

Abstracts

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CoC Sarawak

Summary of the verification scheme

Name of the system	Name in home language Name in English :COC SARAWAK
Related Area	Region /Country : Sarawak/Malaysia
General overview of verification	Party responsible for issuing verification Name :STIDC Location: Sarawak Communication
	Outline of issuing process Application---Verification by STIDC---Issuance of export permit by STIDC---Custom clearance---Port clearance by port authority/Sarawak River Board
	The system shall verify legality only
Scheme to check for legality at the time of logging	Definition of legality Timber exported in accordance to ordinances, orders, regulations, legislations enacted by state government of Sarawak
	Relevant laws Forest ordinances, 1954 Sarawak timber industry development corporation ordinance, 1973 (amendment 2006) The timber grading regulations, 1975 (amendment 1983) The Sarawak timber industry(registration)regulations, 1983(amendment 1999) Sarawak forestry corporation ordinance, 1995
	Details of presumed illegal activities Activities which contravene laws, regulations, restrictions, terms and conditions, legislations passed by authorities from time to time.
	Procedures for retaining and verifying the evidence Physical and ground inspections by relevant government agencies
	Scheme implemented by the third party and so on to ensure reliability ISO 9001:2000 STISC, registration of company ISO 9001/UKAS SFC Provision Of Security, asset protection, compliance & sustainable forest management ISO 14001/UKAS SFC Verification Land Ownership Status & Use Right, forest planning & operations ISO 9001:2000 Harwood Timber Log Endorsement, shipping administration & inspection of export logs
Scheme to check for sustainability	Definition of sustainability As stipulated in forest ordinance and forest management plan; based on ITTO guidelines
	Procedures for retaining and verifying the evidence
	Scheme implemented by the third party and so on to ensure reliability ISO certified processes
Scheme of separative custody management	Real picture of the dealings, from logging to export As per flowchart in chart 1,attached
	Procedure for ensuring separative custody management Procedures in forest management plan as incorporated in licencing
	Scheme implemented by the third party and so on to ensure reliability Procedures that are being implemented by SFC, STIDC, HARWOOD and other relevant agencies in the state of Sarawak
Future Task and Perspectives	Criticisms against the system and recognition of problems The need to strengthen enforcement activities and increase physical check on the ground
	Remediation procedure To develop trained and upgrade of skill in human resources in enforcing and conversion in existing laws, rules and legislations. To strengthen human resource. To have a better coordination among the implementing agencies
	Future perspectives Robust and be able to withstand and eliminate any loopholes, bottleneck, red tapes and be more effective in enforcing laws and regulations.
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CHAIN OF CUSTODY FOR SARAWAK - TIMBER TRACKING PROCEDURES

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There has been a growing demand lately for genuinely need of proof that timber traded in the global market place is supplied from legal sources. In testimony, major consumer countries of tropical timber products such as Japan and Europe had drawn in the pipeline public procurement policies for the trade of legal timber products. Both the industry and the state government of Sarawak viewed this development positively. Such a move is in consonance with the continuous effort done by Sarawak authority to garner customer confidence that industry has always been managed in a manner adhering to the rules and laws of the country.

INTRODUCTION

Sarawak is the one of the major suppliers of tropical timber in the global market. Latest foreign exchange earning from the export of timber products for Sarawak improved about 15% from US\$2 billion in 2005 to US\$2.31 billion in 2006. This industry generates investment opportunities, provides employment of multi disciplines, catalyze transfer of technology and spur regional development for Sarawak. In all fairness, it is of utmost importance to ensure that the industry continue to sustain its contribution to the socio-economic development of the general population at large.

The development of the timber industry that contributes to the economic well-being of Sarawak was attributed to internationally commendable sound and transparent forest management practices implemented over the years. It was supported by effective legal framework, efficient regulatory system and continuously improved administrative mechanism from the forest down to the export exit point of the country. The system implemented had not only catalyzed economic benefits but also successful in curbing illegal practices to a manageable minimum level.

Illegal timber in the context of Sarawak is timber which is harvested, transported, bought or sold in violation of national laws. Such practices include harvesting without proper approved concession permit, harvesting in violation of permit conditions, failing to pay royalty and non-compliance to trading rules. The overall management of the forest resource and industry particularly in curbing illegal activities for Sarawak has been adequately defined in the state constitution.

The objective of this paper, therefore, is to highlight the primary regulatory framework used to manage overall forest and timber downstream industry in Sarawak. This is necessary to inform consumers that timber procured from Sarawak with legitimate documentation is assured sourced and traded legally. Such understanding is imminent to ensure continuous acceptance of the timber tracking system used in Sarawak.

LEGAL FRAMEWORK

The existing acts, ordinances, regulations and rules which are relevant to regulate and manage the forest and forest industry sector in Malaysia in general and Sarawak in particular are listed in Appendix I.

Forest Concession

The management of land and forests in Sarawak is under the administrative purview of the state government. The gazetted primary laws applied to management of forest resources are the Forest Ordinances, 1954, Sarawak Wildlife Protection Ordinances, Forest Plantation Ordinance, Natural Resources and Environment Ordinances and Sarawak Forestry Corporation Ordinance 1995.

The right to extract timber from forests in Sarawak is only granted to companies holding concession license issued by the Ministry of Planning and Resource Management and managed by the Forest Department of Sarawak. Each concession, before the start of harvesting activities, must have an approved plan pertaining to timber inventory, harvesting blocks and coupes, annual volume of timber harvest, forest engineering plan and environmental impacts assessment.

Timber Processing

Any establishment for all types of manufacturing including the processing of timber is required to obtain manufacturing licence from the Ministry of International Trade and Industry (MITI) under the provision of Malaysian Industrial Co-ordination Act 1975 (ICA) after obtaining support from the Sarawak Industrial Co-ordination Committee (ICC). After obtaining manufacturing licence approval from MITI, the manufacturing company is required to obtain mill licence from Forest Department under Section 66 of the Forest Ordinance (Sarawak Cap. 126). With effect from 1st June 2007, STIDC will be authority to issue registration of mill for manufacturing involving in all kinds of timber processing activities except sawmilling.

The Sarawak Timber Industry (Registration) Regulations, vested powers to Sarawak Timber Industry Development Corporation (STIDC) to register any persons engage in or association with the manufacture, sale, distribute, storing and marketing of timber in Sarawak. The penalty for any person who contravenes this regulation was reviewed to RM300,000 (USD83,000) in 2006.

Export Permit

All sawn timber exported from Sarawak must be graded in compliance with the Malaysian Timber Grading Rules, 1984. Under the Timber Grading Regulations, 1983, STIDC is vested the power as Grading Authority to check grade at least 10% of the exported volume.

Under the Malaysian Custom Act 1967, STIDC is given the power to issued export and import permit of timber products by the Malaysian Royal Custom Department. An electronic permit issuance permit system known as Sistem Maklumat Kastam (e-permit system) had been developed and used since 2006. All exporters must register to obtain their e-permit number as user of the e-permit system.

Regulating Agencies

There is not less than 8 agencies involved directly issuing and cross checking documents for planning, extraction, processing and trade of timber in Sarawak. These departments are:

- a. Ministry of Planning and Resource Management
- b. Forest Department
- c. Natural Resources and Environmental Board
- d. Sarawak Forest Corporation
- e. Sarawak Timber Industry Development Corporation
- f. Harwood Timber Sdn Bhd
- g. Royal Custom Department
- h. Port Authorities

These organizations have their own procedures which have formed a very effective approach of implementing and auditing the timber tracking system implement at each point.

TIMBER TRACKING

Timber Harvesting

Only company issued concessions by Forest Department is allowed to extract timber from the forest. Before extraction can commence, the concession owner is to prepare and submit for approval their detail

harvesting plan. The felling permit or commonly known as a Permit to Enter Coupe issued is to be endorsed by SFC before the logging crew can implement the timber harvesting in the approved block.

The felled trees are de-crowned, bucked and skidded to the log landing at the roadside. These logs are then debarked and trimmed in accordance with the Licensee's requirement. Thereafter, tractor numbers are painted onto the logs as a means of verifying that the logs are extracted by a particular crew in the approved block. Some licensees may affix their own tags (optional) onto the logs.

Then the logs are affixed with white plastic tags to show the coupe/block number and species. Blue plastic tags are used for logs harvested using helicopter. These plastic tags remain intact as verification features during movement throughout the supply chain. The logs are then loaded into the truck accompanied by Log Trucking List to be transported to transit camps.

At the transit camps, the logs are unloaded and arranged properly to be trimmed, measured and graded. All logs will be hammered marked at each end and at the middle with the registered mark of the licence holder under which the logs were harvested. Every licence holder is assigned an approved and registered property mark by the Director of Forests. At this point, logs are marked with different tags to classify its respective intended utilization (sawmill, plywood and export). After grading and documentation is completed, the logs can then be delivered to log ponds. Each truck must be accompanied with the log trucking list to detail the logs ferried.

At the log pond, the logs are further graded and sorted according to quality and end use (export or local processing). Each log will be assigned with a unique serial number on plastic tags. Different alphabets are used as log serial numbers on plastic tags with different colours to differentiate distinctly its intended used. The tag colours and alphabets used are as follows:

(a) Tractor and Kuda-kuda Logging Systems

Logs for export	White tag	A – L
Logs for sawmills	Yellow tag	M – S
Logs for veneer/plywood mill	Orange tag	T – Z
Poles (30 - < 40 cm diam.)	Purple tag	
Poles (20 - < 30 cm diam.)	Pink tag	

(b) Heli-Harvesting System

Logs for export	Blue tag	HA – HL
Logs for sawmills	Blue tag	HM – HR
Logs for veneer/plywood	Blue tag	HT – HZ

The concession licensee will complete and submit Log Specification Forms to SFC for log inspection. Log inspection is only carried out after SFC had verified that the Licensee is clear of any

offences, unpaid outstanding royalty and other related irregularity. SFC will carry out log inspection by checking log measurement, species, property marks, plastic tags and number of log pieces. After satisfactory verification exercise, royalty marking and removal pass will be carried out to enable the logs to be transported to its final destination. Similar verification process is conducted for the issuance of transit removal pass.

This exercise is in accordance with the rules which states no forest produce shall be removed to any place from any Forest Checking Station unless the person actually removing it is in possession of a removal pass relating to such produce, issued under the hand of a forest officer and, if it is timber, unless it bears the prescribed Government hammer-mark denoting that it has been assessed for royalty.

Logs arriving at the export point and mill gates, will be rechecked in term of measurement, species, property marks, plastic tags and number of log pieces by SFC. Harwood Timber will inspect the logs to ensure that it has been shipped in accordance with its intended utilisation of either for export or reserved for domestic processing. An Export Clearance Certificate (ExCC) is issued for export logs which fully adhere to the specified requirements. After verifying compliance through physical inspection based on ExCC, SFC will issue the final Transit Removal Pass. The Transit Removal Pass will be submitted as the verifying documents used to process application for export permit. A similar physical inspection procedure is adhered at the mill gates for logs allocated to sawmill, veneer and plywood mills.

Timber Processing

All logs arriving at the mill will be physically inspected by SFC and Harwood Timber at the mill log ponds. The logs detail is verify against the information contained in the accompanying Transit Removal Pass and Endorsement Clearance Certificate documents. The mill can only processed the log after it was physically verify tally with the information in the accompanying documents. All mills are required to submit their monthly production return to STIDC which will be use to verify production input and output of the mill.

As a prerequisite regulatory requirement, all mills must have a valid mill license issued by Forest Department and registration as manufacturer from STIDC. Beginning June 2007, the registration of mills for all types of timber processing activities except sawmill will be issued by STIDC. The mill licences and registration issued shall be valid for only one year and subject to annual renewal.

Export Permit Issuance

STIDC had been authorised by Royal Customs Department Malaysia to issue export permits for timber products exported from Sarawak. To facilitate a more efficient delivery system, an electronic system was developed and now been used to process application and approve export permit electronically. This system enables accurate and real-time information management. The e-permit system had been implemented state wide since 2006.

Exporters are registered and assigned unique identification in order to do electronic permit application transaction. It is a form of in-built verifying and monitoring mechanisms to curb illegal transaction.

The export permit processes starts when the exporter submits the Custom Declaration Form (CDF 2) on line using the e-permit system. The application detail includes consigner, consignee, shipping agent, description of goods, destinations, timber volume, timber values and timber quantity. Supporting documents submitted by exporter for the export of logs are transit removal pass, shipping order, invoices, log specifications, summary of logs, trade license, STIDC Registration Certificate and letter of log quota compliance. In the case of permit for timber products, the exporter is to submit invoice, packing list, shipping order, supplier list and grading certificates (for sawn timber). Export of *Ramin* must be accompanied with additional documents like grading exemption certificate and CITES certificate issued by Forest Department. Special export permit from Forest Department is required for export of timber species like *Gaharu*, *Belian*, *Bakau*, *Sepetir* and *Bintangor*.

Export of sawn timber is to be accompanied by grading certificate. Timber Grading Regulations, 1983 requires all sawn timber to be exported are to be graded in accordance with the Malaysian Grading Rules for Sawn Hardwood Timber. STIDC will conduct a 10% check grading of the consignment as detail in the schedule of Timber Shipped to ensure grading compliance.

STIDC verifies e-permit application by checking the accuracy of the supporting document received. Applications with incomplete or inaccurate information are rejected. Approval of permit application is transacted electronically. STIDC will conduct physical inspection before approval is granted. The Sistem Maklumat Kastam (e-permit system) will register, acknowledge and assign permit number to each application approved. The Royal Custom Department will issue acknowledgment of permit approval. Exporters applying the permit will print the Custom acknowledgement on the CDF 2 form and submit it to STIDC for endorsement of approved export permit. The export permit is valid for not more than 3 days. New application is required to replace permit exceeding the expiry limit.

The exporter will submit the integrated shipping documents and outward manifest to the Customs for entry

into the e-declare database system. Custom will give feedback to STIDC via on-line on the clearance status of the goods at the port. A copy of the approved e-permit and e-declare documents will travel with the consignment. These documents can be used as proof that the timber in the consignment is legal in accordance with the law of the country and tracking can be done by way of assessing the information detailed in those documents.

TIMBER IMPORT

Beginning 3 July 2000, STIDC is empowered by the state government to manage and control the import of timber including sawn timber from Indonesia. Sarawak share long land and sea border with its neighbouring Kalimantan, one of the Indonesian provinces in Borneo Island. For decades, there has always been in-flow of goods including timber passing through the borders from Indonesia to Sarawak.

In effort to control illegal entry of timber, Sarawak has designated 5 entry points for timber from Indonesia. The five entry points are Sematan, Biawak, Tebedu, Batu Lintang and Lubok Antu. These entry stations are operated under the ambit of STIDC and being assisted by Harwood Timber. The purpose is to control and monitor the import of timber from Indonesia to ensure that only timber from legal sources is allowed.

All importers must register with STIDC. Importer of sawn timber from Indonesia will submit application for Custom clearance using Borang Kastam 1 and to be supported with the Pemberitahuan Eksport Barang (PEB) and Surat Keterangan Sahnya Hasil Hutan (SKSHH) from Indonesian authorities. STIDC will inspect and ensure that timber of *Ramin* species is to be supported with CITES certificate issued by the Indonesian authority. An inspection note will be issued by STIDC. Timber can only be allowed entry after it has been verified having adequate supporting documents.

The timber will be transported to and unloaded at Harwood Timber depot. Here the timber is physically tallied by Harwood Timber to ascertain the quantity and species. After which the receipt note is issued and the timber will be neatly stacked and bundle. The importer will submit application supported by relevant documents for hammer marking using Form A.

STIDC will validate the document received and conduct hammer marking and tagging on timber. Finally, a removal pass is issued to enable the timber to be removed to its destination using Malaysian registered vehicles. The timber will be assigned a unique serial number used as reference on the tag and the removal pass.

PREVENTIVE MEASURES

Despite stringent laws enforced, it cannot be denied that there may be some element of illegal activities. Such activities, however, are within the manageable limit. In addition, preventive measures are being in placed to create awareness and prevent illegal practices cropping. Every regulating agencies involved has form its own preventive and enforcement units to tackle illegal activities. Inter-agencies joint patrols are being conducted from time to time. In some instances, the assistance of military and police personnel are sought.

The multi-agencies involvement in tracking timber source before issuing an export permit serve as internal audit to the system implemented. Each agency has the responsibility to verify information and documents used are accurate and authentic. In addition, the relevant work procedures of these departments are certified under the ISO 9001:2000. Third party audit is the major requirement to maintain certification under ISO 9001:2000 quality management system. The system also emphasize on continuous improvement on the overall work procedures implemented.

Obviously, the management of the overall forest and timber industry is being governed by the existing laws, regulations and rules. As it is so, efforts are being done to improve the existing regulatory procedures implemented to strengthen its effectiveness.

Efforts are continuously being made to ensure the system used is transparent. Sarawak government has engaged URS Australia Pty Ltd to looked at the effectiveness and identify gap for improvement the forest chain-of-custody systems used in Sarawak. Initial finding of this study revealed that there is a chain of custody established in Sarawak for log production through to local processors and log export points. The state government is looking into the recommendations proposed by URS to strengthen the acceptance of the system in place.

CONCLUSION

The present legal framework and regulatory system used in Sarawak to manage the forest and timber industry has been successful in sustaining the development of the industry for the last 3 decades. It is the duties of all stakeholders concern particularly the government and the investors alike to play equally important role in upholding the good management practices to ensure the sustainability of the industry for the future generation. Glitches in the system will be rectified. Gaps highlighted will be narrowed at least but neutralise ultimately.

References

Appendix I

[1] URS Pty Ltd, "Review of Chain of Custody Systems Operating in Sarawak, Malaysia", 12 January 2007

[2] Seneca Creek Associates, LLC and Wood Resources International, LLC, " 'Illegal Logging' and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry", November 2004

[3] Sarawak Timber Industry Development Corporation Ordinance, 1999, Sarawak

[4] Forests Ordinance, Chapter 126, 1995

[5] The Sarawak Timber Industry (Registration) Regulations, 2006

LIST OF RELEVANT REGULATING LAWS

1. Forest Ordinance, 1954
2. Wildlife Protection Ordinance 1998
3. Natural Resources and Environment (Amendment) Ordinances 1997
4. Forests (Planted Forests) Rules 1997
5. Sarawak Land Code
6. Sarawak Timber Industry Development Corporation Ordinance, 1999
7. The Timber Industry (Registration) Regulations, 2006
8. The Timber Grading Regulations, 1983
9. The Malaysian Grading Rules for Sawn Hardwood Timber, 1984
10. The Industrial Co-ordination Act 1975
11. Malaysian Custom Act, 1967
12. Occupational, Safety and Health Act 1994
13. Occupational Safety and Health (Control of Industrial Major Accident Hazards) Regulations 1996
14. Environment Quality Act 1974
15. Environment Quality (Clean Air) Regulations, 1978

Hadi Daryanto

The Secretary, Directorate General of
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BRIK

Summary of the verification scheme

Name of the system	Pengesahan Ekspor Oleh Badan Revitalisasi Industri Kehutanan (BRIK's Endorsement)
Related Area	Indonesia
General overview of verification	Party responsible for issuing verification
	Badan Revitalisasi Industri Kehutanan Manggala Wanabakti Bldg, Block IV, 8 floor Jl. Gatot Subroto, Senayan Jakarta 10270 Tel: 021-57902959, Facsimile: 021-57902962 Email: brik@iwwn.com
	Outline of issuing process
	<ul style="list-style-type: none"> ETPIK submits timber mutation report (LMK), for example December 2006, to be used as beginning stock. The LMK must be legalized by or registered by the local forestry office; ETPIK submits the legality document for the transportation of forest products: Validity Certificate for Logs (SKSKB), Logs Transportation Invoice (FA-KB), Processed Timber Transportation Invoice (FA-KO), Tender Transportation Certificate (SAL), Certificate of Origins (SKAU); Copied SKSKB and SAL are legalized by the competent forestry officer; Copied FA-KB, FA-KO, and SKAU are legalized by the agency/officer issuing those documents; If necessary, BRIK will crosscheck the local forestry office or the institution(s) issuing those legality documents for transportation of forest products; ETPIK submits export plan (request for endorsement); Endorsement is processed by computer. All the verified data is input to the computer: serial number of documents, the officer and registration number, supplier, location, volume and description of goods. The system will automatically refuse if it finds used documents. The recovery factors are based on regulation of Director General of Forest Production Development, Ministry of Forestry; If the documents comply with Indonesian law and regulations, the computer will issue Endorsement (Surat Pengesahan), which will be transmitted to ETPIK by facsimile; Export of certain wood products is also verified (before stuffing) by independent surveyor based on the Director General of Foreign Trade decree No. 02/2006. Export realization report in the forms of copied commodity export declaration (PEB), invoice, packing lists and bill of lading must be submitted to BRIK at the latest 14 days after the realization of shipment. If within 14 days the export realization report not submitted, the relevant exporter will not be endorsed for the next export plan.
	The system shall verify legality
Scheme to check for legality at the time of logging	Definition of legality
	The timber to be procured should be harvested in legal manner consistent with procedures in the forest laws of Indonesia.
	Relevant laws
	<ul style="list-style-type: none"> Law Number 41/1999 regarding Forestry; Government Regulation No. 34/2002 replaced by Government Regulation No. 6/2007; The Minister of Forestry regulation No. 126/Kpts-II/2003 replaced by P.55/Menhut-II/2006 in conjunction with Number P.63/Menhut-II/2006. The Minister of Forestry regulation No. P.51/Menhut-II/2006 in conjunction with Number P.62/Menhut-II/2006; The Minister of Forestry regulation No. 6/Menhut-II/2007 regarding Long-Term Forest Management Plan and Annual Work Plan; The Minister of Industry and Trade decree No. 32/MPP/Kep/1/2003 regarding Requirements for Forestry Industrial Products Export, replaced by decree No. 647/MPP/Kep/10/2003, replaced by the Minister of Trade regulation No. 02/M-Dag/Per/2/2006; The Director General of Foreign Trade regulation No. 01/Daglu/Per/3/2006 regarding the Procedures for the Endorsement from the Forestry Industry Revitalization Body (BRIK); Letter No. 452/VI-Edar/2003, No. 948/VI-BPPHH/2004, and No. S.675/VI-BPPHH/2006 from the Director General of Forest Production Development concerning Recovery Factors of Wood Products.
	Details of presumed illegal activities

	<ul style="list-style-type: none"> • Submission fake documents for endorsement; • Submission used documents; • On authority instruction to freeze the endorsement.
	Procedures for retaining and verifying the evidence
	Field verification is conducted by inter-departments (Forestry, Industry, and Trade), including BRIK.
	Scheme implemented by the third party and so on to ensure reliability
	The field verification can also be made by surveyor independent assigned by the government.
Scheme to check for sustainability	Definition of sustainability
	SFM: management of forests to achieve ecological sustainability, social equity and economic viability.
	Procedures for retaining and verifying the evidence
	Government requires all forest management units to attain the above mentioned SFM. Furthermore, Voluntary SFM Certification is managed by the Indonesian Ecolabeling Institute (LEI).
	Scheme implemented by the third party and so on to ensure reliability
	Through engagement of various stakeholders, and independent certification bodies.
Scheme of separative custody management	Real picture of the dealings, from logging to export
	Enclosed
	Procedure for ensuring separative custody management
	Scheme implemented by the third party and so on to ensure reliability
	-LEI CoC Certification -FSC Controlled Wood Certification
Future Task and Perspectives	Criticisms against the system and recognition of problems
	A number of previous systems was too bureaucratic and abuse prone
	Remediation procedure
	Revision of regulations such as Minister of Forestry Regulation P.55/2006 (on Forest Product Administration), P.6/2007 (Forest Management Unit Plan. For a certified management unit, annual plan will be self-approved).
	Future perspectives
	-Reduced cost -Increase competitiveness
Reference Author	Web site www.dephut.go.id
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FOREST PRODUCT INDUSTRIES IN INDONESIA: SECURING TIMBER FROM LEGAL SOURCES

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GOI recently reforms some regulations linked to promoting legal timber as part of combating illegal logging, enhancing Sustainable Forest Management, and increasing competitiveness of wood products.

