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Procuring favorably

Timber procurement policies have evolved rapidly in recent years. Spurred by concerns over illegal logging and unsustainable forestry (often in the tropics), policies restricting purchases to legal and/or sustainable timber have proliferated. Such policies were initially adopted by developed country governments to guide their purchases of timber for public works projects, usually the only segment of the market that governments can exert direct influence over. Recent years have seen such policies being developed by both developing country governments and the private sector in addition to their continued evolution in the public sector of developed countries.

There is no doubt that timber procurement policies have worked as a positive incentive for change in some tropical timber exporting countries. However, the rapid proliferation of such policies has raised concerns regarding the often differing requirements imposed by such policies and the burdens that meeting such requirements place on exporters. This issue of the TFU focuses on this topic by summarizing a recent report on timber procurement policies published by ITTO.

An overview of the impacts of timber procurement policies

ITTO

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Regular features

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Cover image Loading logs for export, Cameroon. *Photo: N. Jervais*

... Editorial continued

on tropical timber producing countries is provided by three case studies that were commissioned for this ITTO report. These are also summarized in this issue together with the review article by Markku Simula, the study author.

Cameroon and Malaysia are examples of countries that have already carried out substantial work to meet the requirements of timber procurement policies, most notably by working towards voluntary partnership agreements with the EU under its FLEGT (forest law enforcement, governance and trade) program. Cameroon (page 8) recently completed this process while Malaysia (page 11) is undertaking internal consultations amongst its constituent states to allow its VPA to be finalized. The forest sectors in both of these countries have benefited from the process of review and strengthening associated with their negotiations with the EU to meet its procurement policy as captured in their respective VPAs, but both are concerned about the costs of compliance and the need to possibly undertake more or different activities to meet timber procurement policy requirements of non-EU countries. Peru (page 14) is an example of a country that is at an earlier stage in developing approaches to meet the requirements of timber procurement policies. However, a recently signed free trade agreement with the USA (one of its major timber markets) has catalyzed several initiatives to improve forest management and governance, including efforts to quantify the costs of independent certification of forest management in the country. These costs, including the additional costs of sustainable management, are not insignificant.

As Simula states in the overview article on page 3, significant differences between the timber procurement policies of countries are a cause of concern for those tropical-timber producers who want to supply several markets. There is a danger that differing definitions will continue to emerge, further complicating international trade. It is important that countries implementing such policies carefully monitor their impacts on trade and undertake regular consultations with other countries to attempt to harmonize policies and definitions in so far as possible. Countries should also provide clear guidance on the requirements of their timber procurement policies and support to exporters who need it to achieve compliance. The Central Point of Expertise on Timber set up by the UK (see *Out on a limb*, page 32) is a good example of the type of information sharing function that is required. It is essential that as procurement policies evolve to include new requirements such as social and labour standards that clear information and guidance is provided to prevent such policies contributing to barriers to trade.

One area where more work needs to be done is in assisting small and medium sized forest enterprises (including those under community and/or indigenous peoples' management) to meet the requirements of TPPs. As has already been seen in the case of forest certification, these are often the stakeholders least able to comply with the more stringent forest management and monitoring standards implicit in many TPPs. Since the income provided by forests is often essential to lifting such groups from poverty, helping them meet TPP requirements is a matter of some urgency.

ITTO will continue to monitor developments in and promote a dialogue about timber procurement policies. It will also provide support to tropical timber exporters to meet the evolving requirements of TPPs, particularly through the new thematic programs on Forest Law Enforcement, Governance and Trade (TFLET) and Trade and Market Transparency (TMT). Only transparent and on-going dialogue, together with effective support to exporting countries, will allow TPPs to meet their objective of promoting legal and sustainable timber trade without erecting undue barriers to such trade.

Steve Johnson,
Editor

Buying time?

Timber-procurement policies have a role to play in promoting the sustainable management of tropical forests

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Road to compliance: Cameroon's VPA means logs like these will have an easier path to the EU market. *Photo: CIFOR*

Timber-procurement policies (TPPs) are being considered and implemented by public agencies, trade associations and private companies in many traditional tropical timber markets. ITTO member countries (mainly developed countries but, increasingly, developing countries as well) in the public and private sectors are in the process of implementing such policies with specific requirements for timber and timber products. Regulatory instruments have been introduced to limit market access to illegally harvested timber. In addition, green building initiatives have started to define specific requirements for how timber and timber products used in construction should be produced.

A recent ITTO study (Simula 2010; see page 28) reviewed these various initiatives, assessed the ability of tropical timber producers to meet the emerging requirements of TPPs and other consumer-led initiatives, and explored their possible economic, environmental and social impacts on tropical countries. This article and the three country case studies that follow are based on the findings of that study.

Another contributing factor has been grassroots public concern about the environmental credentials of timber and timber products.

Strong drivers

Public-sector and private-sector TPPs are demand-side tools targeted at strengthening forest governance and promoting sustainable forest management (SFM). There are four main underlying drivers for their emergence: international commitments (such as the International Tropical Timber Agreement, 2006); general concerns about illegal logging and unsustainable forest practices, particularly to the tropics; general national strategies for sustainable consumption and production; and, more recently, climate-change mitigation. The strongest direct driver has often been pressure from non-governmental organizations in combination with responsible companies that have sought a level playing field against illegal logging and trade and a marketing advantage. Another contributing factor has been grassroots public concern about the environmental credentials of timber and timber products.

Public sector leads the way

Twelve countries presently have operational central-government TPPs (see table). The European Union (EU) has been particularly active: six EU member states—Belgium, Denmark, France, Germany, the Netherlands and the United Kingdom (UK)—have operational TPPs. Outside the EU, China, Japan, Mexico, Norway, New Zealand and Switzerland also have operational central-government TPPs. Several other countries are in the planning stages of developing TPPs or are addressing the issue within broader green public procurement policies.

The EU has also been negotiating two-way voluntary partnership agreements (VPAs) with some timber-producing countries (discussed in more detail in the following articles). Each 'partner country' that enters into a VPA with the EU agrees to implement a system to verify that its wood-product exports to the EU have been produced legally.

The minimum requirements in public-sector TPPs refer to either legality or sustainability, or to both. In the EU, four countries—Belgium, France, Germany and the UK—have set sustainability as a minimum requirement, thus going beyond the guidance of the EU, which specifies legality as the core (minimum) criterion. The Japanese and New Zealand policies require legality, but sustainability is preferred. In Mexico, legal origin and sustainability are required. The Chinese policy requires that timber supplies meet the criteria of a domestic eco-labelling scheme. Some TPPs allow a degree of flexibility

Different strokes

Status and minimum requirements of central-government TPPs

COUNTRY	STATUS	MINIMUM REQUIREMENTS FOR TIMBER AND TIMBER PRODUCTS	DEGREE OF OBLIGATION
Belgium	Operational since 2006; under revision	Sustainable sources	Mandatory
Denmark	Operational since 2003; under revision	Legal sources minimum; preference for sustainable sources	Voluntary
European Union	Operational since 2004; under revision	Sources demonstrably legal	Guidance to member states
France	Operational since 2004; under review	Legal and sustainable sources	Mandatory
Germany	Operational since 2007; review in 2011	Legal and sustainable sources	Mandatory
Netherlands	Announced in 2004	Legal sources minimum, sustainability required if possible	Mandatory
Norway	Operational since 2008; revision in 2010	No tropical timber to be used	Voluntary
Switzerland	Operational since 2004	Sustainability but if not possible legality	Voluntary
UK	Operational since 2003, revision in 2010	Legal and sustainable sources or Forest Law Enforcement, Governance and Trade licences or equivalent	Mandatory
New Zealand	Operational since 2004	Legal sources minimum, preference for sustainable sources	Mandatory
China	Operational since 2007	Environmentally labelled products (national eco-labelling scheme)	Mandatory
Japan	Operational since 2006	Legality; sustainability is a criterion of consideration	Mandatory
Mexico	Operational since 2007	Certified legal origin and SFM	Mandatory

with regard to the availability of supply. The overall tendency appears to be towards both legality and sustainability as minimum requirements in public-sector TPPs.

Evolving definitions and requirements

Clear definitions of legality and sustainability are crucial to the implementation of TPPs. The general approach to defining legality is to equate it with compliance with national laws and international conventions. This is in line with the recognition that countries have the sovereign right to define legality taking account of their specific conditions. However, many public-sector TPPs contain quite detailed provisions for the scope and aspects of relevant national legislation that must be covered to qualify for legality. There is a need for more clarity in definitions of legality, and for greater consistency between various public-sector TPPs. Since, overall, the various approaches are quite similar, there is potential for harmonization through, for example, the development of a generic definition (or standard) of legality.

Three approaches have been taken in defining sustainability in TPPs. These are the use of:

- short, overarching definitions (e.g. Japan) or the listing of a few key elements of SFM (e.g. Belgium)
- detailed provisions for various elements of sustainability, largely within a framework of the internationally agreed elements of SFM (e.g. Denmark, the Netherlands and the UK)
- the definitions used by forest certification systems (e.g. France, Germany, New Zealand and Switzerland).

Significant differences between the TPPs of different countries in their legality and sustainability requirements are a cause of concern for those tropical-timber producers who want to supply several markets. There is a danger that differing definitions will continue to emerge, further complicating international trade. Detailed, comprehensive sets of requirements for sustainability are likely to lead to a situation in which the options for demonstrating compliance will, in practice, be limited to certificates issued under 'acceptable' forest certification systems.

Demonstrating compliance

Public-sector TPPs provide three main options for demonstrating compliance with their requirements:

- certificates issued under recognized certification systems
- audit statements issued by independent bodies
- other documentary evidence.

The first of these, certification, plays a leading role in the implementation of TPPs and a need has therefore arisen to define criteria and methodologies for assessing certification standards and systems. The two international certification schemes (the Forest Stewardship Council—FSC—and the Programme for the Endorsement of Forest Certification—PEFC) dominate in TPPs as acceptable proof of sustainability (and legality). Independent national certification schemes in tropical countries, such as LEI (*Lembaga Ecolabel Indonesia*) in Indonesia, have had difficulties in obtaining broad acceptance and, in such cases, PEFC endorsement appears to be the only feasible option. Friction is likely to arise if only one of the international schemes (i.e. the FSC) is accepted, an outcome that is being pursued by non-governmental organizations in some importing countries. This would have significant market implications because insufficient supplies of FSC-certified timber would be available to meet demand. The unintended result would be the increased substitution of timber with other materials.

In view of the slow development of certification in tropical-timber-producing countries and inherent weaknesses in forest governance and capacity, it is important that suppliers have feasible, clearly identified options for providing alternative proof of their compliance with TPP requirements.

Green building

Green building initiatives have been under active development in several countries for a number of years. The aims of such initiatives are to minimize construction impacts on the environment; use fewer resources, particularly energy; and minimize waste. Targeted schemes were reported in nine countries and there are also several international initiatives. The overall market impact of green building initiatives has so far been fairly limited, except in the UK and the United States. However, such initiatives are likely to become a strong market driver for sustainably produced timber. Existing schemes tend to rely on forest certification as a key tool for demonstrating compliance but, like public-sector TPPs, they suffer from the same problem of the proliferation of requirements.

Private sector response

Several large enterprises in the forest sector and their main customers have adopted corporate TPPs. These focus on:

- the accuracy and credibility of information on timber supplies, often associated with third-party verification
- the sustainability of forest management
- the legality of production
- knowledge of product origin.

There are differences in how the various concepts are expressed, and detailed criteria also vary. It is difficult for tropical-timber producers to provide proof of performance if they are supplying several buyers with different purchasing criteria. In order to simplify matters, however, many corporate policies refer to one or both of the existing international certification schemes.

In at least twelve countries in Europe and North America, timber trade and industry associations and their federations have purchasing policies or codes of conduct related to wood supply, and these have become an increasingly important market driver. In most cases the principle of trading legality-verified timber, at a minimum, is required, with a preference for sustainable supplies whenever possible.

Public-sector TPPs in developing countries

The public sector in developing countries is a very large and diversified enterprise and its purchasing policies can have a major impact on the domestic demand for timber. In Vietnam, for example, 45–65% of the government budget is spent on procurement. Implementing TPPs in these countries is not a simple affair, however, and a number of issues will need to be addressed, including the appropriateness of the legal framework, the adequacy of existing procurement practices, the capacity and resources of procurement agents, and the availability of an adequate supply of acceptable products.

Providing evidence

In the long run, most TPPs (public or private) will require suppliers in tropical-timber-producing countries to provide adequate evidence of the legal origin of their products, the legal compliance of their operations, and the sustainability of forest management in the areas in which the timber is harvested. There are two main, non-exclusive options for how such evidence can be provided and it appears that, in the short and medium terms, both approaches will be applied in parallel. These options are:

- *government-implemented timber legality assurance system (TLAS)*; likely to be applicable in countries where the size of the timber sector is sufficient to justify the public investment needed to set up such a system.
- *private-sector-implemented auditing/certification or other due-diligence systems, typically involving independent audits*; this option is generally applicable to sustainability requirements but may apply to legality verification in situations where the government-operated control and supervision system cannot (yet) provide the necessary assurance of legal compliance.

Initial experience in strengthening existing monitoring and control systems in countries that have signed or have entered a negotiation process to sign a VPA with the EU has shown that considerable effort is often needed before a national TLAS will be deemed sufficiently robust to prevent illegal timber from entering the supply chain. Few tropical countries currently have such control systems in place.

Improving existing TLASs in tropical-timber-producing countries is a complex, country-specific exercise that requires resources and time. Despite their higher apparent costs, it will often be in a country's best interest to favour advanced technologies, as Malaysia intends to do, because digitized systems can eliminate the loopholes of paper-trail-based systems. In the short term, however, many countries are likely to opt to improve their existing systems because of the significant additional costs of digitized control systems.

Since the strengthening of public-sector control systems will take time, the private sector has to move ahead on its own. The key instruments at its disposal for demonstrating legality and sustainability are independent audits and forest certification. As explained in the following case studies on Cameroon, Malaysia and Peru, however, the adoption of such instruments means significant and potentially crippling additional costs, particularly for community forests and smallholdings. Depending on country conditions, the size of the enterprise and/or forest management unit, the existing state of planning and management systems, and other factors, such costs can represent a significant percentage of the product's final sale price. Meeting these costs is likely to be beyond the capacity of many small or poorly organized operators, and this may rule them out of export markets.

Market impacts of TPPs

Depending on the exporting country, 25–40% of the total medium-term demand for tropical timber in the major import markets could be subject to legality and sustainability verification for TPPs and green building initiatives. For logistical reasons, such a large market share would also have a significant leverage effect on other purchasing.

The direct impact of public-sector TPPs will be strongest in timber products used for office furniture and building construction and in civil works, such as marine construction, where tropical timber has an established position. Private-sector policies have already had a major impact on imported garden furniture of tropical origin, but the impact has been minimal in other home furniture.

Regulatory measures targeted at eradicating illegal timber products from international trade will have a much broader impact on demand because non-complying actors will gradually be eliminated from the supply chain. The present and planned regulations in the United States (through the recently amended Lacey Act) and the EU (through a proposed due-diligence regulation) would directly affect 49% of the total imports of tropical timber and timber products (including further-processed products) from ITTO producer countries and China combined.

Supply lagging

In 2009 the total area of certified forests in Africa, Latin America and Asia was 23 million hectares, with an estimated annual production potential of about 4.1 million m^3 per year. Two-thirds of these certified forests were in Latin America, although the total certified area in the region was lower in

2009 than in 2008. Africa is finally making progress, with its certified forest area almost doubling in 2009 to 5.6 million hectares. The spread of certification has slowed in Asia, however, and no more than 3 million hectares are currently certified in that region. Combined, these three developing regions account for only 1% of the total estimated global supply of wood from certified forests (UNECE/FAO 2009), demonstrating that the response of tropical-timber suppliers to the demand for certified products has been lagging behind.

Despite the slow progress, the total certified production in developing countries appears to be sufficient to meet the short-term demand for sustainably produced tropical timber and timber products induced by public- and private sector TPPs (Oliver 2009). This is not usually the case in practice, however, due to differing product and geographic patterns between demand and supply, the complexity of supply chains, and the fact that part of the certified production is not sold as certified.

Abruptly excluding [informal] operators from national markets would have the perverse effect of increasing poverty rather than reducing it.

