Department
for Environment
Food & Rural Affairs

# Forest Law Enforcement, Governance and Trade Regulation 2012

## Post Implementation Review

### March 2024

(Review Period: November 2016 – December 2023)

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# Introduction

The Forest Law Enforcement Governance and Trade (FLEGT) regulations came about through the 2003 FLEGT Action Plan, a European Union (EU) initiative aimed at tackling illegal logging by supporting the development of effective forest stewardship in timber producing countries and ensuring that imports of timber into the EU are from legal sources. In 2005, the EU adopted Regulation No. 2173/2005 laying down the requirement for imports of timber products from partner countries, under Voluntary Partnership Agreements (VPAs), to be prohibited unless the shipment is covered by a FLEGT licence. Subsequently, the EU adopted Regulation No. 1024/2008 laying down detailed measures for the implementation of the 2005 regulations. The Forest Law Enforcement, Governance and Trade Regulation 2012 was adopted to implement FLEGT in the UK. After the UK left the EU, the EU FLEGT legislation was retained and amended under the EU (Withdrawal) Act 2018 and became domestic law.

This report is published in response to the legal requirement to review The Forest Law Enforcement, Governance and Trade Regulation 2012. Following discussion of the Indonesia VPA at a meeting of the Environment Audit Committee of 29 March 2023, a commitment was made to use this PIR as a vehicle to also review the wider impact of FLEGT in VPA countries, in addition to reviewing the UK implementation of the regulation.

# Policy objectives

Illegal logging is a major driver of deforestation, leading to loss of ecosystem services and biodiversity, and contributing to climate change. It also affects rural communities that rely on forests for livelihoods, and results in revenue loss to government and legitimate business.

The FLEGT legislation establishes a licensing scheme to improve the supply of legal timber. This licensing scheme is underpinned by Voluntary Partnership Agreements (VPAs), which are bilateral trade agreements between the UK and a timber-producing country. Once a timber-producing country ("partner country") has agreed a VPA with the UK and has implemented forest sector reforms providing reassurance of legal harvest, they can issue FLEGT licences. Issuing FLEGT licences is the final stage in the development of a timber legality assurance system and national reform of forest governance, acknowledging fulfilment of all the requirements of the VPA. The Timber Legality Assurance System includes traceability back to the forest as well as audited compliance. All UK timber imports from the partner country require a FLEGT licence and imports without a licence are prohibited. FLEGT licences provide a green lane to importers of licensed timber, meaning they are not required to conduct due diligence under the UK Timber regulations. This provides businesses in partner countries with a comparative market advantage as products from these countries can be imported without the additional administrative burden and cost of conducting due diligence. The VPA requires independent third-party audits once the FLEGT licensing is operational. These audits provide reassurance that the systems monitoring and controlling timber harvesting and exports are working effectively, both domestically and to international markets.

The FLEGT regulations are complemented by the UK Timber Regulations (UKTR) which make it an offence to place illegally harvested timber on the UK market. The UKTR requires those first placing timber and timber products on the market to exercise due diligence, using a risk-based approach. Those who trade in timber and timber products after they have been placed on the market are required to keep records of who they buy timber products from and any traders they sell them to. This enables timber and timber products to be traced. The FLEGT licensing scheme aims to incentivise importers to buy timber from partner countries and create demand for FLEGT timber, providing assurance to VPA countries that their efforts in implementing the licensing system will improve market access. This will have broader benefits in terms of tackling illegal logging and avoiding the serious economic, environmental and social problems of deforestation at a global scale.

The UK was instrumental in the inception of the FLEGT concept, which originated at the UK-led G8 summit in 1998. This was subsequently developed within the EU through the 2003 FLEGT Action Plan. The EU has since signed several VPA agreements, some of which the UK was party to before leaving the EU, whereas others have been signed more recently, post EU exit. Countries that have signed VPAs with the EU include Cameroon, Guyana, Central African Republic, Ghana, Honduras, Indonesia, Liberia, the Republic of Congo and Vietnam. These are at various stages of implementation, with some countries close to implementing their licensing system and others having only been recently negotiated[1]. Since leaving the EU, the UK approach to VPAs is to sign new agreements when a partner country has reached the point of its FLEGT licensing system becoming operational, rather than at the start of the regulatory reforming process. In 2016, Indonesia became the first country to issue FLEGT licences and remains the only country to date that has achieved this, though significant progress has been made in other countries through the implementation of their VPAs. After exiting the EU, the UK signed its own VPA with Indonesia in 2019 and has made a commitment to sign VPA agreements with EU VPA partners at the point at which they are ready to issue FLEGT licences, having fulfilled the obligations of their EU VPA. The UK is close to signing a VPA with Ghana and anticipates working towards this goal with other EU VPA countries in the near future. Given the UK commitment to sign additional VPAs and its close involvement and support for the wider FLEGT process since its inception, the UK has a strong interest in understanding how FLEGT and VPAs are perceived more broadly. This is why we have attempted to capture perceptions of the wider impact of these regulations in this report, in addition to the perceptions of how they are enforced in the UK, and the UK-Indonesia VPA.