Indonesia's Forests

Indonesia's forests are among the most extensive, diverse and valuable in the world. These forests do not only provide habitats for a wide range of flora, but also play a pivotal role in supporting economic development, the livelihoods of the rural people and the provision of environmental services. Indonesia's forests cover 120.35 million ha. or approximately 70% of Indonesia's total land areas, and are divided into three categories: production forests, conservation forests, and protection forests. Production forests are designated for commercial purpose, while conservation forests are assigned for conservation forest biodiversity and protection forest for hydrological services

Indonesia's forests have long been managed in sustainable based forest management system. For example, forests in Java, managed by state-owned enterprise (Perum Perhutani), are predominantly teak plantation have been managed in a sustainable way according to forest planning system. While in the outer island of Java due to different types of forests and the variety of species composition and richness, the forests have been managed based on the cutting block system with cutting cycle of 35 years. The forests are also managed in a certain cutting quota with limit diameter cutting is the same or above 50 cm dbh, named as Indonesian Selective Cutting and Replanting System. This system has mandated not only selective cutting to be implemented but also required to replant forest area as soon the harvesting completed. Ideally with all these systems the forests could be managed in a sustainable way.

Illegal Logging and Its Associated Trade

Illegal logging and its associated trade (mainly logs smuggling) have threatened Indonesia's forests because they undermine good forest governance and the rule of law; and result in deforestation, forest degradation, lost government revenues and conflicts. The government of Indonesia has shown seriousness in combating illegal logging and its associated trade by issuing a Presidential Instruction No. 4 in March 2005 to speed up efforts to curb illegal logging.

Other efforts related to combating illegal logging and its associated trade are bilateral agreements between Indonesia and other countries such as United Kingdom, Norway, China, Japan, South Korea, Philippines and

USA. In addition the GOI established BRIK (Forest Industry Revitalization Body) on 13 December 2002 to monitor and control the legality of wood products export through endorsement system, MOU between Ministry of Forestry and PPATK (The Center for Analysis and Reporting Financial Transaction), and posting special forest police (SPORC) in 10 provinces. In general the activities combating illegal logging consist of pre-emptive (eg. PR and capacity building to local people), preventive (forest control and surveillance), and repressive (field operation conducted by national police) measures.

Recent Development

On January 8th, 2007 in Brussels the Government of Indonesia (Minister of Forestry) and EU (Commissioner for Development and Commissioner for Environment) took a step further by releasing a joint statement to curb illegal logging and its associated trade through a FLEGT partnership. They agreed to initiate formal negotiations towards conclusion of a voluntary partnership agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT), which will provide assurance that Indonesian forest products imported to EU are verified to be legal. The agreement will also provide for cooperation, including capacity building, market and technical studies and knowledge-sharing.

On April 4th, 2006 the Ministry of Forestry stipulated decree No. 70/Menhut-II/2006 to set up national steering committee and multi-stakeholder working groups decree No. 63/Kum-II/2006 concerning Wood Legality Standard Harmonization. Development and harmonization of legality standard have been facilitated by Indonesian Ecolabelling Institute (LEI) through extensive multi-stakeholder consultations (the Ministry of Forestry, Business Association, Academicians, Certification Body, and NGOs). LEI finalized the harmonization process and formally submitted the draft of harmonized standard to the Ministry of Forestry in mid January 2007.

The draft derived from the result of MoU Indonesia-UK and TFF's draft on legality standard, which was a result of comparative study from:

- Keurhout Protocol for the Validation of Claims of Legal Timber in Particular with a View On Legal Origin (TFF);
- The Requirements for "Verified Legal" in WWF's Nusa Hijau Conditions of Participation (NTTA);

- The “OLB (Origine et Legalite des Bois) Certification and Control System: Origin and Legality of Timber” (Eurocertifor).

The Latest Regulation in Forestry Sector

In January 2007 and the second semester 2006 the Government of Indonesia issued the following regulation:

- Government Regulation No. 6/2007 regarding Forest Management and Preparation of Forest Management Plan and Forest Utilization replaced Government Regulation No. 34/2002. These regulation has been mandated by Law No. 41/1999 regarding Forestry;
- Minister of Forestry decree No. P.51/Menhut-II/2006 regarding the Use of the Certificate of Origins (SKAU) for Transporting Timber Forestry Products from Community Forests in conjunction No. P.62/Menhut-II/2006 regarding the Amendment to the Decree of the Minister of Forestry No. P.51/Menhut-II/2006;
- Minister of Forestry decree No. P.55/Menhut-II/2006 regarding the Administration of the Forestry Products from the State Forests in conjunction with No. P.63/Menhut-II/2006 regarding the Amendment to the Decree of the Minister of Forestry No. P.55/Menhut-II/2006. The decrees replaced the Minister of Forestry decree No. 126/Menhut-II/2003.

The above regulation guarantee the legality of logs harvested and also play as a technical guideline of chain of custody, since they include the document as follows:

- skshh (forest products legality letter is used as a general term) which will be discussed by BRIK; LHC (cruising report); RKT (annual working plan); LHP (Cutting Report); SKSKB (round log legality letter); FA (transportation invoice);
- Chain of custody is mandatory.

BRIK in Brief

BRIK was established based on a joint decree of the Minister of Industry and Trade and the Minister of Forestry No. 803/MPP/Kep/12/2002; 10267/Kpts-II/2002 in conjunction No. 495.1/MPP/Kep/9/2004; SK 355.1/Menhut-I/2004. As stated in the decrees, the establishment of BRIK is a mutual understanding and joint actions between private forestry industry and the related government institutions in order to implement sustainable forest, sustainable raw material supply, creating job as well as business opportunities.

On January 16th, 2003 the Minister of Forestry and the Minister of Industry and Trade approved BRIK Action Program and Establishment Deed. The Action Program includes among other things:

- Ensuring timber supply from legal sources;
- Development of timber industrial data base;
- Providing inputs to the government in preparing

regulations;

- Implementation of ETPIK (registered forestry industrial product exporter) to all forestry industries;
 - 1) Establishment of serving mechanism, monitoring, and evaluation of ETPIK;
 - 2) Others: efficiency and product diversification, evaluation of regulations that burden competitiveness.

Export Procedures

To be acknowledged as exporter of wood products, forest industry must have legal permits based on Indonesian law and regulation. After completing requirements stipulated in the Minister of Trade decree No. 02/M-Dag/Per/2/2006, the industry will then be eligible to have an ETPIK license issued by the Director General of Foreign Trade, the Ministry of Trade. The decree also mentioned that export of forest industry products within HS. 4407, 4408, 4409, 4410, 4411, 4412, 4413, 4415, 4418, 4421.90.50.00, and 9406.00.92.00 must be endorsed by BRIK. The endorsement document is attached to commodity export declaration (PEB).

Export of certain products under Ex. HS. 4407 (S4S, end jointed), HS. 4409, Ex..HS. 4415 (pallet), Ex.HS. 4418 (door and window frame), and HS. 9406 are verified by independent surveyor assigned by the Minister of Trade with the objective to ensure wood product export fulfills all the government regulations and provides more value-added.

Of the total existing ETPIK 4,500, BRIK has been given authority by the government to endorse two groups of products: Wood Panel and Woodworking. Other products such as pulp and paper, furniture, and handicraft can still export without BRIK endorsement. The two endorsed products represented less than 40% of total forestry industrial export.

Indonesian Law and Regulation Related to Verification and Endorsement

BRIK verification and endorsement, based upon those government mandatory process, is attached to this paper. The following law and regulations are related to the verification and endorsement:

- ◆ Law No. 41/1999 regarding Forestry;
- ◆ Government Regulation No. 34/2002 replaced by Government Regulation No. 6/2007;
- ◆ The Minister of Forestry regulation No. 126/Kpts-II/2003 replaced by P.55/Menhut-II/2006 in conjunction with No. P.63/Menhut-II/2006.
- ◆ The Minister of Forestry regulation No. P.51/Menhut-II/2006 in conjunction with No. P.62/Menhut-II/2006;
- ◆ The Minister of Industry and Trade decree No. 32/MPP/Kep/1/2003 regarding Requirements for Forestry Industrial Products Export, replaced by decree No. 647/MPP/Kep/10/2003 replaced by the Minister of Trade regulation No. 02/M-Dag/Per/2/2006;

- ◆ The Director General of Foreign Trade regulation No. 01/Daglu/Per/3/2006 regarding the Procedures for the Endorsement from the Forestry Industry Revitalization Body (BRIK);
- ◆ Letter No. 452/VI-Edar/2003, 948/VI-BPPHH/2004, and S.675/VI-BPPHH/2006 from the Director General of Forest Production Development concerning Recovery Factors of Wood Products.

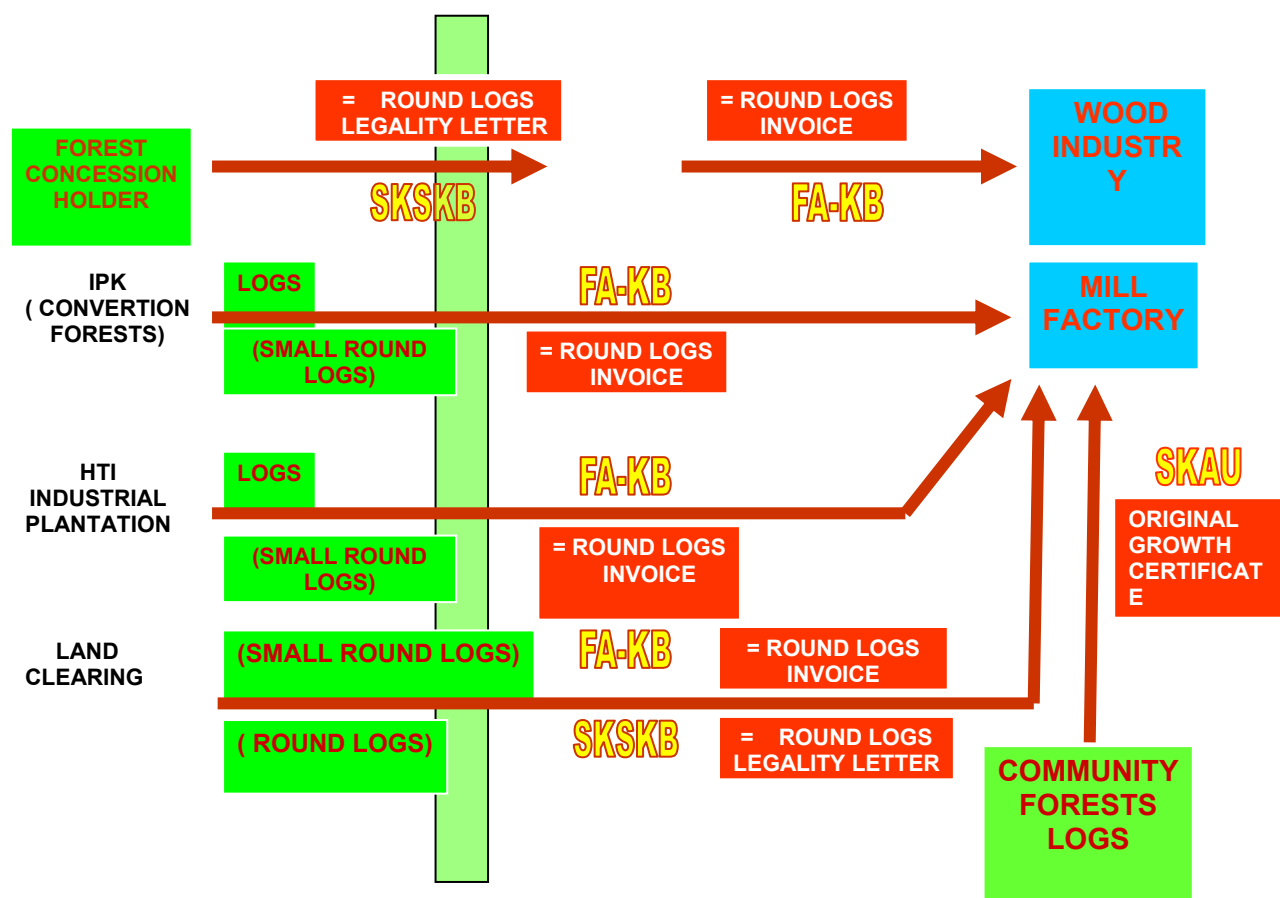
Endorsement system is electronically processed and free of charge. Of 2,124 ETPIK (panel and woodworking) endorsed by BRIK around 41% still actively export their products, while the rest have ceased permanently or temporarily to operate.

As can be in the Verification and Endorsement Chart attached, there is similarity between BRIK Endorsement and Green Konyuho. BRIK Endorsement is based on Indonesian forest laws and other regulations in industry and trade sector. BRIK verifies legalized copied documents (LMK, SKSKB, FA-KB, FA-KO, SAL, and SKAU) to make sure that the legality of timber. Verification steps are mentioned in BRIK Circular Letter No. 713/BRIK/XII/2006 and summarized in Appendix A (Summary of the verification scheme).

References

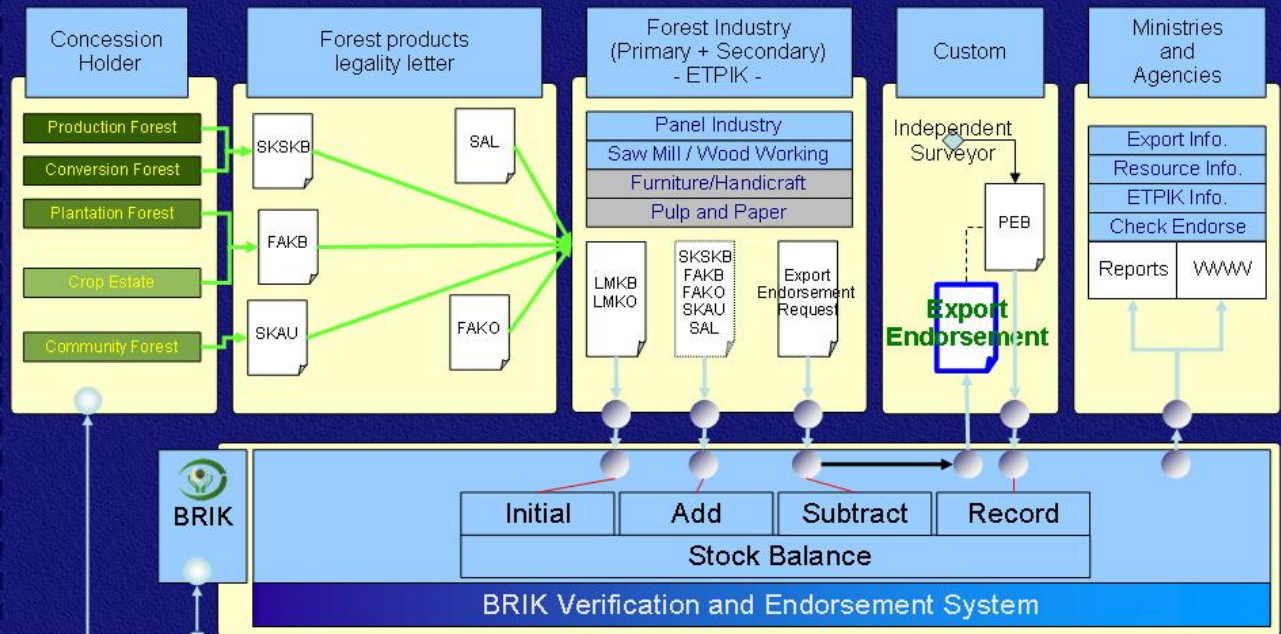
All references are from Government Regulations, Ministerial Regulations.

BRIK Endorsement and Green Konyuho





BRIK VERIFICATION AND ENDORSEMENT METHOD



P.51
P.55

SK 355.1/Menhut-1/2004
495.1/MPP/Kep/9/2004

Based on Government Mandatory

Bruce Telfer

Asia/Pacific Manager, SGS Forest Monitoring Service

Log Export Monitoring System in PNG

Summary of the verification scheme

Name of the system	Name in English: Forest and Log Export Monitoring System in Papua New Guinea
Related Area	Region /Country: Papua New Guinea
General overview of verification	Party responsible for issuing verification
	Name: SGS PNG Limited Location: PNG Forest Authority Headquarters Building, Papua New Guinea Communication: bruce.telfer@sgs.com (+675) 323 1433
	Outline of issuing process
	Companies affix official SGS bar-coded tags to all logs at time of harvest (each has a unique number). SGS notified of impending shipment 2 weeks in advance. SGS inspectors complete scaling check (10%) and species check (100%) prior to loading. Ship loading is monitored to produce an independent tally of loaded logs. SGS Inspection Report is issued at the completion of loading and is used by all Govt. authorities to clear the shipment for export. Copies of all shipping and inspection documents are held by SGS. All information is entered into a central database and monthly reports are provided to a wide range of Govt. authorities and other stakeholders.
	The system shall verify legality only /or both sustainability SGS PNG system verifies aspects of the legal origin of logs.
Scheme to check for legality at the time of logging	Definition of legality
	No formal definition exists but SGS will not perform an inspection unless: Official log tags have been affixed to the logs. These tags are not issued unless the Forest Service has confirmed that the company is holding a legitimate operating permit of some kind for the forest area. Shipment must have an Export Permit issued by the PNG Forest Service and an Export Licence issued by the Department of Trade and Industry. Logs are correctly measured and identified. Both the export volume of a shipment and the prices for the logs have formal approval from the PNG Forest Service. Export taxes are paid in the correct amount.
	Relevant laws:
	PNG Forest Act and Customs regulations.
	Details of presumed illegal activities
	Some examples: Species mis-declaration; Under measurement of logs; Shipping undeclared logs; Shipping with Export Permit and Licence; Not paying export tax
	Procedures for retaining and verifying the evidence
	Logs are physically inspected at the export port by SGS inspectors who employ bar-code scanners and portable computers. Ship loading is not authorized by the PNG Forest Service unless the SGS pre-shipment inspection gives a satisfactory result. All inspection, ship loading and commercial documentation are held at the SGS headquarters. All data is held in a central database.
	Scheme implemented by the third party and so on to ensure reliability
	All verification procedures are managed and executed by SGS, the world's leading inspection, verification, testing and certification company under SGS General Conditions of Services that ensure reliability and international credibility.
Scheme of separative custody management	Real picture of the dealings, from logging to export
	The number on the SGS log tag is also the official log no. for declaration on a monthly basis to the PNG Forest Service. Each log has a location and landowner registered.
	Procedure for ensuring separative custody management
	The log numbers together with details of species and measurement, as declared monthly to the PNG Forest Service are verified by SGS at time of export.
	Scheme implemented by the third party and so on to ensure reliability
All verification procedures are managed and executed by SGS, the world's leading inspection, verification, testing and certification company under SGS General Conditions of Services that ensure reliability and international credibility.	
Future Task and Perspectives	Criticisms against the system and recognition of problems
	Some international stakeholders would like to see the independent monitoring extended back into the forest and to include other legal compliance issues for example, harvesting practices plus compliance with social and environmental laws of PNG.
	Remediation procedure
PNG Forest Service is considering the development of a legal definition for PNG forest operations to assist companies and the Government to demonstrate legal wood production.	
Reference Author	Web site: www.forestry.sgs.com
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FOREST AND LOG EXPORT MONITORING SYSTEM IN PAPUA NEW GUINEA

Bruce Telfer
SGS PNG Limited

Twelve years ago the Government of Papua New Guinea (through its agency the PNG Forest Authority) addressed the issue of illegal log export practices by appointing the internationally known Swiss inspection company SGS to develop and implement a monitoring system for all log exports from the Nation. The system (including modern log tracking technology) introduced by SGS has been very successful in enhancing revenues for the Nation and providing international credibility for the Government in demonstrating that this controversial sector is under control. The SGS system ties in closely with the existing PNGFA monitoring system to assure buyers that a reputable independent inspection company has verified that PNG logs have been exported in the quantity, quality, value (with taxes paid) and from the area as approved by Government. This is an important foundation for any future legal verification requirements which may include social and environmental factors as increasingly demanded by ENGOs. The adoption of such a legal verification system (on a voluntary basis) is being considered by the PNG Forest Industry Association.

