

LESSONS FROM MALAYSIA'S VPA PROCESS

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SCOPE

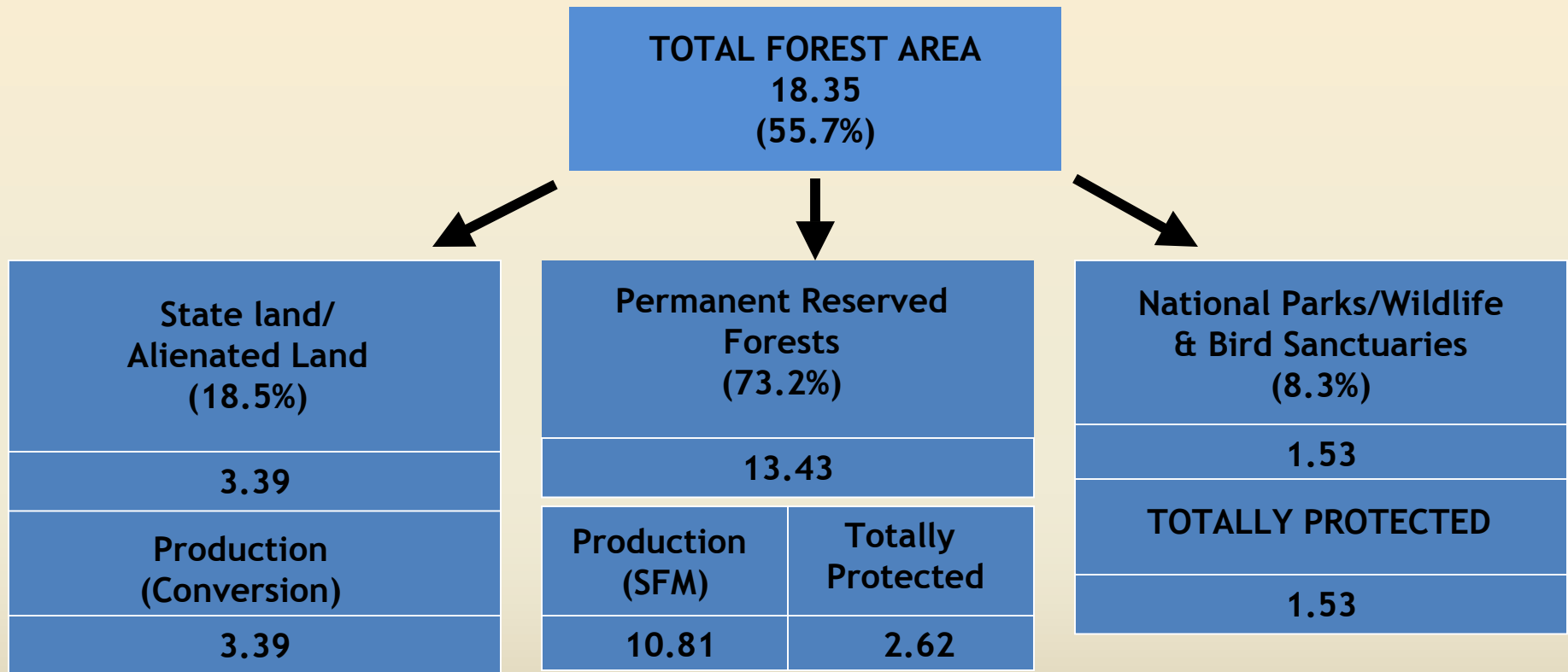
- INTRODUCTION
- SFM & CERTIFICATION
- ILLEGAL LOGGING
- TIMBER LEGALITY & SUSTAINABILITY
- VOLUNTARY PARTNERSHIP AGREEMENT & PROCESS
- TIMBER LEGALITY ASSURANCE SYSTEM (TLAS)
- JOINT TECHNICAL EVALUATION OF TLAS
- IMPLEMENTATION & MONITORING OF VPA
- INPUTS BY STAKEHOLDERS
- FURTHER WORK
- SOME LESSONS
- CONCLUSIONS

Introduction: Malaysia in brief

- Land area – 32.95 million ha
- Multiethnic population of about 24.8 million
- Federation of 13 States & 3 Federal Territories
- Forestry - State responsibility
- Coordination by NFC



Forest Land Use in Malaysia 2006 (million ha)



