



FOREST INDUSTRIES INTELLIGENCE LIMITED

Report for AF&PA

**Trade and Environment
Program in Europe**

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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Summary

Key forest policy developments in the last 3 months include:

- the effective end of a dream (or nightmare depending on your point of view) that the UNFF may evolve into a legally binding global forest convention, as UNFF discussions run into the sand at a meeting in New York;
- steps towards the launch of a Forest Law Enforcement and Governance (FLEG) process for North Asia, strongly supported by Russia and now with Chinese participation;
- steady progress in Europe to finalise legislation to allow for negotiation of bilateral agreements on forest law enforcement with timber supplier countries and introduction of legality licensing for logs, sawn lumber, plywood and veneers from these countries;
- emerging concerns amongst European trade associations and other wood exporting organisations about the confusing array of public sector procurement policies now emerging at national, regional and local level;
- the offer by EC DG Enterprise to help facilitate the flow of information on public timber procurement policies to industry groups in Europe, and to improve communication of industry concerns to national procurement officials;
- significant increases in certified forest area, particularly in North America;
- the submission of the SFI Program to the PEFC for endorsement;
- the United States overtaking Poland to become host to the second largest area of FSC certified forest in the world (only Sweden now boasts a larger area of FSC certified forest);
- the publication of the results of an analysis by the UK government's Central Point of Expertise indicating that both the SFI Program and PEFC now meet the government's criteria for "legal and sustainable" timber.....
-immediately followed by a statement from the UK Environment Minister indicating that the results could not be announced until CPET had explained their reasoning in more detail to the ENGOs.
- emerging signs that BRE may amend their Ecohomes/BREEAM guidance introducing discrimination between forest certification schemes based on their conformance with social criteria, although this may be compensated by increased points for the use of wood *per se*.
- the announcement by President Chirac that all wood used for public sector procurement in France must be independently certified by 2010, with recognition for all existing schemes that involve third party independent assessment;
- the issue of a draft law in Germany that would place legal obligations on timber importers to provide credible assurances that imported wood is legally obtained.
- the news that the Netherlands Timber Trade Association will be meeting with the Dutch Environment Minister in August in an effort to reach agreement on future implementation of the (now delayed) BRL system for assessing forest certification schemes, and an associated regulation (so-called Vos Bill).
- Development of new codes of practice on environmental timber procurement by the FEBO (Confederation of European Timber Importers) and CEPI (Confederation of European paper Industry).

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1. Forest certification developments

1.1. Program for Endorsement of Forest Certification

1.1.1. Current status of PEFC certification

**Table 1: PEFC certified area, chain of custody certificates and number of logo users by region
On 31 May 2005**

	Certified forest area (ha) 31 May 05	Certified forest area (ha) 31 March 05	Number of C-O-C certificates* 31 May 05	Number of C-O-C certificates* 31 March 05	Number of PEFC logo users 31 May 05	Number of PEFC logo users 31 March 05
Australia	1 842 963	1 092 678	1	1	2	1
Austria	3 924 000	3 924 000	290	272	143	151
Belgium	234 608	230 528	29	16	28	14
Canada	63 761 595	47 400 000	50	0	0	0
Czech Republic	1 935 228	1 936 583	203	126	161	109
Denmark	13 641	13 641	4	4	6	6
Finland	22 355 596	22 355 596	86	82	103	100
France	3 602 064	3 519 387	694	637	6297	5795
Germany	6 990 534	6 967 101	516	486	7156	3631
Chile	1 552 420	1 527 180	0	0	1	1
Italy	356 053	356 053	16	12	20	18
Japan	0	0	8	3	3	3
Latvia	37 860	31 364	14	14	262	252
Netherlands	0	0	2	2	1	0
Norway	9 231 700	9 231 700	5	5	16	16
PEFC Council	0	0	0	0	28	25
Spain	365 840	417 502	29	23	45	39
Sweden	6 412 149	6 412 149	58	58	114	114
Switzerland	316 850	316 850	157	157	0	0
UK	9 125	9 125	80	68	33	26
Total	122 942 206	105 741 441	2 242	1 966	14 419	10 301

By 31 May 2005, PEFC certified forest area had reached 122.94 million hectares, up from 105.74 million hectares reported at the end of March 2005 (Table 1). By far the most significant change is the further expansion of certification under the Canadian Standards Association (CSA) scheme which now accounts for over 50% of all forest area endorsed by the PEFC. The only other significant change in the last 3 months has been the certification of around 750,000 hectares against the Australian Forestry Standard.

PEFC chain of custody certificates increased from 1966 at the end of March 2005 to 2242 by 31 May 2005, a 14% increase in only 2 months. The rapid increase reflects various trends: endorsement by PEFC of 50 chain of custody certificates in Canada; continuing strong interest in PEFC CoC in France and Germany; and a recent surge in interest in the Czech Republic. The last factor reflects a decision by the Czech Republic's state forestry enterprise to require all applicants tendering for log sales and harvesting contracts in 2005 to have PEFC chain of custody certification. PEFC chain of custody certification is also being demanded by some large forest sector companies (like Stora Enso) operating in the Czech Republic.

Eight forest certification systems are currently undergoing the PEFC endorsement process. The SFI Program has just been submitted for endorsement. The tender process for selection of consultants to undertake the assessment is underway and the public review process is expected to begin shortly. Lithuania has also just submitted its certification system for endorsement and will soon be subject to public review. Public consultation has just ended on systems in Brazil, Luxembourg, Estonia and the

Slovak Republic. Independent consultants are now compiling assessment reports for each of these schemes. The Swedish and German PEFC certification systems have recently completed periodic five-year reviews and have been submitted to the PEFC Council for re-endorsement.

1.1.2. Search for CPET endorsement

On 10 June, the UK's Central Point of Expertise finally said that it intended to endorse the PEFC scheme as "legal and sustainable". This followed changes made to the PEFC scheme, specifically to require that a summary of certification audit reports should be made publicly available, and that there is a public consultation for each individual forest certification. A formal announcement of the CPET endorsement is expected in early July following a meeting to be convened with environmental campaigning groups to explain CPET's reasoning.

1.1.3. PEFC strengthens ENGO participation

PEFC is taking steps to increase the level of environmentalist participation through establishment of an international network for groups interested in the scheme. FNE (France Nature Environnement), an umbrella organization representing over 3000 French ENGOs, has taken the lead to develop the network and has assumed the function of secretariat. The new network is one outcome of the first ENGO Symposium organized by FNE and PEFC in France in May 2004, in which 15 ENGOs from 13 countries participated. The network is open to all international, national and sub-national ENGOs wishing to take part in the ongoing development of PEFC national schemes and to exchange opinions and experience in the field.

1.1.4. PEFC national news

1.1.4.1. Australia

The first Chain of Custody certification under the Australian Forest Certification Scheme (AFCS) was granted to Gunns Limited (Tasmania) at the end of 2004, following on from their forest management certification in November 2003. Gunns Limited has also become the first organisation in Australia to be granted both the AFS logo and the PEFC logo under licence for use on certified products. Gunns, which is a vertically integrated forestry and timber company, is expected to begin labelling products during June 2005.