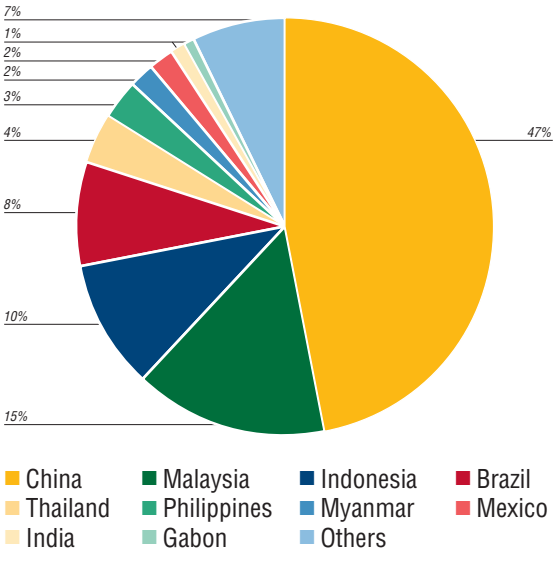
Better prices?

Significant price premiums have been obtained for some tropical-timber species and products. In Europe, legality-verified timber from Asia can be sold at a 3–15% premium, and high-end FSC-certified wood products from Africa and Brazil can obtain 20–50% premiums. Premiums of 5–10% have been reported for certified temperate hardwood from the United States (Oliver 2009). Price premiums of this magnitude, however, appear to be achieved mainly in niche markets and cannot be generalized. Moreover, the way in which such premiums are shared between the various stages of the supply chain is unclear, since exporters in producer countries quote much lower premiums (if any). It appears that most of any price premium is secured further along the supply chain and does not reach forest management units.

With the gradual elimination of illegal logging, industrial roundwood production in developing countries could decrease by up to 8% in 2020 compared with 2007, and world prices could rise by 1.5–3.5% for industrial roundwood and by 0.5–2% for processed products (Li et al. 2009).

China syndrome

Main exporters of tropical timber and timber products



Note: Based on 2008 export values for ITTO producer countries and China. Products covered are logs, sawnwood, veneer and plywood, other wood-based panels, builders' woodwork and furniture.

Impacts on trade

The total trade of tropical timber and timber products—including further processed products—from ITTO producer countries plus China was valued at about US$44 billion in 2008. China's share of the total was 47%, followed by Malaysia, Indonesia, Brazil and Thailand and then by other smaller exporters (see chart). However, as a share of the total production of logs, sawnwood, veneer and plywood, exports are highest in Thailand, Malaysia, Papua New Guinea, Cambodia, Democratic Republic of the Congo, Gabon and Myanmar.

In relative terms the dependency on 'sensitive' markets with TPPs (i.e. the EU, the United States and Japan) is highest in the Philippines, Mexico, Liberia and Cameroon (more than 80% of total export value), followed by China, Brazil, Democratic Republic of the Congo, Indonesia, India, Côte d'Ivoire and Bolivia (more than 60%).

At a regional level, TPPs in consumer countries will have the strongest direct impact in Africa due to the high dependence of producers in that continent on exports to the EU (53% of total export value). The recent amendment to the Lacey Act in the United States is likely to have a strong impact in Latin America because the United States' share of total regional exports there is high (39%), but intra-regional trade is more important in Latin America than it is in Africa. The United States takes a quarter of Asia's total tropical-timber exports, followed by the EU (21%) and Japan (15%), with the rest mostly intra-regional trade.

Positive and negative impacts

Progress towards legality and sustainability, as induced by TPPs, would have a positive effect on forest governance through improved legal frameworks, increased enforcement, stronger institutions, and improved security in forest areas. Voluntary certification has the potential to reduce government enforcement costs. Fiscal revenue could increase in those countries where illegal production is substituted by legal operators. The magnitude of such positive effects would vary depending on the specific country situation.

In countries where primary-processing capacity exceeds sustainable timber production, the downsizing of industries to sustainable levels will be necessary. Mill closures can have drastic short-term impacts on employment and income in forest areas. On the other hand, the improved management of supply chains is expected to bring significant competitive advantages in terms of cost savings and quality improvement. With legal and sustainable products, the industry could avoid losing access to existing markets, which is crucial because alternative markets are usually less lucrative. In some cases, new markets could also be gained.

In many countries, the impacts of TPPs on poverty reduction could be negative in the short term but in the longer term they could be positive if the necessary sector reforms are implemented. The social costs are likely to be highest in countries where primary-processing capacity has to be downsized significantly. The capacity to offset these costs will depend on the ability of the sector to shift to alternative raw materials, such as plantation wood, and to build up competitive further-processing industries.

The most worrying impacts concern the informal sector, which, in many countries, supplies most of the national demand for timber products and employs large numbers of people. The informal sector's social benefits are significant, but formalizing its operations is usually unrealistic, at least in the short term, for political, economic and social reasons. In addition, forestry administrations are usually unable to monitor the activities of operators in the informal sector. Abruptly excluding such operators from national markets would have the perverse effect of increasing poverty rather than reducing it. It would be preferable, therefore, to put in place procedures that allow operators in the informal sector to progressively enter the formal sector.

Conclusions

Despite the difficulties and obstacles faced by tropical-timber producers in meeting the emerging requirements of TPPs in major import markets, such instruments should be seen as useful 'soft' policy tools. The market pressure for a legal and sustainable trade is strong and increasing, and the forest sector worldwide must adjust. TPPs represent a compromise between market pressure and a cooperative approach between stakeholders and governments. It is time for the timber sector at large to shift from resistance towards proactive measures. The current situation shows that this shift can pay off.

Many tropical-timber products have unique characteristics that provide producers with an inherent market advantage over temperate wood and other materials. Increasingly, the sector's growth in the tropics will have to be generated by the development of further-processing industries and new, sustainable sources of raw materials. Eradicating illegal logging and illegal trade is necessary, not only for meeting current market requirements but also to enable the industry to adjust its operations domestically to sustainable levels.

The ITTO study of TPPs revealed much scope for their improvement—in regard to definitions of legality and sustainability, procurement criteria, time-schedules and implementation arrangements—in order to make them more effective in attaining their objectives. At least in the short term, the impacts of TPPs in tropical producer countries could be drastic and, if they lead to large job cuts, they could create serious political problems for the governments of those countries. Such outcomes would not be in the interests of importing countries. Phased approaches to the setting of requirements and target dates should be encouraged to ensure outcomes that balance the needs of all stakeholders.

If the forest sector is to be socially acceptable in both producer and consumer countries, free-riding by illegal loggers and traders cannot continue. Sustainable forest industries can only be viable if responsible operators are able to compete on a level playing field.

In order to meet the requirements of TPPs, tropical producer countries must be prepared to accelerate their efforts to improve forest governance. Governments in producer countries should adopt TPPs with the aim of transforming local demand. Meeting emerging market requirements will also mean that many countries will need to review their forest laws and strengthen their enforcement systems. It will be particularly important to help community-based forest enterprises and small and medium-sized forest-based enterprises to overcome the obstacles they face in meeting emerging market requirements.

Consumer countries should consider the implications of their TPPs for tropical producer countries and, to reduce the additional problems created by the proliferation of procurement criteria, they should work towards harmonizing national requirements. There is a need to make central-government and local-government policies consistent and compatible with agreed policy objectives.

Finally, there is a need for the international community and importing countries to significantly increase their support for efforts by tropical-timber producers to achieve and demonstrate the legality and sustainability of their forest management. ITTO's recently launched thematic programmes offer an appropriate tool for this.

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The costs in Cameroon

VPA and other TPP impacts will be particularly large for informal operators

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Ready for market: Sawnwood being transported to Douala. *Photo: N. Jervais*

In Cameroon, forest resources are generally the property of the state, and forest exploitation is conducted in the field by private individuals and industrial enterprises who have received timber harvesting titles from the government. There are nine types of harvesting title in Cameroon, three of which—forest concessions, community forests and municipal forests—may be considered to be designed for sustainable timber production. Cameroon's formal timber sector produces 2.3–2.5 million m^3 of logs annually. More than 90% of this log production is processed in 51 sawmills and nine veneer/plywood factories.

As part of a larger ITTO study (Simula 2010), the author reviewed the potential costs and impacts of compliance with timber-procurement policies (TPPs) in Cameroon. Some of the main findings are reported below.

[The VPA] is also intended to be completely transparent by putting information in the public domain that in the past has been considered strictly confidential.

Status of the FLEGT process

A Forest Law Enforcement, Governance and Trade (FLEGT) process started in Cameroon in 2004. Negotiations between the Government of Cameroon and the European Union (EU) on a voluntary partnership agreement (VPA) started in November 2007 with the aim that it would be ready for signing by the end of 2008. The lengthy negotiations have recently been completed and the agreement is now signed (see *Tropical and Topical,* p. 27). The negotiations focused on the following:

- the scope of implementation—that is, the coverage of relevant legislation and the forest products to be included
- the legality verification system, which includes the national forest law enforcement system, monitoring, traceability and the issuance of FLEGT licences (as proof of legality)
- the establishment of an independent auditor
- procedures for the verification and acceptance of FLEGT licences
- modalities for the monitoring of VPA implementation
- institutional arrangements
- financial mechanisms and supporting measures.

The proposed VPA is ambitious in scope; it is intended to cover all products destined for all markets (EU markets, other international markets and the domestic market). It is also intended to be completely transparent by putting information in the public domain that in the past has been considered strictly confidential. Before the VPA can be implemented, however, the forest administration—the Ministry of Forests and Wildlife (MINFOF)—must meet several challenges (Vandenhaute 2009).

Some of the most important of these are to:

- adopt and implement a national forest law enforcement strategy
- record all data of the forest sector in a centralized database
- assure the monitoring of all cases of disputes
- computerize all forest inventory results for all types of forest titles
- monitor the bestowing of officially secured documents
- build the capacity of MINFOF staff in charge of forest law enforcement and monitoring.

Some of the questions that need to be addressed before the issuance of FLEGT/VPA licences in Cameroon becomes possible include:

- What should be done with illegal forest products seized by MINFOF?

- How can the legality of wood products imported from neighbouring countries that have not signed a VPA be verified? For example, Cameroon imports small quantities of okoumé plywood each year from Gabon, which is not progressing towards a VPA with the EU at the same pace as Cameroon.
- How can private initiatives in voluntary forest certification be taken into account in licensing?
- How can the transparency of all government departments involved in the trade of timber products be improved?
- How can civil-society organizations be involved in the implementation of the VPA?

Market impacts of TPPs

Cameroon's timber industry is highly dependent on the EU, which accounts for about 74% of the total value of export wood products. The link between Cameroonian production and EU markets has been strengthened by a 2003 regulation banning log exports of several timber species, which has led to an increase in local processing. Contrary to the Asian markets, EU countries now prefer primary-processed products (mainly sawnwood) to logs. In 2006 about 95% of total log production from concession forests was processed in Cameroon.

Despite the introduction of TPPs in Europe that favour timber products of legal origin, logging and timber-processing companies in Cameroon have not diverted to other markets that do not require such proof of legality (or sustainability). On the contrary, the private sector has taken various initiatives to meet the requirements of the EU markets. Nevertheless, a possible trade diversion to Asian markets could happen now, at least temporarily, if, because of the effects of the global economic crisis, export quantities to Europe continue at their present low level and if ready demand in the Asian markets (where logs are preferred over processed wood) can be tapped.

The position of Cameroonian producers in the EU markets will be jeopardized if they are unable to meet the requirements for legality verification and sustainability certification. On the other hand, implementation of a VPA and expanding the area of certified forests can give producers a market advantage over other tropical timber exporters without VPAs. The prices of timber products exported from Cameroon have been little affected by EU procurement policies, but there are reports that FSC-certified timber products have received price premiums in the Netherlands and the UK; for example, the price of certified azobe sawnwood is reported to have increased by about 5% in the Dutch market for public works.

Costs

In addition to the financial support provided by the EU, the Government of Cameroon will have to spend about US$1.5 million to facilitate the implementation of the VPA, mainly in the purchase of equipment. The government is not expected to hire new personnel exclusively for the VPA, but current staff in different government departments will receive training to upgrade their ability to deal with the new technological environment and the new procedures.

It will cost Cameroon's timber producers about US$35.6 million per year to meet the legality requirements of the VPA and US$52.5 million per year to satisfy the requirements for sustainability included in TPPs of some international markets in Europe and North America. About 80% of these costs will need to be borne by the industrial enterprises managing concessions. Given their weak financial capacities and high levels of poverty it is unlikely that local communities and municipal councils will be able to meet the costs required of them (US$9.3 million and US$1.3 million, respectively). Donors and international organizations will need to support these producers if they are to stay in the timber business.

Forest-sector impacts

Considerable progress has been made in recent years to move forest concessions in Cameroon towards sustainable forest management. In 2003, no forest concession was managed according to an approved forest management plan; by 2008, 65 concessions had approved forest management plans covering a total forest area of 4.2 million hectares. In addition, a number of logging companies selling their products to EU markets have applied either for forest certification under the Forest Stewardship Council (FSC) or for independent legality verification. Interviews with government officials suggest that there has been a sharp decrease in registered forest infractions, a trend confirmed in a recent study (Cerutti and Fomete, 2008).

The government has engaged in a number of initiatives to improve governance in the forest sector, including the appointment of international non-governmental organizations (Global Witness, later replaced by Resource Extraction Monitoring) as independent observers to monitor forest law enforcement operations. An atlas that provides information on Cameroon's logging concessions has also been published by the Government of Cameroon (in collaboration with Global Forest Watch). The signature of the VPA is another indication of the political will to improve forest governance.

Forest enterprises engaged in certification have improved the efficiency of their field operations and established internal auditing systems that monitor the entire production process. Nevertheless, by shifting towards legality verification or forest certification, forest enterprises in Cameroon are facing increases in production costs, the most important of which are associated with the changes in management practices needed to comply with Cameroonian law and to meet forest certification requirements.

Impacts on community forests

International TPPs are yet to have an impact on community forestry because most products produced in community forests are sold into local markets. In the long run, however, the number of community forests, and their production capacity, is expected to increase, and community-based forest enterprises are expected to become significant participants in the international timber trade. If TPPs are widely applied it is feared that most such enterprises will struggle to be viable because of the high costs of legality verification and sustainability certification.

In 2008 there were 177 community forests covering a total area of 632 330 hectares. If all 177 community forests are active, about 25 000 hectares of community forests will be harvested each year (given a cutting cycle of 25 years). With an average harvest intensity in community forests of 7 m^3 per hectare, the annual aggregated timber production would be about 177 000 m^3 per year. Lescuyer et al. (2009) estimated that, under the artisanal logging and processing techniques used in community forests, the entire business chain from timber harvesting to the delivery of sawnwood to the final consumer generates 0.15 jobs per m^3. The harvest of community forests, therefore, could generate about 27 000 jobs for rural people (sawnwood production) and the urban poor (distribution and sales).

Currently, timber production in community forests is not monitored by MINFOF and is part of the informal sector. Therefore, if community forests are excluded from the market because it is too expensive for communities to meet the costs related to legality verification, more than 25 000 poor people will go jobless, and even those urban middle-class Cameroonians who depend on community forests and the informal sector for construction timber products would face significant problems caused by a reduced supply of timber and higher prices.

Other social and development impacts

The Government of Cameroon collects about US$52 million of forest taxes each year. Tax recovery has improved substantially since 2004 (World Bank 2008) as illegal activities have declined. Meeting the legality and sustainability requirements of TPPs would consolidate and secure these tax revenues. On the other hand, failing to satisfy the requirements of EU TPPs (as well as those in the United States and Japan) would make tax revenues uncertain.

The contribution of the forest sector to tax revenues has improved since legality verification was introduced. This has also benefited local communities. For example, in 2007 the central government transferred the equivalent of US$13.3 million (50% of the total area-based forest tax) to local councils in the forested zone to be used directly for local development and poverty alleviation. When all the identified production forest is allocated, the value of area-based tax revenues transferred to local councils will amount to US$14 million. If Cameroon is unable to meet the requirements of TPPs, at least half of this amount would become uncertain.

It is estimated that the formal forest sector employs 13 000 people in Cameroon, about 8000 of whom are located in the remotest parts of the country where the government is unable to open and maintain roads. In such areas the wages and salaries of the forest sector constitute the main resource for local economies. At the same time the contribution of forest enterprises to the maintenance of public roads is essential. If Cameroon does not implement the VPA and other TPP requirements effectively, production would fall and local development in the country's remote interior will experience an important setback.

The problematic informal sector

The most problematic aspect of timber production in Cameroon relates to the informal sector, which produces about 1 million m^3 of sawnwood per year for consumption in national markets and employs an estimated 150 000 people (Lescuyer et al. 2009). About 20% of the total timber production of the informal sector comes from community forests, which in the medium term could potentially be brought into the formal sector. The remaining 80%, however, is derived either from other forest titles that cannot be monitored effectively by the administration or from unregulated/illegal sources. If the VPA is implemented (as it is intended) to also cover the timber supply to domestic markets, the housing and furniture industries in Cameroon are likely to experience a major shortfall in supply, and a large number of self-employed people in the informal sector could lose their jobs and sources of income.

