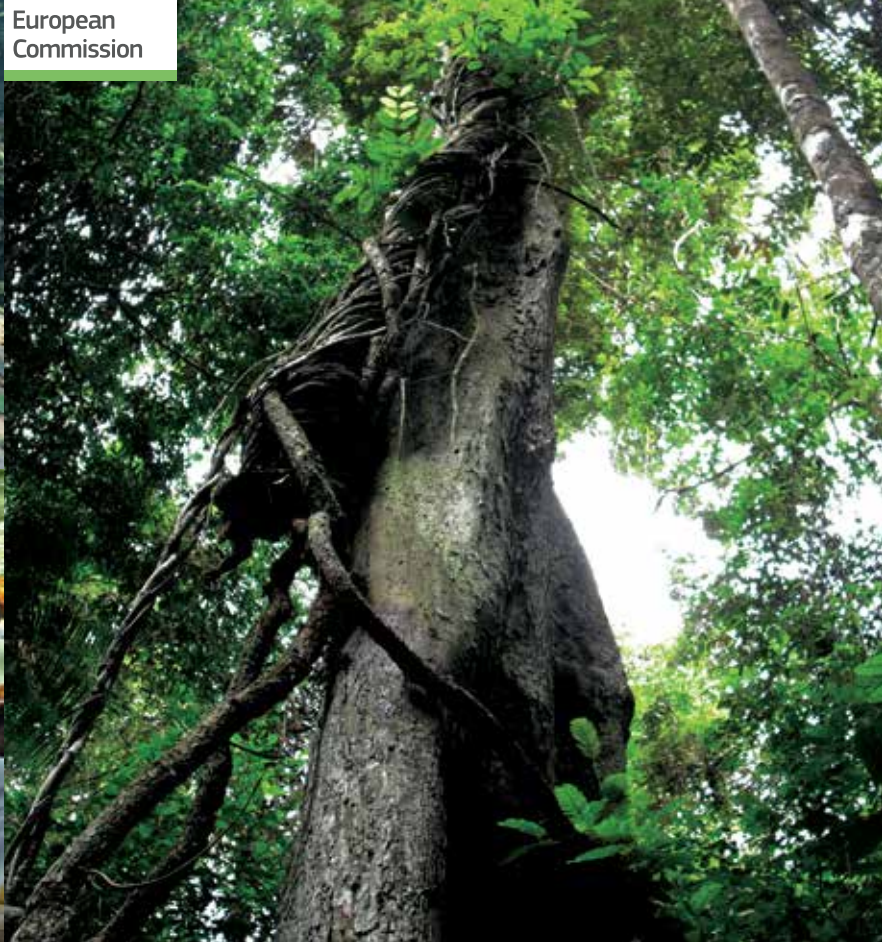




European  
Commission



# Combating illegal logging

## Lessons from the EU FLEGT Action Plan

### A summary

In this summary of the publication *Lessons from the EU FLEGT Action Plan*, we look at the Action Plan's impact in the 10 years since its adoption, why the EU must continue the fight against illegal logging and related trade, lessons learned and how we might respond to changes in the world timber trade.



# Why do forests matter?

Forests cover 4 billion hectares of Earth's surface. That's around 0.6 hectares of forest for each person. This limited resource contributes at least €180 billion a year to the global economy and provides timber, fuel, food, medicines and many other things we need. The good governance of forests is vital to the 1.3 billion people who depend on forests for all or part of their livelihoods. Most of these people are among the world's poorest. Forests prevent desertification and soil erosion, protect water supplies and support biodiversity. Forests also matter because the destruction of forests accounts for about 18% of carbon emissions caused by human activity.



Photo: EFI

# Why combat trade in illegal timber?



Photo: Tim Lewis, Handcrafted Films

Illegal logging must be stopped because it has many negative economic, environmental and social consequences.

- Globally, illegal logging causes economic losses of €7 billion a year. Half of this is in taxes that governments cannot collect. Economic models suggest that illegal logging depresses world prices for forest products by 7% to 16% depending on the product.
- The illegal trade harms legitimate small and medium-sized enterprises, which directly employ 20 million people and provide income to more than 140 million people working in the informal sector. They create gross value-added of more than €90 billion.
- Illegal logging can contribute to deforestation. One study in Indonesia found that illegal logging caused an estimated 20% of the deforestation between 2000 and 2008.

