

# Voluntary Partnership Agreements and the Mekong

Forest Law Enforcement Governance and Trade (FLEGT)

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# Who am I?

- Andy Roby
  - Tropical forester (Bangor, Oxford), Henley MBA, 30 years working in international development (Africa, Latin America, Asia) including 5 years in the UK timber trade
  - Current work: Indonesian timber licensing scheme to ensure only legal timber is exported to Europe – the so-called “FLEGT process”



# Presentation

1. Forest Law Enforcement Governance and Trade (FLEGT) Action Plan
2. Voluntary Partnership Agreements (VPAs)
3. Non VPA countries
4. Company case study
5. An EU Action Plan?

# 1. FLEGT

- Forest Law Enforcement Governance and Trade (FLEGT)
- An EU Action Plan signed in 2003
- Aimed at tackling illegal logging, in particular through trade measures
- Included development cooperation, private sector action, financial measures, further legislation and timber trade agreements (“VPAs”)
- The Trade element (i.e. the market) has proven critical, in Asia at least



# Where FLEGT started



# RI calls on donors to stop importing illegally cut timber

**Deutsche Presse-Agentur**  
Jakarta

**I**ndonesia on Tuesday called on its major donors to stop importing illegally cut timber or associated products from the country, but failed to put into place constraints on its own booming forestry industry.

"Asking one country to combat illegal logging while at the same time receiving or importing illegal logs of course does not support efforts to combat these forest crimes," Indonesian Forestry Minister Muhammad Prakosa told an annual gathering of the country's leading international and country donors.

Indonesia last year signs agreements with China, the UK and Northern Ireland to cooperate in halting the import of illegal timber or timber products in an effort to stem the rampant deforestation taking place in the Indonesia, which is losing about 2 million hectares of forest land each year, much of it to illegal logging.

Prakosa said that Indonesia was working on similar cooperative agreements on illegal timber import bans with the U.S., Japan and the European Union.

Indonesia's repeated failure to curb illegal logging, much of it conducted with the collusion of government officials, has been raised as a serious issue at the Consultative Group for Indonesia (CGI), a group of some 30 donors who have been financing the country's budget deficits for the past four years, but the government failed to respond to policy suggestions.

The World Bank and IMF, hosting the CGI meeting, have this year put pressure on the Indonesian Bank Restructuring Agency (IBRA) to slow its sale of bad debts owed to banks by the forestry sector in an effort to let more forestry companies go under.

"There was essentially no response on the IBRA issue," said Thomas Walton, the World Bank's lead environmentalist expert in Indonesian. "The results on the

ground have been very small."

The World Bank and many environmentalists argue that most of Indonesia's illegal logging is the result of the huge domestic demand from local forestry industries such as pulp and paper, plywood and furniture.

Indonesia's giant pulp and paper industry, with a capacity to consume 25 million cubic metres of wood per year, is deemed the major single source of deforestation in the country, and yet the government has made no effort to curb production.

