



Have your products been legally produced?

Excerpts from the report: *Sustainable Procurement of Wood and Paper-based Products: Guide and Resource Kit* (www.SustainableForestProds.org)

There is no universally accepted definition of illegal logging and trade. Strictly speaking, illegality is anything that occurs in violation of the legal framework of a country. It is generally acknowledged that legality is not a synonym for Sustainable Forest Management, and that what is sustainable may not always be legal (World Bank, 2006; Contreras-Hermosilla et al., 2007). Some examples of what have been considered illegal forestry activities are given in Box 1.

Illegal logging is a fundamental problem in certain nations suffering from corruption or weak governance. International trade is one of the few sources of influence sufficient to create the political will to make improvements. Several international processes¹ have taken up this issue, and national efforts have started to appear as a result. During the last five to 10 years, illegal logging and illegal trade have risen to the top of the international forestry agenda.

Illegal logging of wood and paper-based products entails a complex set of legal, political, social, and economic issues. Poverty, lack of education, financial issues, population growth, and weak governance are all enabling factors for illegal activity. Illegal activity has many drivers that make it challenging to address this issue. These drivers are often associated with a range of items from short-term economic gain to local and national actors including communities and governments:

- Local (and often national) governments may receive higher revenues as a result of illegal land conversion and increased timber production.
- Because illegally logged wood can be sold at lower prices, it depresses the profitability of legally harvested wood while improving the competitiveness of industries that use illegal wood.
- Many people may derive an income from illegal forest activities.

Illegal logging and illegal trade can create serious problems:

- **Government revenue losses** – the World Bank estimates that governments lose revenue equivalent to about US\$5 billion per year (World Bank, 2002).
- **Unfair competition** – market distortion and reduction of profitability for legal goods; the World Bank puts this cost at more than US\$ 10 billion per year (World Bank, 2002).
- **Increased poverty** – occurs indirectly when governments lose revenues.
- **Support and funding of national and regional conflicts.**
- **Unplanned, uncontrolled and unsustainable forest management.**
- **Destruction** – areas important for biological conservation, ecosystem services, and local livelihoods.
- **Reputational damage**—for wood-based products and industries.
- **Climate effects** through unplanned emissions of greenhouse gases.

Between 8-10% of global wood production is estimated to be illegally produced, although the great uncertainty of these estimates is also acknowledged; most of this illegally produced wood is used domestically, although a significant portion enters the international trade either as finished products or raw materials (Seneca Creek and WRI Ltd, 2004). Estimates of illegal logging in specific countries and regions vary depending on the nature of the activity and the variability of laws and regulations (Figure 1).

Sources: Contreras-Hermosilla, A. R. Doornbosch and M. Lodge, 2007. *The Economics of Illegal Logging and Associated Trade*. OECD.; Seneca Creek and WRI Ltd. 2004, "Illegal logging" and *Global Wood Markets: The Competitive Impacts on the US Wood Products Industry*.; World Bank, 2002. *Sustaining Forests: A World Bank Strategy*.; World Bank, 2006. *Strengthening Forest Law Enforcement and Governance*. World Bank.

¹ Prominent international initiatives include the G8 Forestry Action Programme, agreed by G8 foreign ministers in 1998, and the Gleneagles Declaration in 2005. The European Union in 2003 adopted an Action Plan on Forest Law Enforcement, Governance and Trade (EU FLEGT). Also in 2003, regional inter-governmental processes on Forest Law Enforcement and Governance (FLEG) were established in Southeast Asia, Central Africa, and Europe and Northern Asia, each on the basis of a Ministerial Declaration. In 2008 the US Congress amended the Lacey Act to ban trade in forest products that include illegally logged wood.

Box 1. Examples of Illegal Forestry Activities

Illegal activities can generally fall into two broad categories: illegal origin (ownership, title or origin), and lack of compliance in harvesting, processing, and trade. The following are examples of activities that have been identified and/or included in some definitions of illegal logging.

Illegal origin (ownership, title, or origin):

- Harvesting of wood in protected areas without proper permission (e.g., in national parks). This may include instances where authorities allocate harvesting rights without properly compensating local people.
- Logging protected species.
- Logging in prohibited areas such as steep slopes, riverbanks and water catchments.
- Harvesting wood volumes below or above the limits of the concession permit as well as before or after the logging period stated in the harvesting license.
- Harvesting wood of a size or species not covered by the concession permit.
- Trespass or theft, i.e., logging in forests without the legal right to do so.
- Violations, bribes and deception in the bidding process to acquire rights to a forest concession.
- Illegal documentation (including trade documents).