BACKGROUND

The need for independent third-party monitoring

Although the processing industry is growing, forest product exports from Papua New Guinea are still dominated by raw logs. PNG exports 2 to 3 million m³ of logs each year with a total fob value of US\$150 to 200 million. A Royal Commission of Inquiry into Papua New Guinea forest sector in the late 1980's revealed widespread abuses in the forest industry - transfer pricing through miss-declaration of log cargoes and artificial pricing being particularly rampant. These abuses were costing both Government and landowners millions of dollars each year. The new Forestry Act of 1991, designed to address the problems identified by the Inquiry, also set up the Papua New Guinea Forest Authority (PNGFA). The Government recognised that it needed to act very quickly to halt losses to the Nation from export logging and accordingly tendered for a log export monitoring system to be implemented promptly.

The tender was won by a Swiss-based inspection company, SGS. By contracting this service out to a large international verification company such as SGS, the Government was allowing the PNGFA to concentrate on the vital role of monitoring forest operations at the cutting face. The contract was also to facilitate the introduction of new technology and management systems to PNG citizens.

Over 12 years of operation the SGS system has proven to be very cost effective in increasing revenues to both Government and traditional resource owners. Also the international credibility of the PNG forest sector has been considerably enhanced by the engagement of an independent and reputable company to verify log exports. This was an extremely controversial area prior to 1995 but since then the Government has gained international kudos for taking prompt and effective action to get this area of the economy under control.

This international credibility has also proven important for protecting PNG's overseas markets for timber products. Due to ENGO pressure many overseas buyers and their Governments are moving to restrict or stop purchases of forest products from countries where logging is regarded as out of control. Increasingly it is becoming incumbent on the forest industry to prove the legal origins of its log sources to maintain offshore markets. With a system of independent log export monitoring already well established, PNG can assure overseas buyers that the logs have not come from smuggled sources and the country is well placed to build on this system in future to give additional proof of legality according to market requirements.

GENERAL OVERVIEW OF VERIFICATION

Party responsible for issuing verification

Verification of forestry operations in PNG are primarily the responsibility of the PNG Forest Authority who have contracted out the monitoring of export log shipments to SGS.

The PNGFA is responsible for granting permission to harvest logs, monitoring the actual forest operations and granting permission to export forest products. However, it is a fundamental point under PNG law that unalienated land (97% of PNG including all forest areas) are owned by the people who have traditionally lived on it for generations and development cannot occur without their permission. All logging companies must be registered as Forest Industry Participants with the PNGFA which first checks that they are legally registered with the Registrar of Companies under the Investment Promotion Authority.

Under the Forest Act 1991 (and amendments) the PNGFA issues a Timber Permit to a company only after an extensive 34 step process that begins with providing awareness to traditional landowners whose approval to enter into a Forest Management Agreement (FMA) is required before any further action. A company is issued with the Timber permit only after a lengthy consultation

(at landowner, Provincial and National Government level) and tender process. The Timber Permit stipulates all the operating conditions such as harvest/export/processing quotas, benefits to be provided, royalties, levies and other charges to be paid etc.

However, the bulk of PNG's existing forest concessions are operating under Permits that precede and are preserved by the 1991 Forest Act. These are generally operating through Timber Permits under Timber Rights Purchase Agreements that have been signed between the traditional landowners and Government or Local Forest Areas where Government has granted landowners the right to negotiate directly with logging companies. In most of these cases the Timber Permit or LFA is held directly by a landowner company who engage a contractor to operate the area under a Logging and Marketing Agreement. Large-scale Agriculture and Roadline Projects can also be granted permission to harvest and export logs under a Timber Authority (TA) Agreement.

All forest concessions in PNG are subject to planning monitoring and control regulations established by the PNGFA. These ensure that logging proceeds in an orderly fashion in accordance with the Timber Permit, that socially and environmentally sensitive areas are excluded from logging and that logging takes place in accordance with sound forest management and environmental practices. Monitoring is carried out by the 120 staff of the PNGFA Field Services Division. Most concessions have a PNGFA Project Officer based on site and are equipped to undertake monitoring operations.

PNGFA officers from the Marketing Section are also involved in the export process. They must approve the species, volume and prices proposed and issue an Export Permit (signed by the Minister) which shows all this information. A copy is also provided to SGS who are responsible for ensuring that the actual shipment follows these approved specifications. The Department of Trade and Industry also issue an Export Licence with the same information but only if the PNGFA approves. This appears to be a duplication but is a requirement of PNG law.

The PNGFA is also responsible for the licensing of log scalers. Companies are required to use licensed scalers who must follow regulations that apply to the measurement and declaration of logs in PNG. In general the requirement is that all operators must declare their monthly log production in a prescribed format which includes a summary of volumes extracted for each landowner plus the royalties owing to them.

The PNG log export monitoring service was developed and is run in conjunction with the PNGFA by Société Générale de Surveillance (SGS) of Geneva, Switzerland. The SGS group 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 1180 offices and 321 laboratories in 145 countries. The Forestry Monitoring Programme of SGS offers services to governments, companies and international institutions aimed at revenue protection, trade facilitation, legal and sustainable use of natural resources.

SGS PNG Limited was set up late in 1994 to develop and operate the monitoring system. Currently SGS PNG operates with a staff of 40 (including 31 field inspectors) from a headquarters in Port Moresby and 4 field support offices. There are currently 42 active export sites in PNG and so inspections are conducted on a fly-in fly-out basis.

Outline of verification process

The PNGFA Field Services Division is responsible for the field monitoring of all forest operations in PNG. All operations are required to have 5 year, annual and individual setup logging plans and actual operations are to be conducted in accordance with the "Papua New Guinea Logging Code of Practice" that is approved by both the PNGFA and Department of Environment/Conservation and endorsed by the Prime Minister. The PNGFA has formal documented (publicly available) procedures for the monitoring, reporting and approval processes. The PNGFA has the power to close down operations that are not compliant with these approved procedures.

Before issuing the Export Permit for each shipment, the PNGFA Marketing Section checks that the company is operating within its current and approved quota, that royalty payments to landowners are up to date and that the export prices for each species are satisfactory.

The SGS involvement in the verification process begins at the time of initial log measurement (at the forest landing) where all companies are required to affix an official bar-coded tag provided by SGS. This log number (which includes a unique site-code identifier) is used right through the verification process to export. SGS will only issue these tags when advised in writing by the PNGFA that the company has authority to harvest the area under one of the permit arrangements outlined earlier.

Then, at least two weeks prior to the impending log shipment an exporter must notify SGS so that inspection arrangements can be put in place. At the export port exporters must provide the SGS inspector with a log list in both electronic and hard copy format. The SGS inspector undertakes a pre-shipment inspection which involves a scaling check (10%); species check (100%) and verification that the volumes and species mix are as per the PNGFA Export Permit. Exporters are notified of any discrepancies and only if the results are satisfactory will the PNGFA officer on site permit ship loading to commence.

The SGS inspector then monitors the actual ship loading by removing a section of the bar-coded log tag and produces an independent tally of loaded logs. SGS has provided the inspectors with bar-code readers and portable computers to facilitate efficient and accurate preparation of all reports during the inspection process. An SGS Inspection Report is issued at the completion of loading. This Inspection Report is used by all Government Authorities to check the commercial and shipping documentation and clear the shipment for export.

All field inspection documents and reports are sent into the SGS head office which also receives copies of all shipping and commercial documents directly from the exporter. All this information is entered into a central

database. A number of checks are made, for example, to confirm that the export volume and prices for each species in a shipment are as approved by the PNGFA (through the Export Permit issued prior to shipment); that a project is operating within its approved log export quota and that the export tax paid has been calculated correctly.

Any serious discrepancies are immediately brought to the attention of the relevant Government Authority – usually the PNGFA or Customs Office. Monthly reports are also provided to a wide range of Government Authorities to assist them with their audit and monitoring functions. In addition to the PNGFA these include the Central Bank (foreign exchange remittances), Customs (export tax) and the Tax Office (export earnings declared on company tax returns).

The central database maintained by SGS has also been useful to verify if shipments declared as being from PNG have in fact originated from this country. There have been examples where logs have been detected in other Asian countries with documents purporting to show they are of PNG origin. In some cases a check of the SGS database was able to confirm that these documents were false and that the logs are therefore illegal. In other cases the same check revealed that the logs were indeed exported from PNG via the legitimate process.

SCHEME TO CHECK FOR LEGALITY AT THE TIME OF LOGGING

Definition of legality

While there is no formal and separate “Definition of Legality” in the context of the PNG forest industry, operators must follow the requirements of the Forest Act (1991) and there are a number of checks and balances in the PNG log export system that confirm many aspects of legality. Specifically,

Official log tags are not issued to any company unless the PNGFA confirms that they are a legitimate operator. This means that all logs inspected by SGS come from areas that have officially approved for harvest by the PNGFA through the Timber Permit or contract processes described earlier in this paper. All forest operations are required to comply with PNGFA regulations covering planning, operations and monitoring. Operations are also required to have their Environmental Plan approved by the Department of Environment and Conservation and follow Department of Labour regulations governing workers health and safety plus the employment of foreign workers.

Each export shipment must have a formal price approval and subsequent issue of an Export Permit by the PNGFA. As mentioned earlier the PNGFA completes a verification process prior to issuing this Export Permit which includes checking the log price and volume plus confirming that royalty payments due to traditional landowners are paid up to date. An Export License is required separately for each shipment from the Department of Trade and Industry.

SGS will not even commence an inspection unless there is evidence of all these requirements having been fulfilled. The SGS inspection confirms directly that the log measurements and species identification are accurate and that the volume and invoiced amounts on commercial trade

documents are as legally approved by the PNGFA. Subsequent checks in the SGS head office confirm that the export tax legally due has been paid in the correct amount and that logs have been cleared through the export procedures of all relevant PNG Government Authorities.

In more than 12 years of operations to date, SGS has not detected any instances of log smuggling. This therefore means that all of PNG’s log exports for this period (25 m m3) have been independently verified as having met the legal export requirements outlined above. By providing some information of shipment details, the extensive database maintained by SGS can also be queried for verification by overseas log buyers to confirm that they are dealing with a legitimate PNG export.

Procedures for retaining and verifying the evidence

The role of the PNGFA Field Services Division staff in monitoring the day to day operations of the logging companies has already been outlined. They follow clear documented procedures for monitoring short and long term logging plans plus they undertake field checks to verify that the PNG Logging Code of Practice is being followed.

SGS are provided with copies of official Government documents: Export Permit and Licence (which detail approved volumes and prices). Log lists are provided to SGS inspectors who then verify the data in the export log yard by check scaling 10% of the logs and confirming the species identification of the whole shipment. Any discrepancies are reported to the exporter and local PNGFA supervisor in writing. Logs actually loaded onto a vessel are tallied by SGS who then issue an Inspection Report. Again copies are provided to the exporter and PNGFA.

In the SGS head office, the results of the inspection activities are checked against the commercial documentation and Government clearance documents (e.g. Export Entry) for any discrepancies. All information is entered into a central database from which are generated regular monthly reports plus special purpose reports on demand for stakeholders (generally Government agencies). All documents are stored in a permanent archive in case they are needed in future as evidence by the PNG Authorities.

CHAIN OF CUSTODY

PNG requirements

There is no formal chain of custody system implemented across the PNG forest industry. However, the number on the SGS log tag (used for export verification) is also the official log number used by companies to declare their monthly production records to the PNGFA. For each number (log tag) this declaration includes location (concession only), species, diameter, length, volume and landowner.

So it is possible to trace a log back to a concession and landowner area. However, the production records are held in hard copy in Provincial PNGFA offices and so

tracking is not easy. Company records can be used but this presents an obvious problem with lack of independence. There is potential in future for all the log production and log export records to be stored in a single database. This would constitute the beginnings of a national log tracking system and this is under consideration by the PNGFA.

Chain of custody verification

As there is no formal CoC system there cannot be a formal verification system. However, as already explained SGS does check the measurement and species identification of export logs and as the number used is the same as that used by the company to declare its production records to the PNGFA. Therefore it is possible to check if there have been any unauthorized changes to individual log records.

FUTURE TASK AND PERSPECTIVES

Criticisms and problems with the system

At the time that SGS was contracted to be the independent monitor of log exports, the major concern of many stakeholders was the perceived revenue losses that had been occurring through various transfer pricing mechanisms. The export monitoring system run by SGS has largely countered this. However, as is occurring in most countries with tropical rainforest resources, issues are being raised by international stakeholders (particularly through the efforts of ENGOs) over legality of wood sources and wood production from a much wider perspective.

In PNG, recognizing that log exports are largely under control, this is focusing on social and environmental concerns and perceived breaches of PNG Government laws and regulations covering these issues. On paper, the regulations and monitoring systems of the PNGFA are very strong but in practice, as is often the case in developing countries, resources such as sufficient staff and logistical backup are lacking due to funding constraints. Also, Government Departments other than the PNGFA are responsible for monitoring key aspects such as social and environmental issues. These Government Departments also have funding and performance issues that prevent them from performing all their mandated tasks. Thus it is very difficult for the PNG Government to be certain that all its laws and regulations are being followed.

The key issue of customary landowner permission has been highlighted earlier. ENGOs argue that for many or even all forest concessions, the awareness process and gaining of permission have been inadequate. While this may be true of some areas, in practice it is very difficult to have a long lasting consensus that involves 100% of customary landowners in a forest concession. Groups or factions in an area (who may have been traditional enemies for generations) can struggle for a dominant position in the decision making process and new generations may disagree with decisions made by their older relatives. No matter how careful the consultation process has been it is nearly always possible for groups like ENGOs to find disgruntled

landowners who may or may not be justified in their concerns. This can almost be described as a problem of democracy where the majority rules.

Some stakeholders would like to see independent monitoring extended back into the forest and to include legal compliance issues such as harvesting practices, environmental controls, plus the rights of traditional landowners and workers. The lack of a formal link between log production and log export records is also a problem that was described earlier. This prevents easy reconciliation of records.

The SGS monitoring system only covers log exports and not processed wood products. Although PNG's forest exports are dominated by logs the processing sector is gaining in importance at an increasing pace. Currently there is a lack of accurate statistics to monitor and support this desirable trend.

As with any system involved with legal verification, there are criticisms that there is no verification of sustainability – the major objective of most concerned stakeholders. However, the present PNG log export monitoring system does provide an important building block on which to build legal and sustainability verification systems.

Potential solutions and improvements

PNGFA is considering the development of a legal definition for PNG forest operations to assist companies and the Government to demonstrate legal wood production. The development of such a definition would need an extensive stakeholder consultation process to ensure maximum credibility.

The PNG Forest Industries Association (whose members are responsible for 80% of PNG's forestry production) is also very interested in seeing the development of a legal forestry standard for PNG which can be adopted on a voluntary basis by their members. This would offer their international buyers assurances regarding the legal origins of their log sources and legal compliance of their production processes. SGS is already consulting with the PNGFIA regarding the process and issues involved. This voluntary verification approach would be funded by the operating companies and would thus overcome the funding and co-ordination issues that make it difficult for a range of Government Departments to offer the assurances increasingly required by international trade.

To facilitate improved chain of custody verification that must go hand in hand with such legality verification, the PNGFA is considering the development of a single centralised database to hold all log production, processing and log export records. This could be implemented as a logical extension of the existing SGS export database.

Lu Wenming

Professor, Chinese Academy of Forestry

Timber Certificate Scheme and so on

Summary of the verification scheme

Name of the system	Timber Certificate Scheme.
Related Area	China.
General overview of verification	Party responsible for issuing verification
	Forestry departments above county level.
	Outline of issuing process
	Application – review - certificate issuance.
	The system shall verify legality only /or both sustainability
	Legality only.
Scheme to check for legality at the time of logging	Definition of legality
	Meeting relevant laws and regulations, and having forest harvesting certificate.
	Relevant laws
	Forest Law of the People's Republic of China, Regulations on Implementation of Forest Law of the People's Republic of China, Criminal Law of the People's Republic of China, Explanation on Several Issues of Concretely Applying Relevant Laws Concerning Dealing with Criminal Cases of Damaging Forest Resources by the Supreme People's Court, Import and Export Commodities Inspection Law of the People's Republic of China.
	Details of presumed illegal activities
	Logging exceeding the harvesting quota, logging not in the approved stand, logging without any forest harvesting certificate, activities damaging forest resources, stolen logging and severe deforestation.
	Procedures for retaining and verifying the evidence
	Check whether there is any forest harvesting certificate.
	Scheme implemented by the third party and so on to ensure reliability
	No such scheme.
Scheme to check for sustainability	Definition of sustainability
	Procedures for retaining and verifying the evidence
	Scheme implemented by the third party and so on to ensure reliability
Scheme of separative custody management	Real picture of the dealings, from logging to export
	Checking stamp labeling (seal) from logging (forest harvesting certificate and document), transportation (timber transportation certificate and document), selling (timber selling certificate and document) and processing (timber processing certificate and document) (no any further custody management).
	Procedure for ensuring separative custody management
	Check whether there is any certificate and document for any of the four stages mentioned above.
	Scheme implemented by the third party and so on to ensure reliability
	No third party scheme. All activities are monitored by forestry departments above county level.
Future Task and Perspectives	Criticisms against the system and recognition of problems
	The system is generally widely accepted. There are two problems: One is that the system is not complete enough as there is no further custody management so the end-users could not identify any information of logging and subsequent activities; The other is that there are some mis-conducts of the implementation of the system. Some places do not implement the system in a very effective way.
	Remediation procedure
	Some experts are trying to develop timber tracing system to cover all chains of custody, for the consideration of the government.
	Future perspectives
Quite promising.	
Reference Author	Web site: www.forestry.gov.cn
	Name: Professor Mr. Lu Wenming
	Title: Director of Division of International Cooperation
	Organization: China Academy of Forestry Email: luwenmingcaf@126.com

Summary of the verification scheme

Name of the system	National Forest Certification Scheme of China (both for forest management and chain of custody), which is still under developing.
Related Area	China.
General overview of verification	Party responsible for issuing verification Independent and third party certification body (bodies) accredited by both Certification and Accreditation Administration (CNCA) and State Forestry Administration (SFA).
	Outline of issuing process Application–preassessment-main assessment-peer review-certificate issuance–surveillance.
	The system shall verify legality only /or both sustainability Both legality and sustainability.
	Definition of legality Meeting relevant laws and regulations, and having forest harvesting certificate.
	Relevant laws Forest Law of the People's Republic of China, Regulations on Implementation of Forest Law of the People's Republic of China, Criminal Law of the People's Republic of China, Explanation on Several Issues of Concretely Applying Relevant Laws Concerning Dealing with Criminal Cases of Damaging Forest Resources by the Supreme People's Court, Import and Export Commodities Inspection Law of the People's Republic of China.
Scheme to check for legality at the time of logging	Details of presumed illegal activities Logging exceeding the harvesting quota, logging not in the approved stand, logging without any forest harvesting certificate, activities damaging forest resources, stolen logging and severe deforestation.
	Procedures for retaining and verifying the evidence Check whether there is any forest harvesting certificate.
	Scheme implemented by the third party and so on to ensure reliability National Forest Certification Scheme of China (both for forest management and chain of custody), which is still under developing.
	Definition of sustainability Sustainability is an attempt to provide the best outcomes for the human and natural environments both now and into the indefinite future. It relates to the continuity of economic, social, institutional and environmental aspects of human society, as well as the non-human environment. It is intended to be a means of configuring civilization and human activity so that society, its members and its economies are able to meet their needs and express their greatest potential in the present, while preserving biodiversity and natural ecosystems, and planning and acting for the ability to maintain these ideals in a very long term.
	Procedures for retaining and verifying the evidence Conducting environmental, social and economic impact assessment.
	Scheme implemented by the third party and so on to ensure reliability National Forest Certification Scheme of China.
	Real picture of the dealings, from logging to export Checking stamp labeling (seal) from logging (forest harvesting certificate, labeling and document), transportation (timber transportation certificate, labeling and document), selling (timber selling certificate, labeling and document), processing (timber processing certificate, labeling and document), and labeling and document for any further custody chain (from product packaging, product transportation, product marketing and product export).
Scheme of separative custody management	Procedure for ensuring separative custody management Check whether there is any certificate, labeling and document before timber processing and whether there is any labeling and document throughout the latter custody chain (from logging to end-users).
	Scheme implemented by the third party and so on to ensure reliability National Forest Certification Scheme of China.
	Criticisms against the system and recognition of problems As the scheme is still under developing, it is too early to judge the scheme.
	Remediation procedure Not applicable at the moment.
Future Task and Perspectives	Future perspectives Generally good.
	Web site: www.forestry.gov.cn
	Name: Professor Mr. Lu Wenming Title: Director of Division of International Cooperation Organization: China Academy of Forestry Email: luwenmingcaf@126.com
Reference Author	

Summary of the verification scheme

Name of the system	Forest Stewardship Council (FSC) Forest Certification Scheme (both for forest management and chain of custody).
Related Area	Global (As of December 31, 2006, there are 5 forest management units in China which are granted as FSC FM certificates, and 221 timber processing companies which are granted as FSC COC certificates).
General overview of verification	Party responsible for issuing verification Independent and third party certification bodies accredited by FSC International.
	Outline of issuing process Application – pre-assessment - main assessment - peer review - certificate issuance – surveillance.
	The system shall verify legality only□/or both sustainability□ Both legality and sustainability.
Scheme to check for legality at the time of logging	Definition of legality See FSC documents.
	Relevant laws See FSC documents.
	Details of presumed illegal activities See FSC documents.
	Procedures for retaining and verifying the evidence See FSC documents.
	Scheme implemented by the third party and so on to ensure reliability See FSC documents.
Scheme to check for sustainability	Definition of sustainability See FSC documents.
	Procedures for retaining and verifying the evidence See FSC documents.
	Scheme implemented by the third party and so on to ensure reliability FSC Forest Certification Scheme (both for forest management and chain of custody).
Scheme of separative custody management	Real picture of the dealings, from logging to export See FSC documents.
	Procedure for ensuring separative custody management See FSC documents.
	Scheme implemented by the third party and so on to ensure reliability FSC Forest Certification Scheme (both for forest management and chain of custody).
Future Task and Perspectives	Criticisms against the system and recognition of problems The system is too environmentally oriented, especially with too strict principle of plantation. As plantation is the principal sources of timber supply in China due to the implementation of the Natural Forest Protection Program (NFPP) since 1998, it is a big challenge for China to widely apply FSC scheme. Also, the cost of FSC certification is quite high, both for the direct cost due to the lack of Chinese FSC accredited certification body (which leads to high cost of international travel and non-Chinese auditors) and indirect cost due to the more improvement to be made so as to meet stricter standard of FSC. Furthermore, the domestic market for FSC certified forest products is quite limited.
	Remediation procedure See FSC documents.
	Future perspectives Generally good.
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CHINA'S EFFORTS FOR TIMBER VERIFICATION

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The paper outlined the general description of China's mis-conducts of forest harvesting, illustrated the measures the forestry authority takes to cope with these mis-conducts, acknowledged the current irrelevance to the procurement policies of Japan, and prospected the future perspectives of tackling them by developing timber tracing system, establishing company credibility system, implementing government green timber procurement policy, and carrying out forest certification, so as to promote responsible and sustainable forest management.

