

INDUSTRY INFORMATION: Indicators for Prevalence of Illegal Logging in Country of Harvest

Introduction

The prevalence of illegal logging in particular countries (and hence the risk of timber or a timber product being made from timber harvested illegally) is a factor that must be considered if using the four factors risk assessment method in the Australian Illegal Logging Prohibition Regulation. There is no single resource which documents country in which illegal logging is prevalent. However there are a number of proxies, independent sources of information and tools that are commonly used by those in the timber trade as indicators of prevalence (and/or risk) of illegal logging in a given country.

To assist Australian importers **Annex 1** of this document lists values of these common proxies, sources and tools for a number of countries where timber is harvested which can be used to evaluate risk. The listed values for these countries are from the following independent sources:

- Corruption Perception Index (CPI) of Transparency International
- Voluntary Partnership Agreements (VPA) countries with the European Union
- Global Risk Registry developed by NEPCo.

Corruption Perception Index

The Corruption Perception Index (CPI) of Transparency International is widely used as a measure of the effectiveness of governance within a country. While not a perfect indicator, the CPI score for a given country is a widely used indicator of corruption within countries around the world and, in the absence of more precise information, provides a decent indicator of the level of legal compliance. The use of a country CPI (with some caution) is also cited by Pöyry Forest Industry in their 2010 report for the then Department of Agriculture, Fisheries and Forestry (now Department of Agriculture) as a key component of their Domestic Risk Model for countries from which Australian timber imports are derived.

Worldwide, the CPI is used by many in the timber trade as an indicator of risk of illegal logging within a country. A country with a CPI greater than or equal to 50 is generally considered a low risk of illegal logging. Conversely, those countries with a CPI value less than 50 are considered as not a low risk of illegal logging. If timber in a product is from such a country further risk assessment will need to be undertaken and risk mitigation undertaken if the risk is anything other than low.

Annex 1 lists the CPI values for select countries.

Caution in using CPI<50 as a risk indicator - Plantations

A CPI score of less than 50 is not automatically a sign that all the timber or timber products exported from that country are illegally harvested. Using the CPI must be supported by other relevant analyses on an industry or product level and care is needed in many circumstances. As Pöyry Forest Industry highlight in their report for the Australian Department of Agriculture, Fisheries and Forestry in 2010, South Africa is a good example of this point. This country scored 49/100 on the Transparency International 2008 corruption perception index, which if applied in isolation would indicate a non-low risk of sourcing illegally logged forest products. However, the forest industry in South Africa processes mainly plantation sourced logs with over 85% of plantations certified to the FSC forest management standard. The forestry sector is also rigorously controlled by mostly private companies. Consequently, despite its unfavourable CPI score, South Africa has a very low risk as a source of illegal logs or wood products.

This example illustrates the point that plantation sources are generally considered as lower risk of being illegally harvested as plantations tend to have stronger management controls in place, given that they are treated almost like an agricultural crop. However there are other issues with plantations that importers may also need to consider, namely whether the plantation was established legally in the first instance as well as potential tenure conflict issues.

VPA Countries

Voluntary Partnership Agreements (VPAs) are bilateral legally binding trade agreements between the European Union and timber exporting countries. These agreements aim to ensure legal timber trade and support good forest governance in the partner countries. VPAs are a central element of the European Union's FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan to combat illegal logging.

The following are the major steps in the negotiation and implementation of VPAs:

- Step 1: Information and pre-negotiation
- Step 2: Formal negotiations
- Step 3: VPA ratification process & TLAS (timber legality assurance system) development
- Step 4: Full implementation and FLEGT licensing

Once a VPA is concluded and fully implemented (Step 4) with a partner country this leads to a system of FLEGT licensing for trade in goods that are covered by the VPA. Goods covered by a FLEGT license are regarded in the European Union Timber Regulation as totally legal.

FLEGT licensing is a scheduled *timber legality framework* under the Australian Regulation. A fully implemented VPA would substantially lower any risk of importing illegally logged timber products covered by the VPA from that country.

Annex 1 lists the stages of VPA development for select countries.

As of October 2013 no country has fully implemented a VPA and has FLEGT licensed timber products. However, the timber legality assurance systems of countries which are at well advanced in Step 3 of the process (e.g. Indonesia and Ghana) are being currently being utilised to verify the legality of many timber products by Australian importers.

Global Risk Registry

The FSC Global Risk Registry is a tool developed by NEPCo in close cooperation with the Forest Stewardship Council (FSC) and the Rainforest Alliance.

The registry provides companies with access to information on more than 150 countries on non-FSC certified material needed to avoid sourcing of wood from controversial sources. Risk evaluation of sourcing districts is an important component of the FSC Controlled Wood standard. The standard includes specific requirements for risk evaluation as well as definition of controversial sources. There are five categories of controversial sources with legality being one of them. The following is the four indicators for legality used in the risk assessments as well as what evidence is needed to assess the indicator as low risk:

1.1 Evidence of enforcement of logging related laws in the district

There is legislation in place to regulate forestry activities, which is generally well enforced. There is no evidence that illegal logging is a wide scale problem in this country.

1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective system for granting licences and harvest permits.

Harvesting without required permit or felling licence is not known to be a problem in the country based on international sources and reports in relation to illegal logging.

1.3 There is little or no evidence or reporting of illegal harvesting in the district of origin

There are no reports or information about significant levels of illegal harvesting in the country.

1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.

This indicator can be considered as low risk only if the Corruption Perception Index (CPI) for the given country is equal to or above 50.