- Illegal logging contributes to environmental degradation, which leads to loss of biodiversity, destruction of habitats for animals, soil erosion, changes to water cycles and carbon emissions that fuel climate change.
- In some cases illegal logging fuels criminal activity. It is associated with organised crime, and armed groups engaged in civil conflict have funded their fighting through illegal logging.

Illegal logging is often made possible by factors such as unfair and insecure rights to own and access forests, corruption that undermines law enforcement, and the exclusion from decision-making of communities that depend on forests. Good governance of forests is therefore vital to the many people who directly depend on them and to the economies of timber-trading countries.





Photo: European Union

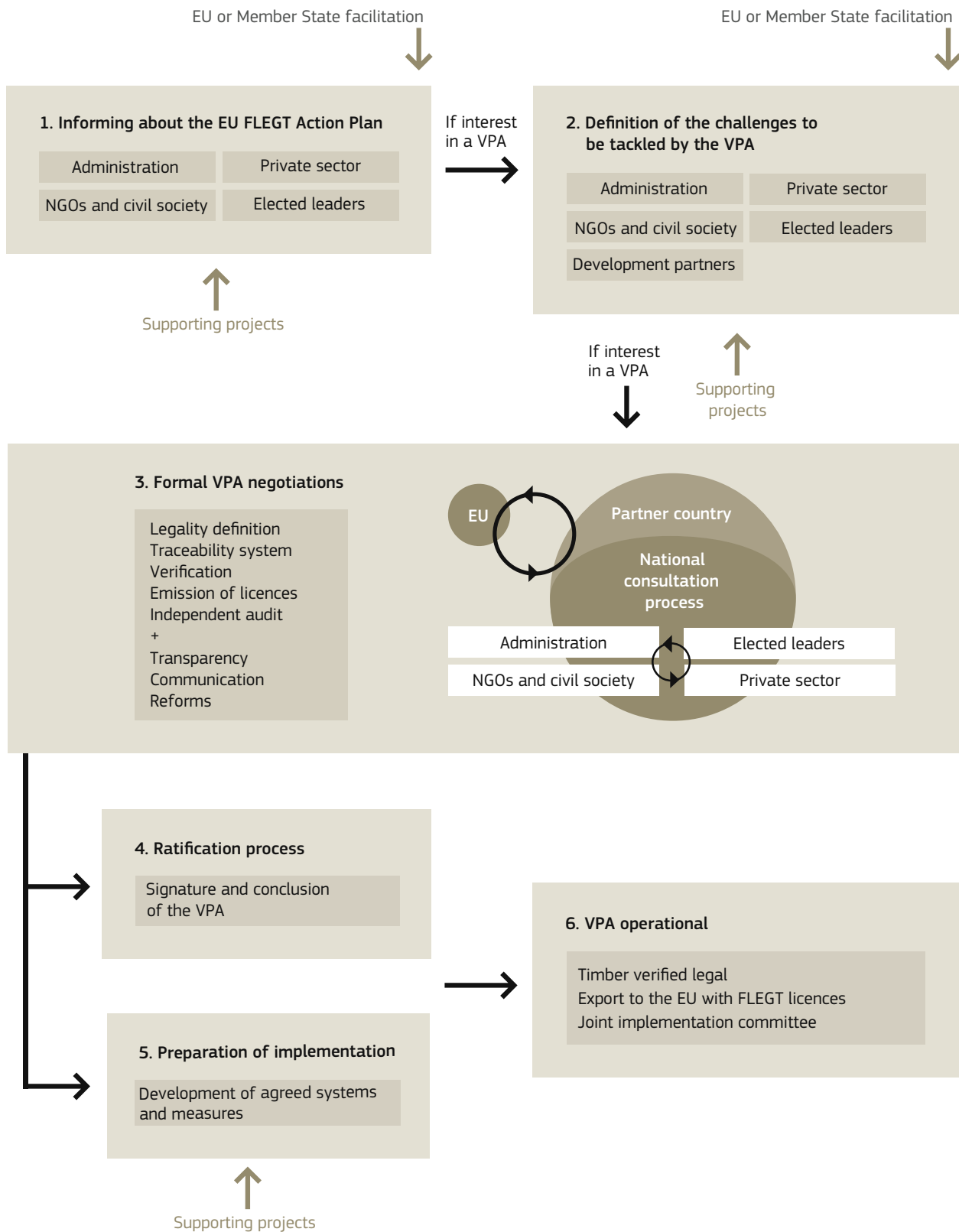
## Why was FLEGT created?