The implementation of the FLEGT regulations, alongside the UKTR, enables the protection of forests around the world, ultimately supporting the Government's ambition to lead the world in

[1] EUR-Lex - 4403928 - EN - EUR-Lex (europa.eu)

environmental protection, end extreme poverty, and be at the forefront of action against global climate change.

## Review approach

Post Implementation Reviews (PIRs) can take different forms, ranging from a light touch approach for low impact and non-controversial regulations, to a detailed approach for high impact and controversial regulations. Our approach to this review has been light touch, due to a low Estimated Annual Net Direct Cost to Business (EANDCB). We have however, conducted a thorough literature review and carried out a survey of UK businesses, and a separate survey of international stakeholders linked to the implementation of VPAs in partner countries. Though non-controversial, we anticipate that there will be external interest in our conclusions on the effectiveness of the FLEGT regulations.

Cost to business estimate

The EANDCB estimated in the original Impact Assessment (IA) of the FLEGT Regulations in 2012 was £1.28M. The original IA assumed that 11 partner countries would issue licences, with an initial licence cost of £25 and similar administrative costs to businesses. The licence cost was reduced to £9.60 in 2016. Indonesia started issuing licences in November 2016 and is currently the only country issuing FLEGT licences. Given the reduced licence fee and fewer number of countries issuing licences, an updated EANDCB would be even further below the de-minimis +/- £5m threshold required for independent scrutiny.

Considering the above and following advice from the Better Regulations (BRU) team in Defra, a light-touch review was undertaken, without an evaluation of policy impacts through a re-run impact assessment.

## Evidence sources and data collection methods

This PIR considers both the implementation of the FLEGT regulation in the UK and the wider impact of FLEGT and VPA agreements.

UK implementation of the FLEGT licensing scheme

We used data provided by the Office for Product Safety and Standards (OPSS), His Majesty’s Revenue and Customs (HMRC) and UK Border Force (UKBF) when considering the implementation of the FLEGT measures in the UK and the impact on UK businesses. This PIR was also developed using dialogue with key stakeholders (e.g. the Timber Expert Panel, the main engagement channel between OPSS, Defra, businesses and trade associations). We shared an electronic survey with individual businesses, trade associations and FLEGT delivery partners (OPSS, HMRC and UKBF).

Wider impact of FLEGT and VPAs

For our literature review, we relied on VPA country reports produced by the Forest Governance, Markets and Climate Programme (FGMC) and research of the Centre for International Forestry Research (CIFOR). FGMC is a Foreign, Commonwealth and Development Office (FCDO) global ICF forests cooperation programme that has supported governance reforms in VPA countries since 2012, including via direct support for the FLEGT process and implementation of VPAs to fulfil the FLEGT Action Plan.

To explore the impact of FLEGT in partner countries, an online stakeholder survey was conducted, focused on four VPA countries, Indonesia, Ghana, Guyana and Liberia. The survey was sent to a range of civil society, private sector and Government stakeholders in each country, with contacts compiled with the support of UK VPA facilitators, contracted through FCDO. The survey was sent via email and followed up on via Whatsapp, with a one-month period to complete. Questions covered a range of themes linked to key outcomes of the VPA, broadly covered under Governance, Illegal Logging and Forest Conditions, Economic Development and Poverty Alleviation. The format of the questions included a blend of both multiple choice and free form responses.

Following completion of the survey, virtual roundtable discussions were arranged for any participants who had expressed an interest in providing additional feedback.

# UK implementation of the FLEGT licensing scheme

## Implementation of the Regulations

Defra is responsible for oversight of FLEGT policy in the UK including managing the implementation of FLEGT legislation in the UK. OPSS, HMRC and UK Border Force (UKBF) implement the FLEGT licensing scheme on behalf of Defra, performing the functions set out in the FLEGT 2012 regulation.