The VPA, therefore, could have the perverse impact of increasing poverty instead of reducing it. It appears desirable to postpone the implementation of the VPA for the domestic market until MINFOF can put in place affordable and feasible regulations for operators in the informal sector. It is almost impossible to eradicate the informal sector overnight without major negative social and political consequences.

Recommendations

The government/MINFOF should:

- harmonize the forest sector's information base in order to establish a reliable, centralized database and it should set up an institutional arrangement to run it.
- review forest-related legislation to detect and eliminate contradictions and to include new provisions for a computerized information system.
- provide incentives to promote community forestry in the timber production business because of its important social role. Forest communities should be supported in bearing the additional costs associated with legality verification and sustainability certification.
- provide technical assistance to forest communities to achieve legality and sustainability while maintaining profitability.

In addition to these government led initiatives, ITTO and other development partners should support the Government of Cameroon in building the institutional capacity to implement new approaches to forest law enforcement and legality verification, including support to communities and other informal operators to meet the costs of compliance with TPPs.

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Malaysia and the VPA

The EU takes its FLEGT action plan to the world's biggest exporter of tropical logs

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Radio tagged: RFID gantry in Sabah monitoring log movements. *Photo: B.H. Ghazali*

In May 2003 the European Union (EU) released for adoption its Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, the primary aim of which is to address problems associated with illegal timber and related trade. In its FLEGT Briefing Notes, the EU explains that, under the Action Plan, it will establish a timber export licensing system to verify the legality of timber exports from FLEGT partner countries to the EU. The Action Plan lists logs, sawnwood, plywood and veneer as wood products to be subjected to FLEGT rules.

At the core of the EU FLEGT Action Plan are two-way voluntary partnership agreements (VPAs) between the EU and individual timber-producing countries. Each 'partner country' that enters into a VPA with the EU agrees to implement a system to verify that its wood-product exports to the EU have been produced legally. Under a proposed regulation, the EU's border-control authorities would allow imports only of licensed products from partner countries.

As part of a larger ITTO study (Simula 2010), the author reviewed the potential costs of a VPA in Malaysia. Some of the main findings are presented here.

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Nuts and bolts of a VPA

VPAs have two particularly crucial elements that need agreement. First, a common interpretation of 'legality' (under the country's prevailing laws and policies) in timber production and trade must be agreed. Second, there should be agreement on whether the partner country's existing timber legality assurance system (TLAS) is ready for immediate formalization under the VPA or if it needs further refinement to meet validation requirements. A country's TLAS, backed by existing forest legislation, sets the standards for deciding the legal status of timber products. It is also the basis for approving the issuance of export licenses for timber heading to EU destinations.

Other major items in VPA negotiations are the sensitive issue of requesting a partner country's consent to carry out independent monitoring of its TLAS, and the use of timber-export licenses as VPA licenses for verifying timber legality.

The main incentive for tropical-timber-producing countries to participate in a VPA is a support program funded by the EU to enable the partner country to strengthen its forest administration, such as by upgrading enforcement capacity, increasing field monitoring, and improving governance and transparency. The EU argues that this will go a long way towards overcoming problems of illegal logging and other forest-related infractions and that partner countries stand to gain in the long run through improved forest management and a reputation for producing 'clean timber'.

The EU and the Government of Malaysia are now negotiating a VPA. The aim is to find a meeting point between the EU's timber procurement policy and Malaysia's TLAS, and to blend the two into a workable framework for action. But what will the VPA bring to Malaysia's forestry and timber industry?

Malaysia—rainforest country

More than half of Malaysia's total land area is covered in rainforest. These forests are dominated by dipterocarps, which produce some of the world's most popular utility hardwood species. They are also home to a multitude of wildlife and plant species and a huge reservoir of herbs that are much used in traditional medicine and are stirring interest among a

number of pharmaceutical giants. The country has several large national parks and wildlife sanctuaries.

Malaysia is a major producer of tropical timber but it has a relatively small domestic market; most of its wood products, therefore, are exported. Malaysia is the world's top exporter of tropical logs (close to 5 million m^3 annually) and is a close second to Indonesia in the supply of plywood (more than 3 million m^3). It is the world's eighth leading exporter of sawnwood (just over 1 million m^3), and the tenth-largest exporter of wooden furniture (third in Asia behind China and Vietnam) to some 160 export destinations.

Managing the rainforest

Malaysia's lush rainforests contribute to the beauty of the country's landscape and they also have immense ecological and socioeconomic attributes. In managing its forests Malaysia adheres to sustainability principles. The Forestry Department takes great pains to institute forest protection measures to ensure the long-term security of the resource and to strengthen the control of activities on the ground. The country's selective management system imposes area and volume controls over timber-harvesting. There is an ongoing process to upgrade skills, and new technologies are continually being sought and tested to facilitate (for example) timber-tracking and forest surveillance. Current field practices, which include the control and monitoring of the forest-to-mill and mill-to-port timber supply chains, constitute Malaysia's TLAS; with some modification the TLAS is capable of assuring a consistent flow of what the EU considers to be clean timber.

Commitments for an accord

Malaysia will adapt its TLAS to meet the EU's requirements for verifying the status of designated products. Once the products are verified as legally produced, an export license will be issued to permit shipping to EU markets. Under the VPA, Malaysia will allow the EU to monitor Malaysia's TLAS operations.

The EU's main obligation to Malaysia under the VPA will be to provide integrated technical and financial support for capacity building to ensure the long-term security of the forest and to help modernize the forest administration and governance. The EU will also assist in measures to promote trade in legal timber and to address the problem of conflict timber.

The EU's assistance through a VPA will improve the Forestry Department's effectiveness in field supervision and forest administration in general. A well-executed TLAS, backed by the application of modern communication systems, will safeguard the forest and allow little room for illegal activities, thereby enhancing conservation and sustainability.

VPAs are designed to bring order to forest harvesting and to eradicate problems associated with forest degradation. A modernization of forest management systems will improve productivity, create an environment that supports ethical approaches, and lead to greater professionalism in forestry.

Notwithstanding this, much of the basis for good forest governance is already in place in Malaysia, including a field unit dedicated to the operation of the TLAS. Forest management manuals coupled with the procedural documents of ISO 9001:2000 already deal with all aspects of field operations.

Opportunities and fear in the timber industry

Under a VPA, loggers, mill operators and exporters will need to be accountable by providing evidence of legality in timber sourcing; when they do so the industry will be free of any form of restriction in EU markets. It is not beyond the industry to achieve this and to earn the confidence of the market. This should be viewed as a type of national branding.

Nevertheless, the industry worries that under a VPA it will lose out to competition. Non-VPA countries can, for example, circumvent FLEGT controls and launder illegal timber. The loopholes that allow such violations are enormous. Today, mid-ocean documentation changes give unscrupulous mill operators the opportunity to bring in illegally sourced timbers, process them, and re-export them to open markets, including FLEGT countries.

The industry sees little prospect of a market advantage under a VPA. There is concern, for example, about the extra cost of compliance. Existing regulations are felt to be tough enough, and the industry feels that it is now facing the possibility of further trade restrictions. There is uncertainty over the impact of timber legality definitions on supply, particularly those related to native rights. And there are doubts about the existence of price incentives for VPA-licensed timber.

The timber industry is pessimistic about the future. Mills have been hurt by cost escalations for some time and the global market downturn has also had an effect. Strong operators with long-term security of log supply will recover, but unless the VPA proves to be immediately beneficial for business, many industrial companies will be inclined to look elsewhere for their profits. Some may move into customized designer wood products not covered by the VPA and other TPPs, while others may seek benefits from the fast-expanding technologies in non-wood-fiber processing.

Resource and cost implications

Fulfilling VPA requirements will impose a financial burden on the Malaysian forestry sector. The EU will play an important role in relieving this burden. The Forestry Department has drawn up several capacity-building proposals costing some €1.2 million and has called for the EU's assistance to fund these proposals.

In addition, there are plans for institutional restructuring—largely to increase the security of the forest resource—through projects costing about €3 million. These will cover investments in infrastructure, including the hiring of helicopters for air surveillance, ground logistics, and the establishment of a timber-related forensic base. The enforcement division at the Forestry Headquarters will also be strengthened.

The states are developing parallel proposals to increase human resources and facilities for the enforcement teams, including the recruitment of wood-science forensic specialists. Currently, harvesting under a sustainable forest management regime costs more than it does under a 'conventional' regime—by up to 41% per m^3 of harvested wood (see table) and up to 38.5% per hectare.

Calculated over a cutting cycle, the present-value costs of forest management and harvesting would increase from €841 to €1367 per hectare. In addition,

Cost of sustainability

Average cost of harvesting per m^3 of log produced

Activity	MC&I compliance*		Conventional practice	
	(ringgit/m^3)	(%)	(ringgit/m^3)	(%)
Management plan	1.17	0.59	0.24	0.21
Pre-felling activities	17.68	8.91	4.67	3.99
Road construction	33.57	16.91	3.86	3.30
Felling and related operations	78.65	39.61	55.10	47.07
Taxation	67.18	33.84	53.18	45.43
Additional training on MC&I (certification standard) compliance	0.29	0.15	0.00	0.00
Total cost per m^3	198.54	100.00	117.05	100.00

*MC&I = Malaysian criteria and indicators for sustainable forest management.

Source: Malaysian Timber Council

the industry would have to pay the cost of field-auditing under the Malaysian Timber Certification System and the cost of chain-of-custody certification. The government would pay the cost of the independent monitoring of the TLAS.

Socioeconomic implications

There is growing evidence of global support for national policies on tropical rainforest conservation. Implementation of an EU–Malaysia VPA, therefore, could contribute towards improving Malaysia's green credentials. Malaysia is encouraged by the steady flow of domestic as well as international visitors to its forest parks and is keen to show the world its unique and immensely rich rainforests. Perhaps a VPA would help to encourage world visitors to witness the important work being done by Malaysia in managing and conserving its rainforests.

The government has gone a long way in compensating and re-settling forest-dependent communities affected by logging operations. Forest licenses and logging roads are planned to exclude native and aboriginal settlements and their immediate surroundings, and particular attention is paid to preventing forest operations from affecting cultural sites and burial grounds. Forest communities are duly compensated for any inconvenience caused to them by logging or related activities. In addition, workers in nearby forest communities are often employed by logging companies, which recognize their skills and deep local knowledge.

In stakeholder consultations, however, the government is yet to find a consensus on issues of land ownership and logging rights. Native customary rights and demands for greater participation and decision-making in forest licensing are the sources of unending arguments between social NGOs and government, and they remain delicate and difficult issues. Existing state legislation may be unable to deal with some aspects of such problems.

Conclusion

The industry still remains sceptical of a VPA, regarding it as cumbersome and excessive. It will impose costs on the industry in meeting the documentation requirements of a new reporting system. Similarly, the industry faces the prospect of more intensive surveillance and auditing.

The industry is concerned that the provisions of a VPA will be far from final and there are fears that more restrictions will follow. In a way, this may soon be borne out. A set of new regulations called 'due diligence' is now being debated in the EU parliament. If brought into effect it would likely extend the initial product list of logs, sawnwood, plywood and veneer to wood manufactures (similar to the product scope that applies under the United States' Lacey Act). Environmentalists doubt the efficacy of VPAs and warn of loopholes in the system. They insist that the European Commission impose tighter restrictions and broaden product coverage.

The industry is concerned that the provisions of a VPA will be far from final and there are fears that more restrictions will follow.

Malaysia is divided geographically into three timber-producing regions—Peninsular Malaysia, Sabah and Sarawak—with significant variations in industrial development, socioeconomic conditions and export markets. In Peninsular Malaysia the EU timber market is particularly important, while Sarawak and Sabah look to the East Asian countries as their major markets. Therefore, the latter two states do not see the same benefits of participating in a VPA as Peninsular Malaysia does. It may take time to persuade the timber industry in Sabah and Sarawak to enter into the VPA negotiations. A more pragmatic move might be for Malaysia to do so in stages, and by region, starting with Peninsular Malaysia.

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The cost of SFM in Peru

Achieving TPP requirements in Peru will require improvements in all aspects of forest management

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Stacked: Peru's export sawnwood may be impacted by TPPs. *Photo: V. Espinoza*

The measures required to strengthen the national enforcement system in tropical timber producing countries depend on the current level of performance of the existing system. The situation varies widely: in some cases, small improvements may be sufficient but, in others, major legal and institutional reforms—which are time-consuming and costly—might be required.

The need for institutional strengthening may not be limited to the forest sector. The effective elimination of illegal logging and migratory agriculture could also require improvements in national policies and the judicial system as well as a clear understanding of the role of forests in socioeconomic development.

The effective elimination of illegal logging and migratory agriculture could also require improvements in national policies and the judicial system.

As part of a larger ITTO-funded study (Simula 2010), a detailed examination of the improvements needed in the existing system of forest and timber control was carried out in Peru. It revealed that the cost of meeting the requirements of TPPs there is likely to be significant.

The cost of improving the national control system

The 584 forest concessions in Peru cover a total area of 7.6 million hectares; the average concession size, therefore, is about 13 000 hectares. In addition there are about 100 community forests with an average size of 10 000 hectares covering a total area of about 1 million hectares.

In the past, the national forest-related administrative and control systems have suffered from a range of problems, including the poor quality of annual operational plans in forest management units (FMUs), a lack of adequate human resources for field-level inspections, inadequate staffing of control posts in the timber transportation network, and the poor quality of information on timber use by industrial plants. In 2008 the budget of the *Dirección General Forestal y Fauna Silvestre* (DGFF), the agency responsible for forestry administration under the Ministry of Agriculture, was US$7.4 million (equivalent to US$2.10/m^3 of harvested logs or less than US$1/ha of concession area).

A series of changes has been made in the forest sector to improve the legal framework and enforcement system for ensuring that these concessions comply with the law. For example, DGFF is in the process of transferring, to regional governments, responsibility for the management and administration of concessions and harvesting permits in community forests.

OSINFOR (*Organismo Supervisor de los Recursos Forestales y de Fauna Silvestre*), a national body under the Ministry of the Presidency, supervises and monitors compliance with concession agreements and permits. In 2008, however, OSINFOR's budget was only US$0.5 million, which was insufficient for its proper functioning. In the period 2005–08 OSINFOR[1] was able to supervise 31% of existing FMUs; under this approach, therefore, it would take ten years to oversee the entire set of FMUs under concessions.

Clearly, improvements in the monitoring of compliance with forestry regulations are still needed. As implied in both Peru's new forest law and the Forestry Annex of the US–Peru Free Trade Agreement, an improved control system would include the following components:

1 Then under the Ministry of Agriculture.

- a national system of forestry information and control—SNIC—covering the management and use of forest resources, primary and secondary transportation, industrial processing, and the commercialization of forest products
- an adequately equipped control institution (OSINFOR).

The estimated initial investment in SNIC would be US$14.3 million (including US$4.2 million for forest inventories in new concessions) and its estimated annual operational cost would be US$4.2 million. The system would supply DGFF and OSINFOR with digitized and geo-referenced information for the monitoring and control of the production chain from the forest to the final destination (either domestic or export market).

The strengthening of OSINFOR would require an up-front investment of about US$1.4 million and there would be an additional annual operational cost of US$2.7 million. Considering the share of OSINFOR and SNIC activities related to timber production, these figures would translate to US$4.8/m³ for the initial investment and US$3.9/m³ for annual operational costs. The strengthening of OSINFOR has been under way since 2009, but significant additional budgetary and staff resources are still required to improve the administration of forests in Peru, including the enforcement system.

Cost implications for companies

The cost assessment presented in Table 1 was based on three actual cases representing large, medium-sized and small FMUs for a period of five years, which is the validity period of forest certificates. There are strong economies of scale, with a steep increase in cost when the size of the FMU falls to below about 10 000 hectares (see chart).

The total additional cost of implementing and monitoring sustainable forest management would be in the range of US$250 000 for large FMUs, US$170 000 for medium-sized FMUs, and US$80 000 for small FMUs. The unit costs during a five-year period would vary in the range US$5.3 to US$9.6 per hectare and US$2.5 to US$4.8 per m³. These estimates, however, refer to FMUs that operate under 'special' conditions, such as their very low social costs as a result of good relations with local indigenous communities, their involvement in joint ventures, and their accumulated experience in the export marketing of timber products. Under average Peruvian conditions, costs could be as much as 25% higher because of the need for improvements in control and supervision within the FMUs.

In Peru the main cost component of achieving compliance with the demands of TPPs is forest and environmental management, which includes the development of a forest management plan and the enumeration of commercial trees (together these represent more than one-third of the total cost in the first year).

Specific problems faced by large-scale concessions include a lack of technical and economic capacity to implement sustainable forest management, the insufficient integration of the indigenous population in the management of the forest enterprise, and the need for the revision of forest management plans and annual operational plans because of irregularities in inventories. The same problems (but with compounded relative impacts) are also typically encountered in medium-sized and small FMUs. The former are often owned by private individuals with limited knowledge of systematic forest management, and the latter are typically managed by communities with little experience with the formal procedures of production.