In the late 1990s, the issue of illegal logging drew public and political attention. In 1998, the G8, a group composed of eight of the world's largest national economies, set out its response to the problem of illegal logging in its Action Programme on Forests. The programme involved a series of ministerial conferences on forest law enforcement and governance in Indonesia, Cameroon and Russia.

The EU recognised that, as one of the world's largest markets for timber products, its actions

were having a considerable impact on the illegal timber trade. The EU also recognised that trade agreements would be a viable option, as a credible way for the EU to help countries meet the EU's demand for legal timber. The EU FLEGT Action Plan, adopted in 2003, introduces Voluntary Partnership Agreements (VPAs), which are bilateral trade agreements between the EU and producer countries. FLEGT stands for forest law enforcement, governance and trade.

# VPA process













# What are Voluntary Partnership Agreements?

VPAs are based on a simple idea: A country agrees to issue a FLEGT licence for any timber and timber products that it sends to the EU; the FLEGT licence certifies that the timber was legally produced according to the laws of the country of origin. The FLEGT Regulation, adopted by the EU in 2005, states that timber products from a country with an operational VPA must be accompanied by a FLEGT licence if they are to enter the EU market.

In 2009, Ghana became the first country to complete VPA negotiations with the EU. Since then, Cameroon, the Central African Republic, Congo, Indonesia and Liberia have also finalised a VPA. Each VPA describes that country's system for ensuring that timber is legally harvested, transported, taxed and licensed, all along a chain from the forest to the port.

## The VPA process

VPAs are developed in four phases by stakeholders who work together to identify and resolve governance challenges. Even before formal negotiations begin, stakeholders in the producer country convene, learn about VPAs, define their priorities and participate in national consultations that inform the national negotiating position with the EU. During negotiations, the parties agree on a definition of legal timber and establish a robust monitoring system that confirms legal compliance, known as the legality assurance system.

After the VPA is agreed, the producer country implements the agreement by upgrading its systems for verifying legal compliance, recruiting an independent auditor and putting in place transparency, communication and capacity-building measures. The final phase is when the FLEGT licensing scheme becomes operational. A bilateral joint implementation committee monitors the implementation of the measures agreed in the VPA.

## The importance of good methods

A VPA is only as good as the methods used to create it. For the VPA to work, both the definition of legal timber and the legality assurance system must be objectively verifiable and enforceable. Furthermore, negotiations with a producer country must be tailored to the realities and laws of that country.

For these reasons, extensive consultations with national stakeholders are essential. Representatives of government agencies, local communities, civil society and the private sector must be involved in the process to develop a broad national consensus. Stakeholder engagement ensures that the interests and practical experience of the different actors are taken into account to address forest governance challenges and build a robust legality verification system. Participation and national consensus in the development of a legality verification system also sends a strong message to the market.