Businesses who wish to import timber and timber products from Indonesia apply for a FLEGT licence. The licensing authority in Indonesia then issues the licence and when the shipment is in transit the FLEGT licence is submitted to OPSS for verification. Businesses also complete customs forms which are submitted to the HMRC National Clearance Hub (NCH). The clearance hub matches the customs data with licence verification from OPSS before the shipment gets released from customs. UKBF perform physical inspections of shipments. OPSS maintain retrievable records of applicant / licence details. They also develop, maintain and administer an electronic licencing system through which licences are processed, records of FLEGT licences are kept, and the status of checked licences is made available to enforcement partners and importers. They establish validity of licences and communicate the decision to the end user automatically when no problems are identified and through officer intervention with the end user when problems are encountered. OPSS also collaborate with enforcement partners to facilitate swift, consistent and effective handling of cases involving illegally harvested timber, including timber imported in breach of the FLEGT Regulation. OPSS also communicate FLEGT Regulation requirements as widely as possible, including through an up-to-date website and the facility to respond to those seeking guidance on fulfilling the requirements of the regulation.[2]

HMRC are responsible for the customs clearance of goods falling under the UK FLEGT Regulation and for conducting documentary checks on 10% of FLEGT shipments to ensure that a valid licence is presented which matches the relevant customs declaration prior to release to free circulation. The NCH liaises with OPSS on the electronic clearance of licences in line with the procedures they agree bilaterally. HMRC are responsible for referring consignments to UKBF for further investigation when no valid FLEGT licence has been presented. The NCH is also responsible for re-routing 3% of the declarations checked by them to Border Force for examination. HMRC withhold customs clearance until UKBF notify whether the consignment can be released or whether it is going to be seized.

UKBF are responsible for taking action on any timber arriving from VPA countries without a valid FLEGT licence and responding to specific intelligence about suspected breaches of the UK FLEGT Regulation involving goods arriving at UK ports or airports or whilst they remain under customs supervision. They make any necessary physical inspections of timber shipments referred by the NCH, including the required 3% of those that have been checked by the NCH, which represents 0.3% of total FLEGT shipments. They check timber without a valid FLEGT licence, including the use of specialist assistance in the identification of species. As well as detaining or seizing any timber without a valid FLEGT licence, UKBF deal with post-detention and seizure issues such as requests for restoration, appeals against seizures or non-restoration decisions and arranging for the disposal of seized timber as legally permitted. They refer detected FLEGT breaches that fall within agreed criteria to the Border Policing Command of the National Crime Agency for further investigation.

The National Wildlife Crime Unit (NWCU) are the liaison point for any Police activity relating to FLEGT with responsibility for liaising with other Police units in order to support investigations by other enforcement partners into breaches of the EU FLEGT Regulation away from the border.

## FLEGT implementation data

<u>FLEGT licence verification</u>

The table below provides the breakdown of FLEGT licences verified by OPSS over the period of the review. Throughout Covid 19, the OPSS accounting systems remained fully functioning and operated within the service level agreement for all licences received.

[2] Office for Product Safety and Standards - GOV.UK (www.gov.uk)

**Table 1 - Number of FLEGT licences verified, 2016-2023 (rounded to nearest hundred)**

| Calendar year | Number of FLEGT licences verified |
|---|---:|
| 2016 (from November)[3] | 200 |
| 2017 | 4,300 |
| 2018 | 5,200 |
| 2019 | 5,800 |
| 2020 | 5,100 |
| 2021 | 5,700 |
| 2022 | 4,800 |
| 2023 (to September) | 3,300 |
| **Total** | **34,300** |

Enforcement at the border

UKBF carried out 37 physical examinations of FLEGT shipments between 2016 - 2022. This is below the expected 0.3% of total FLEGT shipments and Defra and UKBF have engaged to discuss options to increase these examinations, including improving the guidance available to front line staff and reviewing the referrals process from the NCH.

Customs data

The imports of timber products from Indonesia are presented in Table 2. Indonesia is the only country currently issuing FLEGT licences. Import data shows that the value of timber imports from Indonesia are estimated to have increased by 52% since 2016 and the commencement of FLEGT licences being issued. The volume of timber imports however is broadly consistent over the period, indicating that rather than imports having increased, the price per tonne of timber imported has increased.

These values have been estimated using published overseas trade data, extracting imports from Indonesia for commodity codes under each HS4 heading in scope of the FLEGT regulation. A full list of these commodity codes is provided in Annex D.