The same problems (but with compounded relative impacts) are also typically encountered in medium-sized and small FMUs.

At the national level, the total cost of implementing sustainable forest management by all FMUs was estimated to be US$27.6 million over a five-year period (in practice it would be phased in over a longer period as the number of participating FMUs increased). About US$23.4 million of these costs would apply to concession forests and about US$4.2 million to community forests. About 80% of the total cost would be for changes to forest management, while the remainder (US$5.9 million) would need to be paid to certification bodies.[2]

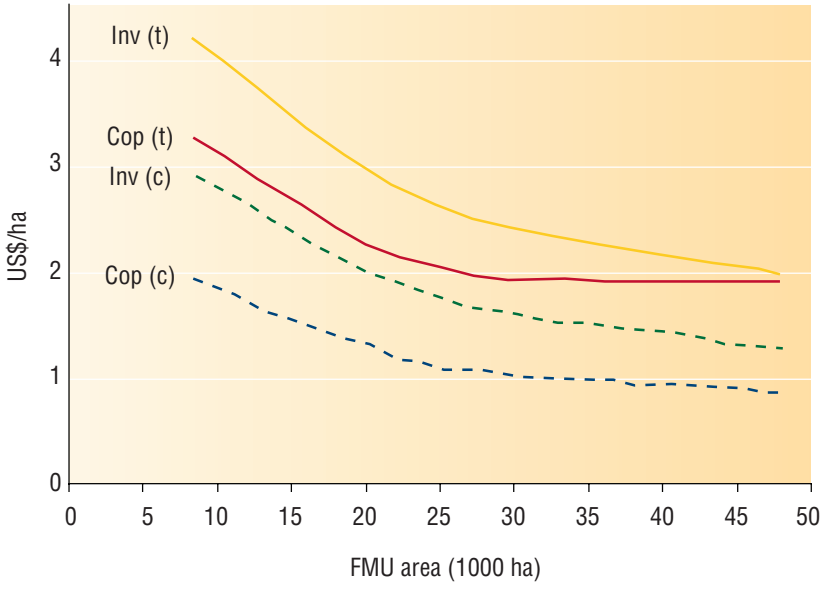
Chain-of-custody costs for sawmills

The costs of chain-of-custody certification in a typical small-scale sawmill were estimated to be about US$150 000 over a 5-year period (Table 2). For a sawmill with an annual capacity of 4500 m³ the additional cost of sawnwood would be US$6.61 per m³, US$1.13 per m³ of which would pay the direct costs of certification and the remainder would be spent on indirect

2 At present almost all certification in the country is carried out by SmartWood.

Bigger is better

Unit costs of certified sustainable forest management as a function of the size of FMU



Note: Inv = investment costs; Cop = operational costs; (t) = total costs; (c) = excluding the costs of forest management plan, annual operational plan and delimitation of the FMU.

Not cheap

Table 1. Cost of certified sustainable forest management by size of FMU, Peru (US$)

Component	Large (47 580 ha)		Medium (24 372 ha)		Small (8316 ha)	
	Initial investment	Annual operational	Initial investment	Annual operational	Initial investment	Annual operational
Forest and environmental management	60 380	27 620	39 680	16 710	20 550	6 620
Social aspects	6 000	3 370	3 500	2 070	3 000	1 570
Management systems	7 500	1 070	5 850	620	5 600	570
Subtotal	73 880	32 060	49 030	19 400	29 150	8 760
Direct costs of certification	18 900	6 400	14 900	6 400	5 580	2 060
Grand total	92 780	38 460	63 930	25 800	34 730	10 820
US$/ha	1.95	0.81	2.62	1.06	4.18	1.30

Note: Investment cost = first-year costs; operational cost applies during the subsequent four years.

Table 2. Costs of chain-of-custody certification of a sawmill* in Peru (US$)

Type of cost	1st year	Years 2–5	Total
Standard compliance implementation costs**	31 800	91 560	123 460
Direct costs of certification	6 200	19 200	25 400
Total	38 000	110 760	148 760

*Mill capacity = 4500 m³ per year.

**The main cost factor (73% of the total) is additional staff and organizational costs to meet the audit requirements of the chain-of-custody standard.

costs, mainly the additional staff that would be needed to record, monitor and report on stock movements, and improvements to information systems.

Apart from the 17 companies that currently have chain-of-custody certification[3], few sawmillers in Peru have the capacity to meet certification requirements. Nor does the sawmill case referred to above represent the average situation; in most cases, another 25% should be added to the cost of compliance. It is further estimated that a 10% premium on sale prices would be needed to make certification an economically viable proposition for Peruvian sawmills. Premiums lower than 10% tend to disappear in the supply chain without any benefit to the primary processor of rough-sawn lumber.

In Peru, certified FMUs or mills do not generally receive a premium for their certified products. In some minor cases, price increases of 5–10% have been obtained in EU markets, but increases have generally been less than 5% in the United States. The situation varies by country, the control of the supply chain, market segment and individual customer.

Community forests

The 16 certified community forests in Peru, which collectively cover 255 000 hectares, have all undergone a group certification process in which a 'forest manager' has acted as group organizer (private enterprises are employed as forest managers in around 70% of the total certified area). In combination with external aid, the group certification process has brought much-needed financial support and technical skills to bear and ensured markets for the products produced in certified community FMUs.

In addition to economic and employment benefits, community-forest certification has helped to protect FMUs from external illegal encroachment, which is common in many community forests. Moreover, indigenous communities have become better organized for forest production; this has had the effect of reducing conflicts related to the use of forests, which have been common in Peru in recent years. Strengthened community organization would also be necessary if communities were to enter the sawmilling business, and a successful enterprise would result in significantly expanded economic benefits for communities.

This experience in community-forest certification suggests that support programs for community forestry, at least in the case of Peru, would greatly benefit from strategies that include the implementation of sustainable forest management and its certification. Joint ventures between forest communities and forest industry or private investors with experience in the international marketing of timber could result in significant benefits for all parties.

Conclusion

The costs of complying with TPPs means that many forest product exports from Peru may be placed at a disadvantage in TPP markets, at least in the short- to medium-term. The government, private sector and external donors should make support for measures to allow compliance with evolving TPPs a priority.

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3 All certification figures given here are as of 2009.

Recently funded projects

The projects summarized below were financed at the 45th session of the International Tropical Timber Council. In addition to these projects, funding was also recently provided for several projects under ITTO's REDDES (Reducing Deforestation and Forest Degradation and Enhancing Environmental Services in Tropical Forests) and TFLET (Forest Law Enforcement, Governance and Trade) thematic programs. Details of these projects are provided following the regular projects. Funds were also pledged during the 45th ITTC session for several other activities from ITTO's 2008-09 and 2010-11 Work Programs. The US$5.8 million committed for approved projects, pre-projects and activities at the 45th ITTC session, combined with the $5.2 million in grants under the thematic programs gives a total of US$11 million in ITTO support to member countries in the six month period to May 2010.

Promoting household reforestation in tropical zone of southwestern China through development and extension of household-oriented techniques

ID number: PD 501/08 Rev.1 (F)

Budget: ITTO contribution: US$353,435
Government of China: US$238,828
Total: US$592,263

Agency: Yunnan Academy of Forestry (YAF)

The project will develop and extend 'Household-Oriented Reforestation Techniques (HORT)' to promote reforestation and rural development in tropical mountainous areas of Southwestern China. HORT will be transferred from YAF to households through establishment of grassroot networks for extension and information services.

Towards sustainable indigenous mahogany timber production in Ghana: Phase II, refining the silvicultural "tool kit" and practical training for industrial-foresters and community farmers

ID number: PD 528/08 Rev.1 (F)

Budget: ITTO contribution: US$465,264
Government of Ghana: US$147,150 In kind
Michigan Technological University: US$101,500
SAMARTEX: US$61,200 In kind
Total: US$775,114

Agency: Forestry Research Institute of Ghana (FORIG)

This project will demonstrate an integrated management strategy for plantation establishment incorporating a number of pest management measures. This second phase will refine the silvicultural "tool kit" to optimize planting in mixed stands in industry and community plantations with an aim to reduce economic losses from Hypsipyla (shoot borer).

Encouraging customary landowners in the lowlands of Central Province to reforest their grasslands with high value trees (PNG)

ID number: PD 552/09 Rev.1 (F)

Budget: ITTO contribution: US$644,814
Government of PNG: US$183,762
Total: US$828,576

Agency: Papua New Guinea Forest Authority

The objective of the project is to create a model reforestation framework that encourages customary landowners in the Central Province lowlands to grow high value trees on their grasslands. Implementation of the project will lead to the expansion of long-term social, environmental and economic benefits for landowners through development of reforestation enterprises to promote appropriate business models and production systems.

Promoting conservation of selected tree species currently threatened by habitat disturbance and population depletion (Indonesia)

ID number: PD 539/09 Rev.1 (F)

Budget: ITTO contribution: US$149,710
Government of Indonesia: US$40,233
Total: US$189,943

Agency: Center for Forest and Nature Conservation Research and Development – FORDA, Ministry of Forestry

The overall objective of this project is to contribute to the conservation of threatened species through the promotion of up-dating ecological and biological data and conservation efforts. The main activities include reviewing the current status of forest tree species threatened by loss of habitat; national workshops to review conservation status of selected forest tree species, including genetic resources; and the establishment of plant genetic conservation gardens for selected species.

Assessment of mangrove forest affected by Cyclone Nargis to facilitate the development of integrated mangrove ecosystem management in Ayeyarwady Delta, Myanmar

ID number: PPD 143/09 (F)

Budget: ITTO contribution: US$61,938
Government of Myanmar: Kyat 6,212,000
Total: US$61,938

Agencies: Forest Research Institute, Forest Department

This pre-project will conduct a baseline survey of mangrove rehabilitation activities undertaken by international organizations, NGOs, companies and private entrepreneurs. The pre-project will formulate a full project proposal to facilitate integrated mangrove ecosystem management in the Ayeyarwady Delta through a series of intensive stakeholder consultation meetings.

Sustainable model for the Brazilian wood flooring production chain

ID number: PD 433/06 Rev.3 (I)

Budget: ITTO contribution: US$516,927
ANPM: US$304,860
Total: US$821,787

Agency: National Hardwood Flooring Association (ANPM)

The project's development objective is to contribute to the sustainable utilization of Brazil's tropical forest resources. The project's specific objective is to increase the efficiency of forest resource utilization by improvements in the production chain of solid wood flooring, from the forest to the final product.

Industrial utilization and marketing of ten potential timber species from secondary and residual primary forests (Peru)

ID number: PD 512/08 Rev.2 (I)

Budget: ITTO contribution: US$398,517
AIDER/UNU: US$293,475
Total: US$691,992

Agencies: Association for Integrated Research and Development (AIDER) in cooperation with the National University of Ucayali (UNU)

This project will contribute to SFM by promoting timber resources from secondary and residual primary forests thereby reducing the pressure on primary forests by fostering rehabilitation and enrichment of secondary forests.

Enhancing the capacity of the wood processing sector to improve efficiency and add value in Guyana

ID number:	PD 513/08 Rev.1 (I)
Budget:	ITTO contribution: US$278,640 Government of Guyana: US$99,313 **Total: US$377,953**
Agency:	The Guyana Forestry Commission (GFC)

This project aims to raise the volume and quality of forest products through more efficiently and sustainably utilizing forest resources available to generate greater employment, increased foreign exchange earnings and to boost national and community development.

Operational strategies for the promotion of efficient utilization of rubber wood from sustainable sources in Indonesia

ID number:	PD 523/08 Rev.1 (I)
Budget:	ITTO contribution: US$605,094 Government of Indonesia/ISWA: US$302,700 **Total: US$907,794**
Agencies:	Indonesian Sawmill and Woodworking Association (ISWA) in collaboration with The Directorate General of Forestry Products Management (BPK)

This project aims to contribute to the alleviation of the timber deficit problem facing the national wood industry through promotion of the efficient utilization of rubber wood biomass of which there are vast supplies available from sustainable sources.

Thematic programs

Monitoring deforestation, logging and land use change in the Pan-Amazonian forest - PANAMAZON II (Brazil)

ID number:	RED-PD 029/09 Rev.1 (F)
Budget:	ITTO contribution: US$1,124,784 ACTO: US$1,389,600 ACTO Member Countries: US$3,748,400 **Total: US$6,262,784**
Agency:	Amazon Cooperation Treaty Organization (ACTO)

The project will improve forest governance in the Amazon through implementation of national monitoring systems. Country interaction and integrated action in boundary zones will be facilitated by strengthening the dialogue and coordination platforms of the Amazon Cooperation Treaty Organization (ACTO). The national monitoring systems will make use of a technology platform developed by the Government of Brazil.

Reducing emissions from deforestation and forest degradation through collaborative management with local communities (Ghana)

ID number:	RED-PD 026/09 Rev.1 (F)
Budget:	ITTO contribution: US$658,716 Government of Ghana: US$101,692 **Total: US$760,408**
Agency:	Forestry Research Institute of Ghana (FORIG)

The project will contribute to sustainable management and conservation of the Ankasa conservation area to improve the provision of environmental services and reduce greenhouse gas emissions. The project will develop and implement a participatory management system for the Ankasa conservation area, determining the financial value of the area's environmental services as well as methods for measurement, assessment reporting and verification for forest carbon.

Local REDDES program for development and addressing climate change in Guatemala: Building social processes for sustainability

ID number:	RED-PPD 006/09 Rev.2 (F)
Budget:	ITTO contribution: US$82,080 CALMECAC: US$95,580 **Total: US$177,660**
Agency:	Foundation for the Integral Development of Mankind and its Environment (CALMECAC)

This pre-project is aimed at consolidating information and agreements with local communities on the management of natural resources, while generating quantitative and qualitative data on forest resources and environmental services potential in the area.

Technical support for the development of a national forest inventory in the Democratic Republic of Congo to assess carbon stocks and changes in carbon stocks of forest land

ID number:	RED-A 023/09 Rev.1 (F)
Budget:	ITTO contribution: US$476,820 Government of DRC: US$33,400 **Total: US$510,220**
Agency:	Directorate of Forest Inventory and Management

The objective of this activity is to lay the foundations required for supporting a carbon inventory on national forest land in the DRC. It will support the UN-REDD Programme in DRC and complement the work of FAO by ensuring that necessary technical and logistical capacity are in place.

Strengthening Guyana's capacity to manage forest resources and environmental services through resources assessment and monitoring changes in deforestation and degradation

ID number:	RED-PD 005/09 Rev.2 (F)
Budget:	ITTO contribution: US$400,680 GFC: US$140,200 **Total: US$540,880**
Agency:	The Guyana Forestry Commission (GFC)

This project seeks to assess, at a demonstration level, forest resources and environmental services in Guyana to produce a feasibility study of targeting remuneration systems for environmental services; and to support SFM and resource utilization at the community level to maintain forest resources and prevent deforestation and degradation.

Promoting partnership efforts to reduce emissions from deforestation and forest degradation of tropical peatland in south Sumatra through the enhancement of conservation and restoration activities (Indonesia)

ID number:	RED-SPD 009/09 Rev.2 (F)
Budget:	ITTO contribution: US$149,493 Government of Indonesia: US$31,794 **Total: US$181,287**
Agency:	Regional Research Center of South Sumatra

The project is intended to enhance sustainable management of tropical peatland forest to reduce emissions and increase carbon stocking through the involvement of local communities in the conservation and rehabilitation of degraded peatland forest in South Sumatra.

Enhancing forest carbon stocks to reduce emissions from deforestation and degradation through sustainable forest management (SFM) initiatives in Indonesia

ID number: RED-PD 007/09 Rev.2 (F)

Budget: ITTO contribution: US$447,071
Government of Indonesia: US$92,545
Total: US$539,616

Agency: Forestry Directorate of Planning Development for Forest Utilization, Directorate General of Forest Production and Development

The project will promote SFM as an important option for forest based climate change mitigation to reduce emissions from tropical forests. It will focus on initiating multi-stakeholder processes for development of a national strategy to maintain and increase forest carbon stocks through implementation of SFM.

Development and demonstration scheme of payment for environmental services (PES) derived from degraded and secondary tropical production forests in China

ID number: RED-SPD 020/09 Rev.1 (F)

Budget: ITTO Contribution: US$149,040
Government of China: US$54,000
Total: US$203,040

Agency: Institute of Forest Resource Information Techniques, Chinese Academy of Forestry (CAF)

The project attempts to reduce deforestation and forest degradation, enhance environmental services and improve forest dependent livelihoods in the tropics of China. It will assess environmental services derived from degraded and secondary tropical production forests.

