



Certification & Verification in SE Asia

As a Tool for SFM, Law Enforcement & Forest Governance



Outline of the presentation

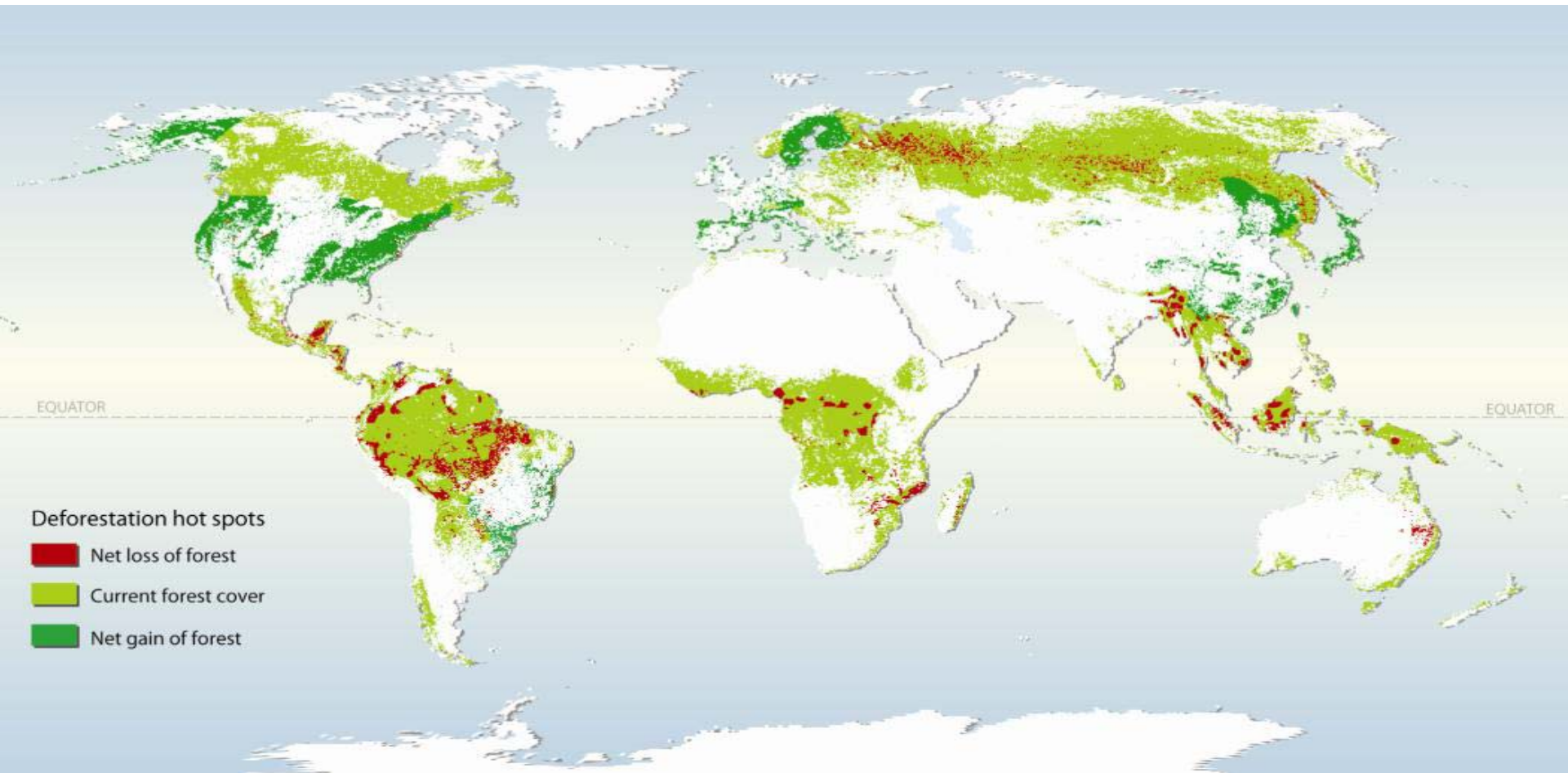
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- Context & Motivation of Study
- Analysis of Certification & Verification Schemes in SE Asia
- Potential for Voluntary Certification
- Policy Recommendations