Queensland's Department of Primary Industries – Forestry (DPIF), the State based forest management agency, recently announced that it is seeking forest management certification under the AFCS to complement its ISO 14001 EMS certification, which it achieved in 1999. DPIF manage native forests – eucalypts and cypress pine – and plantations of hardwood (*Eucalypts*) and softwoods (*Pinus* and *Araucaria*) over a wide range of environmental conditions in the coastal and tablelands areas of Australia's second largest State.

1.1.4.2. Austria

PEFC products are beginning to make an appearance in Austrian stores. For example, Hofer, the Austrian branch of the international grocery retail chain ALDI, is working in co-operation with GASPO, an Austrian softwood producer, to supply PEFC certified products including fencing systems, flowerbed borders and decorative articles. Hofer has 340 stores throughout Austria.

PEFC Austria has developed a national purchasing guide listing PEFC certified wood products from almost 300 PEFC certified enterprises in Austria

1.1.4.3. Germany

PEFC certified forest area in Germany now amounts to close to 7 million hectares, around two thirds of the national forest estate. It encompasses 2,625 community forests, 2,955 private forests and 877 forestry associations with more than 210,000 members.

1.1.4.4. Italy

Italy still remains a backwater when it comes to forest certification. However, with underlying interest in environmental issues rising slowly, PEFC has been making some progress to promote their scheme. 15 chain of custody certificates have been issued to companies in a wide range of sectors including hardwood flooring, garden accessories, furniture components, corrugated board and corrugated packaging, wooden packaging, small wooden handmade articles, brooms, sorghum brooms and wooden handles. In an effort to boost interest, PEFC is in the process of translating their brochures into Italian (with support from Finnish industry). Efforts to encourage certification of domestic forests received a boost with the recent publication by PEFC Italy of a national standard for sustainable poplar cultivation. This standard is now undergoing field tests.

1.1.4.5. Spain

The interior of the Bilbao Exhibition Centre has been designed using 450 m3 of PEFC certified panel products supplied by the Finnish firm UPM Kymmene.

1.2. Forest Stewardship Council

1.2.1. US host to the world's second largest FSC certified forest area

During the last three months, the United States has overtaken Poland to become host to the second largest area of FSC certified forest in the world with 7 million hectares. Only Sweden with 11 million hectares has more FSC certified land. This follows the issue of a certificate covering around 1 million hectares (2.4 million acres) of County Forest land in Wisconsin.

Globally, the area of FSC certified forest land increased by around 8% between 1 March and 1 May 2005, receiving a significant boost from the Wisconsin certification together with various other certificates issued in the United States and China (Table 2).

The award of a certificate in China has potential long term significance. The first FSC certificates for state-owned forests in the country were awarded to two bureaus managing a forest area of 420,000 ha in Heilongjiang and Jilin provinces. The certificates were issued after a two year process to adjust forestry practices so that they fulfil the FSC criteria. The underlying objective was to "facilitate relations with and access to trade partners in Japan, Europe and US". Certification was supported by WWF China, and IKEA. China's State Forestry Administration, the Chinese Academy of Forestry, the General Bureau of Forest Industry of Heilongjiang Province, Heilongjiang Academy of Forestry, and Jilin Forestry Department were also involved in the process.

Table 2: Change in FSC certified area by region

	1 December 2004	1 March 2005	1 May 2005	% Change
N. America	9.7	10.1	12.3	22.0
W. Europe	12.7	13.3	13.9	4.4
E. Europe	12.4	12.6	12.6	0.0
Asia	0.4	0.4	0.8	100.0
S. America	6.4	6.8	7.2	5.9
Africa	1.9	1.9	1.9	0.0
Russia	2.1	3.8	3.8	0.0
Oceania	1.2	1.2	1.2	0.0
All	46.9	50.1	53.9	8.0

FSC chain of custody certification has also continued to expand in recent months, rising by 123 certificates between 1 March and 1 May 2005 (Table 3). Growth was most rapid in Japan (up 21) and Poland (up 14). Signs of contraction in South Africa observed in the first quarter of the year have continued in recent months.

**Table 3: Change in FSC chain of custody certificates
(includes coc only and joint forest management/coc certificates)**

	<i>Dec 04</i>	<i>Mar 05</i>	<i>May 05</i>	<i>No. change</i>
World total	4100	4385	4508	123
Europe	2263	2472	2557	85
UK	419	435	444	9
Germany	341	386	398	12
Poland	306	316	330	14
Netherlands	230	241	251	10
Switzerland	210	226	238	12
Sweden	125	126	124	-2
Italy	90	102	115	3
Belgium	77	76	76	0
Latvia	89	90	91	1
Denmark	51	59	60	1
France	66	74	73	-1
Ireland	22	23	23	0

	<i>Dec 04</i>	<i>Mar 05</i>	<i>May 05</i>	<i>No. change</i>
America	1104	1120	1146	16
USA	522	522	531	9
Brazil	218	226	230	4
Canada	132	134	137	3
Chile	37	40	38	-2
Asia	481	546	569	23
Japan	221	250	271	21
Vietnam	67	74	73	-1
China	80	95	98	3
Malaysia	46	54	53	-1
Indonesia	28	29	29	0
Africa	167	157	155	-2
Sth. Africa	145	136	132	-4
Oceania	85	90	90	0
New Zland.	72	75	74	-1

Recent FSC reports indicate that the main focus of their work is now on: developing markets for products; making the whole program financially sustainable; brand identity; and expanding their influence into a wider range of countries. The latter is being achieved through a network of regional offices with much emphasis on Africa, Russia, China and South America. However the largest gains in certified forest area during 2005 are expected to be in North America. Jim McCarthy, the Executive Director of FSC Canada suggested in early 2005 that there is now significant certification activity in Canada and that if this is successful, FSC certified area would triple in the country before the end of the year.

1.2.2. FSC global markets estimated at US\$5 billion

FSC recently estimated the size of the global market in FSC-certified products as in excess of US\$5 billion. This followed a global survey of FSC certified companies during March and April 2005. Previously, it had estimated the size of the market to be in excess of US\$3 billion. The survey of 250 certificate holders represented about 5 percent of FSC certified companies. These companies produced more than US\$500 million in FSC certified products annually from a total of approximately US\$10 billion in annual sales of all products.

FSC suggest their estimate of market size is supported by other recent surveys. For example, the United Kingdom Ethical Purchasing Index that tracks the size of the market for ethical products using sales data from nine major retailers indicated their sales of FSC certified products in the UK exceeded US\$1.7 billion. Another survey by FSC Netherlands showed that FSC now holds approximately 12 per cent of the Dutch timber market valued at US\$420 million.

While the UK and USA hold the major share of the market in FSC certified products, FSC reported continued growth in demand in other parts of Europe, and in Asia and Latin America.

The survey aimed to identify supply and demand issues in the FSC system. It found that demand for FSC certified products was ahead of supply in hardwood markets. Companies completing the survey reported demand exceeding supply by at least 10 million cubic metres of hardwood (roundwood equivalent). On the other hand, widespread uptake of FSC certification in temperate and boreal forest regions meant that there was good potential to increase supplies of certified softwood, particularly to the paper, building and construction sectors.

1.2.3. Lithuania State forests 100% FSC certified

Lithuania reached a notable landmark in early 2005, achieving 100% FSC certification for all state-owned forests. All 42 state forest enterprises in the country have now achieved FSC, bringing the total

certified forest area in the country to one million hectares. State owned forests in Lithuania account for around 50% of the nation's total forest cover. The average size of state holdings is 24,000 hectares.