Sustainable forest management and utilization of ecosystem services in forests managed by the Ese'Eja native community in Infierno, Peru

ID number: RED-PD 018/09 Rev.1 (F)

Budget: ITTO Contribution: US$356,519
AIDER: US$166,800
Total: US$523,319

Agency: Association for Integrated Research and Development (AIDER)

The project is aimed at strengthening community access to emerging ecosystem services markets to generate additional income to obtain resources for community forest and ecotourism concession management. The project will help to formalize rights to trade ecosystem services and to resolve existing land tenure conflicts in the concession area.

Strengthening the capacity of small-medium enterprises in Ghana to produce and trade in timber products from legal and sustainable sources

ID number: TFL-SPD 007/09 Rev.1 (M)

Budget: ITTO Contribution: US$163,039
Government of Ghana: US$17,665
Total: US$180,704

Agency: Kumasi Wood Cluster Association (KWC)

The project will improve the capacity of small and medium forest enterprises (SMFEs) in forest law enforcement and governance in Ghana through the development and implementation of an internal wood control system consistent with legal and sustainable timber trade requirements.

Strengthening the capacity of related stakeholders in Java on implementing new Indonesian TLAS

ID number: TFL-PD 010/09 Rev.1 (M)

Budget: ITTO Contribution: US$474,163
Government of Indonesia: US$81,000
Total: US$555,163

Agency: Secretariat Directorate General of Forest Production

The project will focus on the dissemination of information on the new Timber Legality Assurance System (TLAS) standard to communities and relevant stakeholders. It will support independent monitoring of the TLAS for timber from community (plantation) forests and conduct a series of TLAS training events for license holders, local government officers and representatives of small and medium wood processing industries.

Improving governance and transparency of timber harvests and trade in Cameroon

ID number: TFL-PD 003/09 Rev.2 (M)

Budget: ITTO Contribution: US$365,526
Traffic International: US$53,100
Total: US$418,626

Agency: Traffic International

The project will contribute to the improvement of governance and the transparency of timber harvest and trade within Cameroon and internationally. It will strengthen the national process for controlling illegal logging and associated trade and contribute to the transparency of timber trade in Cameroon.

Reduction of illegal logging through better governance of community forests in the Lom and Djerem Division, East region, Cameroon

ID number: TFL-PD 014/09 Rev.1 (M)

Budget: ITTO Contribution: US$302,562
Government of Cameroon: US$52,500
Total: US$355,062

Agency: Forestry Department, Ministry of Forestry and Wildlife (MINFOF)

This project seeks to reduce illegal logging and poverty in the Lom and Djerem Division through better governance and development of community forestry. The specific objectives are to 1) improve the organization of timber markets and promote the creation and implementation of legal timber titles, and 2) reduce community poverty through good governance in managing community forest and micro-development projects.

Implementing and promoting sustainable forest management through formulation of an action plan for improved forest law enforcement and governance in Colombia

ID number: TFL-PPD 001/09 Rev.2 (M)

Budget: ITTO Contribution: US$91,498
Government of Colombia: US$31,100
Total: US$122,598

Agency: Association of Regional Autonomous Corporations and Sustainable Development (ASOCARS)

The pre-project will develop a full project proposal to specify and deal with the problems related to illegal logging as well as the weaknesses of forest legislation and forest management capacity of relevant institutions, so as to facilitate the formulation of a strategic action plan for the improvement of forest law enforcement and governance in Colombia.

Producers

Africa
Cameroon
Central African Republic
Congo
Côte d'Ivoire
Democratic Republic of the Congo
Gabon
Ghana
Liberia
Nigeria
Togo

Asia & Pacific
Cambodia
Fiji
India
Indonesia
Malaysia
Myanmar
Papua New Guinea
Philippines
Thailand
Vanuatu

Latin America
Bolivia
Brazil
Colombia
Ecuador
Guatemala
Guyana
Honduras
Mexico
Panama
Peru
Suriname
Trinidad and Tobago
Venezuela

Consumers

Australia
Canada
China
Egypt
European Community
- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- Netherlands
- Poland
- Portugal
- Spain
- Sweden
- United Kingdom

Japan
Nepal
New Zealand
Norway
Republic of Korea
Switzerland
United States of America

Optimism in first quarter of year may be overdone

By M.J.Adams

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If optimism was a driver of demand then the tropical timber industry would be celebrating the return of the good days. From SE Asia, through West Africa to the mills of Brazil, the timber trade is awash with optimism that the markets are reviving.

But is this optimism justified? Admittedly demand in China and India has improved, driven by domestic demand, stimulated by government stimulus measures. But, the story in the traditional western markets is different and there is little evidence that the fundamental indicators of demand, construction activity, consumer spending and GDP growth are improving. The declines in the major economies have been halted, but that should not be cause for the level of optimism currently promoted by the tropical timber sector.

Global growth

In an update of global growth projections the IMF notes that global economic performance improved during the third and fourth quarters of 2009 prompting an revision of estimated global growth for 2010 to 3.9 per cent, up from 3.1 per cent. The growth in China and India and other emerging Asian economies is expected to be robust, but growth will be very variable in developed economies.

Two speed world: Global GDP growth (%)

Country/Region	2009	2010
US	(-) 2.5	2.7
UK	(-) 4.8	1.3
Euro Area	(-) 3.9	1.0
Japan	(-) 5.3	1.7
China	8.7	10.0
India	5.6	7.7
Emerging and Developing Economies	2.1	6.0
World	(-)0.8	3.9

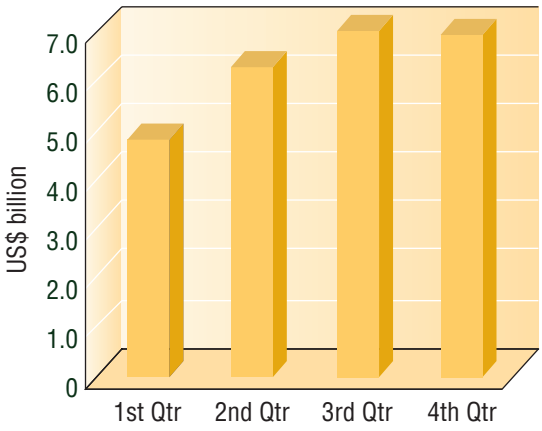
Source: World Economic Outlook Update, IMF, January 2010

Look to China

In 2008 and 2009 Chinese wood product exporters experienced weak demand in overseas markets and this led to a sharp drop in China's timber imports. Analysts see this situation slowly being reversed as demand in the US and in the EU starts to recover. However, the economies in the main consumer markets are still fragile and it will take some time for demand to grow back to pre-crisis levels.

Soon after the economic recession in 2008 and early 2009, demand for wood products in China's domestic market began to recover in tandem with the strengthening of the national economy. Domestic consumption of wood products (logs, sawnwood, veneers and wood-based panels) is forecast to continue to rise throughout 2010. The main drivers of this increased demand are varied. First, the property market in China picked up quickly beginning in the summer of 2009 and sales in some cities were even higher in late 2009 than in 2007. The expansion of the housing market stimulated the consumption of furniture and joinery and it also stimulated

Recovering: China's wood product imports, 2009



infrastructure development, another major end use for wood products. Chinese analysts anticipate that trading volumes for most wood products will grow during 2010, but not rapidly.

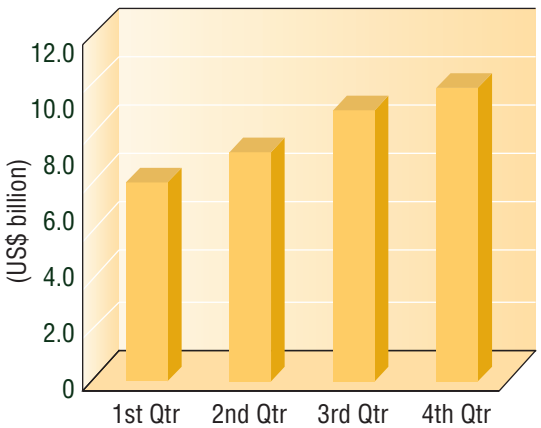
Log imports down, forest products exports up

Log imports in 2009 totalled 28 million m³, valued at almost US$4.1 billion, down 5 percent in volume and 21 percent in value from 2008. Of the total, imports of softwood logs were 20.3 million m³, up 9 percent, imports of hardwood logs were 7.76 million m³, down 30 percent; imports of tropical logs were only 6.1 million m³, down 15 percent from 2008. Analysts point to two main reasons for the decline in China's log imports in 2009. One is that the overall market was quiet. Although the domestic construction sector remained active due to the government stimulus, related industries like furniture and flooring only began to revive much later.

Statistics from Chinese Customs show that 2009 exports of forest products, including paper and paper products, plywood, fiberboard and other wood products had not recovered to the level of the previous year except in the case of wooden furniture for which the export value rose 9.2 percent. Analysis of the data for each quarter shows that export levels are gradually improving.

A plan for the revitalization of the forest industry in China over the period 2010-2012 has recently been made public. This will serve as the foundation for an action plan to support

Export bounce: Quarterly forest products exports, 2009



the industry through the current global economic crisis. The plan aims to raise the output value of the sector and to maintain growth of around 12% annually. It will aim to achieve this in three years by focusing on support for 100 national leading enterprises and 10 large wood industry clusters across the country.

The output value of the forest industry is set to increase from RMB1.44 trillion in 2008 to RMB2.26 trillion in 2012. The planned output of the wood-based panel sector will be around 100 million m³. The total value of wood products trade is expected to be over US$90 billion of which US$50 billion would be accounted for by exports in 2012. Export products such as wood-based panels, wooden flooring, furniture and wooden doors are to be given priority. To meet these targets timber imports are forecast to increase to over 60 million m³ (log equivalent) per year. The number of employees in the wood processing sector is set to increase to 57 million from the current 45 million.

India consumes

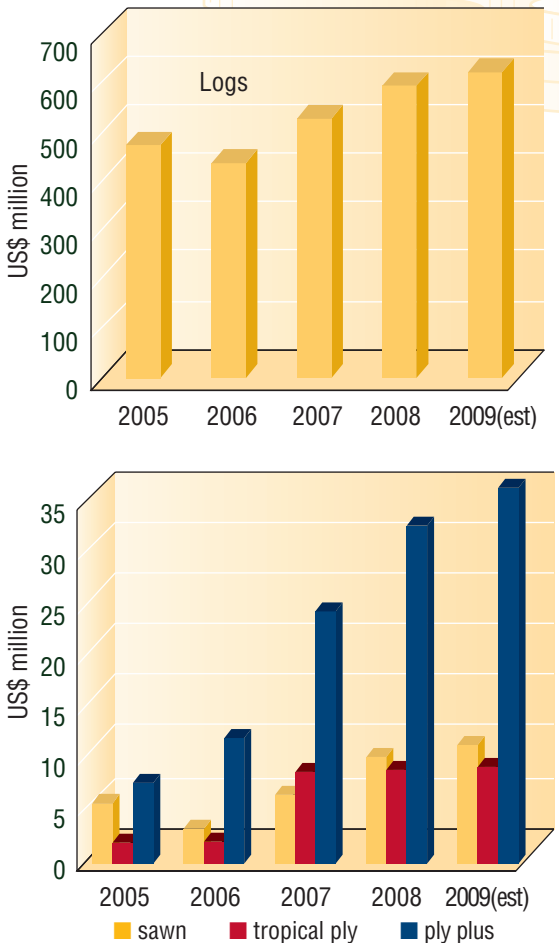
Growth of the Indian economy continues to be strong with the Indian Planning Commission's latest assessment for annual GDP growth at 6.3% with inflation being held at around 5%. Wood consumption in India is growing fast and although the country has over 250 commercial timbers (including some of the most highly prized tropical hardwoods like teak, rosewood, padouk, red sanders and sandalwood), a strict conservation policy limits harvesting. This means India is a net importer of wood and wood-based panel products. Indian industrial demand for wood jumped from 58 million m³ in 2000 to 85 million m³ in 2008 and is expected to exceed 150 million m³ by 2018.

Indian manufacturers prefer to import timber in log form to feed the domestic industries. Imports are mostly from Malaysia, Myanmar, Indonesia, Nigeria, Ivory Coast, Ghana, Togo, Gabon, Brazil, Panama, Costa Rica, Ecuador and New Zealand. Imports of sawnwood have been increasing over the past year as the difference in import duties for logs and sawn timber has narrowed and because exporting countries are offering sawn timber at competitive prices. Log consumption in the Indian panel industry is met largely from plantations, agro-forestry and (limited) natural forests. The concept of industry owned plantations of eucalyptus, poplar, casuarinas and *Acacia mangium* is gaining popularity and this helps a lot in preventing illegal felling in State forests.

As in other markets, housing growth is a major driver of timber demand. In early 2010 the Indian property sector shifted perceptibly towards a seller's market and this is reflected in housing starts and timber imports. Business in the timber sector, especially for sawnwood and wood based panel products for the housing sector was brisk in the first quarter 2010. Reports suggest considerable increases in demand for PF bonded film faced plywood and doors and frames. Analysts say the market for machine made doors and frames is steaming ahead with a growth rate of about 15% per annum and this is driving the re-tooling of old factories.

India can no longer satisfy its demand for industrial roundwood from domestic resources and as a result imports of industrial

Moving up: Indian log and forest product import trends



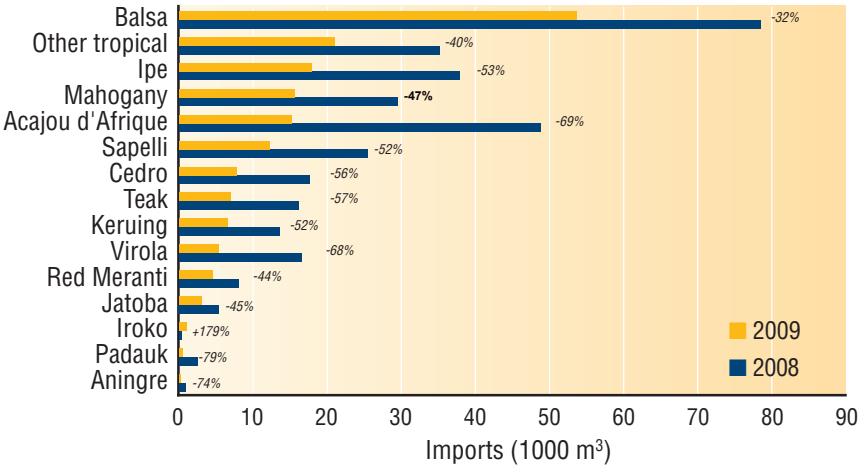
wood have grown threefold during the last ten years, comprising mainly tropical logs from ITTO producer countries. However log imports of around 2 million m³ annually still account for only a small share (under 5%) of the national consumption of industrial roundwood.

US market down

Trade statistics show that US tropical sawnwood imports in 2009 were 34% lower than in 2008. Only teak maintained 2008 import levels in 2009, with imports of most other species at much lower levels. US housing starts in 2009 were at record lows but housing permit approvals increased by 11% in late 2009. However, housing starts continued falling and were down 4% according to the latest US Census Bureau data. Housing starts remain far below the high levels seen in recent years and the large number of foreclosed homes for sale is slowing down the construction of new homes. Analysts point out that consumers in the US are still waiting to see significant improvements in employment and the economy. The expanded homebuyer tax credit should continue to provide some support to sales of new and existing homes but the outlook for hardwood companies supplying the non-residential construction sector is gloomy.

In the first quarter 2010, demand for multi-family units was reportedly higher than for institutional, commercial and industrial projects. Only construction of public buildings such as for government, healthcare and education continues to be

Mostly down: US tropical sawnwood imports, 2009 vs 2008



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

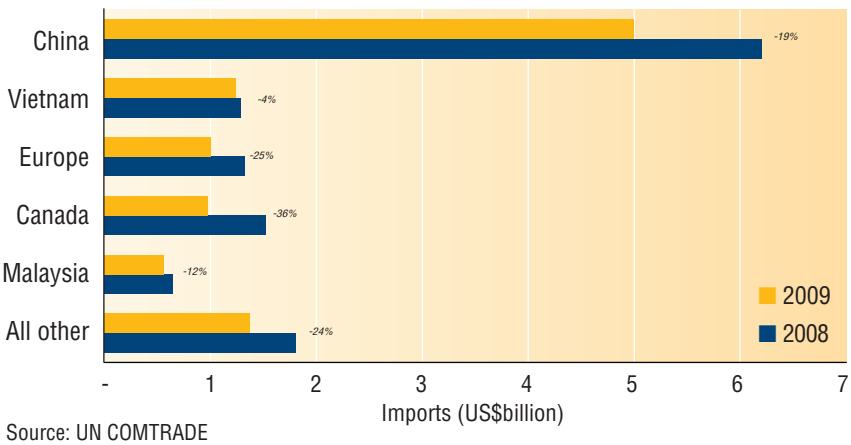
strong. It is in this segment of the market that demand for certified wood products tends to be highest.