[3] Tracking of FLEGT licence verification began in November 2016 when Indonesia began issuing FLEGT licenses

**Table 2 - Value and Volume of Indonesian Timber Imports, 2016-2023**[4]

| Calendar year | Value of UK imports (£m) | Net mass (t) |
|---|---|---|
| 2016 | 199 | 143,000 |
| 2017 | 209 | 144,000 |
| 2018 | 214 | 143,000 |
| 2019 | 226 | 144,000 |
| 2020 | 191 | 145,000 |
| 2021 | 267 | 149,000 |
| 2022 | 303 | 133,000 |
| 2023 (to September) | 175 | 149,000 |

# Delivery Partners' views on the Regulations

Agencies involved in the delivery of FLEGT were asked for their views on the FLEGT regulations, and how they have been enforced in the UK.

UK Border Force (UKBF) stated that the policy has reached its objective. They were not aware of any unexpected consequences or costs from the regulation, and they agreed that the objectives of the FLEGT enforcement regulations remain appropriate.

OPSS were not aware of any unexpected consequences or costs from the regulation although they indicated that a revision to the regulations to maximise efficiency might be needed. These included suggestions such as, when new VPAs are signed, a condition of this should be that the country agrees to reference collections of tree species by WFID (World Forest ID)[5] to improve traceability and enforcement. OPSS also stated that a mechanism for the UK to communicate with EU Competent Authorities would be useful to solve issues where the wrong country of destination is put on a licence. A further recommendation is for more intelligence sharing by UKBF on their enforcement activities, which will support UKTR enforcement.

OPSS confirmed that based on their experience, all major importers are aware of the FLEGT regulations. They noted only minor issues with regards to FLEGT shipments entering the UK, including some importers lacking awareness of the requirement for UK FLEGT shipments to come directly from Indonesia or that indirect timber shipments are subject to the UK Timber Regulations. In some cases, shipments entering the UK carried a valid UK FLEGT licence but had transited one or more countries en route to the UK due to circumstances like stoppage by local law enforcement. Other issues reported were that some licences were invalid due to a cancellation or significant discrepancy on the Indonesia legality assurance system - the SVLK (Sistem Verifikasi Legalitas Kayu), expiration of the license, and discrepancies or omissions between the licence

[4] Overseas trade data table - UK Trade Info
[5] Home - World Forest ID

and/or licence verification form, such as volumes, weights, scientific and common names or HS (Harmonised System) codes.

## Stakeholder survey findings (UK)

The UK stakeholder survey had two purposes:

1. To hear feedback from businesses about enforcement and general functioning of the FLEGT Regulation.
2. To understand the penetration of FLEGT licensed timber in the UK market and how this can be improved.

A total of 24 stakeholders responded to the survey, although not all provided complete responses. Feedback is summarised below. Stakeholders include twelve business operators, four business traders, five trade associations (of which two represent at least one operator and three represent traders only), and three “other” groups. Operators are those businesses first placing timber and timber products on the GB market. Traders are those businesses buying or selling timber and timber products which have already been placed on the GB market. Two groups identified as “both a trader and an operator”, while one was a “trade association that represents both operators and traders.” Of the businesses reporting their size, 6 identified as large, 6 medium-sized and 3 small. The views reported below are exclusively those of stakeholders. **A full breakdown of the survey results can be found in Annex A.**

## Summary of findings

From this survey, it is difficult to conclude that there is high awareness of FLEGT licensing among relevant operators. It is likely that those traders and operators who are unaware of FLEGT licensing did not participate in the survey. Fewer than half of the operators who responded said that they import FLEGT licensed timber. Of those who do import FLEGT timber, the proportion of FLEGT licensed timber is also low, with less than 20% of total imports indicated by this sample of respondents.

There is a general consensus among respondents that FLEGT licensing is well-known within the timber trade, but this is not the case outside of trade circles, with businesses pointing out that awareness of the scheme among the public is low. Respondents agreed that information on FLEGT licensing is accessible enough to comply successfully and businesses proposed a number of methods to improve awareness of FLEGT licensing. These suggestions included increasing the number of countries that can issue FLEGT licenses to increase the availability of licensed timber products, better advertisement, increased engagement and guidance from OPSS and ensuring FLEGT is written into procurement policies.

When asked what drives operators and traders to choose FLEGT licensed timber, respondents generally agreed that FLEGT licensing is not pivotal to their commercial decisions, despite noting benefits including reduced administration costs as well as a faster and easier due diligence process. Instead, factors such as product availability, quality and price are the primary deciding factors.