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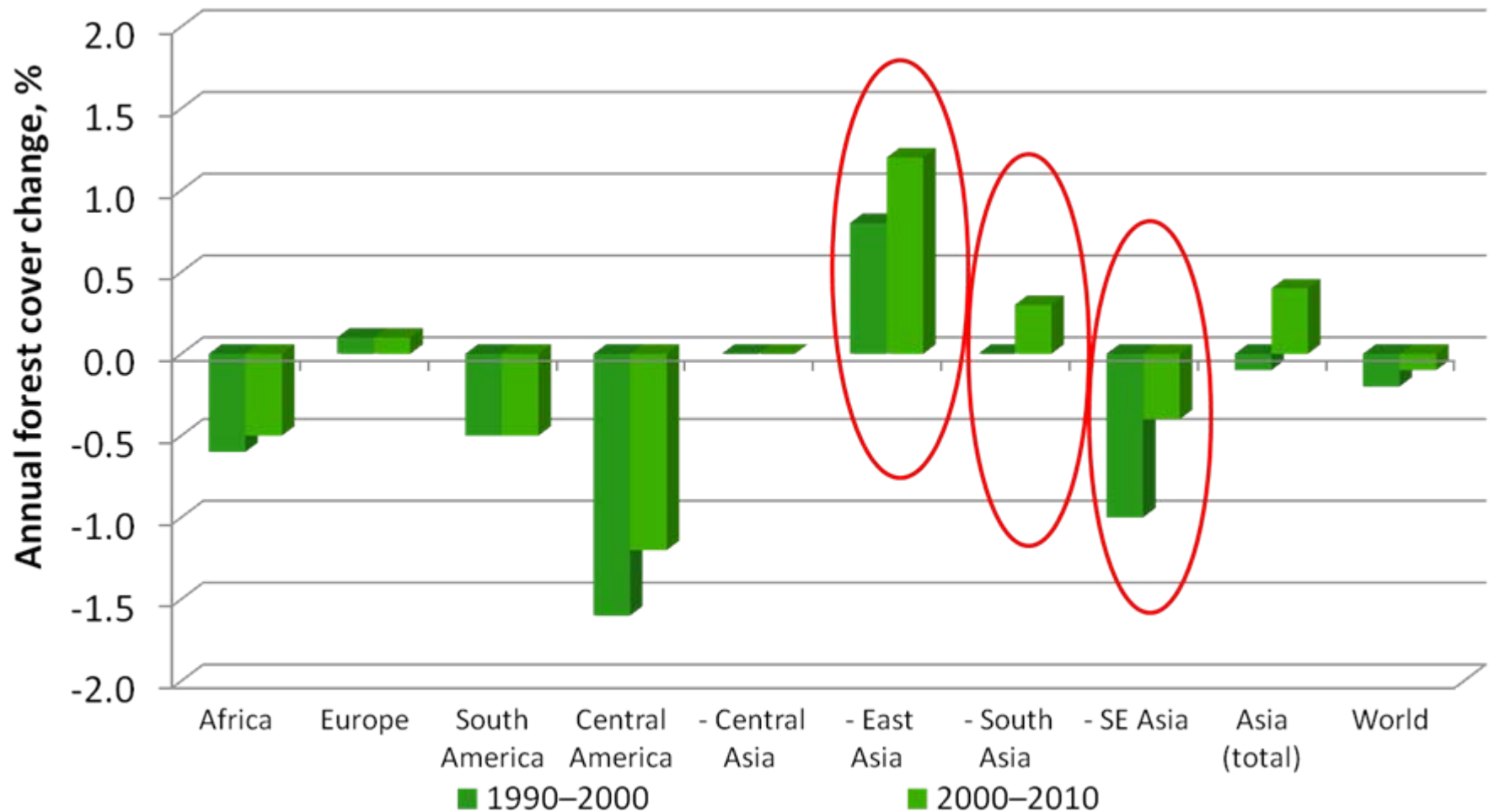
Global forest cover & deforestation hotspots





A decade of improvement

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However, pressure will again increase on SE Asia's forests.

- Population ↑ by 11% to 657 million by 2020
- GDP ↑ by 6% on average b/n 2010 & 2015
- Forest degradation & deforestation ↑ due to:
 - Rapid urbanization & residential development
 - New infrastructure development
 - Expansion of industrial agriculture
 - Mineral, oil & gas exploitation



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Additional constraints on managing forests sustainably

- Conflicting policies & priorities
 - Low institutional capacity
 - Weak governance & law enforcement
 - Vested interests & low revenue capture
-
- Forest degradation & deforestation ↑ due to:
 - Unsustainable harvesting practices
 - High incidence of illegal logging & trade



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Yet, increasingly strong calls for sustainability & legality from...