Keywords: mis-conduct of forest harvesting, timber certificate scheme, government green timber procurement policy, timber tracing system, forest certification

In a recent decade, illegal logging and illegal trade has been rampant in a global context. Due to such illegal logging, many countries, such as Indonesia and Cambodia in Asia, Russia in Europe, Brazil in Latin America, Papua New Guinea in Oceania and Democratic Republic of Congo in Africa, are suffering serious environmental problems of mass destruction of virgin, natural and secondary forest resources, threatened habitats of rare and endangered animal and plant species, and rapid loss of biodiversity, also causing a lot of economic problems such as loss of tax revenue and social problems such as local society conflict etc. Tackling illegal logging is a global challenge.

GENERAL DESCRIPTION

Since 1998 when adopting Nature Forest Protection Program (NFPP), China's timber import has increased significantly with a total of 134 million cubic metres in round wood equivalent (RWE) in 2005, especially from Russia and Indonesia where illegal logging is still rampant.

China is now the world's both leading importer and exporter of timber and timber products. The Government of China attaches great importance to the sustainable forestry development and takes it as the sole fundamental forestry development strategy in a long run. Through various efforts for a long period, the Government of China has obtained great achievements in tackling illegal logging and illegal trade. At present, there is very very rare case of illegal timber trade due to previous several years of continued joint efforts by the forestry sector, commerce sector and custom sector etc, as well as bilateral cooperation with respective trade countries. Forest harvesting has been also in a right track in meeting with relevant laws and regulations. However, due to several reasons, there are still some, although quite small, cases of mis-conducts of forest harvesting which does not fully comply with relevant laws and regulations. We can not regard all these mis-conducts of forest harvesting as illegal logging, but this does have some negative implication. As such, the forestry authority has been taking a serious of measures in tackling these mis-conducts of forest harvesting.

Furthermore, the Government of China, mainly through the State Forestry Administration (SFA) and the Ministry of Commerce (MOC), is actively tackling this issue by improving domestic policy and regulation

monitoring system and strengthening international cooperation. China is now a member of both North East Asia Forest Law Enforcement and Governance (FLEG) Process and South East Asia Forest Law Enforcement and Governance Ministerial Conference Process.

TIMBER CERTIFICATE SCHEME

China has had a very effective forest resources monitoring system for several decades. This system aims to protect and utilize forest resources and ecological environment, to strengthen the monitoring management for forest conservation, forest harvesting, timber production, timber marketing and timber consumption etc, and to actively extend technology for saving the timber and substituting the timber, so as to accelerate the development of resource saving and environmentally friendly society.

The key element of this system is the documentation management with timber certificate issuance in the stage of forest harvesting and timber transportation and marketing. This system may be called as "timber certificate scheme". Annual allowance cut (AAC) quota, forest harvesting plan and forest harvest certificate (timber concession), as well as code of forest harvesting and reasonable timber making are very strictly implemented. The forest authority checks the AAC quota and forest harvesting certificate and verification of timber origin (also through stamp labeling (seal) and forest harvesting certificate and document), as well as timber transportation certificate and buying invoice (also through timber transportation certificate and document). In some places, the forestry authority also checks timber selling certificate and document in timber marketing stage and timber processing certificate and document in timber processing stage when these regulations are applicable. The forest authority is granted by the laws and regulations to sternly deal with any cases of logging without any certificate, stolen logging and severe deforestation. Such strengthened monitoring management system for the timber origin and marketing is proved to be very effective.

However, there is no any further custody management after the timber is sold out, such as for timber processing (some places has), product packaging, product loading and unloading, product transportation, product marketing and product consumption etc. As such, it is eventually impossible to identify the origin of timber

just from the timber products. The monitoring system for such chain of custody should be further strengthened. The government is supposed to strengthen timber monitoring management system through developing plan, improve laws and regulations and standards, enhance policy guidance, increase technical support, strengthen publicity and education, and enhance institutional development. The development of timber tracing system for whole stages of chain-of-custody is also being suggested^[1].

RESPONSE TO PROCUREMENT POLICIES OF JAPAN

It is quite encouraging that Japan adopted the procurement policies to tackling illegal logging through verify the legality and sustainability of timber. This is not just the procurement policy itself, but is a comprehensive system which also includes the supporting mechanism of verification of legality through sectoral and self verification, as well as sustainability through forest certification scheme both for forest management and chain of custody^[2,3]. It is also quite encouraging that this policy has been proved to be effective just for less than one year, and there are a number of countries such as Indonesia, Malaysia, Papua New Guinea and Russia which actively respond the policy.

Very unfortunately, however, China has not had at the moment a complete timber tracing and monitoring management system, and its current timber certificate scheme just cover the custody before the timber is processed. So, it is impossible to identify or verify the origin of timber just from the final timber products. As such, the procurement policies of Japan are not applicable to China at the moment.

Nevertheless, as both China and Japan are important timber trade partners due to great and continuously increased timber products export from China to Japan (furniture and plywood), it is timely that China needs to think about the actions in respond to the procurement policies of Japan, not only for trade market access but also for the responsible and sustainable forest management within China which is the primary and final objective of forestry development in China.

FUTURE PERSPECTIVE

It is recognized that like many countries in the world, China faces challenges in timber monitoring system along with all chain of custody due to technical, financial and other constraints. However, a lot of efforts are being initiated by the government, the academia, and the industry to improve such system.

Efforts by the government

The government has made a lot of efforts to improve forest laws and regulations, enhance its forest law enforcement, and strengthen the capacity of forest law enforcement expertise. Strengthened forest law enforcement was listed by the State Forestry Administration as one of the major two tasks of the

forestry sector across the country in 2004.

The government also encourages forest certification as the market based instrument to promote sustainable forest management. The State Council (SC), China's top governing body, stipulated in its Resolution to Accelerate Forestry Development "to actively carry out forest certification work and try to be in line with international practices as soon as possible". The State Forestry Administration is now initiating the National Forest Certification Scheme of China. The Chinese Academy of Forestry (CAF) had already developed the National Standard for Forest Certification in China (for forest management) and has nearly finished the development of the National Standard for Chain-of-Custody Certification in China (for COC), both of which are commissioned by the State Forestry Administration. Besides, the Chinese Academy of Forestry is also in the process of establishing, under the support of the International Centre for Bamboo and Rattan (ICBR) (which is also affiliated under the State Forestry Administration) and Zhejiang Provincial Forestry Department (ZPFD), an independent and third party forest certification body to be accredited by both Certification and Accreditation Administration (CNCA) and State Forestry Administration. It is expected that this National Forest Certification Scheme of China will be formally launched within this year of 2007^[4].

As the National Forest Certification Scheme of China is currently aimed at domestic objectives to promote sustainable forest management, it is quite enough for meeting the requirement of procurement policies of Japan in terms of legality of timber origin, regardless whether China's scheme could be or not be recognized by Japan. It is known to all that currently there are dozen different forest certification schemes in the world, international such as FSC and PEFC, regional or national. The standards among different schemes are different, so the sustainability to be verified according to different standards may not be mutually recognized, but the legality of different schemes should not be doubt to be clear.

In terms of forest certification practices, as of December 31, 2006, there have been 5 forest management units certified by FSC scheme for forest management with a total forest area of 442,500 ha and covering both natural forests and plantation, and 221 timber processing companies certified by FSC scheme for chain-of-custody, including those in Hong Kong, Macau and Taiwan.

Efforts by the academia

The academia, mainly the Chinese Academy of Forestry (CAF) which is the national research institution on forestry sector in China, is currently initiating government green timber procurement policy and timber tracing system to the government for consideration as very effective measures to tackle mis-conducts of forest harvesting in China and to promote responsible and sustainable forest management. This initiative is also submitted to the British Government for possible funding and it is likely that the initiative is to be funded for further

research^[5].

According to the proposed government green timber procurement policy, all the government organizations and government-funded institutions across the country will only buy the timber products listed in the government endorsed timber products and timber producing companies, which could either verify the legality of timber origin or verify that the timber products is made from timber coming from sustainably managed forests certified by either National Forest Certification Scheme of China or any internationally recognized forest certification scheme such as FSC or PEFC.

At present, there are two kinds of government procurement policies, both of which prove to be quite effective. One is for general commodity items, mainly for key government infrastructural projects and for major government consumption of vehicles and electronics as well as some special services such as printing and conference services etc. The other one is very much related to forestry sector, and of course could be extended to the tracing of timber origin.

Just on October 24, 2006, the Ministry of Finance (MOF) and the State Environmental Protection Administration (SEPA) jointly issued the government green product procurement policy. It has been effective from January 1, 2007 for all government organizations and government-funded institutions in central and provincial levels, and will be effective from January 1, 2008 for all government organizations and government-funded institutions across the country. This government green product procurement policy is focused on the "green products", which means that the process of manufacture is environmentally friendly with minimum damage both for human health and the environment. The first list of this policy includes 856 products in 14 categories by 81 companies, which cover 17 products by 9 wood-based panel companies, 24 products by 10 wooden flooring companies and 6 products by 5 furniture companies. All these products and companies are granted with environmental certification/verification labels by government accredited certification/verification bodies^[6]. Although currently the policy does not mention any forest certification or even the verification of legality of timber origin, it is a great signal that eventually the verification of legality of timber origin and forest certification could be incorporated into the current policy or as a separate government green timber procurement policy as suggested by the academia.

With regard to the timber tracing system, it is also the domestic need of China to improve the present "timber certificate scheme" which just traces timber flow from logging to processing but no furthermore. The proposed timber tracing system will fill such gap so that the end users, even the end users from the countries importing timber products from China, could be able to identify the legality and/or sustainability of the timber products they buy. Although actually it is a challenging task to well develop such timber tracing system due to technical constrains, it is still encouraging that once this timber tracing system is developed, it will surely improve the timber monitoring management system, thus encouraging the good conduct of forest harvesting and

responsible forest management, and from the other side tackling any mis-conduct of forest harvesting.

Efforts by the industry

The timber industry itself is also realizing the importance of responsible timber processing behavior. China Timber Distribution Association (CTDA, a timber marketing association), which consists of nearly 600 major timber processing companies across the country covering manufacturing, marketing (whole sale or retail), international trade and research sub-sectors etc, is initiating a pilot campaign of "Credibility Assessment System for Timber Sector in China". Such system consists of two aspects, "Qualified Suppliers Assessment System for Timber Sector in China" and "Company Credibility Assessment System for Timber Sector in China". The key point of such system is to regulate codes of conduct for the timber sector (both for processing and marketing through government behavior). At present, China Timber Distribution Association is persuading the government, mainly through the State-owned Assets Supervision and Administration Commission of the State Council to adopt such system as a government procurement policy. The system contains a lot of assessment indexes classify into 4 grades, marked with A, B, C and D, and value as points with full points of 100. Such indexes cover mainly 6 fields, such as basic qualification certification and assessment, basic management and competition level assessment, basic management capacity assessment, basic economic debt-paying capacity assessment, marketing credibility record assessment, and social responsibility assessment^[7]. If the system is adopted by the State-owned Assets Supervision and Administration Commission of the State Council (it is likely), all the government-owned companies have to abide by this system as the supplier chain, and all the government-funded institutions shall be encouraged to buy the products manufactured by the listed companies (both processing and marketing). The social responsibility assessment may include the label or record showing or verifying that the timber products are made of timber coming from certified or legally sourced forest resources, and some others. Currently the social responsibility assessment does not include timber legality or sustainability, but it is likely to include as there is an effort for appealing China Timber Distribution Association to include the forest certification (especially COC label) into the assessment system, and try to persuade this association to increase the weight of points if the products is certified or legally sourced. This will also be an effective tool for verify the legality or sustainability of timber origin.

CONCLUSION

It is quite clear that at the moment, the procurement policy of Japan has little implication in China as it is not applicable to China. However, as the Chinese Government and the Chinese people are realizing that the responsible forest management is increasingly important, more and more efforts will be made from all works of life to promote responsible and sustainable forest management. Government green timber procurement policy, timber tracing system, forest certification schemes (whether national or international)

and timber company credibility assessment system, and maybe some more others, all will surely improve the verification of legality and sustainability of timber origin, and will very easily link to the procurement policies of Japan, and any other countries around the world.

China attaches great importance to the international cooperation, also in the forestry and timber trade sector. It will have a brighter future for both China and Japan, and all other timber trade partners, to work and cooperate together to make full use of all kind of approaches, schemes, mechanisms etc to promote responsible and sustainable forest management and international timber trade.

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Kouji Kadoya

Secretary-General, Forest-products Identification Promotion
Conference (FIPC)

Legal wood supplier certification system by
Forest-products Identification Promotion Conference

Summary of the verification scheme

Name of system	Legality Verification with Wood Product Identification
Related area	All over Japan, Worldwide
Overview of verification	Party responsible for issuing verification
	Name: Forest-product Identification Promotion Conference (FIPC) Location: Nagatacho Bldg. 2-4-3, Nagata-cho, Chiyoda-ku, Tokyo Communication: Tel: +81-3-3580-3215
	Outline of issuing process
	To become a member of this Conference with an aim to voluntarily indicate the place of origin, tree species, and type of wood processing. When its capacity sufficient to verify own legality based on the guidelines of the Forestry Agency is determined, the member can attach the "L" mark to the Conference's logo. Timber and timber products with the logo are recognized as being certified in legality.
	The system verifies legality only.
Scheme to check legality at the time of logging	Definition of legality
	As the precondition, necessary procedures must be completed under the Forest Law.
	Relevant laws
	Forest Law
	Details of presumed illegal activities
	Illegal logging, if any.
	Documents to verify legality, procedures of their retention/verification
	Each business entity retains legality certificates submitted by timber suppliers.
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability
This is a voluntary regulation which is not certified by a third party. Strictness and penalty system of the quality examination	
Scheme to check for sustainability	Definition of sustainability
	Documents to verify sustainability, procedures of their retention/verification
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability
Scheme of separative custody management	Real picture of the dealings, from logging to export
	Circle of legality certification
	Procedure for ensuring separative custody management
	Respect of autonomy
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability
	None
Future Task and Perspectives	Criticisms against the system and recognition of problems
	Remediation procedure
	Future perspectives
Reference Author	Web site
	URL www.zenmoku.jp/fipc
	Name: Koji Kadoya
	Title: Managing Director
	Organization: Japan Federation of Wood Industry Association E-mail: kadoya@zenmoku.jp

Response of Forest-products Identification Promotion Conference to Japan's Wood Procurement Policy Measures to Counter Illegal Logging

Kouji Kadoya¹

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The Forest-products Identification Promotion Conference (FIPC) was founded to promote voluntary identification of tree species, place of origin, processing type, etc. of forest products. In April 2006, the Japanese government started implementing their policy to give priority to legally harvested wood/wood products in government procurement. In response to this, the FIPC revised its charter in March 2006, and sought the status of a certification body as specified in the guideline of the Forestry Agency. Currently, there are more than 100 such certification bodies in Japan. However, the FIPC is unique in that it can operate a certification system that is based on the Forestry Agency's guideline and goes beyond the boundaries of industry segments or geographical areas.

Keywords: Place of origin, tree species, processing type, voluntary labeling

Introduction

The Green Purchasing Law was revised and the wood procurement policies of governmental bodies were changed. Now national and local governments give priority to procuring wood that is legally verified. Thus, certification activities of legal wood suppliers by industry organizations commenced, based on the Forestry Agency's *Guideline for Verification on Legality and Sustainability of Wood and Wood Products*. Currently, there are over 100 bodies that certify legal wood suppliers in the nation, such as Prefectural Federation of Wood Industry Associations, and the Prefectural Federation of Forest Industry Associations, and the FIPC is one of them.

The primary aim of the FIPC is to establish a uniform set of rules to voluntarily identify the tree species, place of origin, processing type, etc., in the labels of wood/wood products, and to promote fair and just implementation of such rules.

In response to the government's decision to give priority to legal wood/wood products in their procurement exercise after the enforcement of the Green Purchasing Law in April 2006, the FIPC revised its charter in March 2006, and decided to seek the status of a certification body as specified in the said guideline.

This paper will explain the background of the establishment of the FIPC, and the current status of legal wood supplier certification.

Japan's Forest Management and Green Procurement of Wood and Wood Products

Legislation Concerning Forest Management

Japan has two principal pieces of legislation concerning forest management: The Basic Law on Forest and Forestry, and the Forest Law.

The former is a product of a revision of the Basic Law on Forestry and was enacted in 2002. It is the highest-level legislation concerning forests, and it specifies "the basic philosophy for forest and forestry and the basic matters concerning its implementation." The law advocates as its principal philosophy, 1) fulfillment of multi-faceted functions of forests and 2) sustainable and healthy development of forestry industry. The law further specifies 1) promotion of forest enhancement and 2) assured conservation of forests as the policy measures to practice the said philosophy. It also provides that the Basic Plan for Forest and Forestry should be developed to comprehensively and systematically implement forest and forestry policy measures.

The Forest Law aims to "specify the basic matters concerning forest plans, protection of forests, and other forests; plan for forest maintenance and growth and forest productivity increase; and thereby contribute to conservation of the national land and development of the national economy." This is to realize one of the philosophy statements in the Basic Law, "the fulfillment of the multi-faceted functions of forests."

The forest planning system and the protection forest system specified by the Forest Law are the components most closely related to "the legality at the time of logging" as described in the said guideline.

The Forest Planning System and its Operational Status

The Forest Law specifies two-phase planning by the national forest plan and the regional forest plan, and their operational-level planning in the municipal forest enhancement plan and the forest operation plan.

The national forest plan is developed by the Ministry of Agriculture, Forestry and Fisheries every 5 years for a term of 15 years, and its scope encompasses all the forests of the nation. The plan is developed in accordance with the above-said Basic Plan, and considers the status of enhancement of conservation facilities, etc. The regional forest plan is developed by the prefectural governors every 5 years for a term of 10 years in accordance with the national forest plan. The scope of the regional forest plan encompasses the privately owned forests in the 158 forest planning areas of the nation. These plans determine the basic matters regarding forest enhancement and conservation, such as the locations and areas of the forests by each function of forests, and their enhancement and conservation objectives.

The municipal forest enhancement plan is developed by the municipality every 5 years for a term of 10 years, in accordance with the above-said regional forest plan. Its scope encompasses the privately owned forests within the municipal area.