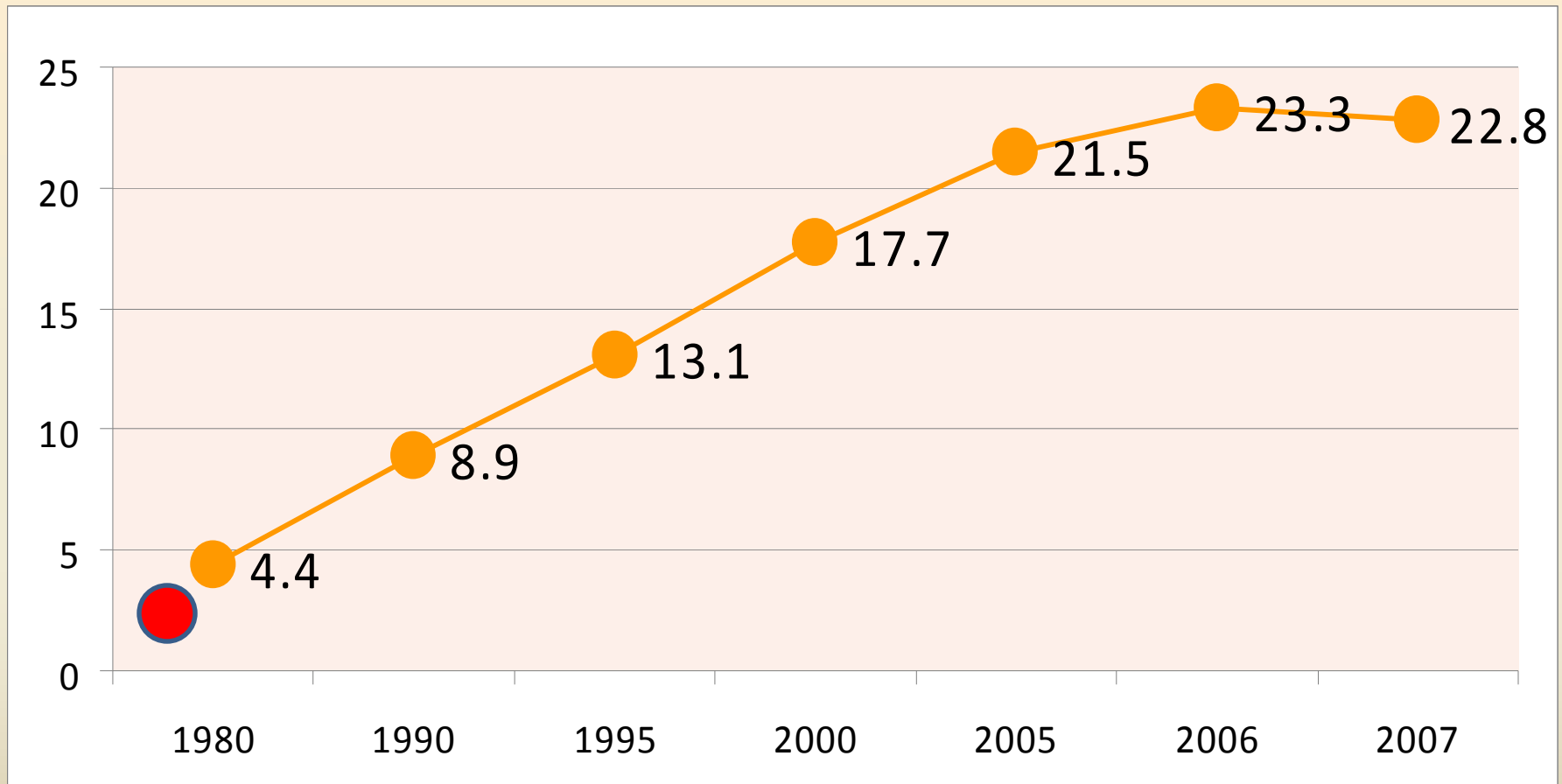
*Source: Forestry Departments of Peninsular Malaysia, Sabah & Sarawak
Ministry of Natural Resources and Environment*

Projected Ave. Annual Log Production 2006 – 2020 (million m³)

Five year period	Source	Peninsular Malaysia	Sabah	Sarawak	Total
2006-2010	Natural F	3.80	6.20	11.50	21.5
	Forest P	0.75	1.00	1.63	3.38
	Rubber P	2.10	*	*	2.10
Total		6.65	7.20	13.13	26.98
2011-2015	Natural F	2.50	4.86	10.00	17.36
	Forest P	0.83	1.20	10.40	12.43
	Rubber P	1.85	*	*	1.85
Total		5.18	6.06	20.40	31.64
2016-2020	Natural F	2.00	3.69	10.00	15.69
	Forest P	0.91	1.44	15.00	17.35
	Rubber P	1.67	*	*	1.67
Total		4.58	5.13	25.00	34.71