1.2.4. FSC boost consumer awareness in Netherlands

FSC Netherlands Working Group launched another FSC consumer campaign between March and April 2005. This is the fourth in a regular series that have contributed to the FSC achieving higher market share and brand recognition in the Netherlands than in any other country. This time they targeted end consumers and professional buyers of timber products and sought to differentiate their brand from alternative certification brands by emphasising the social dimension. The campaign slogan suggested that "with FSC-timber, you save more than the forest", while media material particularly featured images of indigenous people in the Amazon. This message was conveyed in television adverts, brochures and posters, with the print run on the latter running into millions. The campaign was supported by eight environment and development NGOs, eight major retailers and around 16 companies, both financially and through their own communication materials.

Survey results following previous campaigns showed a significant jump in the recognition of the FSC label amongst consumers: 33% of consumers spontaneously mentioned FSC in 2004 without prompt as compared to 1% in 2001 while 63% of consumers registered a higher level of recognition for FSC label as compared with other labels surveyed in 2004, up from 12% in 2001.

1.2.5. FSC chain of custody standard for project certification

FSC is developing a Chain of Custody Standard for Project Certification designed to assist companies and individuals wishing to make FSC-related claims for projects where FSC-certified wood has been specified and used. FSC will soon release a first draft of the standard for comments and is planning to pilot test the subsequent draft during summer 2005. Examples of projects include houses, hotels, civil engineering projects, or event infrastructure. FSC is developing the project with the support of FSC Netherlands and the DOEN Foundation.

1.2.6. FSC certification of Japanese power company

Kyushu Electric Power Co. Inc. (KEPCO), one of nine major electric companies in Japan, was awarded FSC forest management and chain of custody certificates through the Soil Association Woodmark Programme in March 2005. The certification was awarded for the company's afforestation and forest nursery projects along the heights of Kyushu Island, one of the 4 major islands located in Southern Japan. The new forests occupy land that prior to the project was repeatedly burned during springtime to make way for good pastureland. The forests, which are composed of cedar and cypress, were initially established for watershed protection reasons but now provide materials for construction. 75% of the certified timber from the Kyushu forests is sold as logs with the balance converted into posts and boards at the company's Kyushu Rinsan plant.

1.3. Malaysian Timber Certification Council

In a new publication, Greenpeace have set out to discredit the Malaysian Timber Certification Scheme and criticised the UK government's "naive" assessment of the scheme. Their *Missing Links* publication includes a one-sided critique of the scheme. Greenpeace claim that MTCC fails even to meet the UK government's criteria for verification of "legality", let alone "sustainability".

Greenpeace claim that their own field investigations "*produced first-hand evidence of a major MTCC-certified timber company acquiring what appeared to be illegal Indonesian timber*". This is based on their observations of an MTCC certified company in Port Klang, Selangor State.

They suggest that the "*MTCC scheme was never intended to introduce serious changes in forest management and that the reality is one of rampant forest degradation*". They also claim that "*many timber companies and the Government continually ignore the customary rights and land titles of indigenous communities and other forest-dwellers.*"

Greenpeace are particularly critical of "MTCC's CoC system, which they suggest *"begins and ends at the timber processing plant – between the forest and the sawmill it relies on a flawed and unworkable system of verification by logging contractors themselves, while there are no arrangements at all in place to ensure the CoC of timber exported to Europe or elsewhere, in large part because MTCC has yet to be accepted by any national or international timber certification bodies outside Malaysia."* Greenpeace are also critical of MTCC for permitting *"up to 30% of a batch of timber and 70% of batch for fibre to consist of uncertified timber, without any checks on its origin"*.

Consultants comment Overall the Greenpeace critique seems unconvincing. Their criticism of MTCC for failure to accommodate the views of indigenous people seems unreasonable. The T&E consultant's observations in Malaysia in July 2004 suggested that MTCC has made a concerted effort, with some success, to encourage indigenous people to engage. However a minority has chosen to remain outside the process. MTCC maintain that the main point of contention with these indigenous peoples relates to land rights – a responsibility of the courts not readily addressed through forest certification. FSC certificates have also been issued in Malaysia in areas with unresolved land rights issues, without complaint from Greenpeace.

On log tracking, the core of Greenpeace argument seems to be that the government systems for tracing logs from forest to processing plant are not adequate, and that a third party audit process would be better. However it seems unrealistic to assume that a third party system – usually involving annual audits - could be as effective as the Malaysian government's existing system which - for tax collection reasons – aims to account for every log harvested in the forests.

The criticisms relating to difficulties of identifying the origin of the uncertified component of labelled wood products are common to all systems, including those supported by Greenpeace. MTCC's standards are very close to FSC on this. The evidence of fitches continuing to arrive illegally from the Indonesian Island of Sumatra into Port Kalang is more convincing, although Greenpeace photos (in contrast to those provided by EIA in relation to illegal exports from the province of Papua) show only limited volumes of small diameter material. Greenpeace were unable to verify whether any of this material actually ended up in MTCC certified products.

2. International agreements and institutions

2.1. EU FLEGT

The European Commission (DG Enterprise) held a meeting in Brussels on June to update industry on latest developments in the implementation of the European Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. Details of this meeting are contained in the attached report.

2.2. North Asia FLEG

In May 2004, the Russian Federation announced its intention to host in 2005 a Europe and North Asia (ENA) FLEG process. This process is now underway with the first meeting of its International Steering Committee held in Moscow during February, hosted by the Ministry of Natural Resources (MNR) of the Russian Federation and co-hosted with the World Bank. The governments of Bulgaria, Canada, Finland, Germany, Turkey, Japan, Kazakhstan, Poland, Russia, Turkey, United Kingdom, United States, as well as the European Commission and World Bank, accepted the Russian MNR's invitation to join the ENA FLEG International Steering Committee and were represented at the meeting. Italy and China were also invited but did not attend the first ISC meeting.

The objective of the first ISC meeting was to formally initiate the ENA FLEG process as well as to provide guidance on its overall design. Key decisions included an agreement to convene a Preparatory Conference June 6-8 in Moscow, to be followed by the Ministerial conference, probably to be held in St Petersburg in November 2005.

High levels of interest in this process are reflected by the fact that more than 35 governments, together with a number of local and international NGOs, participated in the preparatory conference during June. In addition to Russia and other members of the Steering Committee, countries represented included most of Eastern Europe and the Balkan States, together with China. On the other hand, there was only limited participation by the private sector.

Reports from the Preparatory Conference suggest that some of the elements of a draft Ministerial Declaration were agreed. Discussions seem to have highlighted the huge scale of illegal logging in Russia, particularly in the Far East. While this partly reflected poor forest law enforcement, there was also recognition that the legal framework in some parts of the region is itself a major cause of illegal activity. For example, it was noted that in large areas of southern Russia and the Caucasus, local communities are heavily dependent on forests for fuelwood. But existing laws were developed without adequate concern for local needs and do not allow for this form of exploitation – hence high levels of “illegal” harvesting.