Businesses indicated that they have not seen Indonesian timber without a FLEGT licence on the market. This suggests a good level of compliance and understanding of the customs requirements for the relevant products. There was no consensus on whether enforcement of the FLEGT scheme in the UK is effective, which may reflect that FLEGT licences provide reassurance of legal harvest at the point of export and are evidence of compliance with the UK timber regulations. Enforcement work therefore primarily focusses on operators importing from countries who don’t issue FLEGT licences, under the UK timber regulations.

Overall, the results of this survey indicate that stakeholders recognise the benefits of using FLEGT licensed timber, but that the scope of the licensing scheme and available products has an impact on whether businesses import FLEGT timber.  Respondents valued the “green lane” afforded by the licence which removed the obligation to conduct due diligence on the supply chain.  However, stakeholders generally agreed that if VPAs were established with more countries this would provide a wider benefit to businesses in terms of availability of specific timber products via the scheme. Further work is also needed to promote FLEGT licensed timber within the UK. By improving awareness of the programme outside of the timber trade, FLEGT licensing may become a more integral part of the decision-making process.

## Limitations

Given the number of responses, these results can be viewed as indicative rather than representative of the wider UK timber market, though we note that the responses of trade associations may reflect the views of a wider membership base. While the responses to this survey indicate a good awareness of FLEGT licensing within the timber trade, it is likely that those who do not know about FLEGT licensing decided not to participate in the survey. This selection bias may have led to an overestimation of programme awareness within the timber trade. Similarly, while the survey was distributed to a diverse group of stakeholders, those who chose not to participate may have differing opinions on matters such as decisions drivers and publicity. This type of non-response bias could have skewed the presented results. Finally, the stakeholder opinions presented here serve as a snapshot, and future surveys may be necessary to understand how perspectives may change over time.

# Wider impact of FLEGT and VPAs

## Literature review

As outlined earlier in this review, both whilst in the EU and since leaving the EU, the UK has played an active role in supporting VPA agreements with the intention of signing these at the point of FLEGT licence readiness. This support has been delivered largely through FCDO's Forest Governance, Markets and Climate (FGMC) programme. A literature review of the impact and effectiveness of the FLEGT and VPA processes has been conducted, primarily using country reports provided by FGMC and research by CIFOR. This is set out in full in **Annex B**. This evidence covers several VPA countries including Cameroon, Liberia, Ghana, Indonesia, Republic of Congo, and Vietnam, exploring the key emerging themes of forest governance and legality, illegal logging, deforestation, and economic conditions and poverty alleviation.

The literature indicates that the FLEGT process has had a significant and demonstrable positive impact on forest governance, reduced illegal logging, and improved economic conditions and poverty alleviation within Indonesia, Cameroon, Ghana, Liberia, the Republic of Congo, and Vietnam. However, the evidence suggests that outcomes have varied across these countries, with Indonesia and Vietnam experiencing clearer benefits, while other countries involved in the FLEGT process continue to face challenges.

Indonesia is currently the only country issuing FLEGT licences for UK importers. Some key findings of the impact of the FLEGT processes in Indonesia are:

- An estimated decline in the share of illegal timber on the domestic market from 51% to 40% between 2016 (when FLEGT licensing began) and 2020. [6]
- An estimated reduction in the volume of total illegal Indonesian timber exports from 8 million m3 of roundwood equivalent in 2008 to 2.2 million m3 by 2018. [7]
- Between 2016 and 2020, legal verifications increased by over 80% and sustainability certifications increased by approximately 75%.[8]
- Five consecutive years of reduced primary forest loss between 2016-2021, from 930,000ha to 203,000ha, the lowest since 2003. [9] Indonesia has reduced its primary

[6] Goetghebuer T, Breyne J, Dermawan A, Leszczynska N, Almeida B, Newbery J, van der Ploeg L, and Cerutti PO. (2022). Collecting evidence of FLEGT-VPA impacts: Indonesia country report. Retrieved from: FLEGT-VPA_Indonesia.pdf (cifor.org)
[7] Chatham House. (2022). Establishing fair and sustainable forest economies. Lessons learned from tackling illegal logging. Research Paper. Environment and Society Programme. Retrieved from: 2022-09-28-fair-sustainable-forest-economies-hoare-kanashiro-uehara.pdf (chathamhouse.org)

[8] Berning, L., Sotirov, M., Eckelmann, J., Maryudi, A., Pratama, A. A., & Laraswati, D. (2022). Forest Law Enforcement, Governance, and Trade (FLEGT) implementation in Europe and Indonesia, and the implications of timber legality and deforestation policy changes in the EU, UK, USA and China. Final Study Report. Retrieved from zenodo.org