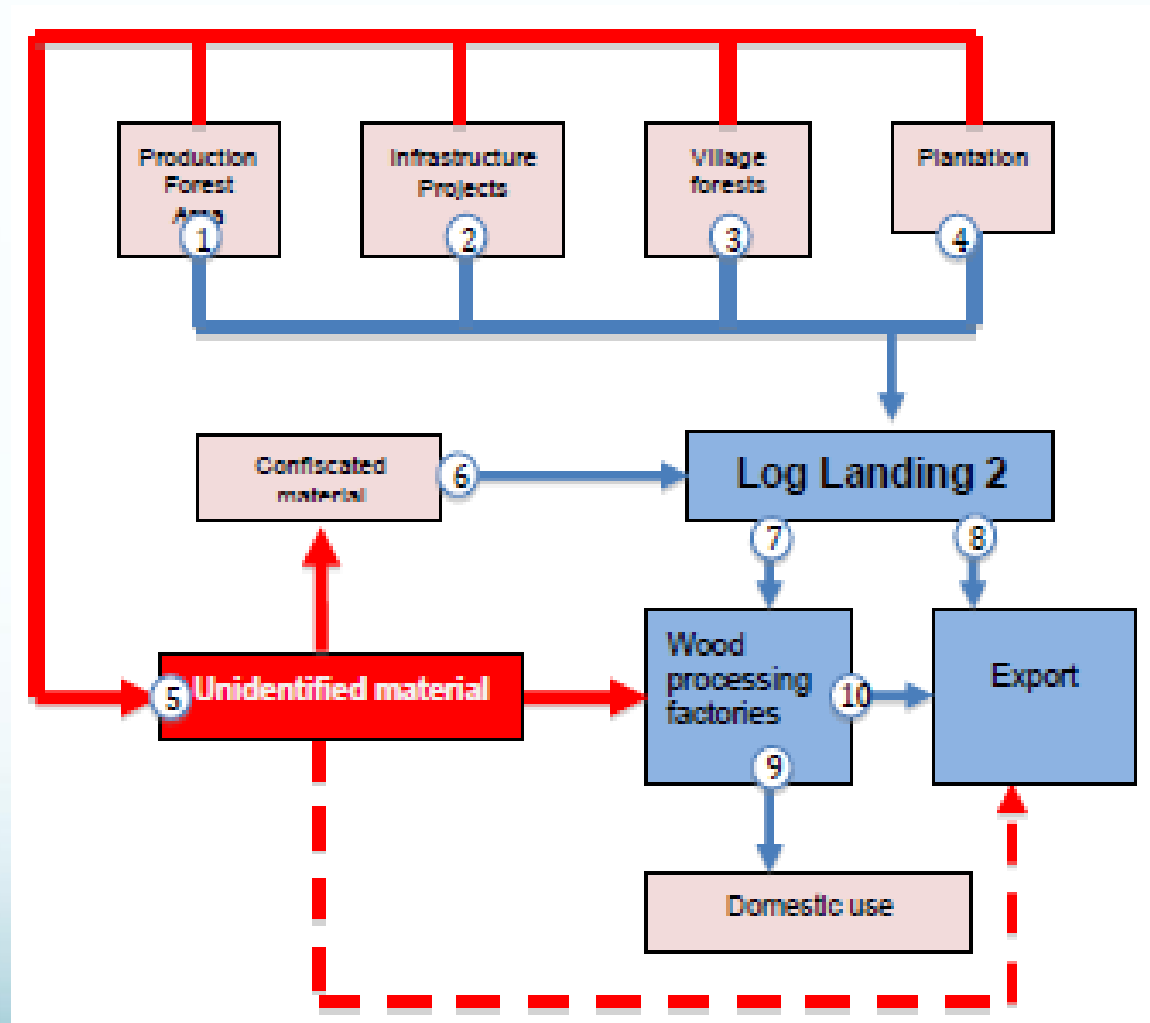
Although forestry minister Prakosa threw his support behind the World Bank and environmentalists' proposal to let some of the ailing forestry companies go under to decrease the industry's capacity, but neither IBRA nor the finance ministry endorsed the plan.

"If we lose the momentum and do not close down these forest companies, it will be politically difficult to close them down later on," warned the minister.

# The nature of the challenge

- Multiple forms – illegal logging can involve forestry, environmental, economic and social infractions
- No single definition – legality is defined in accordance with national legislation
- Consumers remain largely unaware that what they are buying may be illegal
- Many scales – from small to industrial or large scale
- Many perpetrators – from local communities to highest level of government
- Many agencies contribute to enforcement – police, customs, forest rangers, border guards, etc.
- Interaction between illegal timber and other trafficking

