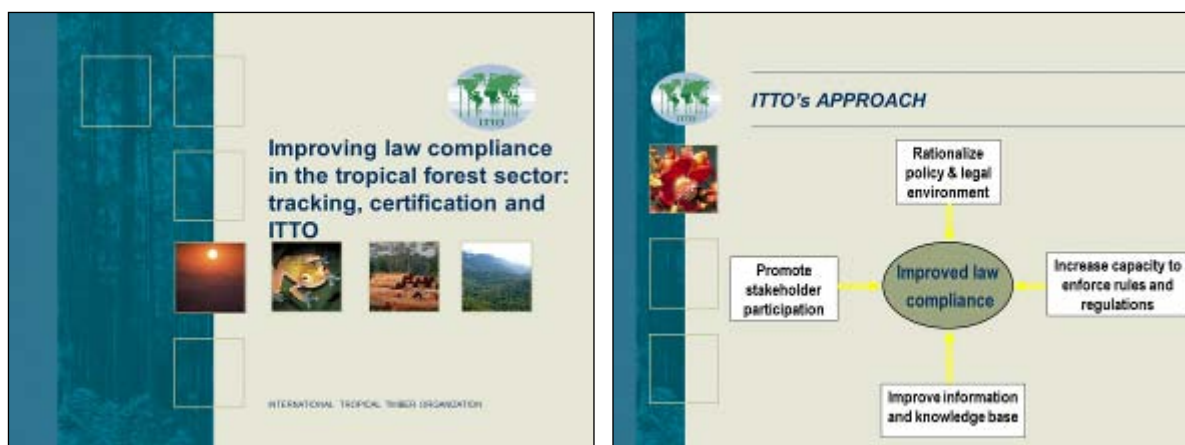


Improving law compliance in the tropical forest sector: tracking, certification and ITTO

Steven Johnson (ITTO)

I work for ITTO¹ based in Yokohama, Japan. The organization is set up with the goal to try to promote sustainable forest management in the tropics. We have been working towards that goal for the last 25 years or so. Most of which, I have been lucky enough to be living here in Japan. Before I start, I would like to thank my friend, Morita-san for inviting ITTO and me to come to this seminar. It is very nice to get together and to learn what is going on in REDD+, and also to hear a little bit about the Japanese consumer sentiment. Of course, the whole issue of motivating consumers, as we have heard a number of times this afternoon and this morning, at least partly comes down to educating them and to giving them the information that they need to make informed choices. What I am going to be talking about today is one part of ITTO's work with tropical countries to help them provide information on the ways that they are improving forest governance and trying to incorporate measures such as labeling and certification to be able to show that they are improving forest management.

ITTO is working with about 65 member countries of which about half of them are tropical accounting for about 80% to 90% of the tropical forest in the world. We have a fairly broad coverage of the tropical countries. Some people from the countries that are members are here today.



The approach to this issue of improving law compliance and being able to demonstrate good forest management is, first of all, to try to rationalize the policy and legal environment. We heard today from one of the earlier speakers that even here in Japan, which is a very developed country, sometimes the laws are not well implemented or well drafted. That is much more prevalent in tropical countries. Once you have a rational policy and legal environment, you need to increase the capacity to enforce the rules and regulations that are in place. You need information and you need stakeholder participation, which is part of what we are talking about in this session.

¹ The International Tropical Timber Organization (www.itto.int)






Rationalizing Policy/Legal Environment

- Case studies on FLE/illegal trade in Peru, Malaysia, Honduras, Brazil, Ecuador, PNG found conflicting laws and/or incoherent policies
- Projects in several countries to assist in identifying underlying causes of illegality and drafting coherent, consistent, enforceable forest legislation
- Country diagnostic missions also identify problems, promote improved policies for FLE
- Program to improve implementation of CITES requirements for listed tropical timber species, ensure forest laws consistent with CITES

On the first item on rationalizing policy and legal environment, ITTO has done a lot of work in many countries. A lot of that work found that the existing laws that were in place often conflicted with each other, which is a big problem. When you have an agricultural law that conflicts directly with a forestry law, something has to give. Eventually, somebody ends up breaking the law. We have spent a lot of effort, together with other agencies like FAO and the World Bank, to try to help countries put more coherent rules and regulations in place. This has included diagnostic missions to countries and also more specific programs dealing with specific parts of forest or specific species that are legislatively bound for trade like in CITES, the Convention on International Trade on Endangered Species. That convention regulates the trade of certain species of tropical wood especially. There are some temperate woods, but mostly tropical under it, and we work a lot with those as well.