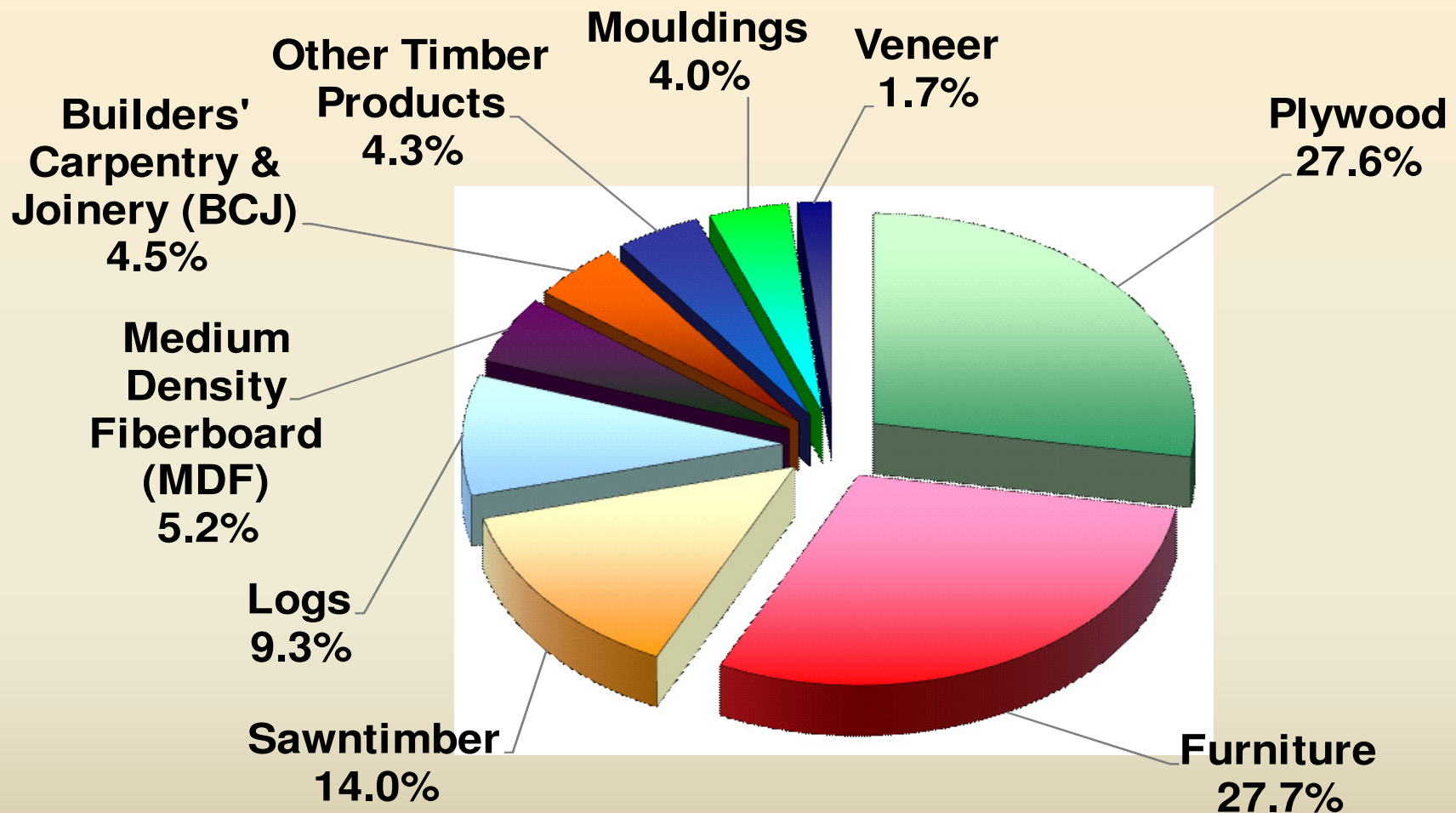
Source: FDs Peninsular Malaysia, Sabah & Sarawak

Value of Exports (RM billion)



(RM22.8 billion = USD6.3 billion)

Malaysia's Export of Timber Products (2007)