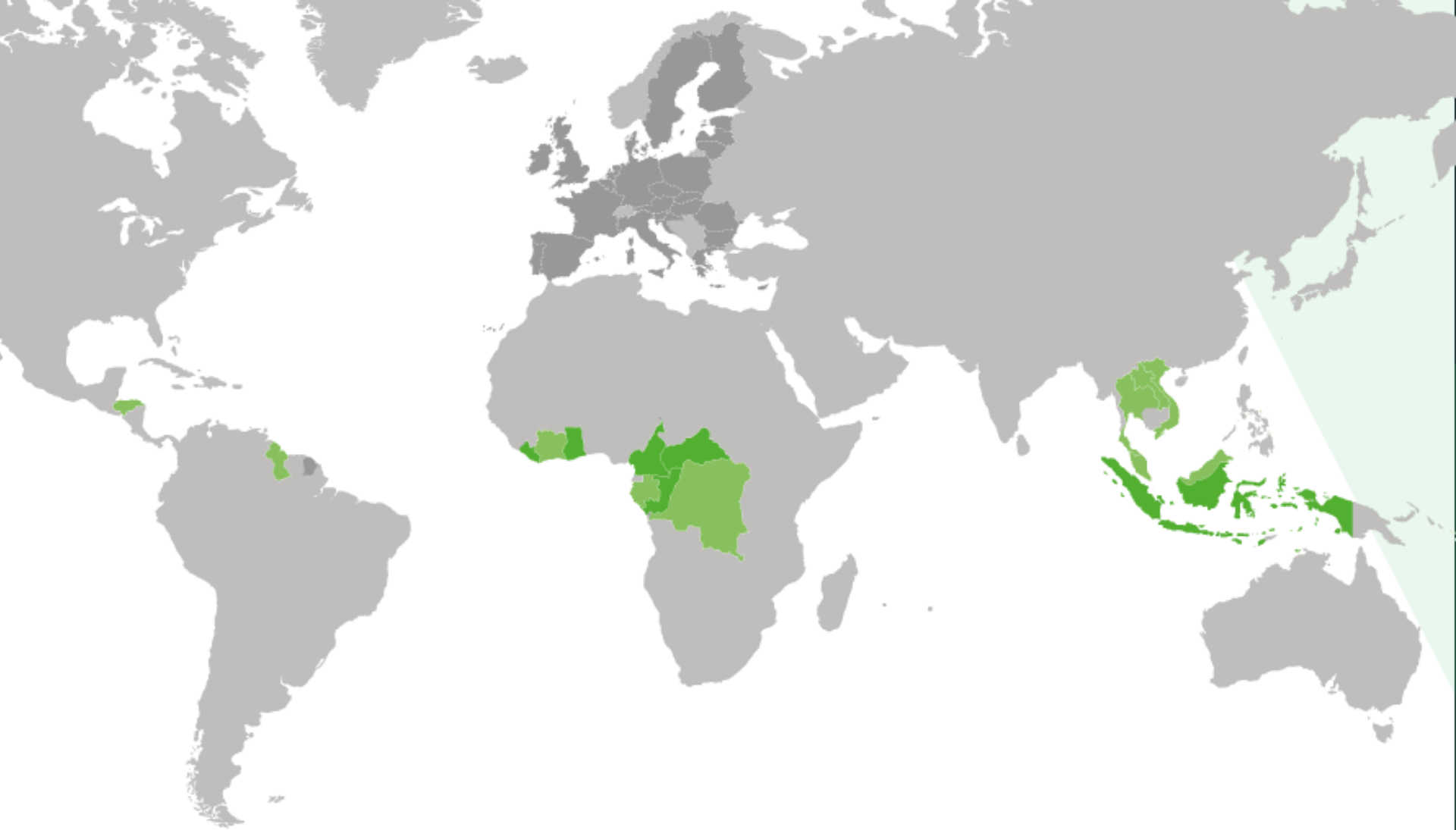
# Example of the complexity of the challenge – model of Laos Timber Supply and Flows