Interest in sustainable and energy efficient homes is growing in the US. According to a report on remodeling trends by the Joint Center for Housing Studies at Harvard University, consumers have a growing interest in products that meet three additional green goals: quality and durability, environmental performance, and safety and disaster mitigation. Younger age groups have a particularly strong interest in "green" building and remodeling, which indicates that growth in green product attributes may continue to be strong in the coming years. On the down side, increasing spending on remodeling related to energy efficiency means that on average, Americans spend less on high-end remodeling projects that are more likely to use tropical timber, such as flooring and decking additions and replacements.

Furniture demand down

US imports of furniture have risen sharply in recent years as the industry has become more global. Falling tariff rates as well the fact that China, Vietnam and many Eastern European countries joined the World Trade Organization have contributed to rising imports. However this growth moderated in 2009 (see chart). Furniture orders in the final quarter of 2009 showed the first signals of the end to the declines registered in the early part of the year. But, on a less positive note, sales of furniture in the US dropped by 1.4% in January 2010, in contrast to

Cooling: US wooden furniture imports, 2009 vs 2008



Source: UN COMTRADE

overall retail sales which increased by 0.6%, according to the US Commerce Department. Relatively high unemployment, low consumer confidence and a depressed housing market continue to dampen furniture sales.

Outlook for 2010

Many US hardwood companies expect business in 2010 to be similar to that in 2009 in terms of market demand. Most companies surveyed for the Import/Export Purchasing News in late 2009 agreed that the housing and commercial markets may improve in late 2010 or even later. Higher ocean freight rates will be a challenge for US importers and trading in general. While some expect a slight improvement in business in 2010, the consensus is that if the market recovers faster than expected, hardwood suppliers would not be able to keep up with demand. Inventories are currently very low, which has helped keep prices up. The US hardwood industry went through severe cost cutting measures in 2009, and many mills and businesses folded. Since demand has been hard to predict, many hardwood lumber customers now wait for orders before sourcing lumber. As a result, distribution centers and concentration yards have had to adjust to just-in-time delivery. Properly managing inventories and cash flow will remain a priority in 2010.

Once the US and European economies recover, companies will have to compete with Chinese manufacturers for raw material that is in some instances less available than before the recession. For tropical species in particular, the Lacey Act may reinforce a supply shortage and lead to higher prices in the US market. It remains difficult for producers to sell to the US market at current asking prices, given the slow economic recovery and the weak US dollar. Exporters demand higher prices in line with exchange rate movements, but US buyers are reluctant to purchase. Inventories are so reduced that shortages are already emerging.

EU market bottoming out

The unprecedented fall in EU hardwood imports in 2008 and 2009 reflects the dramatic economic downturn across Europe. The sheer scale of the downturn took many economists by surprise. EU GDP fell by around 4% in 2009 according to the most recent European Commission figures. This compares to a fall of only 1.8% predicted at the start of 2009. The euro-area economy crawled out of recession in the three months to the end of September 2009 and GDP rose across the euro-zone by 0.4%, the first quarterly increase for more than a year.

Europe-wide construction forecasts to 2011 have been published by Euroconstruct. This report indicates that 2009 was the worst year for the construction market in the 19 countries of the Euroconstruct area for more than a decade. Construction output fell by 8.4%, a significantly larger contraction than seen elsewhere in the economy. For 2010, Euroconstruct expects another, albeit smaller, decline in construction activity of 2.2%. Recovery is not expected until 2011 and growth is unlikely to reach a level comparable to that before the recession until at least 2012.

While the European economy is expected to return to growth in 2010, the indications are that the rebound will be very weak

across the continent. Prospects are dampened by a wide range of factors including: high and rising levels of unemployment; over-capacity in the construction sector following the bursting of property bubbles in several countries (notably Spain, Ireland and the UK); and the continuing unwillingness of European banks to provide credit, particularly to smaller businesses and households. To make matters worse, many European governments have to deal with very high fiscal deficits, greatly reducing their ability to stimulate economic activity.

Cloudy with bright spots

Amongst the gloom there are a couple of bright spots for the hardwood industry. Activity in the European joinery sector, particularly windows, is receiving a boost from government stimulus measures focused on improving the energy efficiency of buildings in some countries, notably Germany and France. Furthermore, in those countries like the UK where the property bubble has burst and new residential building is in the doldrums, maintenance and renovation work is more stable as property owners are choosing to "improve rather than move".

While the economic downturn has been universally felt across Europe, its depth and the likely strength of the rebound varies between countries. GDP in Germany shrank by 5% in 2009 and is expected to rebound only weakly in 2010. Unemployment is expected to jump this year from 3.1 million to 4.5 million, a painful rise that will dampen consumer confidence and spending. A wide range of government measures have been implemented in order to stimulate growth.

Due to high dependency on the financial sector, GDP fell sharply in the UK during 2009, by around 5.9% from peak to trough. The UK remained in recession during the first quarter of 2010. UK GDP is forecast to grow weakly in 2010. Unemployment continues to rise and is expected to peak at around 9% of the workforce in 2010. UK housing market statistics had improved marginally at the beginning of 2010. However, prospects for the timber sector in the UK for 2010 are dampened by wide expectations of rising interest rates together with higher taxes expected after the recent general election. The new government is expected to rein in the country's massive fiscal deficit.

GDP in France is expected to grow by 0.9% in 2010. The French government has been spending freely in an effort to counteract the effects of the recession, supporting employment and bringing forward planned public investment projects. However this is at the cost of a large budget deficit. While the economy has stabilised there is unlikely to be significant growth.

Tight fiscal policies in Italy leave little room for economic stimulus. There also appears to be little appetite for structural reform, suggesting Italy will not be well placed to benefit from the global upturn and its economic position in Europe will continue to weaken. Economic growth of only 0.4% is expected in 2010. During late 2009, industries focused on exports, such as furniture, were reporting that sales had fallen by nearly 50% compared to the previous year, mostly due to the strength of the euro (now reversed). Traditionally Italian wood importers carried relatively high stocks, but during the current downturn companies have followed the trend to greatly run down stocks.

A property bubble has resulted in Spain and Ireland being severely hit by the 'credit crunch'. The construction sector collapsed, feeding through into a dramatic decline in key wood processing and manufacturing sectors. Spain's large door manufacturing sector has suffered from widespread bankruptcies and production is believed to be down by more than 50%. Prospects for any improvement in Spain's economy in the short to medium term seem poor.

Due diligence legislation

Timber producing countries exporting to the EU will soon face new challenges. Agreement has been reached in the EU on the text of proposed "due diligence" legislation targeting illegal logging. This legislation would not monitor the legality of each individual import, but would require European companies that "first place" timber on the EU market to operate a management system designed to minimise the risk of their trading in illegal timber. The legislation would apply to all timber products (everything from logs through to finished furniture) from all sources. The legislation would define illegality in relation to the laws of the country where timber was harvested.

A key aim of the legislation is to boost European market demand for wood legally-licensed under the terms of Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPA) between the EU and a range of tropical countries. So far the EU has completed VPA negotiations with Ghana, the Congo Republic and Cameroon. Formal VPA negotiations are on-going with Malaysia, Indonesia and Liberia. Preliminary dialogue towards a VPA is underway with CAR, Gabon and Vietnam.

Conclusion

On the face of it the timber trade's optimism in a global turn-around in demand for tropical wood products seems ill-timed. Admittedly there are some markets, for example China and India, where the prospects have improved rapidly and where growth can be expected. However these markets are primarily for raw materials rather than finished products, so downstream manufacturers dependent on the US and EU markets will face a period of stagnant demand. The answer is to rapidly diversify markets and develop strategies on pricing, standards, delivery and trading terms to suit the peculiar attributes of each individual market.

Fellowship report

ITTO Fellow from DRC studies community forestry in USA

By Danielle Fuchs (WFI)

Contact Mr. Amani
elkiamani@yahoo.fr

Note: details of ITTO's next round of Fellowship awards are provided on page 29.

Mr. Zahinda Elikia Amani, President of an NGO in the Democratic Republic of Congo, received an ITTO Fellowship in 2009 to undertake a research project entitled *"Sustainable Community Forest Management Practices: Experiences from Oregon to be used for preserving the tropical rainforest in Eastern region of Democratic Republic of Congo (DRC)"* through the Fellowship Program at World Forestry Institute in Portland, USA. In addition to completing the project, he was able to meet with many forestry organizations, network with forestry communities and exchange information with American foresters and stakeholders. He successfully completed his 6-month research training in March 2010 and returned home to apply what he learned from the training to address the challenges facing the tropical rainforests in his country. At the end of his training, he was interviewed for the journal The Forestry Source about his fellowship activities at WFI as its first DRC Fellow. This article, based on that interview, was first published in The Forestry Source (copyright The Society of American Foresters, 2010), and is reproduced here with permission from The Forestry Source.

The World Forest Institute (WFI) in Portland, Oregon, USA hosts foresters from around the world for fellowships lasting six to twelve months (details on next page), during which fellows network with forestry professionals in the Pacific Northwest and integrate the knowledge they gain with the forestry practices used in their home countries. Elikia Amani is the first fellow the WFI has hosted from the Democratic Republic of the Congo (DRC). He arrived in Oregon in September, 2009, for a six-month fellowship sponsored by the International Tropical Timber Organization. Elikia is president of the Trustee Board of the Congolese Foresters Network, a local NGO in his hometown of Bukavu, in eastern DRC. He has been a field manager at a plantation and reforestation company for 14 years.

What is the biggest challenge that foresters face in the DRC?

We have a problem with mastering forest management. Only 10 percent of our forests are managed. This small percentage consists entirely of the forests that are protected as national parks in order to provide habitat for gorillas and other endangered species. That leaves 90 percent of the forests of the DRC unmanaged, however. That is quite a gap.

The lack of forest management persists despite the existence of a *Code Forestier* (Forestry Code), the law designated to regulate forest use. The social and political climate in DRC is very complex. The Congolese people have been at war, so forest management has been a low priority. Also, the Congolese government has a very small budget for the forest sector, and even that small amount of money is stolen by the authorities. The people do not see the budget; management cannot work without money. The lack of well-trained managers and policy-makers is exacerbated by high illiteracy rates in the population and a lack of information about conservation.

A huge challenge is how to confront the authorities who are illegally selling the forest land to foreigners, who come in and do illegal logging. Most of the logging that takes place in the DRC

DRC Fellow: Elikia Amani at Oregon State University's College of Forestry. *Photo: Chandalin Bennett/WFI*

is by anonymous foreign companies who make a deal with the government. These companies care about forests for logging, not for conservation of streams, wildlife, and so on. Illegal exploitation threatens endangered species and deprives local populations of their natural resources. However, if I report the illegal logging, I could be killed.

What about the effects of subsistence farming?

Illegal logging also takes place in small-scale, one- to two-person operations for commercial reasons. The poverty of the people living around the forests makes them destroy the forest resources for money and fuel. Farming in rural populations also has an impact on the forests. About 70 million hectares have been brought into cultivation, at a rate of 4 million hectares per year. A lot of communities have bad agricultural practices such as slash and burn. Other important threats to the forests are mining activities, which leads to polluted streams and runoff into the forests.

Over-hunting is another threat. The primary threat to biodiversity in the Congo Basin is the commercial bushmeat trade, which is often linked to the arrival of logging roads and workers in remote areas. Also, more forestland is being converted to roads due to population increases and urban sprawl. In South Kivu, the province where I live, the demographic pressure is 400 persons per square kilometer. Because of all this stress, the forests have almost disappeared, the soil is impoverished, and climate change is evident in this area.

The recent international climate change meeting in Copenhagen resulted in a commitment by some developed nations to provide significant funding for REDD (Reduced Emissions from Deforestation and Degradation) activities in nations with tropical forests, such as DRC. Is it likely that any funding …will reach DRC — and that it will be passed on to foresters such as you, who can initiate REDD projects?

I hope that the DRC will be the first country in Africa to benefit from this agreement, if any funding becomes available. However, if the donor nations provide funding to the government, it is not likely that the funding will be passed on to NGOs, such as the Congolese Foresters Network, that are capable of initiating REDD projects. If the partnership of nations can directly fund

… continued page 31

The Waiariki School of Forestry and Primary Industries

Location: Rotorua, New Zealand

Term: Year-round

Cost: On request

Contact: http://www.forestryschool.ac.nz/

The Waiariki School of Forestry and Primary Industries, operating through the Waiariki Institute of Technology, is the largest vocational forestry training institute in New Zealand. It was established over 60 years ago by the New Zealand Government to train students in plantation forest management, sawmilling and wood manufacturing. The school offers programs that reflect today's forest industry needs. With strong links with Rotorua's forest industry, the school reflects the needs of today's forest industry with programs in Forest Management, Forest Operations, Solid Wood Processing, Biotechnology, Sustainable Energy, Agriculture and Horticulture. Training is offered in a range of disciplines from Silviculture and Practical Logging/Harvest Planning through to Saw Doctoring and Timber Machining.

WFI International Fellowship Program

Location: Portland, Oregon, USA

Term: 6-12 months - Applications accepted year-round.

Cost: Twelve-month Fellowships cost US$20 000. Shorter terms are prorated. Approximately 80% of the funds go directly to the Fellow's salary and program activities. Visa and travel fees are additional.

Contact: http://wfi.worldforestry.org/index/international-fellowship.html

This WFI Fellowship brings natural resource professionals from around the world to the World Forestry Center to conduct a practical research project. In addition to projects, Fellows participate in weekly field trips, interviews and site visits to local forestry organizations, research labs, universities, public and private timberlands, trade associations, mills, and corporations. The Fellowship is a unique opportunity to learn about sustainable forestry from the US Pacific Northwest forestry sector, and to work with colleagues from around the world. Fellows leave the program with a solid understanding of how the US forestry sector operates and who the key players are. Additionally, Fellows gain invaluable cultural experience and English language skills.

The three main components of the program are:

1. Conducting a Project

Fellows arrive with a major research proposal developed in conjunction with his/her sponsor. We favor proposals that are policy or market-oriented, employ good use of being situated in the Pacific Northwest, and cover a topic of interest to the international forestry community. Research projects may involve information gathering, interviewing, visiting other organizations, or planning a conference. Fellows typically summarize their projects in a report published by the World Forest Institute.

2. Networking with public and private forestry organizations in the US, especially in the Pacific Northwest

Networking is largely accomplished by site visits to forestry agencies, research labs, universities, public and private timberlands, trade associations, mills, and corporations. A combination of about four site visits or meetings per month are scheduled for Fellows. Fellows participating less than 12 months should note that most field excursions are conducted during summer months between June and October in order to avoid the rainy season. Fellows are also encouraged to arrange their own meetings to suit personal interests.

3. Educational Outreach

Fellows will be considered the staff expert for their region of the world. They respond to public requests for formal presentations to forestry professionals, general audiences, and school children.

Fellowships are open to any country, including US citizens, and there is a matching grant from the Harry A. Merlo Foundation. Over 70 Fellows from 23 countries have participated to date.

Environmental Studies Harvard University Extension School

Graduate Program in Sustainability and Environmental Management

Location: Cambridge, MA, USA

Term: Students are admitted to the program 3 times a year

Cost: On request

Contact: http://www.extension.harvard.edu/envr/default.jsp or http://www.extension.harvard.edu/2009-10/programs/envr/overview/

The Graduate Program in Sustainability and Environmental Management is designed to educate working professionals on the core environmental issues facing the global community. Programs are offered in 2 concentrations: *Ecological management* which deals with stewardship of the natural and built environment, where studies may focus on wetland protection, air and water pollution, or global climate change; and *Sustainable development* which concerns meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable initiatives include green construction, corporate responsibility, and waste and energy management.

To be admitted to the program applicants must complete 3 pre-admission courses at Harvard; sit required placement tests demonstrating competence in statistics and English (speaking, reading and writing) and; have a recognized bachelor's degree.

Courses are in English unless otherwise stated. By featuring these courses ITTO doesn't necessarily endorse them. Potential applicants are advised to obtain further information about the courses of interest and the institutions offering them.

Topical and tropical

Amazon dam flooded with protests

Amid the international protests to stop the building of the Belo Monte dam in the Amazon, plans for construction are progressing. The ongoing battle to dam or not to dam the Xingu river in the Brazilian Amazon has been raging for decades and recently gained heavy publicity in mid-April when the Hollywood director of the movie Avatar, James Cameron and Avatar actress Sigourney Weaver, traveled to the Amazon to show support for environmentalists fighting against the construction of the Belo Monte dam. Although the suspension of the bidding for the construction and operation of the planned dam was temporarily suspended, a week later Brazil awarded a domestic consortium the rights to build what will be the world's third largest dam.