** furniture includes wooden & rattan only*

Total : USD 6.3 billion

Source: MTIB

Social Contribution

- A major player in Malaysia's economic growth, revenue earnings and employment
- Total export of RM22.8 billion in 2007 (US\$ 6.3 billion)
- Accounts for 30% of total export earnings in the commodity sector and 3.6% of the country's total export earnings (2007)
- Accounts for 3.9% of GDP (2007)
- Total employment: 337,000 people

Sustainable Forest Management & Certification

- Permanent Reserved Forest's (PRF) under various stages of SFM
- One third of PRF's certified mainly under Malaysian Timber Certification Scheme (MTCS) and Forest Stewardship Council (FSC)
- MTCS accepted by various authorities for Public Procurement
- MTCS recognition by Central Point of Expertise for Timber (CPET) for legality
- MTCS submitted for Programme for the Endorsement of Forest Certification (PEFC) endorsement

Illegal Logging

- Global concern – loss of assets and revenue, environmental impact, biodiversity loss
- Illegal logging estimated at \$23 billion annually
- Recent study by WWF of illegal timber in EU market (July 2008):
 - 16 – 19% illegal
 - Largest quantity from Russia
 - 10 top exporters of illegal wood into the EU: Russia (10.4), Indonesia (4.2), China (3.7), Brazil (2.8), Belarus (1.5), Ukraine (1.5), Bosnia H (1.2), Lithuania (?), Cameroon (0.645), Gabon (0.590) million m³ RWE
 - Malaysia 0.28 million m³

Timber Legality & Sustainability

- Sustainable timber product of SFM (social, environmental & economic factors)
- Sustainable timber assured through certification schemes, e.g., FSC, LEI, MTCS, PEFC etc.
- SFM / certification long-term goal
- Legal timber milestone on journey to attain SFM / sustainable timber
- Legal timber embraces relevant legislation dealing with social, environmental & economic aspects with lesser number of criteria and indicators
- Verification of legal timber through TLAS

Voluntary Partnership Agreement (VPA)

- 2003 EU FLEGT Action Plan
- Bilateral Partnership Agreements between EU and Timber Exporting countries
- VPA focus on legal timber
- Legality definition based on existing laws of exporting country
- TLAS based on existing control and licensing system
- Market benefits
- Capacity building assistance