Recent Russian newspaper reports have highlighted the growing determination of the Federal government to stamp down on illegal practices in the Russian Far East. For example, an article in June reports that a Presidential envoy to the region told a meeting of the heads of local law-enforcement structures that they had “*demonstrated their inability to combat the mayhem in the forestry sector and to stop illegal exports of timber*”. He said that forest farms, with the connivance of forestry administrations and environmental protection committees, have become “*active woodcutters and organizers of illegal logging*”. The envoy said that illegal logging and timber exports are inflicting enormous environmental and economic damage on the Far East and Russia, while efforts to combat the problem are badly organized. “*There are no joint plans, let alone joint actions by the Interior Ministry, customs, prosecutors and border guards,*” he added. While more cases of illegal logging are now being brought to court, most of these are against individuals, not the major gangs of timber thieves.

2.3. UN Forum on Forests

The fifth session of the United Nations Forum on Forests (UNFF-5) was held at UN headquarters in New York between 16 and 27 May 2005. This was the final mandated session of UNFF. Delegates were there to review progress and consider future actions, review the effectiveness of the international arrangement on forests (IAF), and to redesign it if necessary. From 25-26 May, UNFF-5 convened a high-level ministerial segment and policy dialogue with heads of the Collaborative Partnership on Forests (CPF) organizations.

In the end the meeting failed to achieve its main objective. Ministers were unable to reach agreement on strengthening the IAF and could not produce either a ministerial statement or a negotiated outcome. Delegates were only able to agree to four very broad global goals:

- significantly increasing the area of protected forests and sustainably managed forests worldwide;
- reversing the decline in official development assistance for SFM;
- reversing the loss of forest cover; and
- enhancing forest-based economic, social and environmental benefits.

They also agreed in principle to negotiate, at some future date, the terms of reference for a voluntary code or international understanding, as well as means of implementation. At the end of the Conference, delegates decided to forward the draft negotiating text to UNFF-6, to be held from 13-24 February 2006, at UN Headquarters in New York.

Throughout UNFF, various countries pushed hard for differing long-term visions of the IAF. Canada and the EU argued for the introduction of a Legally Binding Instrument (LBI) that would include the legal obligation to report on forests linked to quantifiable targets and designed to send a stronger signal that forests are a global priority. This would build on existing regional processes and aim to integrate forest policy and development. The EU even suggested some specific performance targets for an LBI to be achieved by 2015: doubling the area of forests under sustainable management; reducing by half the number of people in extreme poverty of those whose livelihoods are dependent on forests; and reducing by half the global deforestation rate.

The US were much more sceptical of the potential value of an LBI. Noting that the IAF had failed to place forests high on the political agenda, the US called for a more focused and structured, but non-legally binding, arrangement. The US proposed strengthening the CPF, involving major groups in an advisory capacity, and holding regional subsidiary body meetings on implementation.

Developing countries were generally resistant to the idea of a legally binding convention, tending to emphasise that SFM should remain within national policies. Brazil was particularly critical of proposals for an LBI and for quantifiable targets, and resisted the idea of a voluntary code of practice. Brazil stressed the role of the existing non-binding Forest Principles and Chapter 11 of Agenda 21. Brazil favored a strengthened UNFF with a particular focus on channelling funds and technology to developing countries, for example with the establishment of a global forest fund.

NGOs favored addressing forests under the Biodiversity Convention. They were critical of UNFF's willingness to accept a role for forest plantation monocultures and genetically modified species.

Therefore, prospects for development of a legally binding convention on forests are dim. With no prospect of an LBI, delegates focused more on an international code of practice – although even here there was little agreement on what such a code should contain. So while there was widespread agreement that a stronger arrangement is needed, the future IAF may not be dramatically different from that which currently exists.

As in other international fora, illegal logging was a key issue for discussion during the High-Level Segment of UNFF-5. The importance of combating illegal logging, including through FLEG processes, was mentioned by delegates and in the preambular language on the proposed IAF. A separate roundtable was also held on "Forest Law Enforcement and Governance for Sustainability," during which delegates and stakeholders emphasized:

- the need for new resources to combat illegal logging;
- national initiatives to address illegal logging;
- the importance of certification and transparency as tools to halt illegal logging;
- the barriers to FLEG implementation;
- the lack of incentives to protect forests;
- and the importance of well-defined land rights.

2.4. World Bank/WWF Alliance

At the UNFF meeting, the World Bank and the WWF announced a five-year extension to their Alliance first agreed in 1998. In making the announcement they said they would intensify their efforts to support new forest protected areas, more effective management of already protected areas, and improved management of forests that are not yet protected. The Alliance stated that the overall goal of the extension is to achieve a 10% annual net reduction of global deforestation by 2010, and then gradually to turn the deforestation rate into a stabilization and an increase of forest area.

Since 1998, the alliance said it had contributed to the establishment of 50 million hectares (123.5 million acres) of new protected areas, improved management for 70 million hectares (172.9 million acres) of protected areas, and responsible management of some 22 million hectares (54.3 million acres) of forests which are used commercially. The Alliance claimed to have mobilized about US\$50 million in direct investment and leveraged about US\$300 million on long-term project finance for many of these projects.

By 2010, the Alliance hopes to increase the protected areas coverage by another 25 million hectares and to have ensured credible independent certification of another 75 million hectares.

3. National Procurement Policy

3.1. United Kingdom

3.1.1. Endorsement of SFI and PEFC

The UK Government's Central Point of Expertise on Timber (CPET) has said that following recent changes to the schemes, both the SFI Program and PEFC should now be endorsed as providing evidence of "legal and sustainable" timber. However the Environment Minister responsible for making the formal announcement of the positive assessment has said that "*Government officials will meet representatives of UK ENGOs to discuss their concerns prior to an announcement.*" DEFRA officials have said that Greenpeace, Worldwide Fund for Nature (WWF) and Friends of the Earth, will be

invited to this meeting to be directly briefed by Proforest – the consultants responsible for the CPET assessment.

The meeting with NGOs was initially planned for the first week of July, but DEFRA officials complaining about the difficulties of getting the three groups to agree a time say it will now not take place until the last week in July at the earliest. In the meantime, DEFRA suggest that the timing will have no direct impact on government procurement practices. Current temporary guidance stating that all 5 schemes subject to CPET assessment (FSC, CSA, SFI, PEFC, and MTCC) will be accepted as evidence of “legal and sustainable” - will now remain in place until after the meeting. DEFRA had previously planned to withdraw this guidance in early May.

By way of compensation for the obvious charge of political manipulation that this situation implies, the DEFRA press release commends the SFI Program and PEFC for the “impressive speed” with which they responded to CPET’s initial assessment.

This same press release provides clarification on the UK government’s views of the role of forest certification. It states that *“by law the Government is not permitted to restrict assurance of contract compliance to certification schemes; it must consider alternative forms of evidence and accept such alternative evidence if it is credible. The Government’s criterion for credibility is independent third party verification. This means that any certification scheme or any bespoke report could be acceptable assurance of legal and sustainable timber provided a competent third party states that all the relevant contract requirements have been complied with. The benefit of assessing the assurance credentials of certification schemes is that those that pass need no further investigation. Those that fail may nevertheless be acceptable as assurance in combination with supplementary evidence but that would require more investigative work by the buyer and supplier”*.

Meanwhile the tendering process for appointment of consultants to undertake Phase 2 of the CPET project is almost complete. A meeting between DEFRA and the favoured consultancy is due to take place on 8 July and the formal announcement is expected to follow immediately after. The chosen consultancy firm will be responsible for establishing and operating the CPET, including provision of: a helpline to provide case specific advice; a web site for guidance; training workshops; and the on-going assessment of forest certification schemes and other forms of assurance of timber sources. A major part of the work to be undertaken during phase 2 of the CPET program will be to assess forms of evidence other than independent certification that wood derives from legal or sustainable sources.