Environmentalists claim that the construction of the dam will damage a sensitive ecosystem as well as displace around 20 000 local residents. However the government says the dam is expected to provide 6% of the country's electricity needs by 2015, providing electricity to many rural areas currently lacking it. Opponents note that a majority of the power generated from the dam is expected to be used in areas where aluminum smelting mines operate as well as by other industrial mining and construction companies, as opposed to rural communities.

Brazil hoping to save forests with safe sex

The Guardian reported that a new factory was opened in the Amazon state of Acre for producing condoms from latex manually extracted from trees in the area in early April. The US$20 million factory opened by the Brazilian government is slated to produce 100 million condoms a year, which the government hopes will allow local rubber tappers to profit from the rainforest without destroying it, as well as reducing Brazil's reliance on condoms imported from Asia.

This new government program is expected to contribute to the successful anti-AIDS campaigns that have reduced infection rates within the country in recent years, as well as increasing the economic viability (and therefore sustainability) of its natural tropical forests.

Nestle nestled into carbon trading project

It was reported by the AFP that Nestle Waters France has hired a carbon management company, The Pure Project, to offset the equivalent of their annual carbon emissions from the production of its Vittel mineral water in France and Belgium, which equate to approximately 115 000 tons of carbon emissions per year. The project will provide approximately US$550,000 to plant 350 000 mostly tropical hardwood trees at project sites in the Bolivian Amazon and Peru with the goal of renewing the same amount of trees every year.

The Pure Project will involve local communities in Peru by paying farmers one Peruvian Sol (around 30 US cents) for every tree seedling they plant on their farmland, with planting intensities ranging from 85 to over 1000 trees per hectare. Once the trees reach the minimum legal diameter to be cut, they can be harvested by the farmer and sold. The trees will help to rehabilitate areas degraded by slash and burn agriculture and will help to improve local crop productivity (mostly cocoa) through agro-forestry inter-plantings.

New climate partnership to protect forests

It was reported by the Reuters that governments will seek a new climate partnership in 2010 to protect tropical forests with funds going through the United Nations, the World Bank or bilateral channels. This partnership is open for all, whether they contribute to the funding or not. Pledges have already come from the United States, Australia, France, Japan, Britain and Norway for a total of $3.5 billion to be spent from 2010-2012 to save forests.

According to Norway's Environment Minister Erik Solheim, the money will be under national control of each government but there are plans to establish mechanisms in the United Nations and the World Bank on how to use it. "I think that it will be a mixture of bilateral agreements of the type we have ... as well as global schemes within the UN and the World Bank," he said, adding that each forested nation had sovereignty to manage its natural resources.

New funds to invest in sustainable forestry

According the PRNewswire, three new funds that invest in tropical tree plantations were introduced in early March by MSS Fund Management, a London based alternative asset manager, and Oxigen, the UK's leading authority on sustainable forestry investments. The "Sustainable Forestry Funds" should give investors direct access to returns generated by commercially managed tropical plantations as well as opportunities to invest with a sustainably focused strategy. The funds will invest in commercially managed mahogany, agarwood (aquilaria), and teak plantations, as well as related agroforestry crops (eg maize, sugar cane and lemon grass) in Brazil, Malaysia, Costa Rica and other specifically selected regions. The objective of the funds is to provide investors with risk-adjusted returns from sustainable forestry while helping to protect tropical forests from deforestation. The funds will work with local communities in project areas to establish community schools, medical centers and projects.

Threat in Indonesia

It was reported by Reuters that billions of dollars planned for Indonesia under a UN backed forest protection scheme are at risk due to the country's weak oversight mechanisms. Indonesia stands to gain billions of dollars every year under REDD, the proposed forest-based greenhouse gas offset scheme formalized in December in Copenhagen. However, a study by Center for International Forestry Research (CIFOR) warns that past cases of corruption and financial mismanagement in Indonesia's forestry sector revealed systematic weaknesses that have some worried about how REDD money will be managed. The report exposed details of mismanagement of a Reforestation Fund, established in 1989 under former president Suharto, which collected billions of dollars in levies from timber concessionaires to pay for reforestation.

The CIFOR study reported that US$5.252 billion was lost from the fund through systemic financial mismanagement and fraud between 1993/94 and 1997/98. Although a spokesman from Indonesia's Forestry Department said the government is committed to transparency and strict control of all finances, a co-author of the CIFOR report said that unless a transparent oversight mechanism is put into place, the problems of the past may recur.

Alternate farming to save the Amazon

With cattle ranching and farming the biggest cause of deforestation in the Amazon rainforest, a Brazilian government-run experiment is trying a new technique that may slow down forest loss according to reports by the AP. In order to break from the common practice of slash-and-burn agriculture that farmers are used to, which exhausts the land of nutrients in turn causing more forests clearance, this alternate method encourages rotating crops and revitalizing pastures. Such practices can extend the life of farm land by five times. On one experimental farm rows of eucalyptus or balsa trees alternate with wide areas of pasture, with the pasture replaced by a grain or cereal crop every five years to replenish nutrients in the soil. A rancher can have constantly rotating areas of productive grazing and croplands along with commercial timber if large areas of land are managed in this way. This technique has been successful in other countries, but achieving the same results in the Amazon can be difficult with the ever increasing demand for cattle and soy, and where the widely practiced slash and burn cycle consists of very little work for the farmers and ranchers, as opposed to the five year crop rotation plan will demand a lot more from them.

UN Climate report ripped

The UK Times reports that a 2007 report by the UN's Intergovernmental Panel on Climate Change (IPCC) is being criticized for sloppy research, this time for claims about the effects of a drier, hotter climate on the Amazon rain forest. The report was based on the findings of a study produced by the World Wildlife Federation (WWF) about forest fires.

The IPCC report states that "up to 40 percent of the Amazonian forests could react drastically to even a slight reduction in precipitation", highlighting the threat climate change poses to the Earth. The report goes on to say that "it is more probable that forests will be replaced by ecosystems ... such as tropical savannas."

But the claim was based on a WWF study titled "Global Review of Forest Fires", a paper barely related to the Amazon rainforest that was written "to secure essential policy reform at national and international level to provide a legislative and economic base for controlling harmful anthropogenic forest fires."

Slippery fate for certified palm oil

Major European food manufacturers are buying very little sustainable palm oil which may cause a sustainable palm oil union to shut down. The group known as The Roundtable on Sustainable Palm Oil (RSPO) was created by palm producers to lessen the environmental damages, such as the destruction of tropical forests, greenhouse gas emissions and loss of endangered wildlife, caused by the palm oil industry.

Although palm oil is widely used in everyday household products ranging from baked goods to cleaning supplies, the companies that use palm oil in their products made little effort to purchase and support the RSPO certified palm oil. Although there is no shortage of RSPO certified products, lack of consumer and producer enthusiasm towards the purchase of certified palm oil is making the sustainability of RSPO itself questionable.

Ecuador Minister resigns over Yasuni oil project

Ecuador's foreign minister Fander Falconi was the third government official to resign earlier this year after being criticized by President Rafael Correa over his handling of negotiations to seek international donations of $3 billion over the next 10 years to keep an estimated 850 million barrels of heavy crude oil under the ground in the remote Yasuni National Park.

The slow pace of negotiations on the project aiming to prevent oil drilling in the pristine Amazon reserve has caused President Correa to threaten to begin drilling in the Yasuni national park. The president has expressed his dissatisfaction with proposed conditions being imposed by potential donors on how the funds would be spent, including suggestions to expand the protected area under the current initiative. The proposal to protect Yasuni from oil drilling is more than two years old but has no confirmed donors to date.

Cameroon and the EU sign VPA

Cameroon and the EU have signed a Voluntary Partnership Agreement (VPA) following nearly three years of negotiations aimed at ensuring that only legally harvested timber from the West African country enters the European market. The VPA, set to commence implementation in 2012, will apply to all wood products harvested or produced in Cameroon, one of Africa's largest exporters of tropical hardwood. In 2008 Ghana signed an agreement, followed by the Republic of Congo in 2009, making the VPA signed with Cameroon the third such agreement signed in Africa by the EU.

Brazilian officials busted for illegal logging

Brazilian Police have cracked down on an illegal logging operation in Mato Grosso state, arresting over 70 people. The operation included the concerted efforts of loggers, landowners, forest managers and environmental officials who were accused of providing false documentation to aid the loggers by certifying that illegally harvested timber came from approved sources. The arrests were the result of a two-year investigation in six Amazon states. Mato Grosso is the worst affected by illegal logging due to forest clearance for expanding soya farms. Those arrested face charges such as conspiracy, active and passive corruption, theft, illegal land appropriation, misrepresentation, false data entry in official computer systems and several other criminal offenses under Brazil's Law of Environmental Crimes.

Recent editions

Edited by Ken Sato

Simula, M. 2010.* Pros and cons of procurement. *ITTO Technical Series 34. ITTO. Yokohama, Japan. ISBN: 4-902045-56-7.

Available from: *ITTO Secretariat (see page 2 for contact details); online under Publications - Technical Reports at www.itto.int*

This study reviews developments and progress regarding timber procurement policies. It assesses the positive and negative impacts of these policies, analyses the main similarities and differences among timber procurement policies, indicates the extent to which suppliers in ITTO member countries are able to meet the requirements and costs of these policies, and evaluates the need and desirability for as well as the practicality of promoting convergence and coordination among timber procurement policies as a means of facilitating the international trade in tropical timber. The unedited case studies referred to in this publication are available in their original languages online.

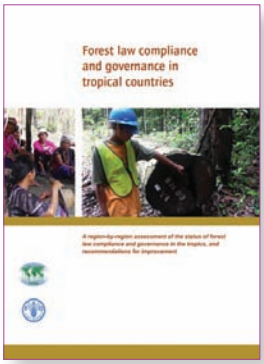
Scheyvens, H., López-Casero , F. 2010.* Enhancing customs collaboration to combat the trade in illegal timber. *Institute for Global Environmental Strategies (IGES). Kanagawa, Japan. ISBN: 978-4-88788-056-6.

Available online at: *http://enviroscope.iges.or.jp/modules/envirolib/view.php?docid=2784*

This report builds on the initiatives of the Asia Forest Partnership and East Asia and Pacific FLEG process to promote cooperation among customs, forestry and other authorities to reduce the trade of illegal wood products. It was published to assist customs and timber trade regulating agencies in their efforts to improve control over the international tropical timber trade, thereby preventing trade from being a driver of illegal logging and thus supporting the management, conservation and sustainable development of forests.

Blaser, J., 2010.* Forest law compliance and governance in tropical countries. *FAO, Rome, Italy and ITTO. Yokohama, Japan.

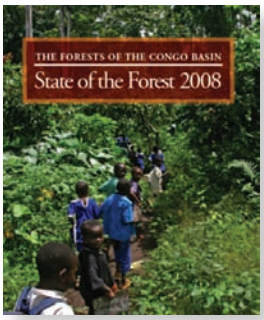
Available in English, French and Spanish from: *ITTO Secretariat (see page 2 for contact details); online under Publications - Technical Reports at www.itto.int*



The objective of this report is to summarize the main outcomes and lessons learned from five regional workshops on forest law compliance and governance conducted jointly by FAO and ITTO throughout the tropics. Based on the outputs of the workshops, the report makes a number of region-by-region recommendations and draws some general conclusions.

de Wasseige C., Devers D., de Marcken P., Eba'a Atyi R., Nasi R. and Mayaux P. 2009.* State of the forest 2008: The forests of the Congo Basin. *Publications Office of the European Union, Luxembourg. ISBN: 978-92-79-13210-0.

Available online at: *http://forestindustries.eu/content/congo-basin-state-forest-2008*



This report provides an update on the status of tropical moist forests in Central Africa. It covers the 6 main forested countries of Central Africa, namely Gabon, Republic of the Congo, the Democratic Republic of Congo, Equatorial Guinea, Cameroon and the Central African Republic. The report is divided into three main sections: a national and regional synthesis; thematic chapters dealing with environmental services offered by the forests; and detailed information on the Congo Basin Forest Partnership (CBFP) landscapes.

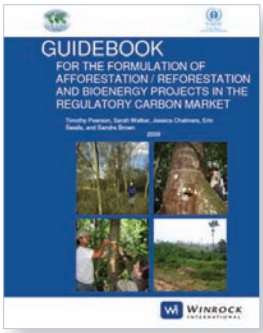
German, L., Karsenty, A., Tiani, A-M. 2009.* Governing Africa's forests in a globalized world. *The Earthscan Forest Library. London, UK. ISBN: 978-1-84407-756-4. £65.00

Available online at: *http://www.earthscan.co.uk/?tabid=92777*

This book summarizes experiences to date on the extent and nature of decentralization and its outcomes in Africa. It suggests there has been an underperformance of governance reforms and explores the practicality of different governance instruments in the context of weak governance and expanding commercial pressures on forests. Findings are grouped into two thematic areas: decentralization, livelihoods and sustainable forest management; and international trade, finance and forest sector governance reforms.

Pearson, T.R.H., Walker, S., Chalmers, J., Swails, E., and Brown, S. 2009.* Guidebook for the formulation of afforestation/reforestation and bioenergy projects in the regulatory carbon market. *Winrock International. Virginia, USA.

***Available in English and French from**: ITTO Secretariat (see page 2 for contact details); online under Publications - Technical Reports at www.itto.int*



The purpose of this guidebook is to serve as guidance for those interested in developing land-use change, forestry and bio-energy projects under the Clean Development Mechanism (CDM) of the Kyoto Protocol. The guidebook has been updated by Winrock International with the support of UNEP's CASCADE programme, modified from a 2006 joint ITTO-Winrock publication (*ITTO Technical Series 25*). This updated version includes new information on bio-energy projects and an Annex on voluntary carbon markets.

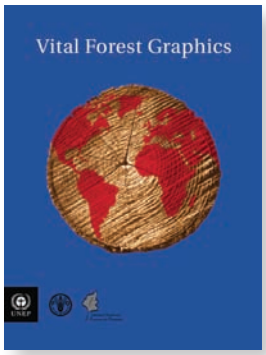
Dourojeanni, M., Barandiarán, A. and Dourojeanni, D. 2010.* Amazonía Peruana en 2021 – Explotación de recursos naturales e infraestructuras: ¿Qué está pasando? ¿Qué es lo que significan para el futuro? (Peruvian Amazon in 2021 - Infrastructure and the exploitation of natural resources: What is happening and what does it mean for the future?) *ProNaturaleza. Lima, Perú. ISBN: 978-612-45697-0-8.

***Available online in Spanish at:** http://www.amazonia-andina.org/content/libro-amazonia-peruana-en-2021*

This book, which is only available in Spanish, explores the implications of a series of projects planned for the Peruvian Amazon over the coming decade. Although little has been disclosed about these government- private sector projects, they will involve infrastructure mega-projects to facilitate exploitation of the vast natural resources of the region. Projects include hydro-electric dams that will cut the flow of rivers to generate energy for export; highways, industrial canals and railways that will crisscross the lowlands; and an unprecedented increase in the extraction of oil, gas, timber and minerals that will produce social and environmental impacts that will change the region forever.

UNEP, FAO and UNFF. 2009.* Vital forest graphics. *UNEP. Nairobi, Kenya. ISBN: 978-92-807-2903-0.

***Available online at:** http://www.unep.org/publications/search/pub_details_s.asp?ID=4060 (US$25); or as a free download at http://www.grida.no/publications/vg/forest/*



This visually engaging publication provides an overview of the global trends in forest cover. It examines the four largest global forest ecosystems and analyzes the trends and challenges in their conservation and management. It examines some of the key drivers behind forest loss, including the increasing demand for commodities and energy. Finally it reviews some of the best practices for sustainable management of forests, such as regulatory regimes, participatory management and economic incentives.

ITTO fellowships offered

ITTO offers fellowships through the Freezailah Fellowship Fund to promote human resource development and to strengthen professional expertise in member countries in tropical forestry and related disciplines. The goal is to promote the sustainable management of tropical forests, the efficient use and processing of tropical timber, and better economic information about the international trade in tropical timber.

Eligible activities include:

- participation in short-term training courses, training internships, study tours, lecture/demonstration tours and international/regional conferences;
- technical document preparation, publication and dissemination, such as manuals and monographs; and
- post-graduate studies.

Priority areas: eligible activities aim to develop human resources and professional expertise in one or more of the following areas:

- improving transparency of the international tropical timber market;
- promoting tropical timber from sustainably managed sources;
- supporting activities to secure tropical timber resources;
- promoting sustainable management of tropical forest resources;
- promoting increased and further processing of tropical timber from sustainable sources; and
- improving industry efficiency in the processing and utilization of tropical timber from sustainable sources.

In any of the above, the following are relevant:

- enhancing public relations, awareness and education;
- sharing information, knowledge and technology; and
- research and development.