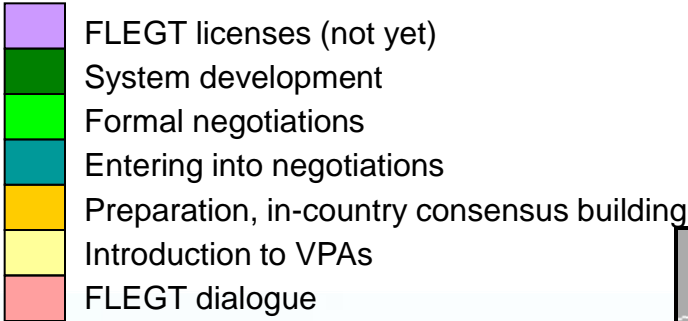


## 2. Voluntary Partnership Agreements (VPA)

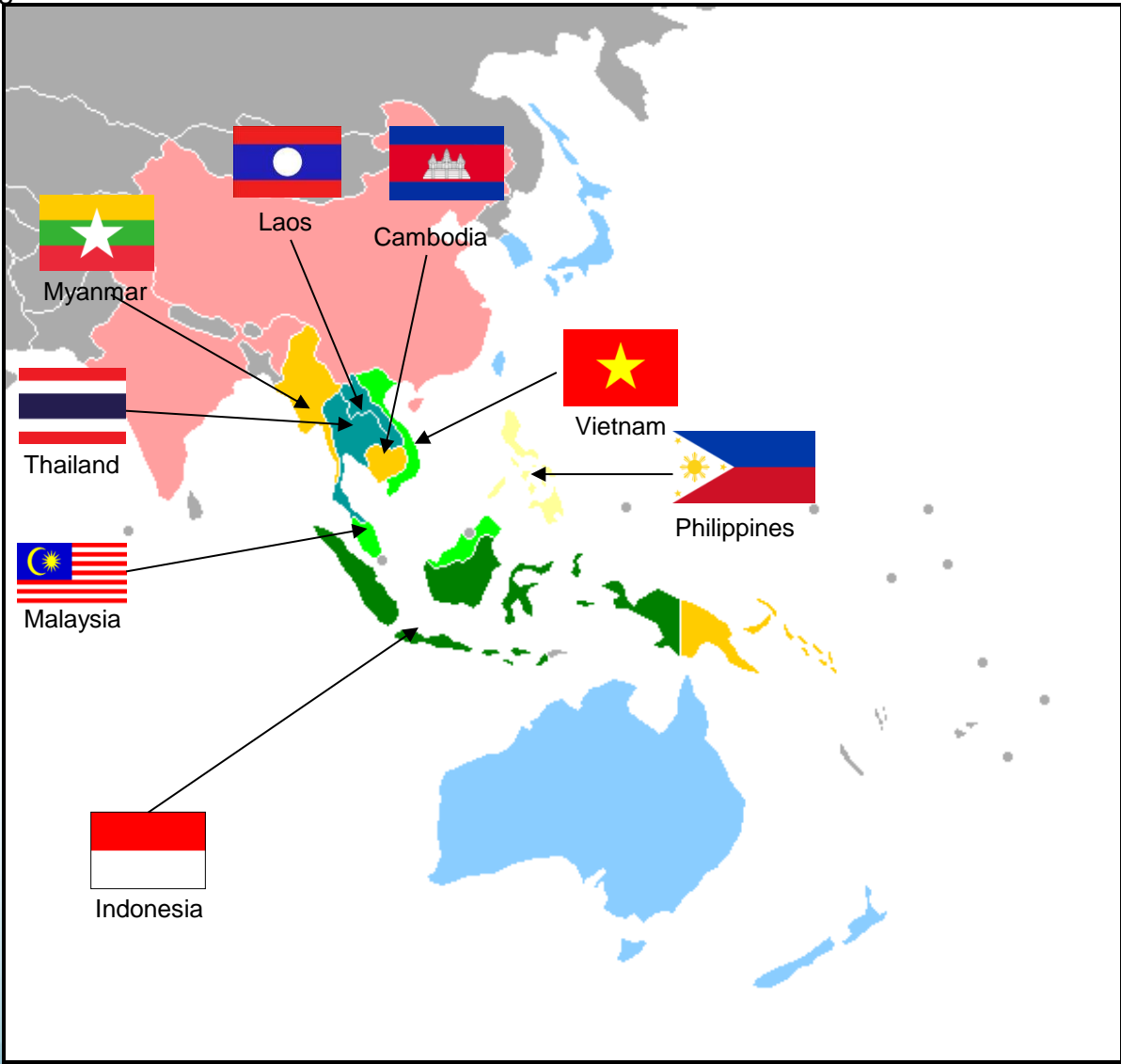
- A legally-binding agreement between EU & Partner Country
- FLEGT Licenses give ready access to the EU which is now regulated by the EU Timber Regulation
- FLEGT licenses are based on Timber Legality Assurance Systems (TLAS)
- TLAS:
  - Legality Definition (based on national laws)
  - Controls of timber supply chains
  - Verification of compliance
  - Issuance of FLEGT licenses
  - Independent Audit
- Requires consultation amongst national stakeholders
- Helps to address governance weakness that drive illegal logging