[9] Global Forest Watch | World Resources Institute (wri.org)

forest loss more than any other country in recent years, yet it still remains one of the largest contributors to primary forest loss worldwide, reflecting both the scale of its forests and the challenge to protect them. [10]

A direct impact of the FLEGT process on deforestation cannot be fully discerned due to the complexity of deforestation processes as well as various external factors. These include the difficulty of establishing baseline deforestation rates, delays in the impact of processes such as FLEGT, and the challenge of delineating the influence of FLEGT from other factors affecting deforestation rates such as economic and political factors, market demands for timber, and climate change. However, it is reasonable to conclude that the FLEGT process contributes to reducing deforestation through improved governance and reduced illegal logging.

## VPA stakeholder survey findings

As outlined earlier, we were also interested in capturing the views of stakeholders in VPA countries. The VPA stakeholder survey was completed by respondents from different sectors – Government, civil society, and the private sector (timber producers, distributors and consultants) – from Indonesia, Ghana, Liberia, and Guyana. The quantitative data presents a distinctly positive picture, both in terms of perceived change and impact of the VPA. Text responses were broadly positive overall, though respondents also identified a number of distinct challenges. A full analysis of the findings, broken down by country and sector, is included at **Annex C**.

## Summary of findings

Both the quantitative and qualitative findings of the VPA stakeholder survey indicate positive changes across all the key FLEGT objectives including better forest governance, a reduction in illegal logging, and enhanced economic development for forest communities. Respondents generally attributed a good proportion of this change to their respective VPA(s). Unsurprisingly, a more nuanced picture emerged from the qualitative responses, which revealed that there are many other factors that have significant impacts on deforestation, but which lie outside the current scope of the FLEGT process. These included both positive and negative factors. The prime negative example raised is the impact of illegal and legal mining, particularly in Ghana, and the prime positive example is the role of independent media in forest monitoring in Liberia.

However, it was not possible to establish relevant population sizes within the scope of this review (e.g. the number of private sector consultants involved in the timber industry across the four countries). Accordingly, no judgement can be made as to whether the numbers of respondents from each country and sector constitute representative samples, and therefore all findings from the VPA stakeholder survey must be considered indicative only. The results may also have been affected by non-response bias. The survey was distributed to a diverse group of

[10] The Latest Analysis on Global Forests & Tree Cover Loss | Global Forest Review (wri.org)

stakeholders, but those who chose not to participate may have differing opinions to those presented. Finally, the opinions recorded here serve as a snapshot, and future surveys may be necessary to understand how stakeholder perspectives may change over time.

With regard to governance, respondents saw most positive change in traceability and transparency and place great value in the multistakeholder model at the heart of the VPA. Benefits arising from increased stakeholder involvement, and an associated flow of financial benefit to forest-dependent communities, were mentioned throughout. Bureaucratic hurdles and capacity issues were two of the key limiting factors mentioned.

The majority of respondents reported that there has been a reduction in deforestation, both legal and illegal, though the most positive response was in relation to the widespread – and widening – use of forest management plans. While respondents noted a decrease in illegal logging since the FLEGT process began, they also voiced clear concerns regarding the rate at which this continues, highlighting the importance of initiatives such as FLEGT and their continued development, as well as the need for further interventions to tackle this challenge. Key positives mentioned by respondents include developments in community forestry and emboldened whistleblowers, while law enforcement, loopholes and compliance were noted as challenges.

In relation to economic development and poverty reduction, respondents felt that the greatest positive change has been seen in forest working conditions and the redistribution of income/profit from the forest sector towards indigenous peoples. Both quantitative and qualitative findings indicate ongoing challenges for small and medium-sized enterprises (SMEs), making this an area that would benefit from renewed focus and additional, long-term UK support. This area comprises a complex network of interrelated issues, borne out by respondents' varying views regarding the extent to which economic conditions have improved. In particular, while respondents reported improved livelihoods for some forest communities, they also sought further improvements to these and greater coverage of assistance.

The most positive quantitative finding across the whole survey was in answer to whether VPAs have been effective in achieving their stated aims, to which respondents overwhelmingly responded in support of their VPA, a result which reinforces FLEGT's continued value.