Building Capacity for FLE

- 5 Best Practices workshops with FAO
- Large training programs to:
 - improve forest statistics
 - promote use of C&I and auditing framework
- Promoting phased approaches to certification
- Promoting NGO/civil society involvement in forest monitoring
- Encouraging countries to engage with international initiatives (eg FLEGT) and in bilateral discussions/agreements, share experiences

In terms of building capacity to implement these things, we have had a lot of training workshops in countries; first of all, the very basics, to be able to collect information and disseminate information on what is going on in their forests; promoting the use of criteria and indicators and auditing frameworks. Certification is basically somebody else telling you or telling somebody that you are doing okay. Before you can get to

certification, you should at least be able to say yourself that we are doing okay and this is what ITTO has been promoting in terms of auditing based on our criteria and indicators.

We have worked a lot at promoting phased approaches to certification. I will show a little bit later that certification has not had a very rapid uptake in the tropical countries. One of ITTO's big initiatives has been to try to get recognition for the progress that countries are making on the road to certification. Certainly, we heard already today about the role of NGOs here in Japan. In the tropics, we believe it is even more important that civil society is involved in forest monitoring, in whistle blowing, if you will, when things go badly, and in helping to promote the role of communities, and etcetera in forest management. Finally, trying to get countries to engage in international initiatives like the FLEGT² initiative from Europe or here in Japan, we have Goho-wood³ to try to promote the import of legal wood.



In terms of getting better data and knowledge, we are also working with a lot of countries on this, providing price information on timber products, which is still the main thing of value coming out of tropical forest; looking at the discrepancies in trade statistics between different trading partners, which can show, over time, patterns of illegality or at least some serious problems with statistical departments; and looking into things like that. We have done a lot of work on tracking timber. We will hear some more about that tomorrow I think including tracking forest degradation. In terms of log tracking, we have worked with many countries and we recently published a compendium of log tracking and timber tracking technologies because many countries are becoming more interested in this kind of quantitative methods to be able to track timber products so that they can show that, in fact, this wood that we are sending you came from this forest which is well-managed.

²The Forest Law Enforcement, Governance and Trade Action Plan: <http://www.euflegt.efi.int/portal/>

³Goho (=Legal) Wood Advance Mark: <http://www.goho-wood.jp/world/>



Improving Data and Knowledge

- Log tracking projects funded in Bolivia, Cameroon, Congo, Fiji, Gabon, Ghana, Guyana, Honduras, Indonesia, PNG, Peru, Thailand, more to come, "Tracking Sustainability" report published in 2012
- Worked with GFW/WRI to improve FLE and concession monitoring in CAR, Rep. Congo and DRC
- Projects using satellite imagery with GIS (containing details of approved concessions, roads, etc) to spot illegal forest clearing and track legal timber



Improving Data and Knowledge



Detection of forest clearing using IKONOS (4 m) and Landsat 5 (30 m) satellite data in Guyana

We have done a lot of work with satellite imagery to look at where logging is happening outside of boundaries. Again, I think we may hear more about that tomorrow. This slide shows output of one of those projects using different resolutions of satellite and aerial photography to spot illegal forest clearing in Guyana.



Promoting Stakeholder Involvement

- Civil Society – Private sector partnership grants to contribute to SFM and verifiable legality in Brazil, Cameroon, Indonesia, Panama, PNG and Peru
- International conferences arising from recommendations of TAG/CSAG Panel on Illegal Logging /Illegal Timber Trade:
 - Timber transport
 - Indigenous/community forestry
 - Tropical forest tenure

In terms of promoting the involvement of stakeholders, we have had a series of grants to try to support private sector and NGO linkups on promoting sustainable forest management, verifying legality, and moving to certification in some cases in a number of countries. We have convened a number of conferences to discuss these issues. In the early days when ITTO first was getting going in the early 1990s, it was not even possible in an international forum to raise the issue of illegal logging. This has been a major change in the dynamic of the international discussions over the years where people are now fully aware of the problems of unsustainable and illegal activities in forests and how negatively they impact the future of sustainability.