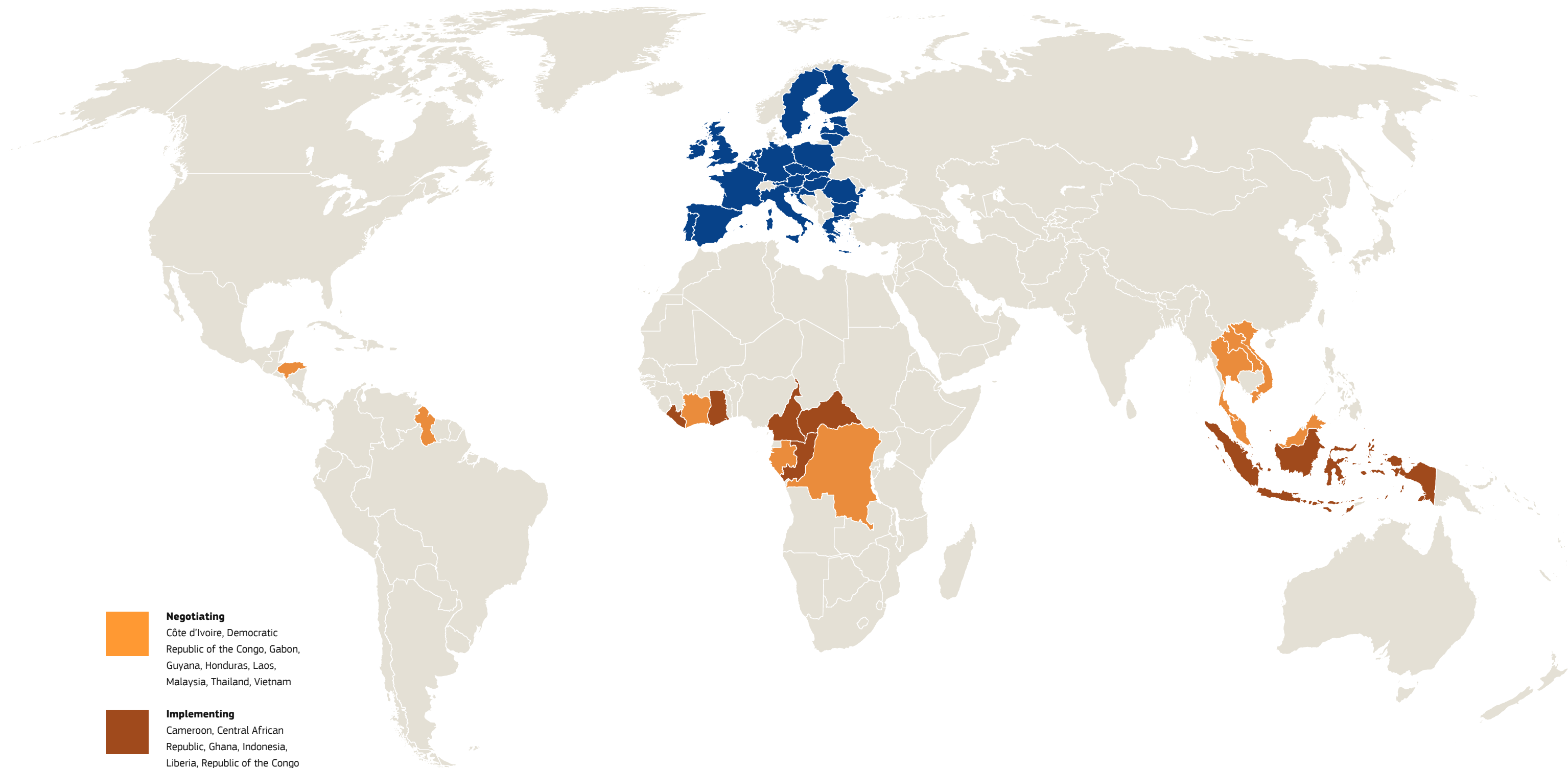
## Wider benefits of VPAs for producer countries

The focus on the national legal and governance context reinforces state sovereignty and national ownership of results. Most partner countries are using the VPA to achieve broader objectives beyond securing legal timber for the EU market. Developing a VPA has become a means of stimulating reforms throughout the entire forestry sector. Many VPAs aim to verify the legality of all exports, not just those bound for the EU. This is particularly important because emerging economies are importing an ever-growing share of world timber.

## Financial support for VPAs

As a VPA is a trade agreement, it does not involve financial assistance. However, the reality is that activities such as upgrading systems and improving capacity cost money. The European Commission, countries in the EU and producer countries have allocated financial resources to support the development or upgrading of governance systems in producer countries as described in their VPAs. However, once a final legality assurance system is in place, the partner country will cover the operating costs.

## VPA partner countries





# What **progress** has been made on other elements of the EU FLEGT Action Plan?

VPAs are a central component of the EU FLEGT Action Plan. However, the Action Plan also outlines other approaches for combating trade in illegal timber, and the EU has been working towards these.



Photo: EFI

## Public procurement

A government's public procurement policy sets out its requirements or preferences for the goods and services it buys. Public procurement policies therefore influence the business models of companies that fulfil government contracts. Eleven countries in the EU have public procurement policies that encourage trade in verified legal timber.