The challenge most often reported was a lack of capacity in all sectors – community, civil society, private sector, and Government. Consistent with this, respondents cited capacity building and training across all sectors involved in the timber industry as the primary area where further UK support would make a positive difference. Several respondents expressed gratitude to the UK Government for its support and contributions, while stressing the need for continuity in this support.

# Conclusion

This review has provided an opportunity to reflect on the impact of the FLEGT regulations, as well as identifying successes, challenges and key areas to strengthen our VPA partnerships and the wider FLEGT processes.

**To what extent have the policy objectives been achieved?**

The survey of UK stakeholders revealed two important insights. First, that there are no significant concerns from UK businesses regarding the enforcement of FLEGT in the UK or indication that the regulation presents a cost burden; and second, that market awareness of FLEGT licensing in the UK is limited. The latter point presents a challenge to the regulation, as it suggests that FLEGT is not providing the intended level of market access. The trade-off between forestry reform and market access is the cornerstone of FLEGT and provides a critical balance of incentives to encourage partner countries to develop and maintain robust national systems of timber legality assurance. FLEGT implementation data on FLEGT licences, value of shipments and net mass of imports, support the view that the UK market has not increased its appetite for FLEGT products since the first FLEGT licences were issued in 2016. Lack of awareness of FLEGT is likely linked to the limitation of only being able to access FLEGT licensed products from one country, Indonesia. The UK is committed to addressing this through the signing of new partnerships, noting the imminence of Ghana to issuing FLEGT licences as an example of continued progress, alongside the progress of other VPA countries described in this review. The UK further recognises and supports the efforts of producer countries to raise market awareness through the Broader Market Recognition Coalition (BMRC) and looks forward to learning more about this process and continued collaboration with VPA partner countries within the BMRC[11].

In terms of the wider impact of the regulation, both the literature and our VPA survey results indicate positive changes and favourable perceptions of these changes in VPA countries. In several countries it is clear that the core objective of the regulation, to improve forest governance and reduce illegal logging, is being fulfilled. Whilst we acknowledge concerns that the FLEGT process has not been able to deliver FLEGT licensing at scale, we also appreciate the scale of change being implemented and the time it takes to achieve this, something which may have not been fully understood when the regulations were originally designed. The extent of the reforms that have taken place in VPA countries, irrespective of reaching the point of FLEGT licensing, should not be underestimated.

**Are the objectives of FLEGT still valid?**

The objectives of FLEGT do remain valid, this is underpinned by the progress that has been made in VPA countries, and the need for our continued commitment to see this progress

[11] BMRC | Tropical Countries Promoting Sustainable Forestry (forestgovernance.org)

through. There are substantial challenges to acknowledge. This includes the large variation in the capacity and regulations in place across VPA countries and therefore huge differences in the time and effort required to establish the strengthened legality assurance controls at national scale, the difficulty assessing the direct impact of FLEGT on deforestation, and entrenched governance issues that are prevalent in some cases. However, it is important to note that an overwhelming majority of respondents, across different sectors and VPA countries, reflected positively on their VPA. Feedback on challenges was constructive, and respondents offered their thoughts for how the VPA could be improved, rather than criticising the underlying principles of the FLEGT regulation and VPA partnerships. Moreover, the need for a continuing role of the UK in strengthening these partnerships has also been clearly emphasised.

**Has the evidence identified any opportunities for reducing the burden on business?**

FLEGT licences remove a barrier to trade and are associated with a reduction in the administrative burden and costs of due diligence for businesses. Businesses have reported that cost is not a restrictive factor when purchasing a FLEGT licence. If more countries were able to issue FLEGT licences this cost saving opportunity would be amplified.

# Recommendations

1. **Implement a strategy to improve market awareness of FLEGT in the UK.** Noting that the UK Government is currently reviewing its timber procurement policy (TPP) and has already committed to exploring how recognition of FLEGT can be improved, we acknowledge the need to go further. Greater market recognition of FLEGT will improve the ability of the UK to leverage forestry reform and encourage long-term commitment with partner countries.

2. **Reaffirm the UK's commitment to developing new VPA partnerships.** Expanding the market of countries able to issue FLEGT licences and expanding the options of FLEGT licensed products available to the domestic market will increase the opportunity for UK businesses to reduce their due diligence cost burden under the UK Timber Regulations, and naturally raise awareness of the green lane that the licensing scheme provides.

3. **Work with Indonesia and future VPA partners to address challenges raised.** Commending the transformative reforms that have already been implemented in many VPA countries, the UK is committed to ensuring their consistency and robust application through our ongoing monitoring and evaluation processes, maintaining the integrity of the FLEGT licence as a world-leading timber standard.