TFLET

- Tropical Forest Law Enforcement, Governance and Trade Thematic Program since 2008
- Rationalizes ITTO's work, provides new funding window, one of four thematic programs approved/funded under ITTA 2006
- Over \$15 million distributed to over 50 projects in over 20 countries to date; main themes timber tracking and community empowerment



TFLET

Objectives:

- Strengthen forest law enforcement and governance through improved national policy and legal frameworks, stronger institutions, improved data and knowledge, strengthened partnerships and improved cooperation among civil society organizations and other stakeholders
- Improve transparency and effective management of supply chains and increased international trade in legally and sustainably produced tropical timber
- Improve capacity of community and small and medium-sized enterprises to implement and demonstrate that timber produced and traded comes from legal and sustainable sources

ITTO has recently established a thematic program to deal with some of these issues. It is called Tropical Forest Law Enforcement, Governance and Trade, and this program rationalizes the work under this area. We are distributing a fair amount of money to countries on an ongoing basis under this. The objectives are listed here. Basically, we work to strengthen forest law enforcement in countries.



TFLET

Activities:

- Strengthening forest governance (45%)
- Support international trade in legal and sustainable timber (20%)
- Strengthen community and SME capacity (35%)

All to be implemented in liaison with partners

The activities under this program and more or less all of our activities in this area have been broken down more or less about half to strengthening forest governance in countries, 20% to supporting international trade in legal and sustainable timber, and the rest of the work is on strengthening community and stakeholder involvement including small and medium sized enterprises which are important.



Certification and public procurement

- ITTO has assisted numerous countries to prepare for certification and/or to establish national certification schemes
- ITTO has also carried out numerous studies on the evolution of certification and public procurement policies



Turning specifically to work on certification, we have heard from some of the agencies that are involved here in Japan in promoting the uptake of certified wood and other products, ITTO has been working on this for a long time. FSC⁴, which is one of the more well known certification bodies, started operations about 20 years ago. In fact, there were several discussions at ITTO at that time and before it whether there would be some linkage there. In fact, the two organizations evolved separately. ITTO is focused more on providing assistance to countries that want to move towards certification and to establish, where appropriate, national certifications schemes.



Tropical timber certification

- < 400 million ha certified world wide (< 10% of all forests)
- < 10% of all certified forests in tropics (< 2% of total tropical forests)
- ITTO studies have found that close to 10% of all tropical forests under SFM so potential for growth of certification in tropics
- Uncertainties over market acceptance and cost of tropical forest and chain of custody certification need to be addressed

The issue of certification and labeling, especially of timber, which we work with most directly, has proven to be of some concern to tropical countries. In the first instance, this is because not very much tropical forest has actually been certified over the last 20 odd years that these schemes have been operational. Worldwide right now, from the latest information we have available, there is about 390 million hectares of forest certified around the world by one scheme or another. That is less than 10% of all the forest in the world, which total about 4 billion hectares. Out of that 400 million, or less than 400 million, less than 10% of that total or less than 40 million is found in the tropics. This accounts for less than 2% of the total tropical forest area. You

⁴ Forest Stewardship Council: <https://ic.fsc.org/>

can see that really the idea that certification would have a major impact on tropical forests so far has not been the case.

However, ITTO's own studies have found that overall in the tropics, probably close to 10%, based on what we know because in a lot of the areas we do not have much information, but based on what we know, about 10% of all tropical forests are under sustainable forest management. We think the potential for more certification in the tropics is certainly there. However, there are a lot of uncertainties about the market acceptance of especially national certification schemes on the part of tropical countries.

For example schemes like the Malaysian Timber Certification Scheme, the Lembaga Ekolabel Indonesia or the Indonesian Ecolabelling Scheme. Some countries accept them, some do not. There is concern also about the cost of implementing certification or of being certified. Of course, one of the reasons why most of the certification has happened in developed countries is because the forest were, by and large, already fairly well-managed there. There was not a need for a huge input of resources to get the management up to a level where certification could actually be awarded.

In fact, in the tropics, there is a kind of a two-stage process where you first of all have to get the management of the forest to an acceptable level then you invite the certifiers to come in and assess what you have done. In many cases, the countries are not at a level yet where the certification can be awarded especially when the certificate is kind of an all or nothing affair. This is why earlier I was referring to our work to try to promote the idea of phased approaches to certification. In other words, maybe the first step is whether the wood you are producing is legal and then move up the various steps of sustainability.