## Private sector initiatives

Timber companies and business associations in the EU have changed several of their practices in response to the EU's initiative. These changes will only increase in response to the requirements of the EU Timber Regulation. For example, companies have adopted voluntary codes of conduct, procurement policies and chain-of-custody initiatives, particularly in the timber, paper and construction sectors.

## Forest certification schemes

Forest certification schemes certify that specified forest areas are managed according to defined standards for sustainability or, in some cases, legality. Forest certification schemes and VPAs reinforce each other as both encourage legal and sustainable forest management.

## Financing and investment

In 2011, the European Commission proposed to amend its Accounting and Transparency Directives to increase the transparency of the payments that governments receive from EU-based logging companies that operate in primary forests.

## The EU Timber Regulation

Another major element of the EU FLEGT Action Plan is the EU Timber Regulation, which was adopted in October 2010 and came into force in March 2013. The regulation responds to calls from producer countries and EU consumers for rules that prevent the sale of illegally harvested timber anywhere in the EU. The regulation prohibits anyone from placing on the EU market any timber products that were illegally harvested; here, 'illegally harvested' means illegal according to the laws of the country of harvest. The regulation therefore requires operators that place timber products on the EU market to exercise 'due diligence', so they can minimise the risk of illegal timber entering their supply chains. The regulation applies to all 28 countries in the EU, which are responsible for enforcing it.

Under the EU Timber Regulation, timber products that have a valid FLEGT licence or CITES permit are considered to comply. This creates a positive incentive for countries to enter into a VPA. CITES stands for the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

# What have we learned from FLEGT?

The EU FLEGT Action Plan was created in response to the substantial damage that illegal logging causes to forests and people, as the EU recognised it could help address the problem by buying only legally sourced timber. Through a set of supply-side and demand-side measures, the Action Plan has improved governance and reduced illegality in some of the most prominent tropical timber-producing countries.

For example, in Cameroon and Indonesia, efforts against illegal logging between 2001 and 2006 prevented the emission of 1.6 billion tonnes of carbon dioxide (4% of current annual global human-induced carbon emissions). Those two countries also collected additional tax revenue of US \$4 billion. Cameroon and Indonesia are just two of the countries negotiating or implementing a VPA, and more countries are expressing interest.

Here are some of the main lessons that have emerged from the methods that the EU, countries in the EU and timber-exporting countries have employed in implementing the Action Plan.

## Focus on legality

Developing countries have seen that the focus on legality reinforces their national sovereignty. As this focus on legality means that all operators must comply, it makes the business environment fairer.

## Harnessing market power

Involving the private sector and harnessing the power of the market changes the dynamic of the debate about forests and governance. It broadens the base of constituents with an interest in change and with the capacity to effect change.

## Linking supply and demand

Linking demand-side and supply-side measures is essential for dealing with governance of natural resources traded in international markets. It also demonstrates the EU's good faith through its willingness to change its own practices to support the efforts of timber-exporting countries.

## Engaging as equal partners

The separation of discussions on governance reforms and financial assistance means that VPA negotiations are political dialogues between partners rather than negotiations between donors and beneficiaries.

## Inclusiveness of processes

Genuinely inclusive, multistakeholder processes can often take a lot of time, but patient support of these processes helps with the resolution of difficult governance issues.

The Action Plan is more of a political process than a traditional aid programme. The Action Plan therefore omits the milestones and targets that typify most development interventions. Its advantage is that it seeks to address forest governance in a holistic way. As a result, the Action Plan avoids the unforeseen displacements and negative impacts that often occur when forest development assistance has a narrower focus.

Photo: EFI











Photo: EFI

## What comes **next?**

Several VPAs are in the implementation phase. The joint implementation committee in each partner country is maintaining momentum and ensuring that the VPA is implemented in the way it was negotiated – with an emphasis on transparency, communication and independent audits.

A key challenge for partner countries will be to ensure that multistakeholder participation continues during implementation. For the EU, the European private sector must be made aware of the benefits of trading in FLEGT-licensed timber. Civil society organisations can make a valuable contribution to raising that awareness.

To curtail the demand for illegal timber products, consumer markets and processing hubs must collaborate more. The EU Timber Regulation and similar legislation in the United States and Australia are positive examples of this, but more is needed, particularly in growing consumer markets.



# A chronology