- UN conventions & international treaties
- Political summit recommendations
- Donors & NGOs
- Reputable funding institutions
- Forest & forest industry investors
- Wholesalers & retailers
- Buyers & governments, particularly in industrialized countries
- Consumers



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This provide a unique opportunity...

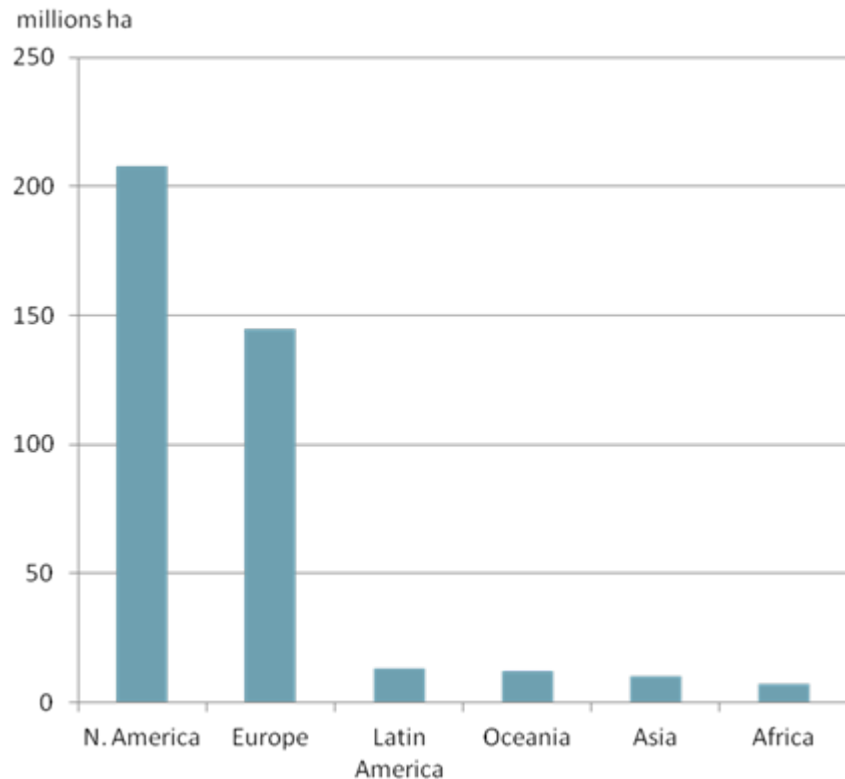
- To influence forest & forest industries sector
- To revitalize forest law enforcement & governance
- *Main initiatives:*
 - FLEG & EU's FLEGT Action Plan
 - Trade legality measures
 - Green procurement policies/building initiatives
- Could voluntary certification & verification schemes play a key role in this process?



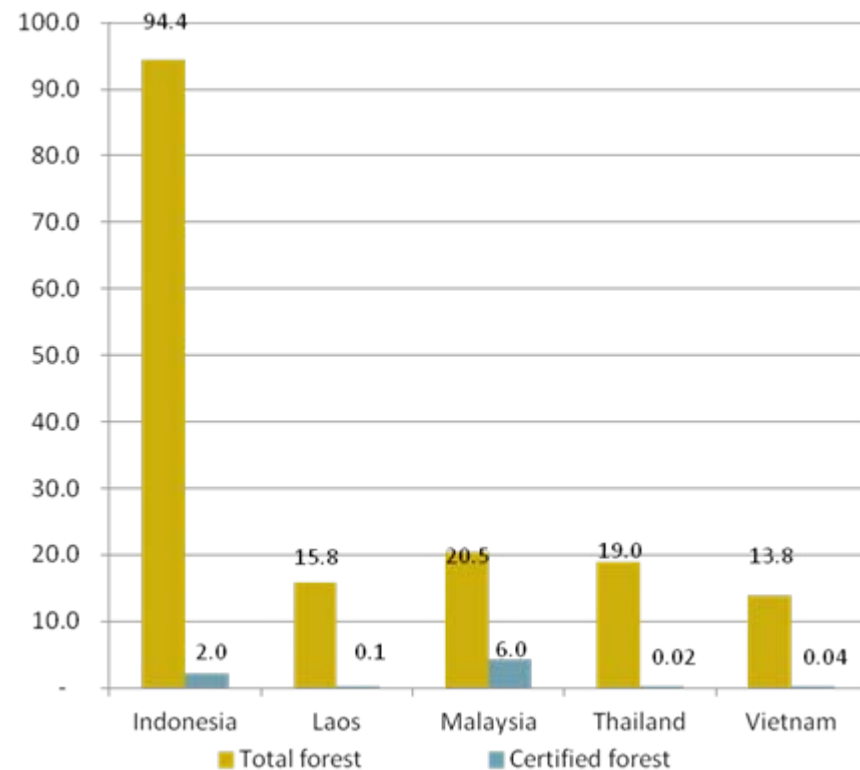
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Only a small fraction of SE Asia's forests are certified.