Forest owners/operators prepare a forest operation plan for a term of 5 years, singularly or jointly with others, if a joint enhancement is appropriate for the forest in question. They submit the plan to their city/town/village mayor, and seek the approval that the forest operation plan in question is appropriate. This is the tool to link the individual forest operators to the three forest plans: The national forest plan, the regional forest plan, and the municipal forest plan. Approximately one half of the nation's privately owned forests are thought to be under a forest operation plan.

If a forest owner/operator chooses not to prepare the above-described forest operation plan, and if he/she wishes to cut down trees standing in a privately owned forest in the scope of a regional forest plan, the owner/operator must submit a logging plan to the municipal mayor. The logging plan must explain the location of the forest, the area to be logged, the logging method, the ages of the trees to be logged, the forest regeneration method after logging, the logging period and tree species, and other relevant information.

Forty-five percent of the nation's forests are designated "protection forests" and any logging in these forests requires a permit from the prefectural governor of the jurisdiction.

The biggest issues of forest management in Japan are effective use of forests planted after the war, and their care and management, such as thinning. Inappropriate logging practices are rather unlikely to be seen in this country.

Our nation does not have any domestic legislation to regulate processing, transport, import, and use of wood and wood products. The nation, however, is required to fulfill the obligations of a signatory to international treaties, such as the CITES (Convention on International Trade in Endangered Species.)

The Movement of Green Procurement of Wood, and Response to the Movement

From April 2006, the Japanese government implemented its policy measure to give priority to wood and wood products, of which the legality is verified, in their procurement exercise in accordance with the Green Purchasing Law. In response to this development, efforts were made to rapidly establish a system to supply legal wood and wood products. The establishment phase of such a system is near completion.

The change in the government's wood procurement policy significantly influenced wood procurement policies of private enterprises: Furniture manufacturer associations and other groups published their codes of conduct to counter illegal logging, and residential home manufacturers are in discussion to clearly define their legal wood procurement policies.

Establishment of the FIPC and its Activities

Labeling of Tree Species, Place of Origin, and Processing Type

The FIPC aims to fulfill its accountability as a group of wood suppliers and contribute to diffusion of legal wood use, by disclosing information to wood users and consumers through voluntary labeling of forest products indicating the tree species, places of origin, and processing type.

Consumers are increasingly sensitive with the quality, standards, and place of origin information about agricultural and fishery products, foods, and other sundry commodities used in their daily life. In order to respond to the needs of consumers, wood suppliers need to disclose such information about wood supplies, and send the message that wood is a material consumers can use safely, without harm to their health, and with peace of mind.

Therefore, the FIPC concluded that wood labeling indicating its place of origin, tree species, and processing type would be the way to fulfill the wood industry's accountability and social responsibility to consumers, builders, and carpenters. The FIPC was established as the mother organization to promote and encourage the establishment of a

labeling system for information disclosure and its stringent and responsible practice. The FIPC concluded that disclosing the place of origin, etc. would serve as a tool to exclude illegally harvested wood from the market.

The Activities of the FIPC

The FIPC is an independent organization of businesses that wish to actively disclose wood identification information. The members of the FIPC label their products in an accurate manner and according to the rules specified by the FIPC, so that the place of origin, tree species, and processing type may be clearly identified. The FIPC also implements activities to communicate the aim and necessity of such labeling, and to ensure the credibility of the labels.

A business must pass a qualification audit to become a FIPC member. Once qualified as a member, the business undergoes a qualification renewal audit every three years. To ensure the impartiality, fairness, and transparency of these audits, the audit committee members come from research organizations, non-government organizations (NGOs) and consumer groups. All members are from non-wood and wood product industry.

The label must indicate the place of origin, tree species, and processing type, as well as the name of the FIPC.

The place of origin is normally the name of a nation, but the business may opt to indicate the name of an area in brackets next to it. The reason is as follows: In Japan, it is a traditional and commonplace practice for a wood supplier to indicate the area of origin of the wood, and such indication serves as the brand of wood they sell. The FIPC assumed that allowing the indication of the area of origin would make it easier for the Japanese wood distribution industry to widely accept the FIPC labeling system.

The FIPC decided to take the common name approach to the tree species indication. Some tree species are called by names uniquely known within the wood supply industry, and many discussions were necessary to determine the names to be used in the tree species labels. However, the FIPC felt that it was a mandate of its labeling system to let the consumers know the accurate names of trees, which they tend to use without recognizing them.

The processing type indication was introduced to distinguish mainly between natural wood and laminated timber. However, more recently, it has proved useful for distinction between plywood, LVL (Laminated Veneer Lumber), MDF (Medium Density Fiber Board), and OSB (Oriented Strand Board).

The above-discussed information items are written on a label or sticker together with the logo shown below, and attached to the wood/wood products for shipment.



If a complaint is received regarding the labeling and its contents, the audit committee investigates the matter by hearing, site inspection and other means, and takes appropriate measures. These include requesting improvement, a corrective action order, or disqualification and a public announcement thereof, depending on the findings of the investigation.

Legal Wood Supplier Certification

In accordance with the clear government procurement policy as specified in the Green Purchasing Law in force from April 2006, the Forestry Agency proposed a set of guideline on methods to prove the legality of wood. The guideline states that an industry organization may conduct a qualification audit of its member, and certify it as a legal wood supplier.

The FIPC is an organization that fulfills the requirements to conduct the legal wood supplier certification in light of the Forestry Agency's guideline, and there was no doubt that such certification should become one of the FIPC's businesses. Therefore, it revised its charter in March 2006 and enacted the "voluntary code of conduct concerning illegal logging countermeasures" and started its legal wood supplier certification as an industry organization.

Certification Method and Logo

As explained before, the FIPC was originally established to ensure the identification of place of origin, tree species, and processing type of wood, and its members have passed a rigorous qualification audit. The FIPC therefore concluded that the members needed only to answer a few additional questions and receive a few more audits to meet the requirements specified in the said guideline for legal wood supplier certification.

The FIPC member qualification audit is performed on the assumption that separation by tree species and place of origin, appointment of a responsible person, and control of the documented body of evidence are the most important components of its member qualification audit. These requirements are the same as those for proof of legality, where separation of verified and un-verified wood supplies is required. Therefore, the FIPC concluded that a member could be certified as a legal wood supplier if it rigorously controls the separation of verified and un-verified wood supplies.

A certified business is permitted to put the FIPC logo including the capital letter "L," on their product label indicating the tree species, place of origin and processing type. The "L" mark as shown below may not be used alone. It must accompany a label of the place of origin and other required information.



Current Status of Legal Wood Suppliers

After the commencement of legal wood supplier certification in June 2006, we have certified 45 businesses.

Scheme to Prove Legality

The FIPC proves the legality of wood in accordance with the Forestry Agency's guideline, and the legality is defined as follows: "The procedure of logging the trees was appropriate in light of the legislation concerning forests in the state or area where the trees originally grew."

In the case of domestically produced wood and wood products, those of which the legality is proven by the indication of a legal wood supplier certification number, or those harvested from forests certified by Sustainable Green Ecosystem Council (SGEC), Forest Stewardship Council (FSC), and other forest certification bodies, are recognized as legal wood/wood products.

In case of imported wood/wood products, the FIPC verifies their legality in accordance with the said guideline as follows: The FIPC checks the distribution route from the production of the wood in question to the factory, etc. of the applicant business, requests the submission of proof of legality in light of the legislation of the exporting country from which the wood is harvested and exported, conducts an audit at the FIPC audit committee meeting, and certifies the legality of the wood in question, if its legality is considered rationally proven. Once a supply is certified, the FIPC only considers the subsequent supplies of wood legal if the identical importing route is used.

Scheme of Separative Management

The normal distribution of domestic wood is as follows: The forest owner sells standing trees to log producers, and they cut the trees and ship the logs to the log markets. The logs are sold to lumber manufacturers by auction or bidding. The lumber is shipped to lumber markets nationwide and sold to timber manufacturers, again by auction or bidding.

As wood and timber products go through many stages in their distribution route as described above, strict separative management each of these stages must be ensured.

Future Tasks and Perspectives

Current Problems and Required Improvements

Japan has Japan Agricultural Standards (JAS) and Approved Quality (AQ) for quality standard labeling systems for wood and wood products. There are also chain of custody (CoC) forest certification systems such as FSC and SGEN to guarantee the sustainability of the forests from which the wood and wood products come. The FIPC's labeling system is an indication of information such as place of origin and tree species, which are not included in these other labeling systems.

On the other hand, the consumer's interest in the place of origin and tree species is weaker than their desire to know more about food products and sundry items that are more directly connected to the state of their health. Wood is used for building residential homes but consumers do not buy them directly, and therefore, their desire to know its place of origin is not very strong.

As a consequence, the wood industry's interest in this issue is not very high, and the number of participating wood supply businesses is still low. However, the FIPC believes that the demand for legal wood/wood products will grow stronger in the future, and the FIPC intends to operate its labelling system as a means of wood information disclosure together with legality verification.

Needless to say, the accuracy, fairness, and transparency of the labeling system must be strictly maintained.

Expectation for and Requirements of Green Procurement

The Green Purchasing Law is the government's first step in tackling the most serious environmental issues for us all. Our future challenge is to spread this practice to not only governmental bodies, but also local municipalities, private enterprises, and generic consumers.

If specific demand from the consumer side is not present, the supplier side normally does not embark on the costly information disclosure. The public administration needs to advocate more about the importance of legality labeling.

The FIPC recognizes the importance of the information disclosure about wood supplies, and will reinforce its educational and PR activities for consumers.

Reference Materials

[1] *Voluntary Code of Conduct to Counter Illegal Logging*, Japan Office Institutional Furniture Association, June 2006

[2] *Forest-products Identification Promotion Conference Rule Book*, May 2006

Alexander N. Sidorenko

Chairman of Association Dalexportles

Industry certification system by Association Dalexportles

Summary of the verification scheme

Name of the system	Name in home language: Система управления легальностью заготовок и поставок лесоматериалов на экспорт, внедряемая ассоциацией «Дальэкспортлес» Name in English: Legality Management System of Timber Logging and Timber Products Supply for Export Implemented by Dalexportles Association
Related Area	Region /Country Far East , Russia
General overview of verification	Party responsible for issuing verification
	Name: Dalexportles Association, Non-Profit Organization Location: 19, Gaidar St., Suite9, Khabarovsk, Russia, 680000 Communication: dalexportles@list.ru
	Outline of issuing process
	Verification on availability of relative legal and regulatory documents for the right of timber harvesting, commissioning and exporting.
	The system shall verify both legality and sustainability
Scheme to check for legality at the time of logging	Definition of legality
	Definition of legality is formed by the availability of raw forest materials and timber harvest volumes
	Relevant laws
	Code of Conduct of Dalexportles Association Members.
	Details of presumed illegal activities
	Double invoices, money transfer to the accounts not specified in the contract before the deal is over
	Procedures for retaining and verifying the evidence
	Verification of contracts and timber and timber products supply for export by DEL Association members
	Scheme implemented by the third party and so on to ensure reliability
	Interaction with SGS VLTP
	Definition of sustainability
Verification of real volumes for export supply with allowable cutting	
Scheme to check for sustainability	Procedures for retaining and verifying the evidence
	Scheme implemented by the third party and so on to ensure reliability
	Interaction with SGS VLTP
	Real picture of the dealings, from logging to export
Scheme of separative custody management	Continuous, systematic inventory of the timber harvest volumes and its quality in the chain from logging sites to the shipment area in the ports and/or railway cars at the customs terminal (Grodekovo).
	Procedure for ensuring separative custody management
	Monitoring of timber products separative custody and shipment is not observed by DEL Expert Assessment
	Scheme implemented by the third party and so on to ensure reliability
	DEL controls the legislation observance during the operations
	Criticisms against the system and recognition of problems
	Some stakeholders are concerned about the fact that DEL Expert Assessment does not consider the environmental issues and that in a while they would require verification of an independent international organization.
Remediation procedure	
Future Task and Perspectives	Future perspectives
	Web site
Reference Author	Contact Alexander N. Sidorenko, Dalexportles Association Chairman
	Name/ Title Organization: Dalexportles Association, Non-Profit Organization
	Location: 19, Gaidar St., Suite9, Khabarovsk, Russia, 680000 Email address: dalexportles@list.ru

LEGALITY MANAGEMENT SYSTEMS OF TIMBER LOGGING AND TIMBER PRODUCTS SUPPLY FOR EXPORT VALID IN THE RUSSIAN FAR EAST.

Alexander N. Sidorenko
Dalexportles Association of Timber Exporters, Far East, Russia

GENERAL OVERVIEW

Dear ladies and gentlemen! Dear participants of the seminar!

I am thankful to the organizers for a kind invitation and opportunity to introduce a management system for legality of raw materials origin in the Russian Far East. Several monitoring systems for legality of timber harvesting and timber products supply for export exist on the territory of the RFE:

- The state system is based on more than 30 legislative acts, and over 15 forestry ministries, agencies and departments are involved in this process.

Since the above laws are our internal laws, it is obvious, that there are very few people from other countries who are familiar with the real situation in the Russian Timber Industry Sector, and with the Russian system of forest use and management in particular.

- Dalexportles Association (DEL) Verification System and
 - SGS VLTP System.
- I'll briefly describe each of them.

THE STATE SYSTEM FOR LEGALITY CONTROL

The state system covers all stages of the forest business. In the thirties of the last century the research of the forest stock of Russia was started. The strict centralized regime, the state ownership on everything without exception and a planned economy required regular inventory of the whole property of the Soviet Union of that period. A unique system of total inventory and control has been established in each area and for each branch in the Soviet Union, including forestry. All forests have been divided into districts and allocated to the state timber industry incorporations.

The forest inventory enterprisers organized for that purpose have thoroughly studied and described the species of the forest stock, its density and age on every allotment. The forest stock study and inventory is carried out regularly to present day. They have also preserved the system of distributed and allocated plots of forest stock to timber industry enterprises.

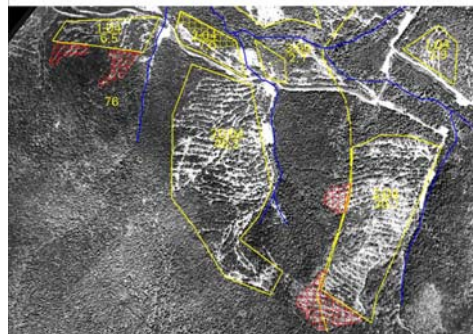
The state grants plots of the forest fund to the forest users for a long-term lease up to 49 years. At the same time they estimate the legal status of a company- lessor, its business solvency and social responsibility.

The forest plots are granted in compliance with the long-term state policy in sustainable forest management. There is a considerable number of territories, where forest use is either restricted or completely prohibited. Such restrictions are mainly related to environment protection issues, water protected area areas, etc. At this stage the federal laws, the Forest Code and Tax Code regulate the company's activities.

The enterprise develops a cutting plan and other activities for harvesting in accordance with the state regulations. The annual volume for harvesting is limited by allowable (prescribed) cutting, providing a sustainable forest management in the allotment of the leased forest fund. The observance control for cutting volumes and technology, ecological issues compliance is provided by the state inspections: Rosleskhoz, Rosprirodnadzor, Rosselkhozadzor, Ministry of Natural Resources, Ministry of Forestry Industry, environmental departments at the Government of each territory, the subject of the Russian Federation.

Responsibility for violation of legislative acts and regulations under the above mentioned state departments is various and depends on the degree of the violation. Punishment varies from a financial fine to the enterprise's right deprivation on lease of a forest plot; whereas a criminal liability can be applied to the head of the company. The infringer practically risks losing his business and freedom.

Under the results of the logging operations, the forestry industry enterprise submits a declaration that informs the state of the work performed: harvest volumes, place of logging, etc. After submission of the declaration on logging executed, verification procedure of the data officially announced and the actual data starts. Both land survey and aerial photography from planes and satellites are used to perform verification.



Drawing 1. shows the processed aerial photography images.

Using the analysis of the aerial photography results, one could see the violations, including the compact undercut and harvesting outside of legal boundaries. Moreover, the aerial photography allows disclosing the signs of large environmental disruptions. The violations detected from aerial photography are double-checked and verified by land survey. The land survey is also used to identify smaller ecological disruptions. 1580 people, the forest unit workers, carry out the land inspection in the Khabarovsk Territory. The results of all kinds of control are compared, analyzed and issued for further decision- making.

The further control over the legality of wood product supply for export under the state system is assigned to Rosselkhoznadzor and the companies-carriers. At dispatch station, while being transported in the other region, Rosselkhoznadzor checks timber at the storage place and prepared for shipment for legality. The quarantine certificate, which indicates the volume and structural parameters of the timber products for shipping, is issued.

Weighing of loaded cars at large transit terminals also allows disclosing violations, related to illegal overweight of cars, when the real volume of the timber products exceeds the volume declared in a waybill. The most frequent violations are the ones executed by doubtful companies, when they deliver timber to People's Republic of China via Grodekovo Terminal. If infringement occurs, the fine is five times the amount of the transportation fee.

Upon the freights' delivery in ports, the goods are put into customs control zones. Rosselkhoznadzor watches carefully that all cars, arriving to a port and loaded with timber products, have quarantine certificates. Rosselkhoznadzor inspectors together with the VNIKR specialists (All-Russia Scientific Research Institute for Plants Quarantine) inspect timber again, calculate quarantine certificates issued at the place of shipment, verify with the actual number of certificates at the storage area and issue a unified phyto- quarantine certificate for all ship consignment.

The customs inspection precedes timber products' loading on board a ship. In this case the procedures are regulated by the Customs Code. The Customs bodies build their work upon the conclusions made by Rosselkhoznadzor, Chamber of Commerce and Industry expertise and other independent expert reports, concerning the quantity and quality of the goods to be shipped for export. The Customs also performs its own inspection of the goods ready for shipment for export. After completing loading the Customs issues a Cargo Customs Declaration, which confirms the legality of timber products shipped for export.

It's obvious that a Cargo Customs Declaration cannot provide a hundred percent guarantee for the product legality. We acknowledge that we have such

violations but the state is fighting against those and the violation's number is getting reduced.

The violations are divided into two major categories:

1. Illegality of harvesting, causing damage to the environment;
2. Illegality related to economic violations in forestry business.

Illegal harvesting in Russia is rather limited due to the existing system of overlapping satellite and airplane control. The above violations and the persons at fault could be easily identified and punished. In this connection, the number of violations in the harvesting process is gradually dropping.

It's more complicated to control the economic violations in the forestry business, where the major violation is deviation from taxes payment. Unfortunately, the similar violations are typical for all other branches of industry and not only in this country.

One of most significant issues is the price making procedure for the timber products to be sold is a rather serious process. The price is defined and established between a seller and buyer individually, upon their discretion and depends on many factors. On a monthly basis, the State Customs Committee sets up the prices minimum level, recommended for usage by the customs throughout the territory of Russia, when determining the customs value of the goods for export, including the timber products.

In case the exporter declares the price lower than the fair value, the customs shall correct the export duty, using the legislative act- Adjustment of the Customs Value. However, because of the unfair actions during price making (double invoices), a gross violation of the Russian Currency and Tax legislation occurs. It happens when a seller asks a buyer to transfer only a part of the sum to an account in Russia, whereas the rest would be transferred to various bank accounts. In this case the customs duties do not suffer, but the state budget receives less of the tax revenues, and an unfair exporter receives an additional illegal profit, saving on taxes.

It's a serious infringement of the Federal Law No.173-Φ3 of December 10, 2003 "On Currency regulation and currency control", Chapter 3, Article 19 and is penalized by fine from three fourth up to one size of the sum of money resources, which have not been paid onto the accounts in authorized banks ". Point 4, Article15.25. of " the Code on Administrative violations " of December 30, 2001. No.195- Φ3.

The Currency Control Bodies of the Central bank of Russia observe this kind of infringement through the agent banks, realizing settlement operations under foreign trade contracts. Under such infringement the underestimated base for the taxation is formed. Only after receiving all amount of money for the sold goods on his

account, the seller has the right to transfer money to any account of any country if necessary.

This significant infringement is very difficult for monitoring from Russia. The Customs follows the unified (indicative) prices. If the prices of the sale are lower than the indicative prices, the Customs have no right to either forbid export of the goods or make any obstacles, but will only increase the duties up to the level of the recommended (indicative) prices. The attempts of the Customs to stop export of forest products under the illegal prices have been challenged in courts by the sellers. The function of the customs is to collect duties for the goods crossing the border, and the customs is not a commercial organization to define what price is fair and what price is not fair.

However, the Japanese companies –buyers can render a great help to the Russian party in stopping the above violation, which we call “the illegal price”, and consequently in stopping the illegal timber products supply. From now on the Japanese buyers know that all money should be transferred to an account of the seller, specified in the contract and if a Russian seller asks to transfer money to several accounts, using double invoices, it means an illegal activity.

The purpose of any illegal activity, in most cases, is to receive additional revenue, which is impossible when you observe the legislation. The illegal activity is accompanied by reduced costs at timber harvesting, when every sort and kind of regulations and legislative acts are violated, the environmental sustainability is infringed. The State Control System struggles against the above mentioned violations.

Illegal activity is also accompanied by a product value hidden from taxation- it's the trade using double invoices under “illegal price. At this stage we are applying our Japanese colleagues for support and interaction and not to purchase forest products from Russia for which it is necessary to transfer money onto accounts not specified in the contract. It is an illegal purchase.

VERIFICATION SYSTEM FOR LEGALITY BEING IMPLEMENTED BY TIMBER EXPORTERS OF DALEXPOTLES ASSOCIATION

Besides the State System of Control, there exists the verification system on legality for timber harvesting and timber supply for export, being implemented by Dalexportles Association.