Lack of compliance throughout the supply chain (harvesting, manufacturing, and trade):

- Violations of workers' rights (e.g., unfair wages), labor laws and international standards; violation of traditional rights of local populations and indigenous groups.
- Violation of international human rights treaties.
- Wood transported or processed in defiance of local and national laws.
- Violations of international trade agreements (e.g., CITES species – Box 2 below).
- Failure to pay legally prescribed taxes, fees and royalties.
- Illegal transfer pricing (e.g., when it is to avoid duties and taxes), timber theft, smuggling.
- Money laundering.
- Failure to fully report volumes harvested or reporting different species for tax evasion purposes.

Different definitions of illegal logging can lead to different estimates, which makes addressing the problem more difficult. Defining illegal logging is not only a technical issue, but one with potentially far-reaching political implications.

Sources: Contreras-Hermosilla, A. R. Doornbosch and M. Lodge. 2007. *The Economics of Illegal Logging and Associated Trade*. OECD. GFTN. 2005. *Building a Better Business through Responsible Purchasing: Developing and Implementing a Wood and Paper Purchasing Policy*. GFTN-North America.; Rosenbaum, K.L. 2004. *Illegal Acts in Forestry Definition Process: Clarifying the Definition of Illegal Logging*. FAO; Miller, F., R. Taylor and G. White.

Box 2. The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) was established to limit and regulate the trade of endangered species.

CITES is an international, legally binding agreement to ensure that international trade of certain animals and plants (including wood from certain tree species) does not threaten their survival.

CITES establishes controls for the international trade of selected species. All import, export, and introduction of species covered by the convention must be authorized through a licensing system established by member countries. Each country designates one or more Management Authorities that administers the licensing system advised by one or more Scientific Authorities.

Based on the degree of protection needed, species covered by CITES are listed in three appendices:

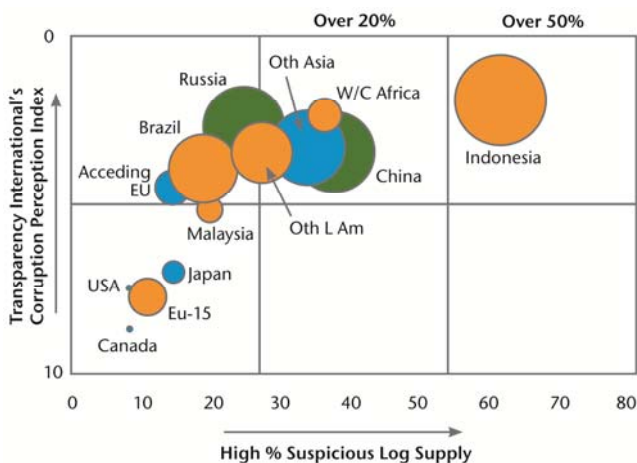
- Appendix I – species threatened with extinction; trade is permitted but under very restricted circumstances
- Appendix II – trade of these species is controlled and regulated to ensure their survival
- Appendix III – species subject to special management within a country.



The Bali Mynah is one of the world's most critically endangered birds. Native to the island of Bali in Indonesia, there are less than twenty remaining in the wild.

Sources: Cites website; UNEP/WCMC's Tree Conservation Information Service.

Figure 1. Corruption and Illegal Logging Activity (2004)



In a widely accepted, in-depth multi-country study, Seneca Creek Associates and Wood Resources International compared corruption and illegal logging activity. In the graph, the y-axis displays Transparency International's Corruption Perception Index (CPI), where corruption tends to be higher (i.e. having lower CPI) in countries with lower per capita incomes. The x-axis displays the proportion of the total supply of suspicious logs, while the size of a bubble shows the absolute volume of suspicious logs that reach the market in a country or region, including imported logs.

EU-15 refers to the 15 countries in the European Union before May 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. EU countries include EU-15 countries plus Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

Source: Seneca Creek and Wood Resources International. 2004. "Illegal logging" and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry. Prepared for AF&PA

