

SGS VALIDATION OF LEGAL TIMBER PROGRAMME IN THE RUSSIAN FAR EAST, Khabarovsk Region

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Validation of Legal Timber Programme (VLTP) has been designed for the Government of the Russian Far-East Khabarovsk Region which has in its search for ways to improve the control of its vital forest sector, expressed interest in adopting 'legal timber verification' approaches developed by SGS. VLTP is an instrument of 'good governance' supporting forest law enforcement. Verification systems employ efficient monitoring of production and trade activities and meaningful verification of compliance with agreed 'legality' principles, throughout the supply chain. These 'legality' principles and verification scheme are endorsed by the regional Government and implemented under their Government mandate.

BACKGROUND

Related area and illegal logging problems

The Khabarovsk region is the 3rd largest timber producing region in Russia and a major producing and exporting area in the international timber trade. It boasts over 73 million hectares of forests. The softwood resource (mainly larch and fir) comprises 85% of the region's production, and temperate hardwood the remainder (15%). Over 200 logging and timber processing companies (including some international) have concessions (leased forest resources). Accordingly, improved control of forest sector activities has been identified as a priority by the regional Government and by the forest and timber industry of the Khabarovsk region.

While the basis for such assessment could often be challenged, recent reports from environmental NGOs have claimed that the level of illegal logging currently taking place in the region varies from significant to very high. Both the Government and the industry are looking to improve and demonstrate legal compliance, build a better image and facilitate the trade with high-value export markets, via the verification of 'legal timber'. This is seen as a reliable and internationally credible instrument that could be used to monitor and verify that timber has been harvested, produced, and sold legally.

GENERAL OVERVIEW OF VERIFICATION

Party responsible for issuing verification

The 'Validation of Legal Timber Programme (VLTP)' was developed and adopted by Société Générale de Surveillance (SGS) of Geneva, Switzerland. SGS is the world's largest verification, testing and certification company. With its headquarters in Geneva and 48,000 staff world-wide, it operates a network of 1,180 offices and 321 laboratories in 145 countries. In Russia, SGS employs 1,700 people (staff and regular contractors) in a central office in Moscow, 5 regional branches and 42 offices. The Trade Assurance Services Division of SGS brings together the services to governments and international institutions aimed at revenue protection,

trade facilitation, aid monitoring and sustainable use of natural resources. The latter is currently represented by a Forestry Monitoring Programme. VLTP in the Russian Far East is the part of SGS global Forestry Monitoring Programme.

Outline of issuing process

SGS VLTP verifies legality and some aspects of sustainability related to usage of forest resources (authorized volumes and quotas), protected areas (observance of protected regime), impacts of logging activity to environment etc.

Verification of legality in the framework of VLTP is conducted on a step-wise approach. In the first stage Legal Origin is verified. This includes checks of the, legitimacy of the forest source and legal ownership of forest products throughout the whole production and supply chain. At the second stage Legal Compliance is verified. This means that the producer or owner of forest products complies with federal and regional laws and regulations as specified by this VLTP Standard, has a system of registration and control over the transport of forest products in place, and follows other necessary management procedures. Products that are successfully checked for legal origin and legal compliance are considered as fully verified legal forest products.

SCHEME TO CHECK FOR LEGALITY AT THE TIME OF LOGGING

Definition of legality

No worldwide standard and mechanism exist as yet to prescribe what 'legal timber' is and how it should be verified. The question of whether or not timber has been legally harvested and sourced touches on some potentially complex issues. The concept of legality is not universal (what is legal in one country may be illegal in another), and laws and regulations are sometimes weak, complex and even inconsistent or contradictory between the different levels. Indeed the scope of all relevant laws and regulations is far too wide for these to be equally covered by the VLTP.

The generic principles of 'Timber Legality'

developed by SGS were adapted by regional experts and are represented in this VLTP Standard. They consist of minimum requirements which:

- contain auditable “legality” criteria;
- focus on essential (priority) criteria;
- are acceptable to a vast majority of Russian and international stakeholders;
- are based on or supported by relevant federal and regional laws and regulations; and
- reflect international agreements ratified by the Russian Federation.

The VLTP Standard used by SGS for the Khabarovsk Region specifies requirements for the legal origin of forest products and legality of production, transport, processing and distribution activities. It also includes requirements related to traceability and chain of custody assurance systems. The Standard contains 9 principles (shown below), 26 criteria and 68 indicators of timber legality:

1. Authorization of the company to exercise an economic activity
2. Access to land and forest resources, and documentation of rights for use
3. Classification of forest fund and terms of tenancy
4. Systems of company's management and monitoring of forest products transportation (quality system)
5. Legitimacy of forest management and harvesting plans, projects and technical documentation
6. Legitimacy of production activity in forest fund
7. Chain of custody (CoC)
8. Authorized volumes and quotas
9. Payments and social liabilities

The first 4 principles relate to the legal origin of the forest products. The next 5 relate to legal compliance by the producing company.

The definition of legality that these principles form can be modified over time, its scope can be broadened or it can, for example, incorporate further social and environmental requirements as agreed by stakeholders.

Relevant laws

Federal and regional Forestry and Environment legislative acts that relates to the VLTP Standard consist of more than 30 documents. A sample is listed below.

Forest code of Russian Federation; Federal law “Environmental protection”; Water code of Russian Federation; Federal law “Animal world”; Land code of Russian Federation; Federal law “Environmental expertise”; Federal law “Territories of traditional nature use of indigenous people”; President's decree of RF “Highly protected nature territories of RF”; Directions on allotment and inventory of cutting areas in the forests of RF; Procedure of forest division on tax categories; Minimum tariff of fares for standing timber; Ratification of principles of leasing forest locations in RF; Procedure of leasing forest areas; The rules for timber harvest in Far Eastern forests; Practical manual of organization and carrying out timber harvesting in the coniferous and

broadleaf deciduous Far Eastern forests; Regulations of organization and carrying out timber harvesting on the steep slopes of the Sikhote-Alin forests; Ratification of principles for water protected zones river sites and their shoreline shelterbelts.

As a result of key changes in Forestry legislation since 1 January, 2007 after the introduction of a new Forest Code will require significant changes in the consummation most of legislative acts. VLTP Standard will be modified to accommodate these changes through consultation with technical experts and other key stakeholders.

Details of presumed illegal activities

Perceived illegal activities taking place in the Russian Far East usually include:: logging without permits; harvesting in excess of legal quotas and/or outside of legal boundaries; cutting of protected species; wood logged with in violation of approved cutting technology; industrial wood logged over the fixed quota for thinnings; evasion of royalties, taxes and other forest charges.

Procedures for retaining and verifying the evidence

At the operational level, verification of timber legality is achieved through:

- verification/ auditing including documentary checks and field inspections;
- coordination with authorities for data collection and field verifications;
- continuous and systematic data management;
- computerised log/ timber tracking (optional);
- remote sensing (satellite imagery, aerial photography) in coordination with authorities.

All verification procedures are managed and executed by a third party auditor (SGS VLTP Agency) under SGS General Conditions of Services that ensure reliability and international credibility.

FUTURE TASK AND PERSPECTIVES

Future perspectives

Under the new decree issued by Russian Federal Government at the end of December 2005 and the new Forest Code introduced on 1 of January 2007, Regional Governments are responsible for all forest management functions. This increases the potential for verification of legality to be implemented in other regions as a replication of the VLTP model under similar regional schemes or, to expand under the SGS ‘Timber Legality and Traceability Verification’ (TLTV) service to individual companies.