This work started after the moment the Memorandum between Dalexportles, the Far Eastern Timber Exporters Association and Japan Lumber Importers Association was signed in Khabarovsk, Russia in April 2006.

In accordance with the Memorandum the Russian exporters have to confirm the origin of raw timber for legality using one of the existing systems, that is by receiving the certificates of sustainable forest management. Taking into consideration that receiving of the certificate under “FCS” system takes long time, it has been agreed

to accept the guarantee from Dalexportles Association as the provisional measure for the above period.

The collective verification system on legality for timber harvesting and timber products supply for export, being implemented by Dalexportles Association, is as follows:

- 1) Above all, a company should be the member of DEL;
- 2) The Association appoints a commission of experts, consisting of the representatives of the auditing company, Far East Forestry Research Institute and representatives of the Executive Board of Directors of DEL Association.

The items under verification are subject to the policy of the Association, developed for the purpose of the verification on legality for timber harvesting and timber products supply for export. The appointed commission of experts receives from the enterprise - applicant answers to the questionnaire, totaling 78 points.

The questions are categorized under the following headings:

1. The legal status of a company
Law observance/compliance of a company-applicant is verified at the stage when the company issues shares and undergoes the procedure of registration as the business representative.
2. Access to land and forest fund
Under this item the legality for harvesting operations right acquisition is verified; contracts, providing the foundation for the allotments of forest fund granted to a company –applicant, are examined, fulfillment of obligations by the company-applicant under the signed contracts is assessed.
3. Timber products manufacture technology
The expert team studies the harvesting technology and its compliance with the law and regulations
4. Quality management system
Regulations observance of storing, measuring, grading and inventorying of timber products
5. Sustainable forest management
It includes observance of legislation requirements in terms of environment protection, reforestation, forest fire protection, utilization of all timber products assortment, etc.
6. Enterprise management systems

Completeness and correctness of tax and other obligatory payments is examined. The established level of salaries and obligatory payments to budget and non-budget funds is studied.

I would like to point to the fact that the companies, optimizing the above item, that is applying illegal schemes for reducing tax fees, do violate the Law.

Besides, they have an opportunity for receiving excess profits, and consequently expanding their illegal activity. It should be noted that the examination for completeness and correctness of the tax computation is a distinctive feature of the verification system being implemented by Dalexportles Association, compared to other acting systems.

7. Timber products traffic monitoring
Warehousing methods, inventory of timber product traffic in the warehouse and observance of the Customs Code is attested at this stage. The attention is focused on the value of the product to be sold at this stage.

The Association informs the company-applicant of the expert commission assessment results and its decision, which either confirms the legality of harvesting and wood products supply for export, or rejects it.

- 3) In case the company-applicant is not the Dalexportles Association member, the former can apply for a membership.

The observance of laws, reputation –are the values, highly respected by the Dalexportles Association members. We are happy to state that more and more companies share our views and approaches are ready to become DEL Association members and be verified for legality of harvesting and wood products supply for export.

SGS VLTP VERIFICATION SYSTEM

Besides the above described State Control System for legality of the raw timber origin and its supply for export AND the collective verification system being implemented by Dalexportles Association, the Validation of Legal Timber Programme (VLTP) is being realized on the territory of the Russian Far East. The Programme is represented in a separate block and I shall only briefly report on it.

Validation of Legal Timber Programme (VLTP) is the part of a global Forestry Monitoring Programme, which operates in 145 countries. The objective of the Programme is to contribute to international, national and regional initiatives aimed at struggling the illegal timber harvesting and trade of illegally produced timber products. The concept of the Program meets the requirements of international initiatives for fighting the illegal forest management.

In the Russian Far East SGS VLT Programme is being implemented under the Territorial Governments within the state- private partnership framework on a voluntary basis. "Legality verification" under SGS VLTP is considered as an alternative, but additional and useful stage in the sustainable forest management verification process.

Program management is realized by SGS in partnership with the local organization, the Center of Forest Certification, through the VLTP Agency, set up in Khabarovsk, Far East of Russia.

Verification methods for legality include: data collection and cross analysis of the information received from the companies and competent state bodies, undeclared inspections of production areas, continuous monitoring of industrial operations, data analysis of the timber products manufacture in dynamics and data analysis of the remote monitoring.

CONCLUSION

It's quite obvious that of the above-introduced systems for verification on legality for timber harvesting and timber products supply for export, the State Control System is the most powerful and effective one. It consists of a great number of overlapping verification sub-systems, which double-check each other in some cases. The State Control System is responsible for reliability of the information provided or for hiding of information. At the same time the companies under inspection bear responsibility for violating the Law. The system of ecological safety has always been an old tradition in Russia.

I can gladly note that we at present we observe the interaction of the representatives of different controlling institutions and determination of the timber industry companies to conduct a responsible and legal business and it's the most important tendency. We all realize that legal, transparent and sustainable business is the guarantee for our future

Carl-Éric Guertin

Communications and Responsible Trade Manager of
Quebec Wood Export Bureau/Canada Wood

Q-Web auditing and traceability system

Summary of the verification scheme

Name of the system	Quebec Wood Export Bureau (Q-WEB) auditing and traceability system
Related Area	Region /Country : Province of Quebec / Canada
Overview of verification	Party overseeing verification
	Name : Quebec Wood Export Bureau (Q-WEB) Location : Quebec City, Province of Quebec, Canada Communication :
	Outline of verification process
	On an annual basis, Q-WEB will audit members through a third party (auditor) to make sure that all members' suppliers have signed the Policy on Wood Origin and Legality (Appendix B) of the Q-WEB Code of Conduct. A certificate will then be issued to members certifying that it complies with the Q-WEB's Auditing and Traceability System.
	The system shall verify legality only/or both sustainability At this time, the system solely monitors legality.
Scheme to check for legality at the time of logging	Definition of legality
	In Canada illegal logging can be defined as : <ul style="list-style-type: none"> • Theft of timber or logs; • Deliberate harvesting without express or implied authority to do so, or in unauthorized areas or where authority has been revoked for deficient harvesting practices, or after government approvals are obtained by corrupt practices; • Where there is a deliberate failure to pay stumpage and/or royalties to forest owners.
	Relevant laws
	<ul style="list-style-type: none"> • Many laws related to logging and harvesting exist at the municipal, regional, provincial and national level. • On a provincial level for public lands (Crown Lands) : Quebec's <i>Forest Act</i> and <i>Best Management Practices on Crown Lands</i> .
	Details regarding presumed illegal activities
	<ul style="list-style-type: none"> • In Canada and in all its provinces, governance, or the lack of ability to enforce laws, is not an issue. No presumed illegal activities.
	Procedures for retaining and verifying the evidence
	Scheme implemented by the third party and so on to ensure reliability
Scheme to check for sustainability	Definition of sustainability
	Procedures for retaining and verifying the evidence
	Scheme implemented by the third party and so on to ensure reliability
Scheme of separative custody management	Real picture of the dealings, from logging to export
	Procedure for ensuring separative custody management
	Scheme implemented by the third party and so on to ensure reliability
Future Task and Perspectives	Criticisms against the system and recognition of problems
	At this moment, members are only requested to have their immediate suppliers provide the evidence of legality. For North American wood species, suppliers are requested to submit all documents described in the <i>Q-WEB Policy on Wood Origin and Legality (Appendix B of Code of Conduct)</i> only if the Q-WEB members request them.
	Remediation procedure
	Members could eventually ask their suppliers to submit all documents described in the <i>Q-WEB Policy on Wood Origin and Legality (Appendix B of Code of Conduct)</i> .
	Future perspectives
By introducing its auditing and traceability system, Q-WEB has taken a major step to demonstrate its commitment to counter illegal logging and illegal trade. Based on market demands (customers and public administrations) members could eventually decided to trace their wood all the way back to the forest of origin.	
Reference Author	Web site
	www.quebecwoodexport.com
	Contact
Carl-Éric Guertin, Responsible Trade Manager, Quebec Wood Export Bureau (Q-WEB) ceguertin@quebecwoodexport.com	

**QUEBEC WOOD EXPORT BUREAU (Q-WEB)
AUDITING AND TRACEABILITY SYSTEM
INTERNATIONAL SEMINAR IN TOKYO FOR TACKLING ILLEGAL LOGGING, 2007
Response of the world to the Procurement Policies of Japan**

Carl-Éric Guertin

Quebec Wood Export Bureau (Q-WEB), Québec City, Province of Quebec, Canada

The Quebec Wood Export Bureau (Q-WEB) is committed to representing more than 200 wood product manufacturers and producers that conduct their business with integrity and in a manner consistent with relevant professional standards. Consequently, Q-WEB has established a Code of Conduct which includes a *Policy on Wood Origin and Legality*. As a prerequisite for membership, members will be requested to have all their suppliers sign the *Policy* to demonstrate the legality of their wood supply. Q-WEB will audit its members to make sure their suppliers have signed the *Policy*.

Keywords: code of conduct, illegal logging, wood products, audit, traceability

INTRODUCTION

The Quebec Wood Export Bureau (Q-WEB)

The Quebec Wood Export Bureau (Q-WEB) is a non-profit organization established to promote the export of wood products from the province of Quebec (Canada). Q-WEB represents more than 200 member companies that manufacture wood products in one or more of the following sectors: Construction Grade Softwood Lumber, Appearance Grade Softwood Lumber, Hardwood Lumber and Components, Hardwood Flooring, Engineered Wood and Products and Prefabricated Wood Frame Housing.

Q-WEB member companies vary in size ranging from small family owned companies to multinational corporations. Multinational corporations only operate in softwood sectors. In the softwood and hardwood lumber sectors, members can source their timber from crown lands (public lands) under a CAAF¹ obtained from the Quebec government and/or from small woodlot owners (also called non-industrial private forests) and in a few cases, from their own private lands. Supplies can also come from other Canadian provinces as well as the United States. For the other sectors, members buy their sawn wood and other wood products on the open market be it local, regional, provincial or national, as well as from the United States.

Q-WEB Code of Conduct

Q-WEB is committed to representing wood product manufacturers and producers that conduct their business

with integrity and in a manner consistent with relevant professional standards. Consequently, Q-WEB adopted a Code of Conduct⁽¹⁾ during the fall of 2006. For Q-WEB members, adhering to a Code of Conduct means striving to do what is right, being a good corporate citizen in the community, and integrating social and environmental priorities into business practices and relationships with suppliers and business partners. Adherence to the Code of Conduct is now a prerequisite for Q-WEB membership.

In the Code of Conduct, members recognize that forests are a renewable resource that can provide a continuous flow of goods and services for current and future generations when managed responsibly. Therefore, Q-WEB members are committed to sourcing their wood products from companies that can provide evidence that their supply sources are known and legal, and that forests are managed according to the legislation in effect.

Q-WEB Policy on Wood Origin and Legality

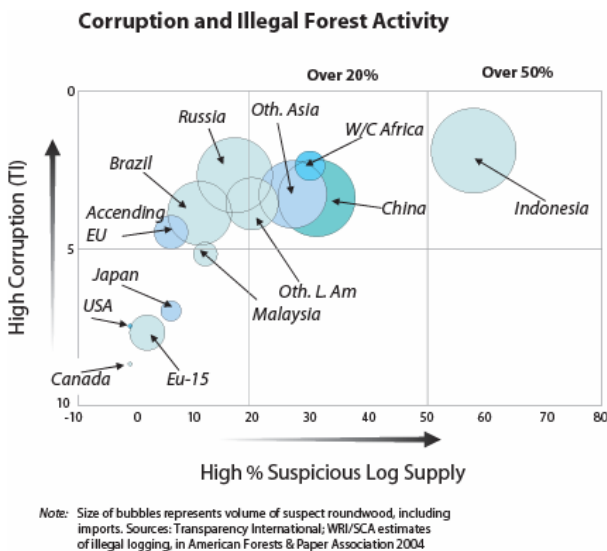
In Canada, governance, or the lack of ability to enforce laws is not an issue because of its strict laws and regulations in the forestry sector. What's more is the efficient compliance monitoring systems that are implemented and the fines being charged to companies that do not comply. There are also a number of well-structured planning processes and policies in place. It is for these reasons that there is no suspicious log supply in Canada as shown in the figure 1.

¹ CAAF : Timber Supply and Forest Management Agreement

Q-WEB AUDITING AND TRACEABILITY SYSTEM

In order to meet market demands, i.e. private and public procurement policies, and more specifically the Japan Forest Agency “*Guidelines for Verification on Legality and Sustainability of Wood and Wood Products*”, Q-WEB developed an auditing and traceability system. This system could fall under *Reference II – Certification by companies Approved by industry*. The system is solely intended to verify legality.

Figure 1 : Corruption and Illegal Forest Activity⁽²⁾



Still Q-WEB adopted a *Policy on Wood Origin and Legality* to respond to market demands (private and public procurement policies). The *Policy* was instigated to foster awareness on forestry and timber trade and to demonstrate best practices for the benefit of the forest sector, our communities and the environment. Suppliers are requested to sign the *Policy* which lists responsible wood supply practices described here after:

1. Wood that is sourced from areas where logging is authorized by legislation.
2. Wood that is procured or purchased in a legal way.
3. Wood where harvesting operations are legal.
4. Wood whose origin can be verified through proper documentation.
5. All relevant documents, if required, to demonstrate that stumpage fees, taxes or any other fees related to the harvested timber have been paid or shall be paid according to legal requirements.
6. The location of the forest and legislation in effect, if required, for the areas where the wood has been harvested, and also the management plans or any other documents proving the wood's origin and legality.

Working with suppliers

Since the issue of demonstrating legality is a fairly new concept in North America, Q-WEB members are encouraged to have a standardized and coherent approach towards their suppliers whether they are from Canada, the United-States or overseas. A four-step approach is proposed and members need to document every step for auditing purposes:

1. Each member will inform its suppliers of the current approach and make known that they will have to sign the Policy on Wood Origin and Legality. A deadline is set to have all the policies signed. Members may also ask if their suppliers have certified forests under a specific sustainable forest management standard or if they have a certified chain of custody (Canadian Standards Association (CSA), Forest Stewardship Council (FSC) or Sustainable Forestry Initiative (SFI)).
2. Follow-ups will be undertaken with every supplier to make sure they received the Policy, discuss any matter related to the policy and remind them of the Policy signing deadline.
3. If, following the first two steps, a supplier has not signed the Policy, a registered letter will be sent whereby the previous measures that were taken will be highlighted. Again, the deadline will be mentioned as a last reminder.
4. If, following these 3 steps, a supplier still does not sign the Policy, he will be removed from the preferred suppliers' list or tagged as a high risk supplier.

Demonstrating the origin and legality of wood

Q-WEB members are requested to have all their suppliers sign the Policy on Wood Origin and Legality. For North American suppliers, who supply North American wood species, it is not mandatory to provide all the documents described in points 5 and 6 of the Policy. However, if in a given situation a member is not confident about one of his North American suppliers, this member should request the appropriate documentation listed in points 5 and 6 as proof of origin and legality.

In rare cases, where members import exotic species, all documents listed in points 5 and 6 will be requested. For some specific countries, members are encouraged to ask for the documentation identified by the World Wildlife Fund in their publication *Keep it Legal* (Appendix 7 – Country Legal Documentation Lists).

Auditing

Once a year, a third party hired by Q-WEB will audit member companies to make sure that all their suppliers have signed the *Policy on Wood Origin and Legality*. In cases where suppliers have not signed the policy, members will have to demonstrate, through proper documentation, that they followed the four-step approach described above in the "Working with suppliers" section.

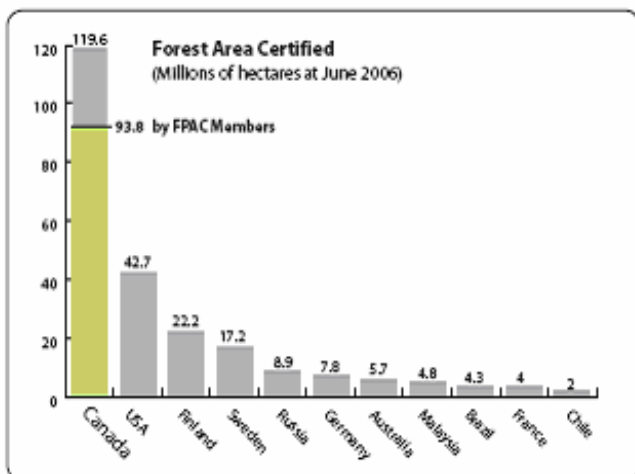
Upon receiving audit results, Q-WEB will issue a certificate to members that have met the requirements of the auditing and traceability system.

AN OTHER EXAMPLE OF CANADIAN COMMITMENT

It is worth mentioning that in Canada there is an other example of a trade association committed to sustainability and traceability. In 2002, FPAC committed its membership to achieve SFM certification (CSA, FSC, SFI) on all lands under their management by the end of 2006⁽³⁾. FPAC is the only trade association in the world with this type of a commitment regarding third party SFM certification as a condition of membership. As of June 2006, FPAC members have achieved approximately 95% of their commitment to have all lands under their management certified by the end of 2006. By the end of 2006, an area equivalent to Sweden, Finland and Norway combined will be certified, accounting for some 3/4 of Canada's working forest. As June 2006, almost 120 million hectares were certified in Canada as show in figure 2.

Figure 2

Canadian Certification Status in a Global Context



Source: Canadian Sustainable Forestry Certification Coalition

In addition, FPAC members are committed to tracing their fibre supplies back to the forest area of origin by the end of 2008 to assure customers that

the wood fibre they are using comes from legal sources²⁽⁴⁾.

FPAC will track its member progress against its commitment on an annual basis. Each FPAC member will ensure appropriate mechanisms are in place to deliver on this commitment, such as, but not limited to:

- supplier evidence of legal right to harvest through tenure or ownership; or
- a chain-of-custody certificate; or
- an auditable supply chain management system; or
- relevant audit results from suppliers or customers; or
- supplier SFM certification

CONCLUSION

The traceability of wood products throughout the supply chain is very complex for small and medium sized companies. This is especially true when there are numerous suppliers from both public and private lands as well as from different provinces and countries. Traceability also gets noticeably harder as we move along the supply chain and wood products have undergone many transformations. By introducing its auditing and traceability system, Q-WEB and its member companies have taken a major step to demonstrate their commitment to counter illegal logging and illegal trade. As private and public market expectations evolve, so will the Q-WEB's auditing and traceability system. In the future, the next step will be to identify, for various provinces and countries, all the documentation suggested in points 5 and 6 of the *Policy on Wood Origin and Legality*. Members could also decide to eventually trace their wood all the way back to the forest of origin.

Some member companies already have SFM certifications and/or chains of custody under CSA, FSC or SFI. As more and more certified wood enters the market, more members will implement chains of custody. The lack of certified wood on the market is a limiting factor at the moment for member companies.

Finally, Q-WEB and its member companies are ready to collaborate with suppliers, customers and any organisation who wish to improve this new auditing and traceability system.

² Given tenure arrangements in Canada, it is often the fibre suppliers that hold the legal right to harvest whether through tenure or ownership. Therefore, in the Canadian context, knowing the fibre supplier is often the equivalent of knowing the forest area of origin. The source is considered legal if it is certified, recycled, or originates from a forest where the supplier is the owner and/or has evidence of the legal right to harvest.