Resources

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| Certification Matrix (www.cepi.org) | Compares certification systems' law compliance requirements. |
| Central Point of Expertise on Timber Procurement (www.proforest.net) | Provides advice and guidance for compliance with UK central government procurement requirements for the legality of wood products. Accepts certificates from Canadian Standards Association, Forest Stewardship Council, Malaysian Timber Certification Council, Programme for the Endorsement of Forest Certification systems, and Sustainable Forestry Initiative as evidence of legality. |
| Environmental Paper Network (www.environmentalpaper.org) | Rates compliance of paper-making facilities with international labor, human and health conventions. |
| Environmental Paper Assessment Tool (www.epat.org) | Rates compliance of paper-making facilities with international labor, human and health conventions. |
| Forest Certification Assessment Guide (www.forest-alliance.org) | Includes criteria and requirements for assessing compliance with relevant national and international laws, treaties and agreements. |
| A Buyer's Guide to Canada's Sustainable Forest Products (report) (www.fpac.ca) | Assures readers about the lack of systemic issues around illegal logging in Canada. |
| Global Forest and Trade Network (www.gftn.panda.org) | Provides advice for keeping illegally harvested wood out of the supply chain. Advice includes providing definitions of legal wood, addressing bad or unfair laws, examples of procurement policies, list of CITES listed species, and lists of legal documentation for various countries. |
| Good Wood. Good Business guide (www.tropicalforesttrust.com) | Provides overview definitions of illegal and legal wood, as well as guidance to exclude illegal wood from the supply chain. |
| Green Purchasing Network (www.gpn.jp) | Promotes the use of raw materials that have been produced in compliance with the laws and the rules of the regions from where they were harvested. |
| Greenpeace's Responsible Procurement Guide (www.greenpeace.org/china/en/) | Promotes sourcing legally known and verified timber. Recognizes and promotes FSC legality requirements. |

Resources (cont.)

New Zealand Government Paper Buyers Guidance
(www.mfe.govt.nz)

Timber Trade Action Plan
(www.tropicalforesttrust.com/ttap.php)

Tropical Forest Trust
(www.tropicalforesttrust.org)

WWF Guide to Buying Paper
(www.panda.org/paper/toolbox)

WWF Paper Scorecard
(www.panda.org/paper/toolbox)

WWF Tissue Scoring
(www.wwfno.panda.org)

Verification methodology provides five options to verify compliance with legality requirements. Options include combinations of forest certification systems, ecolabels, chain-of-custody certifies and self declarations.

Compiles legality checklists against which it assesses gaps in the legality of identified supply chains in producer countries in Africa, Latin America and Asia. It also offers technical guidance to companies to fill such gaps and achieve third-party verification of legality. Country legality checklists are developed based on international legality requirements and in-country draft or generic legality standards when available.

Evaluates operations' compliance with basic legality requirements through field checks. Establishes and monitors supply management systems in forests operations and processing facilities, and provides guidance towards specific legality standards.

Promotes the avoidance of illegal and other unacceptable sources. Promotes forest certification as means to avoid sourcing raw materials harvested through illegal practices.

Rates percentage of fibers that are certified to avoid the potential inclusion of fiber from unwanted sources.

Scoring criteria includes clear policies aimed at eliminating all raw materials from illegal and controversial sources.

Where to Get More Help

- CITES Identification Guide of Tropical Woods - www.cws-scf.ec.gc.ca/enforce/pdf/Wood/CITES_Wood_Guide.pdf. (Environment Canada and USDA-Forest Service).
- Illegal Logging Website - www.illegal-logging.info (Illegal Institute of International Affairs at Chatham House).
- Miller, R., R. Taylor and G. White. 2006. Keep it Legal. WWF's Global Forest and trade Network. (assets.panda.org/downloads/keep_it_legal.pdf)
- Resources: Lacey Act and Illegal Wood Trade —www.eia-global.org/forests_for_the_world/Lacey_Resources.html
- SmartWood—www.rainforest-alliance.org (Rainforest Alliance).
- The Forest Dialogue—www.theforestdialogue.org
- The VERIFOR Project - www.verifor.org
- TROPIC. Technological characteristics of tropical tree species - www.tropix.cirad.fr/index_gb.htm (CIRAD)
- Tree Conservation Information Service - www.unep-wcmc.org/trees/trade/cites.htm (WCMC/UNEP).

For more details about legality and other key issues about sustainable procurement please visit:

www.SustainableForestProds.org

To download a copy of the report *Sustainable Procurement of Wood and Paper-based Products: Guide and Resource Kit*.

For more information please contact: Ruth Nogueroń
(Ruth.Nogueroń@wri.org)



World Business Council for Sustainable Development

Chemin de Conches 4, 1231 Conches-
Geneva, Switzerland
Tel: +41 (0) 22 839 3100
E-mail: info@wbcsd.org
Web: www.wbcsd.org



WORLD
RESOURCES
INSTITUTE

10 G Street, NE (Suite 800), Washington DC
20002, United States
Tel: +1 202 729 7600
E-mail: info@wri.org
Web: www.wri.org



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