Proportion of Global Certified Forest Areas by Regions, March 2012



Total Forest Area & Certified Forest Area in SE Asia, March 2012

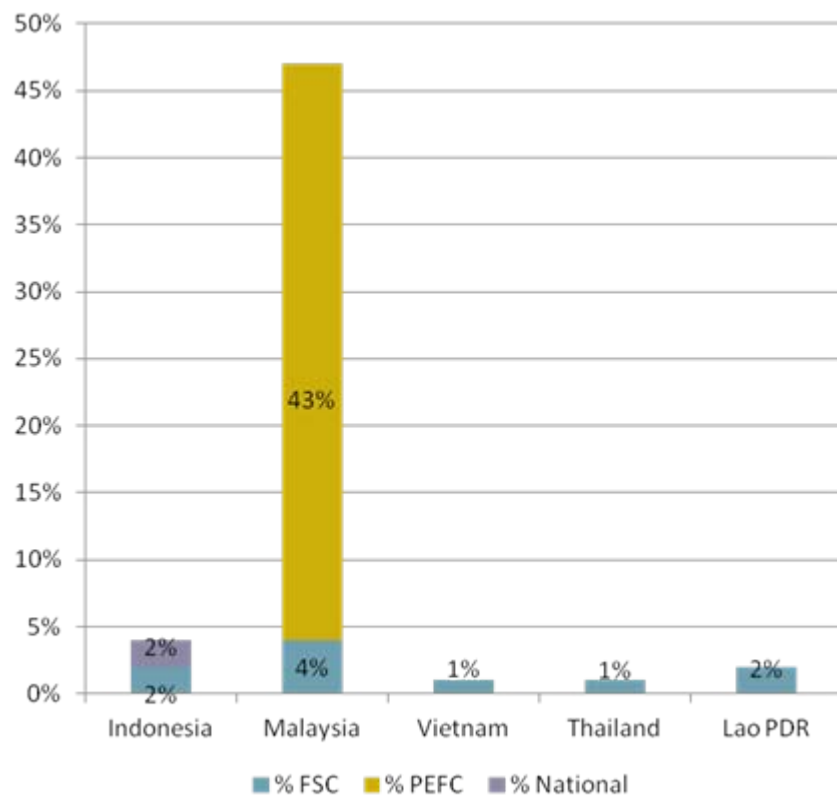




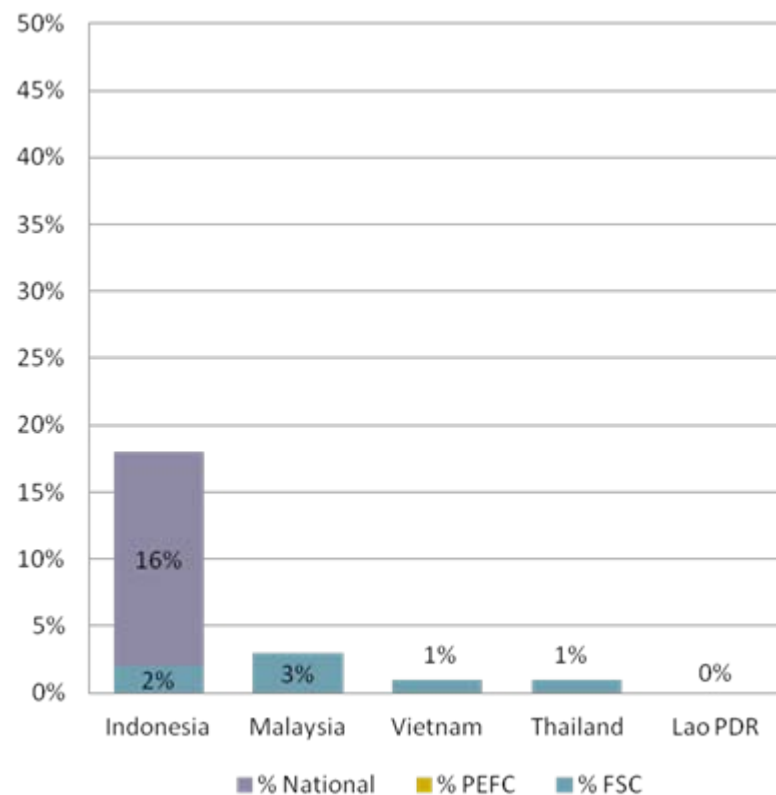
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With large differences across countries, forest types & standards

Percentage Production Forests Certified in SE Asia, March 2012



Percentage Forest Plantations Certified in SE Asia, March 2012





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Main questions of this report

- How do the certification & verification schemes in SE Asia differ from each other?
- To what extent can they provide proof of legal compliance?
- What is the potential for voluntary certification in SE Asia?
- How can the linkages be strengthened?