References

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www.quebecwoodexport.com/codeofconduct/index.htm

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Michael Virga

Acting Executive Director,
American Forest & Paper Association

Sustainable forest verification system (SFI)

Summary of the verification scheme

Name of the system	SFI, Inc.
Related Area	United States & Canada
General overview of verification	Party responsible for issuing verification
	SFI, Inc. 1600 Wilson Blvd. Arlington, VA 22209
	Outline of issuing process
	SFI Audit Procedures and Qualifications (SFI APQ). SFI Standard. The system shall verify legality only /or both sustainability The SFI verifies legality and sustainability
Scheme to check for legality at the time of logging	Definition of legality
	Assurance that theft of timber or logs and cutting in parks, reserves, or other similar areas where otherwise precluded by law did not occur.
	Relevant laws
	Endangered Species Act (ESA), Clean Water Act (CWA) and Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), Occupational Health and Safety Act, National Labor Relations Act, and Internal Revenue Code.
	Details of presumed illegal activities
	Procedures for retaining and verifying the evidence
	SFI Audit Procedures and Qualifications (SFI APQ). Scheme implemented by the third party and so on to ensure reliability SFI Audit Procedures and Qualifications (SFI APQ)
Scheme to check for sustainability	Definition of sustainability
	Sustainable Forestry: To meet the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates reforestation and the managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation and aesthetics.
	Procedures for retaining and verifying the evidence
	SFI Audit Procedures and Qualifications (SFI APQ) Scheme implemented by the third party and so on to ensure reliability SFI Audit Procedures and Qualifications (SFI APQ)
Scheme of separative custody management	Real picture of the dealings, from logging to export
	SFI Requirements for Fiber Sourcing, Chain of Custody, and Product Labels
	Procedure for ensuring separative custody management
	SFI Requirements for Fiber Sourcing, Chain of Custody, and Product Labels Scheme implemented by the third party and so on to ensure reliability SFI Requirements for Fiber Sourcing, Chain of Custody, and Product Labels
Future Task and Perspectives	Criticisms against the system and recognition of problems
	All systems, including the SFI, will continue to be criticized by detractors who only recognize one system and want a monopoly in the marketplace.
	Remediation procedure
	The SFI is based on continuous improvement and all SFI standards will be undergoing their 5 year review in 2008. All stakeholders are encouraged to comment on the standards. Future perspectives SFI program will continue to gain market share and increase chain-of-custody certifications and expand label use in response to the demands of government procurement policies.
Reference Author	Web site
	URL www.sfiprogram.org
	Contact SFI, Inc. contact@sfiprogram.org

Summary of the verification scheme

Name of the system	American Tree Farm System
Related Area	United States
General overview of verification	Party responsible for issuing verification American Tree Farm System 1111 Nineteenth Street, NW, Suite 780 Washington, DC 20036
	Outline of issuing process Certification process currently under review to meet PEFC requirements.
	The system shall verify legality only /or both sustainability The ATFS verifies legality and sustainability
Scheme to check for legality at the time of logging	Definition of legality
	Relevant laws Forest management complies with all relevant federal, state and local regulations and ordinances. Landowners must adhere to all national, state, and local laws and regulations applicable to forest management when conducting forest operations.
	Details of presumed illegal activities
	Procedures for retaining and verifying the evidence See attached 004 Form and auditor verification form.
	Scheme implemented by the third party and so on to ensure reliability ATFS currently in process of achieving third-party certification.
Scheme to check for sustainability	Definition of sustainability sustainability The capacity of forests, ranging from stands to ecoregions, to maintain their health, productivity, diversity, and overall integrity, in the long run, in the context of human activity
	Procedures for retaining and verifying the evidence See attached 004 Form and auditor verification form.
	Scheme implemented by the third party and so on to ensure reliability In progress
Scheme of separative custody management	Real picture of the dealings, from logging to export Not applicable. Certifying forest management of family forest owners.
	Procedure for ensuring separative custody management Chain of Custody option available (PEFC Annex 4).
	Scheme implemented by the third party and so on to ensure reliability Certification body accreditation in process.
Future Task and Perspectives	Criticisms against the system and recognition of problems To some degree the American Tree Farm System will be criticized by detractors who only recognize one system and want a monopoly in the marketplace.
	Remediation procedure The American Tree Farm System is seeking third-party certification system-wide. ATFS will continue with the rigorous internal monitoring system. The Standard will go under review in 2008. All stakeholders are encouraged to comment on the standards.
	Future perspectives ATFS will continue to grow in acres and number of Tree Farms as we intend to expand our reach to family forest owners in the U.S.
Reference Author	Web site URL www.treefarmssystem.org
	Contact American Tree Farm System info@treefarmssystem.org

US EXPORTS, LEGALITY AND FOREIGN PROCUREMENT POLICIES

Michael Virga¹

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Government procurement policies in Japan and Europe are attempting to ensure that imported wood products are derived from legal and sustainable sourcing of timber. The United States is a “low-risk” supplier to international markets in terms of illegal logging and a high performance producer in terms of sustainability. Tenure of forest land is well-established and enforced. An array of legal, voluntary and cultural institutions ensures long-term forest sustainability. The rule of law is deeply-rooted in the American culture and enforcement of laws and regulations is very effective. Forest resources are vast -- they cover one-third of the country – and forest resources are well-monitored. The area of forest land has remained stable and has, in fact, increased slightly over the past two decades. Timber inventory has consistently increased over the past fifty years despite rising demand and production. Net growth exceeds harvesting for both softwoods and hardwoods. The use of certification systems is also increasing.

Keywords: legality of forest resources, wood products, certification

INTRODUCTION

Timber production in the United States is highly regulated by federal, state and local governments although the United States does not have a single or sole national forestry law. Instead, an array of legal, voluntary and cultural institutions ensures long-term forest sustainability. Tenure of forest land is well-established and enforced. Over 70% of the forest resource is privately owned. The vast majority of private forest land is owned by over 10 million family forest landowners that own small forest tracts, typically less than 25 hectares. Data on US forest resources consistently show stable forest area, and growth in excess of harvests, but U.S. producers are increasingly becoming certified to meet the requirements of international procurement policies.

Forest Conditions

The area of forest in the US has remained stable over the past fifty years and has even increased slightly over the past two decades. About one-third of the country is forested. Net growth exceeds removals by a substantial margin for both softwoods and hardwoods and, thus, U.S. timber inventory continues to expand despite increasing timber production.

Populations of many species of wildlife have increased even as some species are at risk. Populations of deer, wild turkey, elk and the American Bald Eagle are just a few examples of wildlife that have regained their prominence after a period of decline. Protection for endangered species is codified in the Endangered Species Act supplemented by additional laws at the state level. Species and their habitats that are identified as threatened or endangered are legally protected and usually the subject of concerted recovery efforts.

The management of US forest resources is supported by a sophisticated forest inventory and analysis system administered by the US Forest Service. For the past five decades, every forested state has undergone periodic forest inventories to measure and monitor forest conditions. More recently, the periodic system is being transformed into an annual inventory that will enable early warnings and faster responses to changes in forest conditions.

US LEGAL & REGULATORY ENVIRONMENT

National Laws

Six major federal laws regulate human activities on forest land: Endangered Species Act (ESA); Clean Water Act (CWA), Clean Air Act (CAA) and Federal Insecticide, Fungicide and Rodenticide Act (FIFRA); National Environmental Policy Act (NEPA); Occupational Safety & Health Act (OSHA). As noted earlier, none of these laws is specific only to forestry, but all provide strict legal oversight of various aspects of forest practices. For example, the ESA reaches deeply into US forests. Forest landowners and managers cannot cause injury or death to a species listed under the ESA by direct harm or through habitat modification. The ESA has effectively removed large swaths of public lands from commercial exploitation and has additionally restricted forest management activity over millions of hectares of private land. Species such as the northern spotted owl, red-cockaded wood pecker, Kirtland's Warbler and gopher tortoise are just a few of the forest-dependent species protected under the ESA. Penalties for violations of the ESA are severe.

Under the federal Clean Water Act, states must have programs to control non-point source pollution, usually accomplished through Best Management Practices

(BMPs), and federal regulations control activities in forested wetlands. Every forested state has a program of either mandatory or voluntary BMPs for forest lands.

Similarly, under the Clean Air Act, states must have programs to protect air quality and visibility. These typically include controls on prescribed burning and the use of ozone-depleting chemicals.

Chemical use in forest stands, whether for insect control or for vegetation management, is regulated under FIFRA. All forest-use chemicals must be registered and forest land operators must follow application guidelines.

NEPA mandates that federal agencies assess and minimize the environmental impacts of their activities on government-owned forest land. NEPA has resulted in detailed assessments of impacts from federal activities on forests and associated wildlife, and has frequently necessitated changes in management or has resulted in eliminating activities altogether.

Finally, in terms of the major federal laws that affect forestry, the Occupational Safety and Health Act (OSHA) prescribes that very specific safety measures be taken and safety equipment used while engaged in commercial activity in forest areas. Detailed records of accidents, injuries, and corrective measures must be maintained. Penalties for violations are severe.

State & Local Laws

Each of the fifty US states has various laws that affect forests. In total, over 1,000 full time employees with a payroll of over \$57 million are engaged in state level regulatory activities. Some 276 different state agencies have some kind of regulatory authority over forest practices. A recent study characterized over half of these as extensively or moderately engaged in forest practice regulatory activity [1]. At least 15 states have extensive regulatory programs specific to forestry. Most require some form of harvesting plan, notification or permit and most require a reforestation plan. Of the fifteen states with extensive forestry regulation, those with the most rigorous forest practice laws tend to be located in the western region – in states such as California, Oregon and Washington – where, as a practical matter, most of the exports to Japan originate.

Enhancement of water quality is the primary objective in regulating forest practices in most states. In 37 states, regulatory agencies provide oversight of non-point forest sources of water pollutants.

Timber Theft & Logging

Timber theft occurs in the United States. However, while there are no data on the extent of the problem, it is not believed to be of major significance in terms of total production, neither nationally, nor locally.

Virtually every jurisdiction in America has strict laws against trespass and theft. Any theft of timber or logs, or the cutting of timber in parks, reserves, or other similar areas where it is precluded by law, is vigorously

prosecuted. Law enforcement is stringent and provides an effective deterrent against timber theft. Landowners are protective of their private property and local law enforcement responds to complaints. Consequently, illegal harvesting is not a significant national problem in the U.S.

Moreover, most transactions are subject to the Uniform Commercial Code which governs the sale of goods, their transportation and delivery, financing, storage, payments, and various other aspects of commercial transactions. All commercial transactions, including timber sales, carry with them an explicit or implied warranty of title. Any breach of this warranty incurs serious civil or criminal penalties.

Landowners are always advised to clearly mark boundaries, obtain bids for timber sales, always have written contracts and have a professional forester oversee harvesting. Written contracts are always enforceable in courts of law.

VOLUNTARY STEWARDSHIP & SUSTAINABILITY PROGRAMS

Sustainability Defined

The definition of sustainable forestry as used by forest industry is an adaptation of the more general approach to sustainability adopted in 1987 by the World Commission on Sustainable Development. That is: "to meet the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates reforestation and the managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation and aesthetics." [2]

Sustainability Programs & Certification

To foster forest sustainability, voluntary forest certification programs have increased dramatically over the past decade in the United States. More than 35 million hectares have been voluntarily certified to leading sustainable forest management certification systems. These include the Sustainable Forestry Initiative (SFI), Forest Stewardship Council (FSC) and the American Tree Farm System (ATFS). SFI has over 22 million certified hectares; FSC has over 9 million certified hectares; Tree Farm has over 8 million certified hectares.

Tree Farm and SFI are members of the Programme for the Endorsement of Forest Certification (PEFC). SFI is an endorsed PEFC scheme while the PEFC Tree Farm endorsement is pending. The American Tree Farm System was formed in 1941 primarily for small forest growers in the U.S. FSC was formed in 1993 primarily by WWF and other environmental organizations to curtail tropical deforestation in the developing countries. The SFI was originally formed by the American Forest & Paper Association (AF&PA) as a code of conduct for the industry. It has since evolved into a completely independent system and as of January 1, 2007 has severed all organizational links with AF&PA.

Forest Certification & Legality

All certification systems in the U.S. have recognized standards for sustainable forestry management and chain-of-custody. In addition, all certification systems in use in the U.S. require compliance with U.S. law as a condition of certification and the certification bodies have procedures in place which determine compliance with the standards. Beyond legal compliance, each of the three systems used in the U.S. have extensive performance measures and indicators on sustainability that also must be met. Thus, certified U.S. producers meet all international procurement requirements for legality and sustainability.

Third-party auditing provides credible assurance that sustainability indicators are being addressed. In all cases, the accreditation and certification bodies have detailed remediation procedures to correct non-conformances or identify opportunities for improvements. All systems are continuously scrutinized, reviewed and criticized by ENGO's, governments, customers and other stakeholders. This, along with competition among the systems, drives the continuous improvement process for all systems.

Chain of Custody

SFI and FSC have provisions for Chain of Custody (CoC) tracking and certification. Given the complex supply situation in the US involving millions of landowners, CoC is a more challenging task than it might be in other countries. Nevertheless, 42 mills/facilities are using SFI CoC certification and FSC lists 622 CoC certificates issued in the United States

MEASURES OF GOVERNANCE

The World Bank has compiled a series of indicators that are a useful tool to assess the effectiveness of governance in over 200 countries. The World Bank Worldwide Governance Indicators measure six components of good governance: (1) voice and accountability; (2) political stability and absence of violence; (3) government effectiveness; (4) regulatory quality; (5) the rule of law; and (6) control of corruption.

In terms of Rule of Law, the most relevant of the World Bank indicators with respect to the risk of illegal timber production, the US ranks in the 92nd percentile amongst 208 countries, indicating a very high confidence in enforcement of laws and regulations. This compares favorably against Japan in the 89th percentile, Malaysia in the 66th percentile, Brazil in the 43rd percentile, China in the 41st percentile, Russia in the 22nd percentile, and Indonesia in the 20th percentile.

MARKET CONSIDERATIONS

Green Purchasing

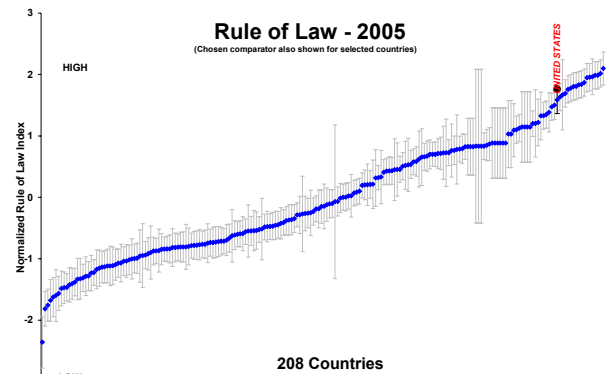


Fig. 1. World Bank Rule of Law Indicator, 2005 [3]

U.S. producers are increasingly becoming certified to meet the requirements of international procurement policies or those of major domestic customers. Major retailers have instituted policies giving preferences to certified material and/or not trading in timber products from "endangered forests."

U.S. consumers who are aware of these issues encourage all producers and markets to procure only legally harvested timber. This is a general trend in North America and Europe but awareness will vary. While increasing, there is currently little domestic demand pressure directly from consumers for assurances about legality and sustainability. Generally, the US market does not demonstrate a premium being paid for certified forest products although some producers are beginning to see some market differentiation.

Government Procurement Policies in the US

Federal, state and local governments in the US have various procurement policies related to environmentally preferable products. The most common have to do with recycled content in paper. The federal government and other government jurisdictions have guidelines that encourage the purchase of paper with various acceptable thresholds of recovered paper content depending on the paper grade.

To date, US government procurement policies are not dictating that wood products be purchased from verifiably legal and sustainable sources. In general, the U.S. government is "certification neutral," leaving decisions about certification systems to the marketplace. Instead, government procurement is moving towards recognizing "green building" standards that typically include preferences for certified wood products. Not all of the available and referenced green building standards provide equal treatment of the three certification schemes. The most prevalent of the green building systems – Leadership in Energy and Environmental Design (LEED®) – discriminates against wood products by providing more favorable treatment to other building materials. It also recognizes only FSC certification for wood products. In contrast, the Green Globes™ System and the NAHB's Residential Green Homebuilding Guidelines recognize all three certification schemes.

The U.S. government also has laws that prohibit government procurement of stolen property. National Stolen Property Act (NSPA) makes it a federal crime to

transport stolen goods across state lines or in interstate commerce.

In a few localities, local governments have imposed restrictions or outright bans on the use of certain timber products (particularly, tropical timber products) in public procurement, but they are few in number and highly controversial.

EFFORTS TO COMBAT ILLEGAL LOGGING

In 2003, the U.S. Administration launched the President's Initiative Against Illegal Logging (PIAIL) whose goal is to assist developing countries to combat illegal logging, the sale, (including for export) of illegally harvested timber products, and fight corruption in the forest sector. More recently, in November 2006, the U.S. signed a Memorandum of Understanding with Indonesia, a legally binding document that commits the two countries to work together to address the problem.

In 2004, AF&PA sponsored what is widely considered to be the one of the most credible and informative reports on illegal logging. The study measured the economic impact on timber production and trade that results from illegally harvested wood products. The report concluded that many of the estimates on the extent of illegal logging are likely exaggerated, but the problem is nevertheless significant and depresses world prices by between 7 and 16%. [4]

AF&PA is also in partnership with Conservation International in the Alliance to Combat Illegal Logging. The Alliance is working with local law enforcement in selected countries in using remote sensing technologies to identify illegal logging in protected areas. The American Hardwood Export Council (AHEC) will soon be commissioning a study to assess the risk of illegal wood entering the supply chain for American hardwood products. The study will be independently peer reviewed and any significant issues with illegal wood supply will be addressed

FINAL NOTES

Future Steps

While US forest resources are sustainably managed, there remain many challenges. One of the goals should be to expand the area under forest certification which now represents just 17% of US timberland. Another goal should be to increase the number of chain-of-custody certificates in the U.S. while accommodating our own unique tenure system whereby the majority of timber is supplied by 10 million +/- small private family forest owners.

Having an assortment of competing systems – SFI, FSC, PEFC, ATFS -- tailored to specific situations should be encouraged because the competition will by itself foster improvements in the certification schemes. Healthy competition among forest certification systems helps ensure market-responsive changes and adaptation to different wood supply situations. All systems also need to be continuously improved. The SFI will be undergoing

its 5 year review in 2008. The American Tree Farm is currently seeking to be endorsed by the PEFC.

Certification is a useful tool but will not in and of itself be the cure for illegal logging or the deeper, underlying causes of illegal logging (corruption, absence of rule of law and good governance, lack of effective enforcement, poverty, etc). We need to be shifting resources towards the underlying core causes of illegal logging.

Potential Policy Pitfalls

Policy-makers should be aware that policies that affect the trade and use of wood products can have inadvertent and sometimes counter-productive consequences. One the major concerns is that demand side measures can increase costs for legitimate, legal producers while not increasing the risks associated with illegal production. Thus, the gap between illegitimate and legitimate production costs widens. That, in turn, provides an even greater incentive to illegal operators.

Second, in the US, Chain of Custody tracking and control is much more challenging because of the large number of landowners and complex supply situation. That the US has a very high rule of law quotient, strict environmental laws and demonstrably effective law enforcement should be sufficient to establish all US wood products as low risk for illegal sourcing. Indeed, the problem of illegal logging is not known or alleged to be nationally significant in the US.

Third, even from countries where the risk of illegal activity is high, markets and shipments are easily fungible. Thus, verified legal product may be shipped to markets with procurement restrictions while all other product is shifted elsewhere.

Finally, demand side measures if mandatory or discriminatory may violate WTO rules. While governments are making efforts to institute policies they believe are in conformance with WTO rules, measures that result in trade distortions may well be challenged by an affected country.

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Poster Session

Bruce Telfer

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SGS Timber Legality and Traceability Verification

Summary of the verification scheme

Name of the system	Name in English: SGS Timber Legality and Traceability Verification (SGS TLTV)
Related Area	Region /Country: World wide.
General overview of verification	Party responsible for issuing verification Name: SGS Société Générale de Surveillance Location: 1, place des Alpes, CH-1211 Geneva Switzerland Communication: antoine.delarochefordiere@sgs.com
	Outline of issuing process Timber Legality & Traceability Verification (TLTV) is an extension of SGS's concept of verification of compliance with agreed requirements in the forest and timber products industry and trade sector. In comparison with Mandatory and Voluntary Legal Timber Validation, TLTV provides the "voluntary, company level" approach, which incorporates regular auditing, or continuous monitoring and verification of a company's wood production and tracking information, outside any national scheme. TLTV potentially involves a combination of the following activities: <ol style="list-style-type: none"> 1. verification of log/timber production and tracking data - involving review of timber tracking systems, from port back to stump in legitimate forest concession 2. auditing of company data and specific legality investigations and checks data monitoring and processing, information analysis and reporting.
	The system shall verify legality only /or both sustainability SGS TLTV verifies legality only. This is a first step towards sustainability certification.
Scheme to check for legality at the time of logging	Definition of legality Definition of legality is based on the laws of the country in which the company is operating but must cover the basic legal principles of: Legal right of the company to conduct business; Rights of workers and local communities; Approval for forestry activities; Payment of all forest related charges and taxes; Forest Harvesting Regulations; Marketing and Timber processing Regulations; Registrations maintained by the company.
	Relevant laws – Flexible according to requirements but must cover all legal principles as described.
	Details of presumed illegal activities – Some examples: Harvesting without a permit, outside of an approved plan, banned species, exceeding quotas, Non-payment of forest taxes, violation of basic labour laws, violation of environmental laws
	Procedures for retaining and verifying the evidence SGS conducts field audits against the agreed legal criteria including document checks. The audit team verifies compliance against the defined criteria after which a verification report is compiled. – A "TLTV Legal Production" Statement is issued by SGS. The company can provide copies of the Statement to stakeholders as evidence of the legal compliance of their forest operations. The company's wood tracking system is also audited to ensure traceability from port back to stump in legitimate forest concessions.
	Scheme implemented by the third party and so on to ensure reliability All verification procedures are managing and executing by SGS, the world's leading inspection, verification, testing and certification company under SGS General Conditions of Services that ensure reliability and international creditability.
Scheme of separative custody management	Real picture of the dealings, from logging to export Each company is responsible for implementing a CoC system for its circumstances.
	Procedure for ensuring separative custody management TLTV requires a chain of custody monitoring system that is audited by SGS to test traceability from the export port back to stump in legitimate forest concessions.
	Scheme implemented by the third party and so on to ensure reliability All verification procedures are managing and executing by SGS, the world's leading inspection, verification, testing and certification company under SGS General Conditions of Services that ensure reliability and international creditability.
Future Task and Perspectives	Criticisms against the system and recognition of problems Agreeing on the details of a legal definition for forest operations can be a difficult and controversial process. Some stakeholders are not happy with legal verification systems and prefer the much higher standard of sustainable certification instead.
	Remediation procedure Extensive stakeholder consultation can ease such criticisms.
Reference Author	Web site: www.forestry.sgs.com
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Andrey Zakharenkov

SGS Forest Monitoring Services, Russia

SGS Verification of Legal Timber Program
in the Far East, Khabarovsk Region

Summary of the verification scheme

Name of the system	Name in home language: Независимое Подтверждение Легальности Лесопroduкции Name in English: Validation of Legal Timber Programme (SGS VLTP)
Related Area	Region /Country: Far East / Russia
General overview of verification	Party responsible for issuing verification Name: SGS Société Générale de Surveillance Location: 1, place des Alpes, CH-1211 Geneva Switzerland Communication: antoine.delarochefordiere@sgs.com
	Outline of issuing process The verification process combines regular audits of a company's timber production and traceability system, continuous data monitoring, and unannounced inspections at production sites.
	The system shall verify legality only /or both sustainability SGS VLTP shall verify legality and some aspects of sustainability that related with sustainable usage of forest resources (trees), protected areas, impacts of logging activity to environment etc.
	Definition of legality Definition of legality formed by regional Standard for the Verification of Legality in the forest sector under the SGS VLTP. This standard consist 9 principles, 26 criteria and 68 indicators.
Scheme to check for legality at the time of logging	Relevant laws Federal and regional Forestry and Environment legislative acts consist of more than 30 documents.
	Details of presumed illegal activities Cuttings without permits; logged in excess of allowed amounts; logged beyond allotment borders; wood of a species forbidden from cutting or not permitted to be cut on a site; wood logged with a violation of cutting technology; Industrial wood logged over the fixed quota in the conduct of intermediate cuttings; evasion of royalties, taxes and other forest charges
	Procedures for retaining and verifying the evidence Verification/ auditing incl. documentary checks, 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
	Scheme implemented by the third party and so on to ensure reliability All verification procedures are managing and executing by the third party (SGS VLTP Agency) under SGS General Conditions of Services that ensure reliability and international credibility
	Real picture of the dealings, from logging to export The schemes of separative custody management in Khabarovsk region includes direct export shipment from producers (logging, logging&processing, processing) companies and importers and export through special timber trade companies. Each company is responsible for implementing a CoC system for its unique circumstances
	Procedure for ensuring separative custody management SGS VLTP Standard consist chain of custody (CoC) requirements (Principle 7) that are auditing during verification process by third party with issuing SGS VLTP/CoC Statements
	Scheme implemented by the third party and so on to ensure reliability All verification procedures are managing and executing by the third party (SGS VLTP Agency) under SGS General Conditions of Services that ensure reliability and international credibility
Future Task and Perspectives	Criticisms against the system and recognition of problems Some stakeholders are not happy with legal verification systems and prefer the much higher standard of sustainable certification instead.
	Remediation procedure Extensive stakeholder consultation and participation during verification process as observer can ease such criticisms
	Future perspectives Implementing in the other regions of Russian Federation
	Reference Author
	Web site URL www.forestry.sgs.com Contact: Zakharenkov Andrey, Project manager of Forest monitoring programme in Russia, SGS Vostok Limited Email address Andrey.Zakharenkov@sgs.com

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

Andrey Zakharenkov
SGS Forest Monitoring Services, Russia

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.

