.1.1 Statutory Instrument (SI) specifying minimum requirements	Inventory prepared (if required)	Check inventory design, fieldwork and analysis.
		1.2	Forest Management Plan		Management Plan (MP)	Check that MP complies with statutory requirements e.g. road network of required density and meets environmental protection measures.
		1.3	Harvesting Code of Practice		Implementation of the code	Frequent and unannounced field visits to check that all elements of code are being implemented, e.g. Skid trails avoid locally environmentally sensitive areas such as steep slopes and waterbodies
		1.4	Royalty Payments	1.4.1 SI periodically revises royalty rates.	Payments received by Government	Monitor payments
		.....				
6	Environmental Protection Act	6.1	Definition of Protected Area		Concession does not overlap	Check boundaries
		6.2	Requirement for Environmental Assessment (EA)		Operations comply with EA requirements	Check MP against EA legislation
		6.3	Protected Species Legislation		Operations comply with legislation, all red data book species covered	Monitoring of MP and its implementation
		.....				
10	Concession Contract (CC)	10.1			Operations comply with Terms and Conditions of CC	Field inspection of compliance with T&C

To achieve Legal Compliance:

- Producers and traders develop and implement Management Plans in accordance with legal requirements
- Government approves Management Plans
- The independent agency monitors producers' actions in relation to the relevant legislation.
- A third party auditor verifies the independent agency's outputs by undertaking regular unannounced field visits and database checks.

A key element in verifying compliance is unannounced forest management inspection to check that forest management practices are compliant with the law. Field based auditing will check stumps at harvest sites and logs at landings to ensure that harvesting limits, diameter and species restrictions are complied with. Where the law places further restrictions on harvesting and management practices, e.g. controls on felling in the vicinity of waterbodies or other environmentally sensitive areas, damage to standing timber etc. this will also be checked.

### *Non-compliance*

The Independent Agency will use a checklist to permit assessment of operators' performance against legislation. Where non-compliance is detected it will be classified as major, minor or observation. All cases of non-compliance will be reported to Government enforcement agencies.

### *Institutional Issues*

The institutional arrangements for IVLT should be flexible, but to be effective the agency responsible for implementing IVLT should be independent from Government agencies responsible for enforcement and allocation of timber harvesting rights. Initially at least, the option of contracting out the management of the IVLT system to an organisation with an international reputation to protect should be considered. This will allow IVLT to be implemented rapidly. If the organisation is international it may be required to gradually transfer capacity to a local agency, possibly an independent government office, set up specifically for the task.

### *Scaling up*

Clearly it is not feasible to implement IVLT in one stage in most tropical producer countries. This is why the two-step approach is proposed (VLO first and then VLC). For similar reasons it may not be realistic to expect a country to implement IVLT on a national level without some local testing, perhaps in selected regions representative of the wider country. Once IVLT has proved successful on a regional level it can be gradually rolled out across a country.

Another option for scaling up IVLT is to focus on a national level but to require mandatory participation only from the largest operators. Again, once the system is established with the larger companies other companies can be required to join. This approach also recognises that in many tropical producer countries rural communities obtain valuable revenue from participating in the informal forest economy. A rapid approach to implementing IVLT might therefore create resentment and resistance amongst sections of the rural population. A phased approach to scaling up IVLT would be designed to allow small-scale producers to participate, where possible, by providing awareness raising assistance and technical support.

### *Bilateral Agreements*

IVLT can be established in producer countries through bilateral agreements with importing countries. Under the agreement the importing country is only permitted to import timber products validated as legal under the IVLT scheme.

The UK Government is currently implementing a bilateral agreement with the Indonesian Government. Under this agreement the UK Government is seeking to ensure that all timber sourced from Indonesia is independently verified as legal. The approach taken is broadly comparable with IVLT. This MoU is likely to provide a template for other bilateral agreements with producer country governments. Indeed, other Governments, including China, Japan and Norway have already followed the UK's lead and have signed similar bilateral agreements with Indonesia. Jointly with other donors, the UK is currently funding a Pilot Legality Verification and Timber Tracking Project managed by an Alliance of stakeholders led by the NGO TNC (The Nature Conservancy).

### **Stakeholder roles and benefits**

The overall benefit of IVLT is to greatly reduce illegal logging and illegal conversion of forest to other land uses. There are specific benefits for each stakeholder group. **Table** lists the roles and benefits associated with the implementation of IVLT for each major stakeholder (see next page).

### **IVLT and certification**

In most countries, IVLT, by ensuring compliance with legislation, will facilitate the implementation of certification on a meaningful scale. The Certification Support Programme (CSP), stage 3 in **Figure 1**, is a key element in linking IVLT to certification of forest management.

#### *Certification Support Programme*

CSP is most effective if implemented as a continuation of a compulsory IVLT programme and as part of a nationally co-ordinated effort to promote SFM certification. Once a country has initiated IVLT, a national certification support programme can be instigated to assist local producers to go to the next stage of undertaking voluntary certification.

Cost, and to some extent lack of expertise for achieving certification can be addressed through a national or group initiative. A co-ordinated approach would encourage producers by removing the fear that they are increasing their costs in isolation, making them locally uncompetitive.

The overall cost of certification will be reduced as the timber flow control programme established in order to Verify Legal Origin of timber (stage 1 of IVLT) will already provide a powerful chain of custody inspection and monitoring system suitable for certification.

In order to further facilitate the implementation of certification on a meaningful scale a national or group CSP agency can be established to:

- promote certification through awareness raising, training, and technical assistance;
- promote certified, compliant or sustainably produced exports;
- provide contacts and networks within and outside the country
- develop procedures to encourage commitment from all operators (including the creation of producers groups to facilitate group certification).