3.1.2. BRE Assessment

BRE has been continuing its efforts to refine criteria for acceptance of certified wood in their green housing initiatives. At the end of 2004, PEFC, AF&PA and other forest sector interests were successful in encouraging BRE to amend their BREEAM/Ecohomes guidance for 2005 so that all the leading certification schemes (SFI, FSC, PEFC, CSA and MTCC) should be given equal recognition. The 2004 guidance had scored FSC higher than PEFC and had not acknowledged the existence of other certification frameworks. While BRE agreed to make this change, they also announced at the end of 2004 that they would undertake a detailed review of this policy during 2005 with a view to introducing amendments in the 2006 guidance.

A Timber Certification (timber credits) Advisory Group has been established for the purpose of reviewing the standard. This Group comprises two committees; one involving a smaller number of UK stakeholders (including representation from WWF, Timber Frame Manufacturers, TTF, and construction companies and contractors responsible for implementing Ecohomes/BREEAM); and a larger committee involving a wider range of interests, including representatives of the leading forest certification schemes. The Advisory Group is now expected to become permanent and to undertake reviews of forest certification on an on-going basis.

The deliberations of the group have so far produced an advice note that will be put forward for consideration by BRE’s Steering Group. The Steering Group has ultimate authority over the content of the standard and includes representation from the full range of material sectors. According to European forest sector contacts involved in the process (BRE were not willing to comment directly), the advice note recommends some significant adjustments for introduction into the 2006 guidance:

- a) the principle of equal treatment for the leading certification schemes will be removed;

- b) the CPET assessment of certification schemes will be taken as the basic benchmark;
- c) however, some additional social criteria will be added to the assessment process for purposes of BRE recognition. This reflects a view in BRE that unlike UK government procurement officials, they have no legal obligation to ignore the social aspects of sustainable forestry.
- d) The social criteria are understood not yet to have been finalised. Industry contacts express their hope that these will be relatively general. They are likely to cover such aspects as provision of employment rights and social services to local communities and protection of indigenous peoples' rights.
- e) There is also likely to be criteria over and above those used by CPET on protection of areas of high ecological value. However, a proposal to include the specific reference to FSC terminology on "High Conservation Value Forests" has been removed.

The actual process for assessing schemes against the additional criteria has not yet been finalised, although industry contacts expect that a consultant will be brought in to undertake the work. The timescale for this assessment is likely to be tight as the Steering Group is not expected to endorse the advice note until a meeting in September.

European forest sector contacts have expressed their concern to BRE that moves towards introduction of different categories of certified forest products is likely to make the whole process overly complicated and simply encourage building contractors to look to alternative materials.

On a positive note, the Advice Note is also believed to be pressing for the introduction of a greater number of credits for the use of wood *per se*, particularly as a reflection of its potential to contribute to the UK's Kyoto commitments.

In another development, Kate Livesey who leads this process at BRE, was invited to a meeting with the Timber Trade Federation in late June for a briefing on the TTF's Responsible Procurement Policy (RPP- see below). TTF argued that the RPP provides an alternative to certification for recognising the environmental credentials of UK timber suppliers under BREEAM/Ecohomes. TTF indicate that Kate Livesey showed some willingness to accept this view on grounds that forest certification is not a "golden bullet" and supplies of certified material are still restricted.

3.1.3. Work to develop a Code for Sustainable Buildings

In yet another UK government initiative aimed at promoting higher environmental standards in the construction industry, the Office of the Deputy Prime Minister (ODPM) has employed a consultancy firm to develop a "Code for Sustainable Buildings". The work is being undertaken under contract to the ODPM by CIRIA, a consortium of research and other construction industry related organisations.

Given the high political profile and involvement of a large well respected organisation, the output is likely to be influential in England and Wales (the ODPM does not cover Scotland and Northern Ireland). It seems that the Code will be voluntary but may be supported by incentives. There may also be a link to the recent passage of the Sustainable and Secure Buildings Act which provides for sustainability objectives to be introduced into UK building regulations. Output from the Code may eventually be incorporated into the Building regulations.

CIRIA held three consultation workshops in April 2005 to discuss an initial outline of the proposed Code. Workshops covered a) materials; b) health and well being; and c) flexibility and durability. Delegates included representatives from a variety of industry, environmental and government bodies with an interest in house building and sustainability.

Reports from the materials workshop indicate that there was fairly widespread concern amongst delegates on the Code's development process, particularly the inconsistent choice of consultees; lack of information on timescales; and lack of prior publicity on the development and role of the Code. There is also still uncertainty over who would be ultimately responsible for promoting the code (perhaps the housebuilders themselves or local government, maybe through the planning system).

On the specific issues to be covered in the Code, there seems to have been agreement that these should extend to the whole range of sustainability issues i.e. including social and economic (e.g. working conditions at point of extraction, health impacts of materials in use), not just environmental.

There was also agreement that in order to avoid reinventing the wheel, the Code should draw on BRE's work. However, there should be scope for broader stakeholder participation and greater industry involvement.

The Materials workshop specifically considered a proposal to include in the Code a requirement for a "*minimum percentage of independently certified virgin and reclaimed timber*". There were no minimum targets set, although it was agreed there should be variable bands of achievement, i.e. gold, silver, bronze, etc. It was also concluded that 'independently certified' would need to be properly defined and should take account of recommendations emerging from (BRE's) Timber Certification Advisory Group. Also with implications for imported timber, it was proposed that the Code should include targets for the "*percentage of resources sourced locally*".

The ODPM has stated that it wants development and testing of the code to be completed by the end of 2005, and to take action on the national rollout by early 2006.

3.1.4. TTF Responsible Procurement Policy (RPP)

The UK Timber Trade Federation, representing timber agents and importers in the country, launched its Responsible Procurement Policy in early 2005. This policy – which may be voluntarily adopted by TTF members - requires companies to: develop a comprehensive database of suppliers; to carry out an assessment of the environmental risks associated with trading with each supplier; to develop procedures for regular monitoring of the environmental credentials of suppliers; and to develop a program to progressively reduce this level of risk (Details of the process are contained in the attached pdf file "RPP Summary Flowchart").

TTF is negotiating with SGS over the development of an independent auditing framework for the policy. Signatories are required to issue an annual report of the actions taken and of their progress against their internally generated targets. While the auditing system has yet to be finalised, it is expected that SGS will undertake a desk review of all annual reports, with follow-up phone interviews and/or site visits with a proportion of signatories to clarify any inconsistencies in their reporting.

TTF state that around 20 of their 180 members have so far adopted the policy. While the numbers are small, TTF state that signatories now include all the largest TTF member companies. They also suggest that many companies have said they may well join once the program has had sufficient time to bed down. Strongest resistance to the policy has been amongst panel products agents and importers (on grounds of cost and impracticality), but even here support is now said to be rising. TTF also say that the policy has gained recognition by DEFRA who are expected to include reference to the RPP and a list of signatories in their procurement guidance documents. TTF hope that recognition by DEFRA, and possibly also BRE, will significantly boost prospects for membership. TTF have been promoting the scheme widely to their European counter-parts through UCBD and FEBO. They claim that a significant part of the new FEBO code of conduct (see below) was drawn from the UK's RPP.