Kiyoo Nakagawa

Secretary-General Sustainable Green Ecosystem Council

Certification System of

Summary of the verification scheme Sustainable Green Ecosystem Council

Name of the system	Independent efforts by paper companies
Related area	All over Japan, Worldwide, Specific region
Overview of verification	Party responsible for issuing verification
	Name: Member companies of the Japan Paper Association Location: See the web site of the Japan Paper Association or of the "Goho(=Legal)-Wood Navigation Page." Communication:
	Outline of issuing process
	To manufacture and ship only paper products whose legality has been verified. To issue certificates.
	The system shall verify legality only/or both legality and sustainability
Scheme to check legality at the time of logging	Definition of legality
	At the time of logging, procedures are appropriately completed with regard to the forest related laws of the country or the region where the raw wood is produced.
	Relevant laws
	Forest laws, laws/regulations concerning conservation of water sources, soil, etc. of the country or the region concerned
	Details of presumed illegal activities
	Document to verify legality, procedures of their retention/verification

	<p>* To have suppliers pledge not to trade illegally logged timber by means of a memorandum, etc.</p> <p>* To have suppliers submit the traceability report on confirmed legality of timber material by tracing back to the logging stage.</p> <p>* In addition to suppliers' audit of logging sites to confirm no illegal logging, paper companies (sometimes entrusted to exporters) examine the logging sites to confirm that no illegal logging is performed.</p> <p>* In the case of the forest certified material, to use the FM certification and CoC certification.</p> <p>* In the case of a certified wood chip manufacturer of the industry organization, to use the certificate for legal timber, etc.</p> <p>* To retain the relevant documents for five years.</p>
	<p>Scheme implemented by the third party, administrative authority, etc. to ensure reliability</p> <p>Each company has annual auditing by a third party concerning the efforts against illegal logging and the summary is disclosed on the web site, in the environmental report, etc.</p>
Scheme to check for sustainability	Definition of sustainability
	Documents to verify sustainability, procedure of their retention/verification
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability
Scheme of separate custody management	Real picture of the dealings, from logging to export
	Procedure for ensuring separate custody management
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability
Future Task and Perspectives	Criticisms against the system and recognition of problems
	Remediation procedure
	Future perspectives
Reference Author	Web site
	URL: http://www.jpaa.gr.jp
	Contact: Kiyoshi Kamikawa
	Name, title, division: Managing Director, Japan Paper Association
	E-mail:

Illegal Logging Countermeasures by the Japan Paper Association

Kiyoshi Kamikawa
Managing Director, Japan Paper Association

The paper manufacturing industry is regulated by the “individual company’s voluntary effort” as stated in the guidelines of the Forestry Agency, and individual companies may vary from one another in their approach to illegal logging countermeasures. However, the common trend is to develop a raw material procurement policy and establish a legality verification system. The Japan Paper Association (JPA) discussed and adopted the JPA’s Action Policy for Countermeasures against Illegal Logging, at the board of directors meeting on March 20, 2006 and subsequently published it. The Action Policy was developed based on the understanding that it was very important to have a common philosophy throughout the industry to help each individual company develop its own material procurement policy and legality verification system, as our industry is regulated by “individual company’s voluntary effort.” Our member companies publish their undertakings on their websites, etc., and details of member companies that have developed and published their material procurement policies and legality verification systems can be viewed by visiting the Go-ho (Legal) Wood NAVI website operated by the Council for Tracking Illegal Logging Issue: <http://www.goho-wood.jp/kigyou/jirei1-3.html>

Measures by Private Companies

As the paper manufacturing industry is regulated by the “individual company’s voluntary effort,” individual companies may vary from one another in their approach to illegal logging countermeasures. However, the following actions are generally taken:

1. Development of a Material Procurement Policy

Companies develop their material procurement policies ensuring that they will not deal in illegally harvested wood, and publish the policies on their websites, environmental reports, and other publications. In many cases, the policy includes diffusion of wood from certified forests, diffusion of timber from planted forests, utilization of previously unused wood and other clauses according to each company’s material procurement situation.

2. Development of a Legality Verification System

Companies develop their legality verification systems ensuring that they do not deal in illegally harvested wood, and they publish the contents of such systems on their websites and environmental reports, etc. The following is an overview of a verification system.

A. Imported Wood

- 1) The company asks each of its suppliers to submit a memorandum of understanding stating that it does not deal in illegally harvested wood.
- 2) The company asks each of its suppliers to submit a traceability report indicating the site of logging, tree species, and forest management methods, etc.
- 3) Suppliers monitor their logging sites round-the-clock and ensure that there is no illegal logging activity.
- 4) The paper manufacturer regularly inspects the logging sites and ensures that there is no illegal logging activity. The inspection may be

delegated to an import company.

- 5) An FM certificate and CoC certificate are acceptable for wood from previously certified forests.

B. Domestic Wood

- 1) If a wood chip supplier is certified by the industry organization, a certificate of the legality of the wood is acceptable.
- 2) If a wood chip supplier is not certified by the industry organization, its supplies of wood will be handled in the same manner as imported wood.

3. Separate Management

The paper manufacturer must use wood that is legally certified. Therefore, there should not be need for separating certified wood from un-certified wood.

4. Safe-keeping of Related Documentation

Companies keep related documentation safe for five years at the minimum and present them, as necessary, for audits, etc.

5. Audit

Companies annually receive third-party audits to check their undertakings against illegal logging, and publish such activities and results on their websites, environmental reports, etc.

Each of these companies has its own voluntary efforts and therefore, its measures may not be uniform throughout the industry. Please refer to their websites for further details.

製紙業界の違法伐採対策

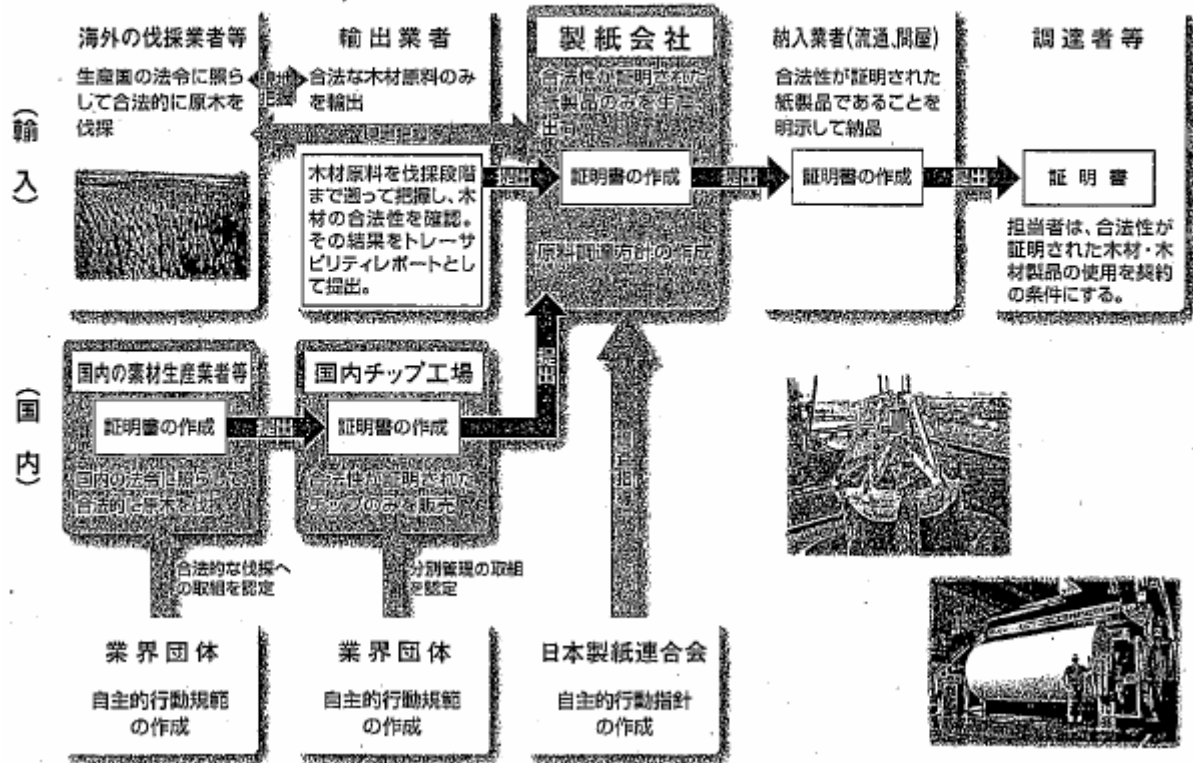


Figure 1. Paper Industry's Illegal Logging Countermeasures

JPA's Action Policy for Countermeasures against Illegal Logging

Forests fulfill an important role to supply wood, maintain ecosystems, and mitigate global warming. JPA recognizes that illegal logging hinders sustainable fulfillment of these functions of forests, and is deeply concerned that illegal logging lowers the image and competitive strength of the paper manufacturing industry. Therefore, JPA has stated nationally and internationally that it would, in cooperation with international forestry and paper manufacturing industry groups, promote countermeasures against harvesting and trading illegally logged wood.

In addition, the government has decided to introduce policy measures to strictly limit government procurement to wood and wood products that are legally verified. This policy is based on the principle of not using illegally logged wood, and is in accordance with the agreement reached at the G8 Summit meeting.

On this backdrop, JPA has decided to clearly express anew its philosophy and countermeasures against illegal logging as follows:

1. JPA and its members strongly object to all illegal activities that obstruct sustainable forest management or potentially hinder the maintenance of the forests' ecosystems or otherwise damage the health of forests.
2. The JPA members ensure that their logging activities comply with the logging legislations of the country in question.
3. The JPA members do not deal in illegally harvested or imported wood or wood products, and thus ensure the exclusion of illegally harvested wood or wood products from the market.
4. The JPA members develop their own procurement policies for wood materials (such as pulp and wood chips), and establish systems to verify the legality of the raw materials and end products.
5. JPA and its members will cooperate with the national government's countermeasures against illegal logging, and hope that illegal logging countermeasures will be promoted in all wood producing and consuming nations of the world.
6. JPA will cooperate with domestic and international forest-related groups in promoting countermeasures against illegal logging.

Kiyoshi Kamikawa

Executive Director. Japan Paper Association

Verification method

by original measure of Paper Companies of Japan

Summary of the verification

Name of the system	SGEC(Sustainable Green Ecosystem Council)
Related Area	All over Japan
Overview of verification	Party responsible for issuing verification Name: SGEC Location: National Land Afforestation Promotion Organization, 2F, 2-7-5 Hirakawacho, Chiyodaku, Tokyo 102-0093, Japan Communication: e-mail: info@sgec-eco.org TEL: 03-5276-3311 FAX: 03-5276-3312
	Outline of issuing process Application for verification submitted to the certification body (At moment, there are three certification bodies) – Inspection by the certification body (document/on-site) – Inspection Committee within the certification body – Inspection report submitted – SGEC Auditing Committee – Issuance of Certificate
	The system shall verify legality and sustainability.
Scheme to check legality at the time of logging	Definition of legality To be logged legally in accordance with the forest-related laws.
	Relevant laws (Example) Relevant to the Forest Law – Municipal Forest Plans System and Advance Notification System on Intended Logging, Change Order System on Logging Plan/Operation Advisory System, Adjacent Land Development Permit System, Protection Forest System, Protective Facility District System
	Details of presumed illegal activities Violation of the above relevant laws
	Documents to verify legality, procedure of their retention/verification Documents; Forest certification inspection report, Forest certificate, Certified forest products handling certificate Retention/verification; Retained by the SGEC Secretariat.
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability Details of the examination are disclosed to the public. Certification bodies carry out management/certification once a year.
Scheme to check for sustainability	Definition of sustainability To be produced from a forest under sustainable forest management.
	Documents to verify sustainability, procedure of their retention/verification Documents; Forest certification inspection report, Forest certificate, Certified forest products handling certificate Retention/verification; Retained by the SGEC Secretariat.
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability Details of the examination are disclosed to the public. Certification bodies carry out management/certification once a year.
Scheme of separative custody management	Real picture of the dealings, from logging to export Timber logged from forests with the SGEC certification are separated and labeled for trading during all the manufacturing processes.
	Procedure for ensuring separative custody management Conforming to the SGEC certified forest products distribution system. Under this system forest products from SGEC certified forests are separated and labeled for management during the manufacturing and distribution processes.
	Scheme implemented by the third party, administrative authority, etc. to ensure reliability. Details of the examination are disclosed to the public. Certification bodies carry out management/certification once a year.
Future Task and Perspectives	Criticisms against the system and recognition of problems Criticized as lacking international recognition due to the short time after establishment.
	Remediation proceure To endeavor to promote information exchange with international certification systems. To participate in preparation of international and objective evaluation standards. To proactively ask for evaluation based on the international evaluation standards for certification.
	Future perspectives In three years since establishment in June 2003, the area certified under SGEC has reached 330 thousand hectares. This indicates an interest in using domestic timber and, also, an trust in legal timber. We will make efforts to contribute to world-wide promotion of use of legal timber.
Reference Author	Web site
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SGEC's Effort for Japan's Wood Procurement Policies to Promote Countermeasures against Illegal Logging

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Abstract

The Sustainable Green Ecosystem Council (SGEC) was established in 2003 with the participation of Japan's forestry and related industries, environmental non-governmental organizations (NGOs), citizen's groups, etc. The SGEC's certification system is unique to Japan in that it integrates a forestry certification and a chain of custody, or CoC, (separation and labelling) certification. Over 330,000 hectares of forest have been thus certified, and the system has received widespread support. SGEC-certified wood has a certification of legality and sustainability, and meets the criteria of green procurement. SGEC is thought to contribute to Japan's wood procurement policies to reinforce its countermeasures against illegal logging.

Keywords: SGEC, Sustainable Green Ecosystem Certification, forest certification/separation and labelling certification, green procurement

Japan's Forestry Management and Green Procurement of Wood

The objectives of Japan's forest management are fulfillment of multi-faceted functions of forests as stated in the Basic Law for Forest and Forestry, and sustainable and healthy development of the forestry industry. Its forest management implementation is based on the forest operation planning system as specified in the Forest Law.

The national government develops its basic plan for forest and forestry, and based on it, local governments develop their forest plans and forest enhancement plans. A forest owner/operator, singularly or jointly with others, voluntarily develops a five-year forest operation plan and submits it to their city/town/village mayor for approval. The nation's forest operation planning system is implemented in the hopes that forest operation is rational and systematic based on the plan.

By introducing the Green Purchasing Law, the Japanese government implemented its measures to give wood and wood products, of which the legality and sustainability are verified, priority when the government procures materials. The said law also specifies the details of verification, including the definition of legality and sustainability and products/materials in scope. The government also has developed guidelines of proving the legality of wood and wood products in scope of government procurement. These guidelines, based on the Green Purchasing Law, encourage extensive efforts by the industries and private companies in this regard.

1. The Relationship between Japan's Guidelines and the SGEC Certificate

The government's guidelines for proving the legality explain the method for forest operator to prove it independently, and the method to prove it through a forest certification mark. SGEC(Sustainable Green Ecosystem Council) is listed as one of the certification bodies.

Japan's effort for forest certification was trailing behind that of other nations, but the entry of Forest Stewardship Council (FSC) into Japan triggered the movement within the forestry and related industries to establish a certification system suitable for Japan. Various NGOs and citizens' groups joined forces, and after many discussions, SGEC was founded on June 3, 2003. Its activities started immediately. SGEC believes that forests must be positioned as a crucial element of a future recycling-based society. To that effect, SGEC aims to raise the level of the nation's forestry management and establish a system where the whole society recognizes and uses wood and wood products that are certified to have come from forests managed and operated in a sustainable manner.

SGEC's judgment criteria of sustainable forest management uses the above-mentioned Japan's forest operation planning system and incorporates Montreal Process, other standards/indicators, ISO, and other environmental management systems. These are applied, where appropriate, to the actual state of forest management in Japan, so that the certification system will withstand international scrutiny. The criteria specify the following seven standards and 36 indicators, and provide guidelines to serve as the basis of a certification checklist.

- 1) Standard 1 Identification of forests in scope of certification and establishment of their management policies
- 2) Standard 2 Conservation of biodiversity
- 3) Standard 3 Conservation and maintenance of soil and water resources
- 4) Standard 4 Maintenance of productivity and health of forest ecosystems
- 5) Standard 5 Legal and institutional framework for sustainable forest management
- 6) Standard 6 Maintenance and promotion of societal and economic benefits
- 7) Standard 7 Monitoring and disclosure of information

The SGEC certification includes in its scope not only a forest certification but also a chain of custody (CoC) certification of the separation and labelling of products harvested from certified forests. More specifically, logs from certified forests are separated from non-certified logs and wood, and after trading of the logs/wood, only those businesses from supplier side (manufacturers of timbers, laminated lumber, pulp and paper) to user side (builders, residential home manufacturers, etc.) that are certified for its separation and labelling practices may handle the logs/wood. The integration of a forest certification system and a forestry product certification system is the unique attribute of the SGEC system.

Based on the above-mentioned standards/indicators and guidelines, each certification body creates its own guidelines and checklist to perform their certification audits. The final audit is performed by the SGEC Auditing Committee to ensure the uniformity and reliability between and of various certification bodies.

After an audit and judgment by the certification body and a further audit by the SGEC Auditing Committee, the SGEC Head Office issues the certificate. The certification body has the obligation to conduct annual surveillance audit after the issuance of the certificate.

SGEC believes that the certificate, issued after a third-party audit based on the forest operation planning system of the Japanese government and internationally-recognized sustainable forest management methods, attests to the legality and sustainability of the forest managed/operated by the certified party.

Legality means that the wood/log was harvested legally in light of the forest-related legislations of the nation in question, and in the case of Japan, such legislations include its Forest Law and many other related laws and regulations. SGEC forest certification enables verification of legality through a forest certification audit report, documentation that is kept safe at the SGEC Secretariat. Sustainability means that the wood/log was harvested from a forest that is managed and operated in a sustainable manner, and the certification enables verification of sustainability through a forest certification audit report, documentation that is kept safe at the SGEC Secretariat. The legality and sustainability are ensured through publication of the contents of audits and the annual surveillance audits.

Wood/logs harvested from SGEC-certified forests are separated and labelled throughout their processing and trading. Reliability is ensured through publication of the contents of audits and the annual surveillance audits.

2. Future Tasks and Perspectives

The SGEC certification system was established only recently, and its lack of international recognition has been criticized. We recognize that it is an issue to overcome. To that end, we will increase our efforts in exchanging information with the bodies of other internationally-recognized certification systems, and actively seek recognition from bodies operating international certification standards.

Since the establishment of SGEC in June 2003, the SGEC-certified forest area has expanded to 330,000 hectares. This attests to the interest in the use of domestically produced wood in this country and the trust that is given to the legality and sustainability of SGEC-certified wood/logs.

We expect that the movement of green wood/log procurement will further pick up its momentum in Japan, and hope to contribute to it actively.