Risk assessments are in one of the following categories:

1. Approved risk assessment: A risk assessment is approved by FSC and is mandatory for FSC Chain of Custody certified companies with Controlled Wood in scope of their certification.
2. Draft risk assessment: A risk assessment prepared by NEPCo or a designated organization (such as a FSC National Office or other) and under review by FSC. These are for guidance only.

Annex 1 lists the results of the approved risk assessments as well as the draft risk assessments for selected countries.

Note that in many cases available information is incomplete. The developers of the Global Risk Registry generally follow the principle of precaution, so in case of missing information, a region will be classified as “unspecified risk”. In many cases a closer examination may show that it is really “low risk” for a specific risk indicator. The site is updated regularly as more risk assessments are conducted and approved.

Primary Sources

The current Corruption Perception Index of Transparency International for most countries is available at cpi.transparency.org/cpi

Information about the status of Voluntary Partnership Agreements (VPAs) with the European Union is available at www.euflegt.efi.int/portal/home/vpa_countries/

The FSC Global Risk Registry including guidance for 159 countries and copies of all the approved risk assessments is available at www.globalforestryregistry.org/

A risk assessment framework for assessing the legality of timber and wood products imported into Australia. Report produced in 2010 by Pöyry Forest Industry for the Department of Agriculture, Fisheries and Forestry. Available at www.daff.gov.au/forestry/policies/illegal-logging/background

More information

As 30th November 2014 approaches more information, tools and resources to undertake due diligence will be available on the Australian industry due diligence information website www.timberduediligence.com.au

The Australian Government is undertaking a range of outreach activities in capital cities and regional centres across Australia, and with trading partners across the region. If you would like more details about the information sessions or the Regulation see the Department of Agriculture website www.daff.gov.au/illegallogging

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Annex 1 – Country of harvest risk indicators

The countries selected for inclusion in this list are:

- the main countries from which Australian companies directly import timber and timber products; and
- countries that harvest and/or export substantial volumes of wood that are the raw materials for timber and timber products traded worldwide.

Those countries highlighted with **green** have CPI scores ≥ 50 . Countries with a score greater than or equal to 50 are generally considered low risk of illegal logging.

If an importer or their supplier is sourcing wood from countries other than those listed here, the primary sources can be consulted for the values for these other countries.

Country	CPI 2013 Score	Stage of VPA with European Union	Global forest registry – legality risk status
Australia	81		ARA – Low risk
Austria	69		Low risk
Belarus	29		Unspecified risk
Belgium	75		Low risk
Bosnia and Herzegovina	42		Unspecified risk
Brazil	42		Unspecified risk
Bulgaria	41		ARA – Unspecified risk
Cameroon	25	3 - Under development	Unspecified risk
Canada	81		Low risk
Central African Republic	25	3 - Under development	Unspecified risk
Chile	71		ARA – Unspecified risk
China	40		Unspecified risk
Congo (Democratic Republic of)	22	2 - Under negotiation	Unspecified risk
Congo (Republic of)	22	3 - Under development	Unspecified risk
Costa Rica	53		Low risk
Côte d'Ivoire	27	2 - Under negotiation	Unspecified risk
Croatia	48		Unspecified risk
Czech Republic	48		ARA – Unspecified risk
Denmark	91		Low risk
Ecuador	35	1 - Pre-negotiation	Unspecified risk
Equatorial Guinea	19		Unspecified risk
Estonia	68		Low risk
Finland	89		Low risk
France	71		Low risk
Gabon	34	2 - Under negotiation	Unspecified risk
Germany	78		ARA – Low risk
Ghana	46	3 - Under development	Unspecified risk
Guyana	27	2 - Under negotiation	Unspecified risk
Hong Kong	75		Unspecified risk
Hungary	54		Unspecified risk
India	36		Unspecified risk
Indonesia	32	3 - Under development	Unspecified risk

Country	CPI 2013 Score	Stage of VPA with European Union	Global forest registry – legality risk status
Ireland	72		Low risk
Italy	43		ARA – Unspecified risk
Japan	74		Low risk
Laos	26	1 - Pre-negotiation	Unspecified risk
Latvia	53		Unspecified risk
Lithuania	57		Low risk
Luxembourg	80		Low risk
Malaysia	50	2 - Under negotiation	Unspecified risk
Mozambique	30		Unspecified risk
Myanmar	21	1 - Pre-negotiation	Unspecified risk
Netherlands	83		Low risk
New Zealand	91		Low risk
Nigeria	25		Unspecified risk
Norway	86		Low risk
Panama	35		Unspecified risk
Papua New Guinea	25	1 - Pre-negotiation	Unspecified risk
Poland	60		ARA - Unspecified risk
Portugal	62		RA - Low risk
Romania	43		ARA - Unspecified risk
Russia	28		ARA - Unspecified risk
Singapore	86		Unspecified risk
Slovakia	47		Unspecified risk
Slovenia	57		Low risk
Solomon Islands	27 (CPI 2011)	1 - Pre-negotiation	Unspecified risk
South Africa	42		Unspecified risk
South Korea	55		Unspecified risk
Spain	59		ARA - Low risk
Sweden	89		Low risk
Switzerland	85		ARA - Low risk
Taiwan	61		Unspecified risk
Thailand	35	2 - Under negotiation	Unspecified risk
Togo	29		Unspecified risk
Turkey	50		Unspecified risk
Ukraine	25		ARA - Unspecified risk
United Kingdom	76		ARA - Unspecified risk
United States	73		Low risk
Uruguay	73		Unspecified risk
Viet Nam	31	2 - Under negotiation	Unspecified risk

ARA means there is an FSC approved risk assessment for the country. Legality is one of five categories assessed in each approved risk assessment and is the only risk listed here.