3.1.5. TTF "illegal logging" roadshows in Africa

The TTF received £184,000 funding from the UK's Department for International Development (DFID) to implement a project to inform African timber producers of changes in demand for verified legal and sustainable timber in the UK and Europe. The project has involved the development of market reports on demand in Europe for legal timber, a series of roadshows for EU traders and timber suppliers held in Ghana, Cameroon, Gabon and Congo Brazzaville during June/July 2005. A final report and workshop to inform trade and policymakers will be prepared at the conclusion of the roadshows.

3.2. France introduces new public procurement policy

In April 2005, the French government published a new guidance note on timber procurement. The note introduces a process to ensure that timber suppliers to all French local, regional and national authorities can provide reliable assurances that timber and timber products derive from sustainably managed forests. The new French policy puts into place a national commitment announced by President Jacques Chirac in January 2005 at the International Conference on "Biodiversity: science and governance" held at the UNESCO Headquarters in Paris. President Chirac declared that France

will only use “eco-certified” wood in its large public construction projects and that by 2010 this requirement would be extended to cover all public procurement.

The guidance is fairly flexible with regard to the forms of forest certification and other forms of documentary evidence that may be provided as proof of sustainability. It has been drawn up to take account of an importing industry which is still heavily dependent on tropical wood supplies, particularly from francophone Africa where certification is still poorly developed. It is noted in the guidance that public procurement accounts for approximately 25% of French consumption of tropical timber. The guidance also has to take into account the widespread reliance on PEFC certification by French domestic forest owners, and that France has sovereignty over 8 million hectares of tropical forest (for example in French Guyana). Against this background, the policy makes no distinction between tropical and non tropical timber products.

The guidance takes the form of an advice note (so called “circulaire”) comprising a letter and technical annex to public buyers approved by the Prime Minister in April 2005. The advice note was drawn up over a 12 month period from May 2004 by 3 government departments: Finance; Agriculture (in charge of forestry policy); and Ecology and Sustainable Development. It establishes the objective that by 2007, 50% of timber and wood products bought by public buyers should come from legal & sustainable managed forests. This proportion should rise to 100% by 2010.

The advice note is legally binding for public procurement officials at national level and is “recommended” to local authorities. There is some flexibility built into the commitment. According to French officials, national procurement officials must take account of sustainable forestry management criteria “*when it is motivated by the object of the purchase and when there is a sufficient potential supply*”.

The guidance adopts a step by step approach with the emphasis on procurement officials using existing tools including sustainable forestry management schemes and various product eco-labels that already developed at national level in France which integrate sustainable forestry criteria. French officials indicate that there already 6 eco-labels available in France that may be used to conform with the policy (1 for furniture, 1 for wood products, and 4 for paper products).

Specific requirements for documentation vary depending on the product under consideration. Wood products are categorised into 2 groups:

- Category 1: primary wood products including timber, sawn wood, veneers and plywood;
- Category 2: all products that have undergone secondary transformation (including particleboard, windows, furniture, paper products, etc.)

For Category 1 products, suppliers will be required as a minimum to provide for all public procurement contracts the following information: the source of the timber at least to country of harvest; the species name; and the name and address of the timber supplier. Furthermore, they will be required to provide at least one of the following as evidence of legality.

- a certificate delivered by the producer and verified by an independent body proving that timber has been legally logged;
- a legality licence delivered by the supplier country (when available in conformance with a FLEGT Bilateral Agreement);
- a sustainable forest management certificate verified by an independent body. The policy acknowledges that existing sustainable forest management certification schemes will be accepted as long as there is clear evidence of third party independent verification – no distinction is made between the leading schemes;
- a document providing evidence that a forest management plan is in existence, approved by a relevant government authority and in which implementation is regularly verified by an independent body having appropriate forestry experience
- a document attesting that the forest manager or owner subscribes to a code of good conduct which includes legal & sustainable forestry management commitments and which is regularly verified by an independent body.
- a document attesting that the supplier subscribes to a code of good conduct which includes commitments of buying timber coming from legal & sustainable managed forests and which is regularly verified by an independent body

Tenderers of Category 1 products failing to provide at least one of these certificates (or an equivalent) will be rejected.

Suppliers of Category II products (secondary processed wood products) will be required to provide one or other of the following:

- a product eco-label;
- a product label issued by one or other forest certification scheme;
- a supplier declaration of good forest management which has been audited and endorsed by an appropriate independent body.

From 2006, the French government intends to implement a system to assess implementation and enforcement of the procurement policy. It will also develop a comprehensive information service including on-line documentation on forest certification systems; relevant national and European eco-labels; details CITES measures; information on the names of the top 80 timber species imported into France.

More information (available in French only) can be found at: <http://www.ecologie.gouv.fr> > Développement durable > Production et consommation durables > Marchés publics.

3.3. Netherlands

The last 12 months have seen some major developments in environmental timber procurement in the Netherlands. The FSC has maintained intense pressure on the industry and policy makers to pursue an FSC based approach (see 1.2.4). However the importing industry - as represented by the Netherlands Timber Trade Association (VVNH) - has remained resistant and seems to have succeeded in watering down some of the more radical proposals. Introduction of the two major initiatives on the table in 2004 – a new set of “Assessment Guidelines for Certified Wood Products” known as BRL, and a related “Vos Bill” which would give these regulatory power – have been delayed pending further negotiation between stakeholders. Both these initiatives would effectively have lent significant market advantage to FSC certified wood in the Netherlands. To achieve these concessions, the industry has had to give ground on other issues. For example VVNH have lent their support to NGO proposals for more far-reaching European legislation banning imports of illegal logs.

The Netherlands government pushed the various stakeholders to come together between 2002 and 2004 to negotiate the BRL system for assessing forest certification schemes. After a tortuous process, the 14th draft of the BRL documents was piloted tested by the consultancy PwC in early 2004. The test concluded that the requirements were far too detailed and demanding and that only a limited number of FSC certified forests – and no forests under other schemes - would actually meet the requirements.

It seems that since the pilot tests, the various stakeholders have reached an impasse. VVNH state they will not endorse BRL in its current form, while NGOs continue to argue for unrealistically high standards. VVNH say that an attempt will be made to resolve the issue when they hold talks with the Dutch Minister of Environment scheduled for August 2005. But the bottom line for them is that they cannot accept BRL as it stands. They maintain that the Dutch government’s criteria for sustainable forestry agreed in 1997 – and which continue to provide the basis of the Keurhout scheme – are a more appropriate foundation for assessment of forest certification schemes.

The Vos Bill which made its’ way through the early stages of the Dutch parliamentary process during mid 2003, is also stalled. Following adverse reactions from industry, the European Commission and WTO, the proposal has been further watered down. For example, the direct reference to FSC as the preferred certification option has been removed. VVNH now suggest that the Vos Bill is only likely to be resurrected if final agreement can be reached on the BRL guidelines.

Meanwhile VVNH have continued their efforts to develop the Keurhout program, no longer as a broad stakeholder approach but rather managed directly by VVNH as a tool to implement their environmental code of conduct. Previously Keurhout was designed to market wood derived from forests managed in accordance with the Keurhout sustainable forestry principles (agreed with the Dutch government in 1997) under a single “good forestry” trademark in the Netherlands. The main focus now seems to be on delivery of legally verified wood to the Dutch market. Keurhout’s Board of Experts recently agreed a

“Protocol of Legality” to provide a basis for voluntary independent assessment of timber suppliers to the Netherlands.