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Voluntary legality verification...

- Expands legality monitoring systems beyond national borders
 - Based on relevant national legislation & international forestry legislation & regulation
 - Is granted by an independent, 3rd party assurer
 - Lends legitimacy & credibility to the FM system
- Two categories
 - *Verification of Legal Origin (VLO)* demonstrates legal right to procure timber from forests
 - *Verification of Legal Compliance (VLC)* also verifies conformity with relevant legislation in timber procurement operations



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VLOs & VLCs are often a first step towards forest certification.

System	Description	Country
Legal origin	Timber Legality & Traceability Verification (TLTV) promoted by the Timber Trade Action Plan through The Forest Trust	Malaysia
Legal origin → legal compliance	<u>TLTV run by SGS since 2005</u> : VLO for 2 years → VLC with no time limit	Vietnam
Legal origin → legal compliance → FSC certification	<u>VLO & VLC run by the SmartWood program of the Rainforest Alliance since 2007</u> : VLO for 3 years → VLC for 3 years → application for FSC certification. Decisions made case by case.	Indonesia Malaysia Vietnam
Legality Verification System → FSC certification	<u>Legality Verification System run by Certisource since 2007</u> : Legality verification for 2 years when commitment for FSC certification is required	Indonesia



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Voluntary forest management certification...

- Is a “market-based” tool
- But in SE Asia often promoted by donors, governments, private sector & NGOs
- Meets internationally agreed principles, criteria, policies & standards of SFM or responsible forest management
- Verified via independent inspection
- No single accepted forest management standard, but differences less distinct over time



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However, there are many different standards.

COUNTRY	FOREST MANAGEMENT STANDARD	OWNER
PEFC-endorsed		
Malaysia	• Natural Forests: PEFC-MTCS Malaysia Criteria & Indicators for Forest Management Certification (MC&I 2002)	• MTCC
	• Forest Plantations: MTCS Malaysian Criteria & Indicators for Forest Management Certification (MC&I Forest Plantations)	• MTCC
FSC-interim		
Malaysia	Natural Forests: <ul style="list-style-type: none"> • FCP Interim Standard For Forest Management Certification in Malaysia Under the FSC Ver. 4-1 (2010) • Forest Management Generic Standard Malaysia Sabah (2010) 	<ul style="list-style-type: none"> • SCS • GS Qualifor
Indonesia	Natural Forests: <ul style="list-style-type: none"> • SmartWood Interim Standard for Assessing Forest Management in Indonesia (FM32-Indonesia) (2008) • Draft Interim standard for Natural Forests and Plantation Forest Management Certification in Indonesia Ver. 1.0 (2009) 	<ul style="list-style-type: none"> • Rainforest Alliance • SCS
Thailand	• Natural Forests: Forest Management Standard for Thailand AD33-02 (2010)	• SGS Qualifor
Laos	• Natural Forests: Interim Standard for Assessing Forest Management in Laos FM-32 (2008)	• Rainforest Alliance
Vietnam	Forest Plantations: <ul style="list-style-type: none"> • SmartWood Interim Standard for Assessing Forest Management in Vietnam (Ver. June, 2010) • Forest Management Standard for Vietnam • Generic Forest Management Standard adapted for Socialist Republic of Vietnam Ver. 1.0 	<ul style="list-style-type: none"> • Rainforest Alliance • SGS Qualifor • GFA Consulting group
National Certification Standards		
Indonesia	• Natural Forests: LEI Standard 5000-1 System for Sustainable Natural Production Forests Management	• LEI
	• Community-based Forests: Sustainable Community-Based Forest Management	• LEI
	• Forest Plantations: LEI Standard 5000-2 Sustainable Forest Plantation Management System	• LEI



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Voluntary chain of custody (CoC) certification...