A national agency could, in addition:

- accredit, at national level, independent companies that are already accredited internationally or their local consortia
- work with the Trade, the Government and donors to encourage trade initiatives like the TFT, institutional support and financial commitment, to increase funding for technical support.

#### *Certification of SFM*

A phased approach to certification will encourage greater numbers of individual producers to undertake SFM certification: once producers have been obliged to raise standards to achieve Legal Origin and Legal Compliance and there is a certification support programme in place (currently optional), the next step to seek voluntary SFM certification is not large.

**Table 6 Stakeholder Roles and Benefits**

<b>Stakeholders</b>	<b>Role</b>	<b>Benefit</b>
<i>Producer country governments</i>	<ul style="list-style-type: none"> <li>analyse the fiscal and other benefits of improved control of illegal operations</li> <li>prepare a national policy and strategy to combat illegal operations through reducing fiscal incentives for illegal practices and increasing risks of detection and prosecution</li> <li>separate the institutional functions of monitoring timber operations from the granting of timber rights and the enforcement of the forest laws</li> <li>strengthen enforcement mechanisms and actively prosecute offences under the relevant legislation</li> <li>introduce independent verification of legal compliance as a key (possibly transitory) instrument of the national strategy</li> </ul>	<ul style="list-style-type: none"> <li>Improved forest management with attendant social and environmental benefits</li> <li>Encourage inward investment in forest industries</li> <li>Greatly increase revenue collection</li> <li>Support to law enforcement</li> <li>Increased efficiency and modernisation</li> <li>More reliable data on the timber sector</li> </ul>
<i>Importing country governments</i>	<ul style="list-style-type: none"> <li>promote bilateral agreements with producer countries to provide a framework for establishing IVLT</li> <li>assist in the formulation of national forest policy and strategy</li> <li>help strengthen Government enforcement of the law based on the results of monitoring and verification;</li> <li>provide funds to provide a proportion of the cost of establishing IVLT.</li> <li>promote a legally binding international treaty for a verifiable/certifiable legal and sustainable timber trade.</li> </ul>	<ul style="list-style-type: none"> <li>Secured supply of legal timber thereby meeting public demands and reducing criticisms of procurement policy.</li> <li>Improved global environmental benefits</li> </ul>
<i>Industry</i>	<ul style="list-style-type: none"> <li>influence government decision making to strengthen supervision, control and enforcement of legal requirements</li> <li>in countries with weak forest administration embark on voluntary independent verification of legal compliance as a step towards SFM certification</li> </ul>	<ul style="list-style-type: none"> <li>Secure market share</li> <li>Counteract NGO campaigns and public disquiet</li> <li>Level playing field, legitimate companies no longer undercut by illegal competitors</li> <li>provision of a marketing and trade facilitation tool (green lane for exports) that can help companies improve their environmental rating and due diligence</li> <li>increase the feasibility of voluntary forest certification</li> </ul>
<i>Donors &amp; International Financial Institutions</i>	<ul style="list-style-type: none"> <li>provide loans/grants to supply a proportion of IVLT establishment costs.</li> </ul>	<ul style="list-style-type: none"> <li>increased Government revenue capture should allow timely repayment of loans</li> <li>reduced illegal logging and associated illegal trade</li> <li>practical tool to help countries fulfil their obligations as signatories of international treaties e.g. ITTA, the Tarapoto Proposal, the Montréal Process etc</li> <li>adoption of "good governance" measures in producing countries</li> </ul>
<i>Civil Society/NGOs</i>	<ul style="list-style-type: none"> <li>act as fourth party monitors of IVLT, check that detection of illegal activity is followed up by effective ..</li> <li>participate in discussions to define 'legality'</li> </ul>	<ul style="list-style-type: none"> <li>improved forest management standards and environmental and social performance</li> <li>forest certification becomes more feasible in a context where laws are enforced</li> </ul>

## CONCLUSIONS

Clearly there is no such thing as a quick technological fix to the complex problems of illegal logging, forest degradation and deforestation. The experience of recent decades attests to this; despite the many attempts to improve regulation of the forest sector and combat illegal logging very little progress has been made. However, we believe that IVLT when combined with serious commitment from Governments (the introduction of systems and procedures to encourage transparency and accountability is critical) can greatly improve compliance with legislation leading to a significant and long-term reduction in illegal activity.

The IVLT approach is currently being implemented on a pilot basis in Indonesia. Following the initial testing phase it is expected that the system will be scaled up to a regional and eventually national level. Indonesia is an ideal testing ground for IVLT given the country's challenging socio-economic and political circumstances. Elements of IVLT services are also currently implemented by SGS in several countries including Ecuador, Cameroon, the Central African Republic, Congo (Brazzaville) and Papua New Guinea. All of these programmes have the potential to evolve towards full implementation of IVLT.

Countries implementing IVLT will demonstrate to the international community a clear commitment to environmental and social responsibility. This will improve the international standing of a country's forest industry, providing a secure environment for inward investment and ensuring a share of an increasingly competitive market where environmental issues are a growing concern.

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## ACRONYMS

CoC	Chain of Custody
CSFM	Certificate of Sustainable Forest Management
CSP	Certification Support Service
FSC	Forest Stewardship Council
IVLT	Independent Verification of Legal Timber
SFM	Sustainable Forest Management
SLC	Statement of Legal Compliance
SLO	Statement of Legal Origin
VLC	Verification of Legal Compliance
VLO	Verification of Legal Origin



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