Voluntary Partnership Agreements



*FLEGT  
processes  
in ASEAN  
region*



# Situation in the Mekong Region (1)

- **Viet Nam** – entered into VPA negotiations in Nov 2010
  - *Increasing engagement with private sector and CSOs during negotiation process*
  - *Conversion addressed in draft legality definition in accordance with regulations at small (i.e. household/community) and large (i.e. organisation/enterprise) scale*
  - *Aim to conclude negotiation in 2014*
- **Lao** – announced interest in VPA negotiations in Feb 2012
  - *Technical and Support committees established, but National Steering Committee pending*
  - *Preparation at technical level ongoing with joint planning for a multi-stakeholder dialogue amongst govt, CSOs and private sector*
  - *First negotiation pending*



# Situation in the Mekong Region (2)

- **Thailand** – entered into VPA negotiations in Feb 2013
  - *Negotiation structure set up*
  - *Royal Forest Department reaching out to other agencies & CSOs to assess the legal framework*
- **Myanmar** – showing broad interest in FLEGT/VPA
  - *Forest sector and related reforms commencing*
  - *Ongoing FLEGT/VPA awareness raising amongst stakeholders*
  - *Various support projects/activities commencing*
- **Cambodia** – FA showing interest in FLEGT
  - *FA set up an informal FLEGT Working Group in 2011 & prepared a roadmap toward negotiating a VPA agreement in June 2012*
  - *Timber flow study recently completed*

# Factors determining how VPAs deal with forest conversion

- Magnitude/impact and awareness/concern of conversion during negotiations
- Whether the VPA process involves those that are primarily responsible for conversion (e.g. agro-industry, mining etc.)
- Whether local civil society is sufficiently informed about conversion to identify it as an issue to pursue through the VPA process
- Extent to which existing legislation provides conversion related safeguards in its design and implementation – that could then be reflected in the LD/TLAS

# Indonesian VPA

- The biggest, the first in Asia and the most advanced in terms of implementation
  - 22m ha of forest “SVLK” audited representing perhaps 50% of log production
  - Over 1,000 companies licensed to trade in SVLK timber
  - Licensing of exports to the “V-Legal” standard fully operational and using the ASEAN national single window
  - Licensing Information Unit issued over 80,000 export licenses for timber shipments

# Indonesia's SVLK – fatally flawed?

- There are some big implementation challenges before FLEGT timber licensing to Europe can begin eg:
  - Logs from land clearance not properly controlled
  - Auditors are not doing their work properly
  - Independent monitoring by civil society
  - Failed audits are not resulting in law enforcement
- These problems were highlighted in the first VPA EU-Indonesia assessment last year and echoed by the Anti-forestry mafia report in February this year
- A joint action plan was agreed the day after the VPA was signed and has now been published (March 2014) once both parties were comfortable and confident
- This is a nationally-owned multi-stakeholder process driving forward improvements - a way forward for other sectors, notably:



**Jakarta Post, March 2014**  
**VOSEGT?**  
*“Deputy Trade Minister Bayu*

News  
BUSINESS

# RI proposes trade platform for CPO exports

Linda Yulisman

The Jakarta Post, Jakarta | March 21 2014 | 11:45 AM

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Indonesia has proposed that the European Union establish a common platform on sustainability to ease the flow of crude palm oil (CPO) exports into Europe.

The proposal was conveyed during a hearing with the EU Parliament in Brussels from March 17 to 18 ahead of the meeting of the Indonesia-EU working group on trade and investment that kicked off on Thursday.

Deputy Trade Minister Bayu Krisnamurthi said Thursday that the proposed common platform would be similar to the EU Forest Law Enforcement, Government and Trade (FLEGT) applied to timber, which directly recognized compliance of legally certified timber from Indonesia with EU law through a voluntary partnership agreement (VPA).

The scheme, called Vegetable Oil Sustainability Enforcement, Government and Trade (VOSEGT), will primarily concern the sustainability of palm oil production.

"Under the platform, the EU would directly acknowledge the sustainability of certified palm oil from Indonesia," Bayu said.

In another meeting involving palm oil consumer groups, Indonesia also requested that the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder palm oil body, create a program that acknowledged convergences among its mandatory and membership-based sustainable palm oil certification and Indonesian Sustainable Palm Oil (ISPO) certification.

Under such a program, the RSPO would acknowledge palm oil certified under the ISPO as sustainable and vice versa, Bayu said, adding that the program would be feasible. Indonesia is slated to formally discuss the proposal at the RSPO Summit in June in London.