- Controls the flow of wood through the entire value chain
 - Excludes controversial or otherwise unacceptable wood from the value chain
- Includes complementing requirements
 - Protection of CITES species, workers' health & safety, compliance of subcontractors
- Requires a risk assessment with focus on “high-risk” sourcing
- Scope much wider than for forest certificates, but use similar certification standards



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But again there are many different standards across countries.

Country	Chain of Custody Standard	Owner
Malaysia Indonesia	<ul style="list-style-type: none">• PEFC Council CoC of Forest Based Products – Requirements (2005); will be transferred by 26 November 2011 to PEFC International Standard (2002:2010) - CoC of Forest Based Products – Requirements	PEFC
Indonesia	<ul style="list-style-type: none">• LEI CoC Certification System	LEI
Malaysia Indonesia Laos Vietnam Thailand	<ul style="list-style-type: none">• FSC CoC standard for companies supplying and manufacturing FSC certified products (FSC STD 40-004)• Multisite CoC certification (FSC STD 40-003 V1-0)• FSC standard for company evaluation of FSC controlled wood (FSC- STD 40-005)• FSC standard for forest management enterprises supplying non-FSC certified controlled wood (FSC-STD 300-10)• FSC standard on sourcing reclaimed material (FSC STD 40-007)	FSC



How credible are these certification & verification schemes? (1/2)

- Major buyers & key importing countries have a preference for FSC & PEFC
 - *EU Timber Trade Regulation* requires valid FLEGT or CITES license, though not for certified timber
 - *Green public procurement policies* increasingly require FSC or PEFC certification
 - *Green building initiatives* recognize multiple forest certification standards, incl. FSC & PEFC
 - *Main retailers* have adopted stepwise approach to gradually ↑ proportion of certified timber



How credible are these certification & verification schemes? (2/2)

- NGOs generally prefer FSC:
 - FSC widely recognized as most credible certification scheme
 - But strong, PEFC-endorsed schemes like MTCS also recognized
- Timber trading organizations prefer FSC & to a lesser extent PEFC
 - *TTF*: has comprehensive procurement policies & only fully recognizes FSC, PEFC & FLEGT
 - *NWFA*: requires stepwise approach to achieve FSC forest management & CoC certification



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Lastly, national legality verification systems ...

- Define legality of timber, principles & criteria of legal timber, & control procedures covering
 - Control of the supply chain, control & independent monitoring, environmental & social regulation
- Require mandatory legality verification
- Use 3rd party verification bodies to assess compliance
- There are two examples in SE Asia:
 - Indonesia's SVLK
 - Malaysia TLAS



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How do the various schemes differ in their legal requirements?

- No universally agreed definition of legality
- Use six ASEAN Criteria for Legality of Timber as a benchmark
 - Legal right to operate & harvest timber
 - Approved authorization for the harvesting operations based on approved cut
 - Compliance with CITES & relevant environmental laws & regulations
 - Compliance with social laws & regulations
 - Payment of statutory charges
 - Implementation of a traceability system that allows for tracking of all logs.



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They address legality requirements quite well, but differences in scope.

Standard	ASEAN legality criteria					
	1. Tenure	2. Use right	3. Env laws	4. Soc laws	5. Fees	6. CoC
National legality standards						
Indonesia legality SVLK	yes	yes	yes	Partly	Partly	yes
Malaysia legality TLAS	yes	yes	yes	Partly	Partly	yes
Voluntary legality standards						
SmartWood VLO Malaysia	yes	yes	-	-	Partly	yes
SmartWood VLC Malaysia	yes	yes	Partly	Partly	Partly	yes
Voluntary forest certification standards						
Malaysia PEFC MC&I	yes	yes	yes	yes	yes	yes
Indonesia LEI 5001	yes	yes	yes	Partly	-	yes
FSC Interim SGS Qualifor Malaysia	yes	yes	yes	yes	yes	yes



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Only national TLAS can offer proof of legal compliance for entire value chain

- Voluntary forest certification & legality verification schemes
 - Limited potential to provide evidence of legality in timber product trade
- CoC certification
 - Much wider scope, but limited to specific product lines
- National TLAS
 - Require legal compliance for entire value chain
 - Similar legality standards developed under FLEGT-VPA negotiations



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Yet, voluntary certification could complement law enforcement.

- Uses different verification systems to assess conformity to certification requirements
 - Responsibility of independent certification bodies
 - Different focus to traditional law enforcement
 - Performance targets for forestry operations
 - Adequate management system
 - Requirements go beyond legal framework
- Can make a considerable difference in countries with weak regulatory framework



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Impact of voluntary certification in Indonesia on...