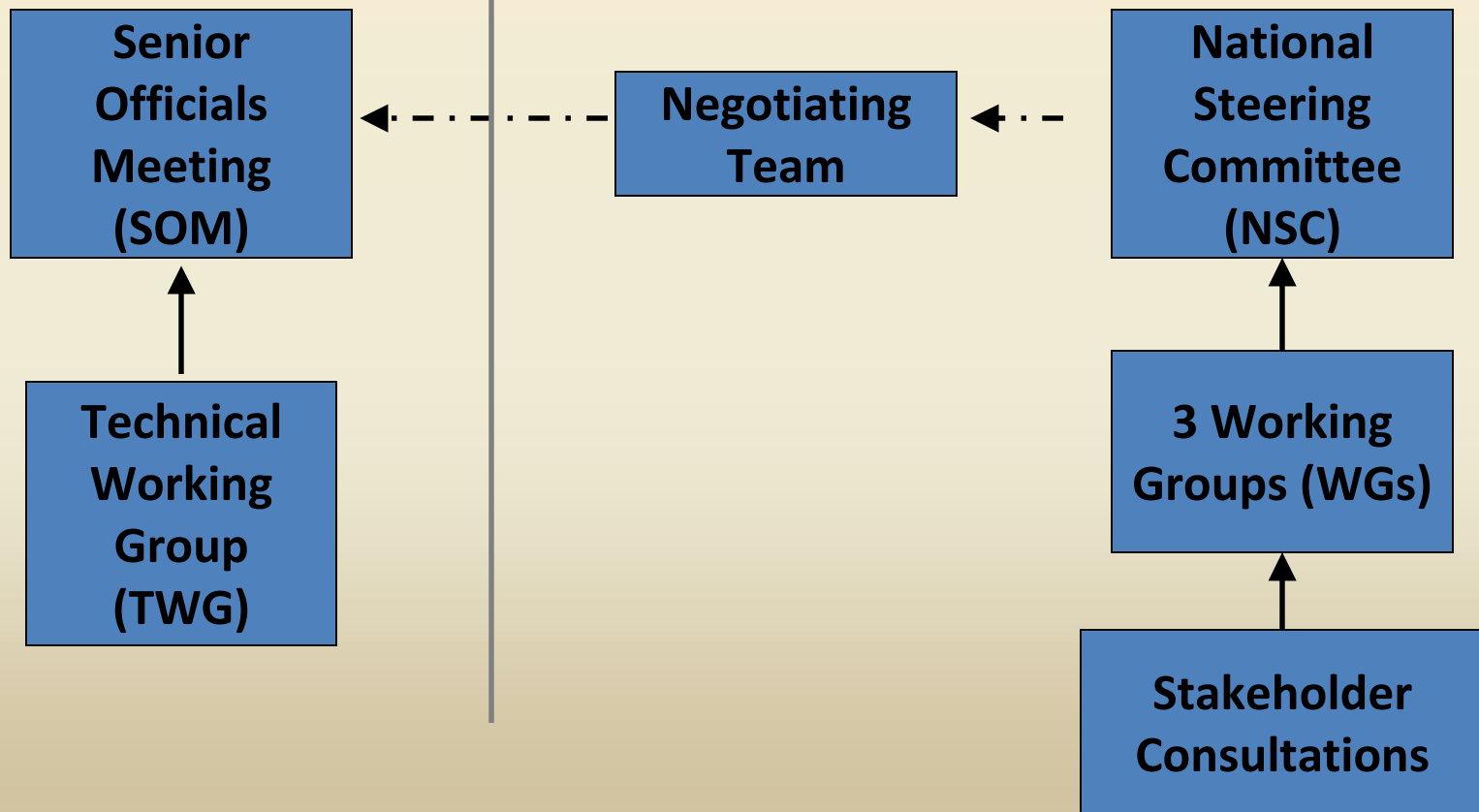
VPA Process

- Formal negotiations announced September 2006
- Negotiations through SOM supported by TWG; 2 SOM and 8 TWG meetings held
- Preparations by Malaysia
 - NSC - Mandate to the Negotiating Team
 - WG I - Legal drafting & General provisions
 - WG II – TLAS
 - WG III - Market Benefits and Capacity Building
- Major issues subjected to Stakeholder Consultations
 - TLAS
 - Market Benefits

Preparation/Negotiating Structure

Malaysia-EU FLEGT
VPA Negotiation

National Preparation for
FLEGT VPA



Timber Legality Assurance System (TLAS)

- Development of TLAS involved extensive discussions and consultations
- Components
 - Product coverage
 - Definition of Legal Timber
 - Principles and Criteria of Legal Timber (Annex A)
 - Control Procedures (Annex B)
 - Sources of Timber (Annex C)
 - Third Party Monitoring (Annex D)

Joint Technical Evaluation of TLAS

- 3 International & 3 Malaysian Consultants;
2 Sept – 9 Oct 2008
- Assess auditability, adequacy, capacity building needs, effectiveness TPM and cost implications
- Based on Consultants' Report, EU raised some issues to be addressed
- Malaysia in general agreement and clustered the issues raised into:
 - Issues which will be addressed before signing VPA
 - Issues which will be addressed with EU assistance for capacity building and agreed time-frame
 - Issues for further reflection

Implementation & Monitoring of VPA

- Licensing of VPA timber by existing authorities
- TPM to verify implementation of TLAS
- IMC to monitor market benefits
- Roles of RB and JIC
- VPA a 'living document'

Inputs by Stakeholders

- Development of TLAS
 - 5 stakeholder consultations
 - Informal meetings
 - Written submissions
- Technical evaluation of TLAS
 - Discussions with consultants (TOR)
 - Written submissions
 - Presentation and discussion of consultants' Draft Report and further written submissions
- During implementation of TLAS
 - Public summary of TPM's reports
 - RB to seek and receive views from stakeholders on the TLAS and its implementation
 - Consideration of report by JIC
- Review of TLAS

Further work

- Finalisation of TLAS
- Capacity building projects
- Market benefits
- Legal drafting
- Administrative & funding arrangements

Some lessons

- VPA legally binding; need for caution
- VPA assures legal and not sustainable timber
- VPA is unprecedented and much needs to be learnt; TLAS must be a 'living document'
- Some legislative framework may be outdated and need to be reviewed
- Opposite views by stakeholder groups on certain issues
- Costs in implementation
- Need for market benefits
- VPA cannot solve all problems. Some outside the scope of VPA/forestry sector
- Constitutional provisions

Conclusions

- Malaysia fully committed to objectives of the VPA
- Strategic and catalytic role of VPA to achieve SFM in the long-term
- Conflicts between stakeholders; process must be government-driven
- Pragmatism to achieve progress
- Stakeholder cooperation
- Success depends on market response; Malaysia proposes monitoring of VPA timber in EU by IMC

Thank you