So far, the total in tropical countries is under 40 million hectares. FSC accounts for more than half of that. Some of that is funded by donors. The Malaysian Timber Certification Scheme which covers almost all of Malaysia (I believe at least one of the states on Borneo is not covered) is another fifth, and the Indonesian scheme about 10%, a bit below, and the program for the endorsement of forest certification is less than 10% also. We have a number of different schemes. There is difference between them. The countries in ITTO

also worry a bit about differences in acceptance of these schemes, differences in the criteria under the schemes to be certified. In some cases, it is a bit of a moving playing field.



Concerns, opportunities and challenges

- Increase share of certified timber from natural forests (especially under community management) in international trade by:
 - Making it profitable
 - Recognizing progress towards certification
- Harmonize requirements of public procurement schemes
- Promote regional processes (eg ATO, Tarapoto)
- Information on volumes and prices of certified timber urgently required for informed decision making and assessing policy impacts

Of course, we want to increase the share of certified timber from natural forests. A lot of the forests that are certified in the tropics are plantations. The natural forest is where the biodiversity is more or large that we want to protect, so we want more certified forest there. We want more forest with community involvement and we need to make this profitable. I think when we were talking about the industry this morning, the main reason why industries get involved in activities, first of all at least, is to make profits. Maybe after they make a profit, they can have a Corporate Social Responsibility scheme but before that, I think there needs to be a profit there. The operations need to be profitable and we need to recognize where progress is being made. This is why we think that it is not helpful sometimes when countries say or consumers say, “We will only accept this scheme,” because that can cut off significant areas of development and revenue to countries or communities or forest operators who may need it to continue working in those forest.



Concerns, opportunities and challenges

- Social criteria (eg worker's rights) in procurement/certification schemes may be difficult to agree on/comply with
- Projects to improve forest management in the tropics (including those focusing on certification) should be given special consideration in procurement decisions and in decisions for REDD+ financing
- Procurement policies and certification schemes for non-timber products that impact forests?

The inclusion of worker's rights in certification schemes, while an honorable goal, may actually result in more market barriers to tropical countries being able to comply. There are some worries about that.

Especially in light of the theme of our seminar these 2 days, we need to ensure that projects that result in verifiable improvements in forest management are eligible for REDD+ financing. At this stage, that is still not guaranteed. We think in ITTO and, certainly, the countries that belong to ITTO, believe that this is crucial to promote better forest management through REDD+ because we are not going to stop logging the forests. That is not going to happen. The question is can we do it better than we have been doing it up till now.

Finally, my last point is that so far, a lot of the work on certification and labeling has focused on timber, rightly so, because timber was the main product coming out of the forests for a long time. But we think that, and we are glad to see, that new schemes are rising for other products that are being produced on forestland like oil palm and soybeans, etcetera, even though such schemes are still small in terms of their coverage. But just look at the economics and I know we heard, at least from one speaker that we do not like to deal with economics, but I think we have to at least for a minute. Indonesia has a moratorium now on new forest clearing and this shows the pressure on them to maintain the moratorium.



Crude palm oil is selling for close to \$1000 a ton right now. It has gone down a bit in recent times, but it is still close to \$1000 a ton. Indonesia has 6 million hectares of palm oil that they put on to what used to be forest land, degraded forest land in many cases, and they generated over US \$15 billion of export earnings from that 6 million hectares in 2012. That was more than double the export value of all of their primary wood products, everything from logs up to pulp and paper, and they produced that from over 120 million hectares of forest.

Basically, what we know in ITTO from our own studies is this that what is being earned from palm oil in Indonesia is about 8 to 10 times more per hectare than you can get from just timber. This gives us some idea of the kind of money that we need to come up with from things like REDD+ and other activities where we can put value on the forest to keep it as forest rather than have it be turned into oil palm. Soybeans may not be as valuable as the oil palm, but it is another case that has a fair amount of value more than standing forest in many cases.

The main message that I would like to leave you with is that whether we like economics or not, the decision to convert standing forest to something else is almost always an economic decision. Somebody is doing that because that forest is worth more to them cut down than it is standing. Ultimately, we have to deal with that equation and get it more in balance.

Thank you very much.