- *Natural forest* is limited, as only 3-4% of production forest certified
- *Planted forest* is large, as 30% certified
- *Traded forest products* is limited, as most CoC certificates held by traders, importers & retailers
- Important trends
 - Forest governance has improved through FLEGT, REDD+, renewed government commitment, need to maintain market access
 - VPA will become fully operational in time for EUTR in March 2013



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Potential for voluntary certification in Indonesia is moderate

- *Natural forest* ↑ limited due to scope
 - *Forest plantations* ↑ possibly much larger
- BUT only if
- Demand for certified pulp & paper ↑
 - Attention is not diverted due to the VPA
 - Potential large, as up to 20 million ha of active concession areas
 - SVLK certificate recognized by EU FLEGT, major buyers & governments in EU & USA



Impact of voluntary certification in Malaysia on...

- *Natural forest* is large, as nearly half of Malaysian production forest certified
- *Planted forest* is limited, as only 3% of planted forests certified
- *Traded forest products* is limited despite strong commitment, as high proportion held by traders, importers & retailers
- Important trends
 - Control of corruption & government effectiveness has improved, but less so rule of law
 - High attention at federal & state level on EU's FLEGT process for TLAS & VPA



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Potential for voluntary certification in Malaysia is large

- *Natural forest* ↑ up to 6.9 million ha, especially in Sarawak & to lesser extent in Sabah
- *Planted forest* ↑ large for degraded or former agricultural land
- Also potential for verification of legality of timber large

BUT only if

- Attention is not diverted due to the EU review of TLAS, which requires
 - Applying legally binding agreements nationwide
 - Transparent stakeholder consultations



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Impact of voluntary certification in Vietnam on..

- *Natural & planted forest* is not significant, as no natural forest & only 0.6% of plantations were recently certified
- *Traded forest products* is limited despite high commitment, as most certificates were issued recently
- Important trends
 - Little change in control of corruption, rule of law & government effectiveness
 - But forest governance likely to improve due to FLEGT & REDD+



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Potential for voluntary certification in Vietnam is large

- *Natural forest* ↑ negligible, as logging permits issued are very limited
- *Planted forest* ↑ large up to 2.5 million ha mainly by state enterprises

BUT only if

- Receive direct market incentives or external support
- Recent launching of FLEGT-VPA negotiations will not shift focus to development of national TLAS



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Potential for voluntary certification in Thailand is large

- *Natural forest* no ↑ due to logging ban
- *Planted forest* ↑ large up to 1 million

BUT only if

- Necessary commitment is shown by all parties
 - Companies need support from government & timber processing industry
 - Group certifications needs to be widely promoted for smallholders & agroforestry production on private farms
- Possibly attention diverted due to development of TLAS, but progress is slow



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Potential for voluntary certification in Lao is small.

- *Natural & planted forest* ↑ small, as almost entirely issued to smallholder/village groups
- So far there has been little interest by state forest industries & communities

BUT timber legality will need to be prioritized as Vietnam has expressed interest in VPAs