Indonesia, once the world's biggest log exporter, has struggled to combat rampant illegal logging. By 2001, it banned all log exports and in 2003, it introduced a domestic timber legality verification system (SVLK) that applied to all timber producers in 2010. As one of the buyers that has raised concerns on illegal logging and timber trade across the world, the EU passed a timber regulation a few years ago demanding the purchase of only legally sourced timber.

Under the EU-Indonesia FLEGT-VPA, the EU acknowledged the legality of SVLK-licensed Indonesian timber and removed it from long tracking procedures, thereby cutting business time and costs as well as providing better access to the 28-member bloc market.

Similar to timber, palm oil, of which Indonesia is the world's biggest producer, has long been blamed for destroying Indonesia's vast tropical rainforests as oil palm plantations have expanded greatly.

In 2010, the government tried to address the concern of deforestation amid mounting pressure from big-scale buyers, such as Anglo-Dutch multinational Unilever and Switzerland's Nestlé, which demanded Indonesia supply sustainable palm oil by developing its sustainability program, the mandatory ISPO.

However, questions still linger as to how to get the national program internationally acknowledged and obtain the same level of credibility as consumer-driven sustainable certification issued by the RSPO. At present, Indonesia's sustainable palm oil accounts for 48 per cent of the 8.2 million

### 3. Non VPA countries

# China and India

- The EU works with China through a **Bilateral Coordination Mechanism (BCM)** with the EU, and wants its companies to continue supplying timber to the EU under the EU TR.
- The BCM has resulted in technical discussions on **demand-side measures** with a range of timber consuming and processing countries in the region and beyond.
- **Indian** industry has identified some measures to source legal timber through a national legality verification system, training and a FLEGT Task Force.
- Change in **India** is thus depends more on internal political will to enhance the legality of imported and domestically produced timber than on EU trade leverage.

# Other countries

EFI had worked closely and coordinated awareness-raising with the US, Australia, **Japan** and just started with **South Korea**

**Indonesia** has been playing a key role promoting the FLEGT approach in China, Japan and South Korea



# 4. Drivers of Change: Asia Pulp and Paper Case

- Big pulp and paper multinational based in Indonesia.
  - Most indebted company before the 2008/9 crash
  - History of broken promises on environment
  - Probably the largest single agent of deforestation in Indonesia
- Now turned over a new leaf....
- March 2013: “Zero deforestation” - stopped bulldozing natural forest, but only 150,000ha left to save so...
- April 2014: 1m ha conservation initiative; working in partnership to manage landscapes
- Hundreds of APP staff are now working on social and environment matters
- Partnerships with Greenpeace, TFT, Ekologica, Daemeter, Rainforest Alliance, Ata Maria....

# Why did APP change?

- Losing big customers thanks to direct action of Greenpeace and Rainforest Action Network
- Changing markets; US Lacey Act, EU Timber Regulation, Australia
- They had worked out what they could do practically and stay in business
- They had qualified practical help
- Social conflict was costing them too much

# 5. What might the EU do?

May 2014 Conference on the challenges of deforestation and forest degradation:


- **an EU Action Plan** on deforestation and forest degradation to identify different instruments and levels of intervention
- Calls for a policy package for **phasing out illegally produced agro- commodities** on the world market.
- Apply **FLEGT model to other commodities**.

# A Way Forward for the EU?

- Review what worked in Brazil and apply elsewhere
- Clear and enforced community rights over forests contribute to reduced deforestation.
- How can companies back their 'Zero deforestation' commitments with concrete actions, such as contractual penalties if product quality is not met, efforts in traceability and transparency as well as independent third-party verification.
- The essential role to be played by governments;
  - curbing abuses,
  - enforcing compliance,
  - making decisions on land-use allocation more transparent,
  - raising the bar on standards,
  - changing their own procurement policies and
  - restricting access to credit for non-compliant companies

# Some personal suggestions...

- Some more juicy case studies on illegal clearances and agricultural products in supply chains
- Understand markets, investment, supply chains, global trends in supply and demand
- Business dialogues in country talking about changing markets
- Political economy/stakeholder analysis
- Communications strategies
- Country-by-country; what are reasonable next steps given politics/society/economics?



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