Selection criteria: Fellowship applications will be assessed against the following selection criteria (in no priority order):

- consistency of the proposed activity with the Program's objective and priority areas;
- qualifications of the applicant to undertake the proposed fellowship activity;
- the potential of the skills and knowledge acquired or advanced under the fellowship activity to lead to wider applications and benefits nationally and internationally; and
- reasonableness of costs in relation to the proposed fellowship activity.

The maximum amount for a fellowship grant is US$10 000. Only nationals of ITTO member countries are eligible to apply. The next deadline for applications is **3 September 2010** for activities that will begin no sooner than 15 February 2011. Applications will be appraised in December 2010.

Further details and application forms (in English, French or Spanish) are available from Dr. Chisato Aoki, Fellowship Program, ITTO; Fax 81 45 223 1111; fellowship@itto.or.jp (see page 2 for ITTOís postal address) or go to www.itto.int.

Meetings

17-20 August 2010
IUFRO 5.10.00 and the UNECE/FAO Team of Specialists on Forest Products Markets and Marketing: Joint Pre-conference to the IUFRO World Congress in Seoul
Hokkaido, Japan
Contact: Richard P. Vlosky, rvlosky@agcenter.lsu.edu; Eric N. Hansen, eric.hansen2@oregonstate.edu; Toshiaki Owari, owari@uf.a.u-tokyo.ac.jp; www.uf.a.u-tokyo.ac.jp/hokuen/iufro2010/

19-21 August 2010
Conference on advances in somatic embryogenesis of trees and its application for future forests and plantations
Suwon, Korea
Contact: Yill-Sung Park, ypark@nrcan.gc.ca; Heung-Kyu Moon, hkmoon@korea.kr; www.iufro-kfri2010.ca/index.html

23-27 August 2010
8th Flora Malesiana Symposium
Singapore
Contact: Singapore Botanic Gardens, 1 Cluny Road, Singapore 259569; Floramalesiana2010@nparks.gov.sg; www.sbg.org.sg/fm8; Fax: 65 64674832

23-28 August 2010
23rd International Union of Forest Research Organizations (IUFRO) World Congress. Forests for the Future: Sustaining Society and the Environment
Seoul, Korea
Contact: 2010 IUFRO Congress Organizing Committee, Korea Forest Research Institute, 57 Hoegi-ro, Dongdaemun-gu, Seoul 130-712, Korea; iufrococ@forest.go.kr; www.iufro2010.com; www.iufro.org; Tel: +82 2 961 2591; Fax: +82 2 961 2599

25 August 2010
Side Event at 23rd IUFRO World Congress – Forest Law Enforcement, Governance and Trade (FLEGT): Opportunities and Challenges
Contact: http://www.itto.int/en/workshop/

25 August 2010
Side Event at 23rd IUFRO World Congress – ITTO Children's Environmental Education Programme on Tropical Forests
Contact: http://www.itto.int/en/workshop/

29 August - 1 September 2010
International Conference for Urban Forestry in Challenging Environments
Beijing, China
Contact: Jun Yang, RCUF2010@gmail.com; http://app.bjfu.edu.cn/linxy/icufce_2010/home.html

31 August - 3 September 2010
Workshop on forest governance, decentralisation and REDD+ in Latin America and the Caribbean
Oaxaca, Mexico
Contact: Jalan CIFOR, Situ Gede, Bogor Barat 16115,Indonesia; Tel: 62-251-8622-622; Fax: 62-251-8622-100; cifor@cgiar.org; http://www.cifor.cgiar.org/Events/Oaxaca/workshop-agenda.htm

8-9 September 2010
Carbon Markets Mexico and Central America
Mexico City, Mexico
Contact: Green Power Conferences, Southbank House Black Prince Road, London, SE1 7SJ UK; Tel: +44 (0)207 099 0600; Fax: +44 (0)207 900; 1853info@greenpowerconferences.com; www2.greenpowerconferences.co.uk

20-22 September 2010
World Forestry Center "Who Will Own the Forest?" conference
Portland, Orgeon
Contact: http://wwotf.worldforestry.org/wwotf6/home.html

21-27 September 2010
Forest Landscapes and Global Change: New Frontiers in Management, Conservation and Restoration
Bragança, Portugal
Contacts: Joao Azevedo; iufrole2010@ipb.pt; or Jiquan Chen; jiquan.chen@utoledo.edu

22-25 September 2010
International Symposium on Integrated Sustainable Livelihood Development in Mountain Forest Areas
Lin'an, Zhejiang Province, China
Contact: International Network for Bamboo and Rattan (INBAR); Zhu Zhaohua, Jin Wei; Tel: 86-10-64706161 ext. 301, 310; Fax: 86-10-64703166; zhzhu@inbar.int; Wjin@inbar.int

30 September - 2 October 2010
The Future of Forestry and Forest Science Conference
Melbourne, Australia
Contact: Conference Managers c/o Event Planners Australia; 113 Abbotsford Street West Melbourne VIC 3003 Australia; Tel: +61 3 9320 8676; Fax: +61 3 9320 8699; forestry2010@eventplanners.com.au; www.forestscience.unimelb.edu.au/centenary

4-8 October 2010
20th Session of the United Nations Food and Agriculture Organization's (FAO) Committee on Forestry (COFO)
Rome, Italy
Contact: www.fao.org/forestry/cofo/en/

5-7 October 2010
International conference: "Emerging Economic Mechanisms: Implications for Forest-Related Policies and Sector Governance"
Rome, Italy
Contact: forest_conf_FAO@unitus.it

6-8 October 2010
3rd International Timber Trade Federation Day "Maintaining the momentum – marketing legal and sustainable timber"
Geneva, Switzerland
Contact: Céline Krebs, Tropical Forest Trust, c.krebs@tft-forests.org

7-15 October 2010
Travelling workshop: Canopy processes in a changing climate - South East Australia
Contact: Anthony O'Grady, anthony.ogrady@csiro.au

11-15 October 2010
Society of Wood Science and Technology. 53rd International Convention
Geneva, Switzerland
Contact: Victoria L. Herian; vicki@swst.org

11-15 October 2010
UNECE Timber Committee, 68th session, held jointly with Society of Wood Science and Technology
Geneva, Switzerland
Contact: Ed Pepke; ed.pepke@unece.org; http://timber.unece.org/index.php?id=124

18-29 October 2010
10th Conference of the Parties to the Convention on Biological Diversity (COP 10)
Nagoya, Japan
Contact: Secretariat of Aichi-Nagoya COP 10 CBD Promotion Committee, 3-2-1 Sannomaru, Naka-ku, Nagoya; aichi-nagoya@cop10.jp; www.cop10.jp/aichi-nagoya/english/index.html; Tel: +81-52-972-7778 or +81-52-972-7779; Fax: +81-52-972-7822

19-21 October 2010
IX Seminar on Remote Sensing and GIS applied to Forestry/IX Seminário de Atualização em Sensoriamento Remoto e Sistemas de Informações Geográficas Aplicados à Engenharia Florestal
Curitiba, Brazil
Contact: Tomasz Zawila-Niedzwiecki, tzawila@ibles.waw.pl; www.9seminarioflorestal.com.br/home/

21-23 October 2010
3rd International Forest Furniture and Joinery Industry Trade Fair (FENAFOR 2010)
Lima, Peru
Contact: fenafor@fenafor.com; www.peruforestal.org , www.fenafor.com

29 November - 10 December 2010
The Sixteenth Conference of the Parties (COP) and the Sixth Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)
Cancún, Mexico
Contact: http://cc2010.mx/swb/

5 December 2010
Forest Day 4 - UNFCCC COP16 Parallel Event
Cancun, Mexico
Contact: http://www.cifor.cgiar.org/Events/ForestDay4/Introduction/

8-10 December 2010
Fourth International Conference on Plant and Environmental Pollution
Lucknow, India
Contact: Conference Secretariat, isebnbrilko@sify.com; isebmail@gmail.com; http://isebindia.com/icpep-4/icpep-4.html

13-18 December 2010
46th Sessions of the International Tropical Timber Council and Associated Committees
Yokohama, Japan
Contact: ITTO Secretariat; itto@itto.int; www.itto.int; Tel: +81-45-223-1110; Fax: +81-45-223-1111

24 January – 4 February 2011
9th Session of UNFF
New York, USA
Contact: http://www.un.org/esa/forests/session.html

8-10 February 2011
Short Rotation Forestry: Syniergies for Wood Production and Environmental Amelioration
Ludhiana, India
Contact: Sanjeev Chauhan, chauhanpau@rediffmail.com; www.iufro.org/download/file/5651/1325/india11-1st-announcement.doc/

8-10 February 2011
Australasian Forest Genetics Conference: integrating quantitative and molecular tools
Christchurch, New Zealand
Contact: Luis A. Apiolaza, Luis.Apiolaza@canterbury.ac.nz; http://www.forestgenetics.com.au/

21-25 February 2011
26th Session of the UNEP Governing Council/Global Ministerial Environment Forum
Nairobi, Kenya
Contact: Secretariat of the Governing Bodies, Jamil Ahmad; jamil.ahmad@unep.org

5-9 March 2011
Global Conference on Entomology
Chiang Mai, Thailand
Contact: http://entomology2011.com/

CPET's role

A scoping study of the policy, undertaken in 2002, concluded that technical expertise in assessing evidence of compliance and additional support and guidance would be needed for the policy to be implemented successfully. The study recommended the establishment of a Central Point of Expertise on Timber (CPET) to provide government procurement personnel with information and advice to support the implementation of the policy. After a pilot phase, CPET was launched by Defra in 2005 and since then has provided active support to government in terms of ensuring policy implementation. CPET now provides a range of guidance and advisory services, at no cost to government buyers or suppliers, including a helpline, website, training sessions, direct support and awareness raising to help government departments, the public sector and their suppliers and contractors to implement the policy.

The timber procurement advice note from Defra and CPET makes it clear to public buyers that, where no verified legal and sustainable or FLEGT-licensed or equivalent source is available, evidence that the source of the timber was legally managed will be accepted. However, documented justification setting out why no alternative product or timber species can be used and confirmation of no sustainable or FLEGT licensed timber being available has to be presented. Instructions also clarify that preference for timber from sources that are demonstrably in an active programme to improve and certify forest management should be preferred.

To give suppliers more flexibility in finding well-managed forests for their sources of timber, the advice note and CPET also instruct public buyers to specify requirements in performance output terms rather than demanding particular species, unless unavoidable. Where it is not feasible to specify the requirements in performance output terms, then those responsible for writing the technical specifications are instructed to consider lesser-known species/timbers in addition to more well-known species/timber.

CPET training sessions take public buyers, suppliers and contractors through what legal and sustainable forest management is and what is required to prove it. This enables public buyers to understand what the potential premiums for legal and sustainable tropical timber reflect and to know that they are paying the 'right price' for the timber. This helps to create an incentive for ensuring legal and sustainable forest management.

One of the most important roles of CPET is to provide technical support to public buyers and suppliers with assessments of evidence of compliance. CPET enables expert-based risk assessment of evidence provided to demonstrate compliance with the policy. CPET also plays an important role in ensuring consistency across the public sector in application of the policy.

Looking forward

Consistency in requirements is important to avoid confusion. At the EU level, Defra and CPET share experiences with other member states. In October 2008, as part of the European Commission's Standing Forestry Committee, an ad hoc working group on public procurement of wood was established. The aim of the working group is to provide a forum for exchange of experiences between the member states, European Commission services and other stakeholders to develop guidelines for application of the public procurement directives to forest products. This exchange of views should serve to achieve better compatibility between different approaches applied in the member states, and also support the EU FLEGT Action Plan.

The UK government timber procurement policy is seen as a major driver in creating a demand for sustainable and legal timber products across the UK. In the last three years, there has been a marked increase in certified timber imported or produced in the UK, rising from 65% in 2005 to nearly 85% in 2009. The proportion of timber certified from tropical countries is, however, still below 20% of the total tropical timber imported into the UK.

The UK government's timber procurement policy has now reached maturity and the emphasis now focuses on ensuring that the policy is implemented consistently across government, and that private and public sector suppliers and contractors are provided with support and advice to help them understand the requirements.

More information on the UK TPP is available on the CPET website (www.cpet.org.uk). CPET welcomes input and comments through the website or by email (cpet@proforest.net).

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the Congolese Forest Network for such work, then we can use it for many already scheduled activities related to environment protection and climate change fighting. Otherwise, we will continue to work in our own capacity, but with a feeble impact, due to the small scale of our activities.

Overall, the lack of the funding for most NGOs acting in the forest and environment sector in the DRC leads to ongoing deforestation and degradation that impacts climate change. It is time for the nations to wake up and act to fight climate change through associations such as the Congolese Foresters Network and mobilize their human and financial resources in order to take up these global challenges.

How will you use the knowledge you gain while at the WFI?

My goal is to learn how people manage the forests here, so that I can take those practices back to the DRC. I wish to contribute to the preservation of Congolese forests through the use of modern forest-management techniques. The goal of the Congolese Forest Network is to get community participation to constitute 80 percent of forest management. We are intensifying reforestation efforts, reviewing the laws concerning conservation, and promoting an attitude of respect towards forests. Through this [WFI] platform I can have an exchange about the challenges of our country. I can give the other [stakeholders] a briefing on the management practices I learned here, and I can also organize workshops where I can invite local communities and other organizations, such as local and international NGOs, to have a dialog about the management of our natural resources. I want to get the Congolese people to care about their forests and show them how to sustainably manage them.

Out on a limb

Sofie Tind Nielsen (Sofie@Proforest.net), project manager for the UK's Central Point of Expertise on Timber (CPET), provides the UK perspective on timber procurement

Concern about illegal logging and unsustainable forest practices, especially in the tropics, led the UK government to pledge to take action domestically to help combat illegal logging at a G8 summit in 2000. The UK is the 4th biggest importer of timber products in the world and of the timber products on the UK market an estimated 15% is consumed on the government estate. The international commitment to exclude illegal timber from government purchases led to the development of a timber procurement policy.

Over the past decade, the Department for Environment, Food and Rural Affairs (Defra) with support from colleagues across government, has been implementing a range of measures to tackle the issues related to illegal logging through procurement. The timber procurement policy feeds into general national strategies for sustainable consumption and production and more recently also climate change mitigation. Reports show that deforestation, which is often linked to illegal logging, contributes up to a fifth of global greenhouse gas emissions.

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In governments across Europe awareness of issues such as illegal logging, tropical deforestation and sustainable forest management are more prominent than ever. High level UN discussions about the role of forests in climate change mitigation and continuing progress on the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan have placed forestry issues firmly on the political agenda. The UK government's timber procurement policy has progressed significantly over the past ten years. The policy is now recognised across Europe for its effectiveness in implementation and progressive facilitation of changes in forestry standards.

The UK TPP

The UK government's timber procurement policy is seen as an important step in helping to tackle problems at the forest source and to motivate changes in practice and management by creating a demand for legal and sustainable timber products. When the timber procurement policy was first announced in 2000 it committed central government "to actively seek to procure only legal timber and preferably sustainable timber".

In April 2009, the policy developed a significant step further and now requires government buyers to demand either legal **and** sustainable timber, or timber licensed under a Voluntary Partnership Agreement (VPA) between the EU and a supplier country. VPAs are an important element of the EU's Forest Law Enforcement, Governance and Trade (FLEGT) initiative.

Legality and sustainability are defined by a set of criteria which are derived from internationally agreed criteria for legal and sustainable forest management including ITTO's criteria and indicators. In order to demonstrate that timber is from a legal and sustainable source, and thereby in compliance with the policy, suppliers are required to prove the traceability of the timber (chain of custody) and to prove that the forest source was managed legally and sustainably as defined by the UK government's legality and sustainability criteria, or FLEGT licensed. Therefore, evidence related to both management of the forest and the chain of custody is required.

Early this year further steps in policy development were taken when the UK government announced that the timber procurement policy would now include specific social criteria. The social requirements clarify that the management of the forest must have full regard for the interests of indigenous peoples, local communities and forest workers. The requirements specifically refer to tenure and use rights, means of resolving grievances and disputes, and safeguarding the basic labour and health and safety rights of forest workers.

The policy is a mandatory requirement for central government departments, executive agencies and non departmental public bodies. Other publically funded bodies, such as universities and local authorities are encouraged to voluntarily adopt the policy. The requirements apply to all timber and wood-derived products, such as paper, furniture and construction timber, including temporary site works and material supplied by contractors.

Evidence required to demonstrate compliance

Two types of evidence are recognised by the UK government as demonstrating timber originating from a legal and sustainable source: Category A and Category B evidence. Category A evidence is independent certification under a scheme recognized as meeting the legality and sustainability criteria set by the UK government. The international certification schemes implemented by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) have been found to meet these criteria and thereby ensure compliance with the policy. Category B evidence, is all other forms of credible evidence and is assessed on a case by case basis.

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