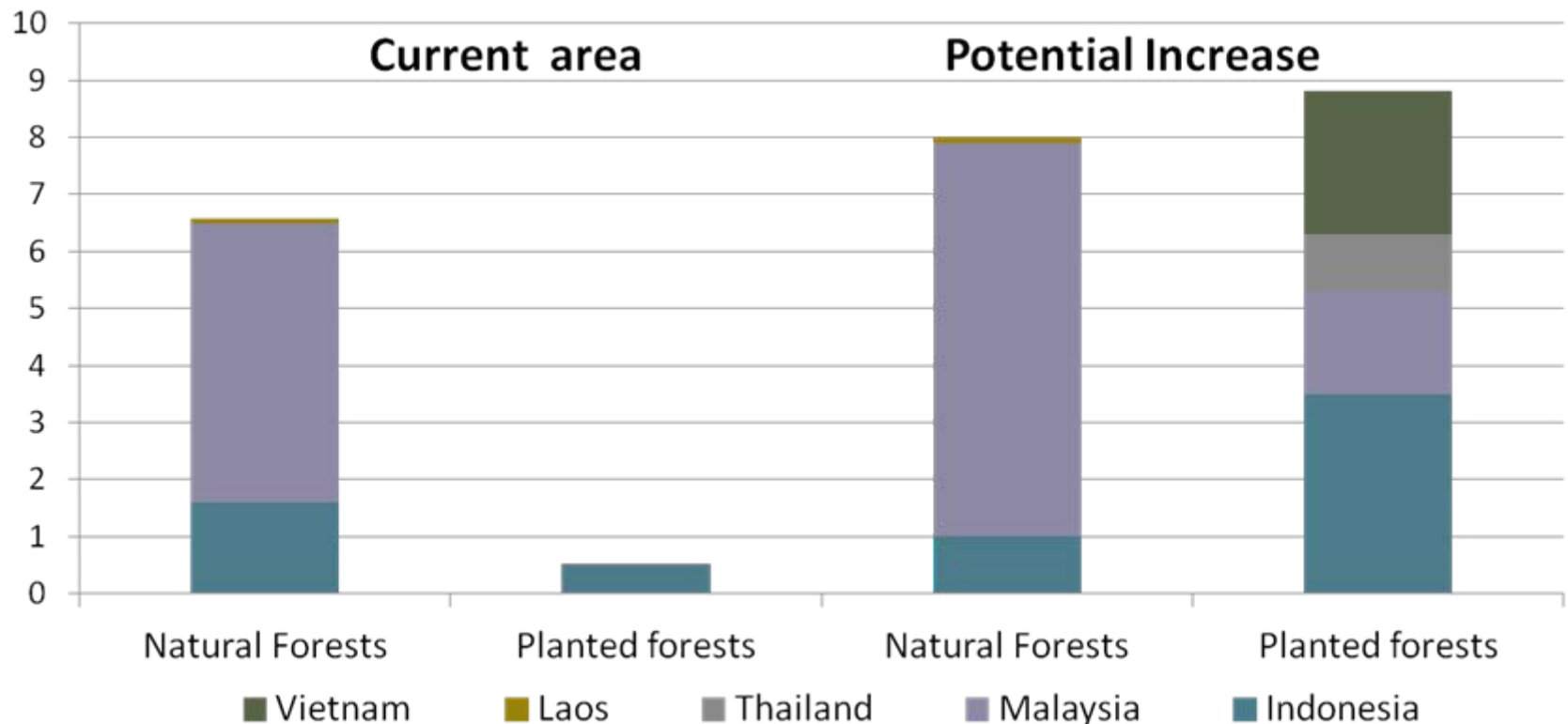
- Chances to ↑ certified area slight, as need
 - More resources for the forest administration
 - To establish formal FMU with appropriate management plans & protected forest areas
- Possible own negotiations for VPA with the EU



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The overall potential increase in certified planted forest is large.

Current & potential natural & planted forest area in the study countries





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But there are risks associated with the process.

- Certification requirements can be onerous, especially for smallholders
- Often implemented in stepwise approach, which is flexible but time consuming
- Additional uncertainties related to
 - Global demand
 - Related regulation
 - Support for certification
 - Industry priorities



Yet, voluntary certification has many potential benefits.

- Helps maintain access to existing markets, especially in the EU & USA
- Informs set up of national TLAS standards & could complement it if recognized
- Can complement & reinforce traditional law enforcement
- Performance standards go beyond legal framework
- Demonstrates corporate social & environment responsibility



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Policy recommendations for Development Banks & other donors

- Provide technical support to timber producers & processors for stepwise forest & COC certification or legal verification
- Encourage countries & markets to recognize & strengthen voluntary certification
- Provide LT assistance for developing national timber legality standards & verification systems
- Increase capacity & resources for monitoring systems & integration of 3rd party certificates
- Support good forest governance through FLEGT & REDD+
- Strengthened cross-sectoral linkages



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Policy recommendations for Government Institutions

- Adopt stepwise approach for verification schemes & develop national certification criteria & standards for SFM
- Define & recognize differences in scope between different certification & legal verification schemes
- Integrate audit & verification procedures of voluntary certification into legality verification
- Harmonize legality verification & certification standards to include legal requirements & key legislative initiatives
- Encourage local banks towards stronger legality & sustainability criteria



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Policy recommendations for Certification Bodies

- Continue to increase area under certification or verification in step wise approaches
- Build on synergies with 3rd party verification procedures, methods & standards
- Harmonize legality verification & certification standards to include legal requirements/key legislative initiatives
- Define & recognize differences in scope between different certification & legal verification schemes



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Policy recommendations for the forestry sector & NGOs

- Companies in the forestry sector
 - Continue to increase area under certification or legal verification
 - Encourage markets to demand evidence for legal compliance & sustainability
 - Commit to legal origin of wood with a certified CoC & legal monitoring
- Non-governmental organizations
 - Disseminate knowledge of grass-root level challenges in forest sector
 - Share knowledge on legal/sustainable & unsustainable/illegal practices



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THANK YOU!