Representatives of the Keurhout Board of Experts were recently in Malaysia to assess the MTCC against the Legality Protocol and to reassess the scheme against the Dutch government’s 1997 sustainability criteria. Early reports are that some of the MTCC forest management units have been approved as in conformance with both standards. However, MTCC needs to improve mechanisms for chain of custody assessment in order to achieve full conformance.

3.4. Germany

News emerged in early April 2005 of a draft new Federal law being promoted by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety that would introduce legislation banning the import of illegally logged timber and timber products. The stated purpose of the Act is to prohibit the possession and marketing of timber and timber products illegally logged in virgin forests and forests that have “only marginally been directly influenced by human activity”. In addition, other forests considered particularly important for preservation would be afforded similar protection. The Act would apply to timber and timber products including charcoal, articles made from wood pulp, paper and paper board, as well as wooden furniture and toys.

According to the draft it is not the responsibility of the authorities to verify that timber or timber products originate from illegal logging; instead, the onus of proof of legal logging lies with the supplier. Such proof must be confirmed by a certifying agency that has been recognised by the Federal Office for Nature Conservation. It must encompass the entire supply and processing chain. The main attributes of a recognised certifying agency (as outlined in the draft Act) include independence from the outcome of certification, adequate expertise, and preservation of any trade and company secrets. Certifying agencies that were recognised in other EU Member States would be considered equal by the German government.

Illegal logging of virgin forests is defined as violation of the law applicable at the site of felling, particularly provisions on protected areas and other restrictions; prohibitions on logging; restrictions governing the volume of timber that may be felled, and other requirements related to the performance of logging. To quote the draft legislation:

“It is prohibited to sell, to offer for sale, to keep in stock for sale purposes or for the purpose of subsequent sale to gain possession of or control over, have possession of or control over, to handle or to process, or to purchase, to acquire, to transport, to display to the public or to use in some other manner timber and timber products, unless the party concerned is in possession of a written confirmation issued by a certifying agency that the timber was not logged in virgin forests in violation of the applicable statutory provisions at the site of felling to regulate logging.”

Contacts in Germany suggest that the draft law may not make it past the first hurdle – there is much resistance from industry and the Federal Ministry of Finance, amongst others. Particularly problematic is the definition of “virgin forest”, which is after all an environmentalist’s marketing term with no scientific basis.

Meanwhile, there are reports that the German Timber Trade Federation recently began work on a Code of Conduct for timber procurement. This work is linked to a German government project now underway to develop a System of Indicators of Legality.

3.5. UCBF and FEBO

The two European Confederations of timber importing associations UCBF (which deals mainly with tropical hardwoods) and FEBO (which attempts to accommodate all wood products) have both put illegal logging at the center of their policy development work in recent months.

Citing the need to “give a strong signal to suppliers and stakeholders on the market and politicians on this item that there must be a strong prohibition of trade in illegal timber”, FEBO recently added the following article to their constitution: *“FEBO supports sustainable forestry and condemns illegal logging and related trade. FEBO recognizes that independent certification of sustainable forest*

management and of the product chain is the most feasible tool in proving sustainable forest management.”

FEBO have also drafted a framework environmental code of conduct which “requests” FEBO members to adopt and comply with the following:

- Members are committed to sourcing their timber and timber products from legal and well-managed forests. Members unreservedly condemn illegal logging practices and the related trade. They commit themselves to working with suppliers and other stakeholders towards their complete elimination.
- Members recognize that the credible independent certification of sustainable forest management and of the chain of custody is the most useful tool in providing assurances that the timber they deal in comes from legal and well-managed forests. They recognize all certification schemes basing on internationally recognized criteria.
- If there are any doubts about the origin of timber, members try to ensure within the bounds of possibility that the timber has been legally harvested, asking the suppliers credible guarantees. Until a credible independent certification is missing, certificates of legality and of efforts towards a sustainable forestry can be granted.

UCBD issued a statement on illegal logging in mid June which stated their broad support for the European Union’s FLEGT Action Plan and the council regulations for bilateral agreements. In fact, they stated their view that the process should be “accelerated” and that greater efforts should be made by the EU to garner the support of the United States, Canada, Japan and China. UCBD called for harmonisation of public procurement policies across the EU, including a common agreement on the certification schemes that should be accepted.

3.6. UK think tank considers Chinese dimension

On 3 May 2005, the Royal Institute for International Affairs in London held a briefing meeting on “Forest Governance and Trade – China, Global Markets and Legal Procurement Initiatives”. A report on the meeting is attached.

4. National forest policy

4.1. Illegal logging in Bosnia

A BBC report in May 2005 highlighted the scale of illegal logging now on-going in Bosnia, a country that has become an important supplier of wood (notably hardwood) to the EU (notably Italian) wood industry. The BBC say the problem is so bad that UN peace keepers have been used for operations designed to clamp down on the illegal trade.

European Union peacekeepers (EUFOR) have set up random road checkpoints across the country to intercept wood lorries. Their loads are examined and papers checked. Helicopters with advance surveillance equipment are being used to track the illegal loggers.

The BBC says that about 43% of the entire country is covered in forest and that wood and wood products are Bosnia's single biggest export. International investigators estimate that the Bosnian economy loses about \$100m every year to through tax evasion and corruption in the industry. Criminal gangs involved in the logging business are often the same gangs involved in harbouring and protecting indicted war criminals.

The BBC report quotes Jure Sesar, the Bosnian Federation's Deputy Minister for Forestry: *"The collapse of the former Yugoslavia meant an end to any regulatory system. In the immediate aftermath of the 1992-5 war, it was natural that many people, especially refugees, would illegally cut down trees, either for firewood or to sell to try to make ends meet. But since then, more organised criminal groups have become involved. Last year alone there were more than 4,000 prosecutions for illegal logging."*

According to the BBC, one of the methods used by the illegal loggers is simply not to declare the wood that is harvested. By law, every log must be stamped so that its history can be traced. But the illegal loggers either use false stamps or no stamps at all. Most of the wood is subsequently exported.

To make control more difficult, there is no state-wide ministry that has control over the industry. Responsibility is divided between the two entities that make up post-war Bosnia-Herzegovina, the Muslim-Croat Federation and the Serb Republic.

4.2. Indonesia supports WWF Aceh Reconstruction Guidance

The Governor of Aceh Province has announced his support for a set of Green Reconstruction Guidelines prepared by the WWF for the province following the Tsunami disaster. In his introduction to the guidelines, the governor states that *"the document will become the guidelines for Aceh's sustainable reconstruction, both for the provincial government and the regency/city administration.....It is expected that the Green Reconstruction Policy Guidelines will supplement the Indonesian Government's Master Plan for Aceh's Rehabilitation and Reconstruction. At the same time, they will be a reference for donors and development agencies so that their contribution to developing Aceh is undertaken in a manner that minimises the negative impacts of the reconstruction process on Aceh's environment and natural resources"*.

In the timber sector, there have been widespread concerns that the understandable desire to effect reconstruction as cheaply and efficiently as possible would further increase pressure on Indonesia's domestic timber resources. While the guidelines cover a comprehensive range of planning issues and materials, the first priority established by the guidelines is *"ensuring the use of sustainably sourced materials (including timber) in reconstruction"*.

The principles established for timber use are fairly broad. Specifically the guidelines recommend the use of *"sustainably sourced materials where possible"*. They also recommend *"as far as possible"* the involvement of *"local processing industries (eg, sawmills) in customising (eg, cutting to size), treatment (eg, against termites) and distribution of construction materials"*. At the same time it is recommended that there should be no creation of new (or expansion of existing) processing industries beyond the long-term capacity of forests.

4.3. Brazil

4.3.1. Deforestation on the rise

The annual deforestation rate in the Amazon has again increased and is now at its second highest rate ever. Data released by Brazil's National Space Sciences Institute (INPE) shows that deforestation in the region from August 2003 to August 2004 was at around 26,000 square kilometres, up from 23,000 square kilometres during the previous 12 month period. NGOs place the blame squarely on the shoulders of the Brazilian government. For example, the WWF blamed their *"inconsistent policies, which encourage real estate speculation within forest areas in order to expand cattle ranching and industrial-scale farming."*

4.3.2. Illegal logging crackdown

A report emerged in June that the Brazilian Federal Police have dismantled a gang responsible for illegal logging in the State of Mato Grosso for 14 years. 89 arrest warrants have been issued - including for corrupt Brazilian Environmental Agency (IBAMA) agents and loggers. During the investigations, 283 Forest Management Plans were suspended and another 36 were cancelled indefinitely. Also, 431 "ghost logging companies" were exposed all over the Mato Grosso State. The operation also exposed false ATPFs (Authorization of Forest Products Transport), which are a way of "laundering" authorisations in order to use them again. The operation involved 450 Federal Police agents and 31 IBAMA agents and is the largest ever carried out by the Federal Police in the Brazilian Amazon.

5. Future meetings

ITTC-38: The 38th session of the ITTC and Associated sessions of the Committees will convene from 21-24 June 2005, in Brazzaville, Republic of Congo. For more information, contact: Manoel Sobral

Filho, ITTO Executive Director; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; internet: <http://www.itto.or.jp>

THIRD PART OF THE UN CONFERENCE ON THE NEGOTIATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL TROPICAL TIMBER AGREEMENT, to be held in Geneva, Switzerland, from 27 June to 1 July 2005. For more information contact: UNCTAD Secretariat, Intergovernmental Affairs and Outreach Service; tel: +41-22-917-5809; fax: +41-22-917-0056; e-mail: correspondence@unctad.org; Internet: <http://www.unctad.org/Templates/Meeting.asp?intltemID=3323&lang=1>

G8 SUMMIT: The G8 Summit, which will convene from 6-8 July 2005 in Perthshire, UK, will have two key themes: Africa and climate change. G8 Ministers will also review the G8 Environment and Development Ministerial Declaration on tackling illegal logging, an output of the G8 Environment and Development Ministers meeting in Derby, UK, from 17-18 March 2005. Internet: <http://www.g8.gov.uk>

STAKEHOLDER CONSULTATION ON ILLEGAL LOGGING: The next Chatham House illegal logging update and consultation meeting will be held on 27-28 July 2005 in London, UK. For more information, contact: Sustainable Development Programme, RIIA, Chatham House; tel: +44 (0) 20 7957 5711; fax: +44 (0) 20 7957 5710; e-mail: illegal-logging@riia.org; Internet: <http://www.illegal-logging.info>

XXII IUFRO WORLD CONGRESS: This Congress of the International Union of Forest Research Organizations (IUFRO) will convene from 8-13 August 2005 in Brisbane, Australia, and will focus on "Forests in the Balance: Linking Tradition and Technology." As suggested by the Congress' theme, its organizers hope to: create an interest amongst all stakeholders with an interest in forests and process technology; reflect the importance of tradition and technology, including the increasing importance of indigenous knowledge; and recognize the role of indigenous peoples not only as residents, but also increasingly as future land managers. For more information contact: Congress Manager, PO Box 164, Fortitude Valley QLD 4006, Australia; tel: +61-0-7-3854-1611; fax: +61-0-3854-1507; e-mail: iufro2005@ozaccomm.com.au; Internet: <http://www.iufro2005.com>

UN MILLENNIUM REVIEW SUMMIT: The Millennium +5 Summit will convene at UN Headquarters in New York, from 14-16 September 2005. It is expected to undertake a comprehensive review of the progress made towards the commitments articulated in the UN Millennium Declaration, including the internationally agreed development goals and the global partnership required for their achievement. In addition, the event will review progress made in the integrated and coordinated implementation of the outcomes and commitments of the major UN conferences and summits in the economic, social and related fields. For more information, contact: Office of the President of the General Assembly; tel: +1-212-963-2486; fax: +1-212-963-3301; Internet: http://www.un.org/ga/59/hl60_plenarymeeting.html

PEFC GENERAL ASSEMBLY 2005, to be held in Luxembourg in October 2005. Internet: www.pefc.org

ITTC-39: The 39th Session of the ITTC and Associated Sessions of the Committees will convene in Yokohama, Japan from 7-12 November 2005. For more information contact: Manoel Sobral Filho, Executive Director, ITTO; tel: +81-45-223-1110; fax: +81-45-223-1111; e-mail: itto@itto.or.jp; Internet: <http://www.itto.or.jp/>

WORKSHOP ON COMBATING ILLEGAL HARVESTING OF FOREST PRODUCTS AND RELATED TRADE IN EUROPE: Tentatively 14 November – 15 November 2005. Final date and venue to be announced. This workshop will be based on a scientific report with an analysis of available information on illegal harvesting and related trade in Europe, and will contribute to the elaboration of a common pan-European understanding of terminology used in relation to the topic. For more information, contact: MCPFE Liaison Unit; tel: +48-22-331-7031; +48-22- 331-7032; e-mail: liaison.unit@lu-warsaw.pl; Internet: <http://www.mcpfe.org/>

EUROPE AND NORTH ASIA FOREST LAW ENFORCEMENT AND GOVERNANCE MINISTERIAL MEETING: This meeting is expected to convene in St. Petersburg, Russian Federation, tentatively 22-25 November 2005. The meeting will contribute to a full-fledged FLEG process for Europe and North Asia. For more information contact: Nalin Kishor; tel: +1-202-473-8672; fax: +1-202-522-1142; e-mail:

nkishor@worldbank.org;

Internet:<http://Inweb18.worldbank.org/ESSD/ardext.nsf/14ByDocName/ForestGovernanceProgramEuropeandNorthAsiaForestLawEnforcementandGovernance>

FSC GENERAL ASSEMBLY 2005, to be held in Manaus, Brazil from December 7th to 9th. Internet: www.fsc.org

FSC LATIN AMERICAN PRODUCT TRADE FAIR, scheduled for 18 to 20 April 2006 at the Frei Caneca Shopping & Convention Centre in São Paulo Brazil. The first such event in 2004 attracted around 5,000 visitors and generated business and collaboration opportunities for over 50 exhibitors from governmental and non-governmental organizations, forest owners and producers. The II Certified Brazil Trade Fair is expected to be bigger and to showcase a more diverse product range than the 2004 event. The Fair is jointly organized by FSC Brazil, Imaflora and Imazon. More information about the Trade Fair is available at www.certifiedbrazil.com.br.