4. **Maintain robust enforcement of FLEGT in the UK**. Though no major concerns were raised, we have identified areas to increase the efficiency of our enforcement, including through improved sharing of information between enforcement agencies. This will be

critical if we are to increase the scope of FLEGT in the near future and we will continue to work to ensure sufficient processes have been put in place for this to happen seamlessly.

# Annex A: UK stakeholder survey findings (full breakdown)

## Operator responses

Operators are those businesses first placing timber and timber products on the GB market.

**Q1: Are you aware of FLEGT licensing?**

All (18) operators who responded indicated that they are aware of FLEGT licensing.

**Q2: Do you import any FLEGT licensed timber?**

Nine out of 17 operators who responded said that they import some FLEGT licensed timber.

**Q3: Approximately what proportion of your imports are FLEGT licensed?**

Of the operators who import FLEGT licensed timber 7 of 9 respondents reported it accounts for 10% of their total timber imports. One reported 40% and one 100% of imports as FLEGT licensed.

Stakeholders noted that Indonesia is currently the only country exporting FLEGT licensed products and the availability of specific timber products required by operators is a limiting factor to purchasing FLEGT timber as not all products are covered under the licensing scheme.

**Q4: How accessible and well-advertised is FLEGT licensed timber?**

Of those operators who responded to the question, the majority (6/7) commented negatively about the public profile of FLEGT licensed timber. Generally, operators took the view that FLEGT was well-known within the timber trade but not known at all among the wider public.

FLEGT licensing appears to be accessible enough for industry players to comply successfully, but it does not generate a ‘sustainability’ premium due to a lack of wider recognition.

Feedback on the publicity of FLEGT licensed timber included:

- FLEGT licensed timber is well-advertised among traders through channels such as Timber Development UK (TDUK).
- Outside of traders, FLEGT licensed timber is not well-advertised or promoted, and retailers do not accept it in lieu of FSC certified timber.

**Q5: Is there a cost premium associated with FLEGT licensed timber compared to unlicensed timber of the same species, excluding the enforcement fee of £9.60?**

Most (4/6) operators who responded indicated that there is no cost premium associated with FLEGT licensed timber, and that cost is not a restrictive factor. Some respondents highlighted reduced costs associated with purchasing FLEGT licensed timber as additional administration costs of due diligence processes associated with purchasing non-FLEGT licensed timber are removed. Additionally, one respondent indicated that it is difficult to compare the price of FLEGT licensed timber to that of unlicensed timber as Indonesian timber is generally of better quality and therefore more expensive irrespective of licensing.

**Q6: Does the green lane for FLEGT licensed timber within the UK Timber Regulations incentivise you to import FLEGT licensed timber (as opposed to unlicensed timber)?**

**Table 3 - Operator responses to Q6**

| Greatly incentivises | Somewhat incentivises | Does not incentivise |
|---|---|---|
| 2 | 4 | 6 |

Despite the mixed responses noted in Table 3, stakeholders largely commented positively about the green lane for FLEGT licensed timber. Factors that stakeholders felt incentivised the import of FLEGT licensed timber included:

- reduced administration/paperwork involved in importing FLEGT licensed timber as legality is ensured.
- the green lane for FLEGT licensed timber makes the importation process quicker and easier.

Stakeholders noted that they would welcome VPAs with more countries to enable additional green lanes for FLEGT licensed timber.

**Q7: Why does your business choose to import FLEGT licensed timber (if applicable)?**

All stakeholders who commented indicated that FLEGT licensing is not pivotal in their commercial decisions. Factors such as long standing partner suppliers, product availability, quality and price are highlighted as key deciding factors for importers.

**Q8: In the course of your business, have you seen Indonesian timber without a FLEGT license on the market? If yes, please provide details on the frequency and context.**

All 12 operators who responded indicated that they have not seen Indonesian timber without a FLEGT licence on the market.

**Q9: Would you be likely to buy more FLEGT licensed timber if more producer countries issued FLEGT licenses?**

**Table 4 - Operator responses to Q9**

| Yes | Maybe | No |
|---|---|---|
| 9 | 3 | 1 |

Stakeholders generally indicated that the potential reduction in administration costs would make them likely to buy more FLEGT licensed timber if more producer countries issued FLEGT licenses. One stakeholder expressed their dissatisfaction that Indonesia is currently the only country with which the UK has a VPA.

**Q10: How well do you believe FLEGT licensing is enforced in the UK?**

**Table 5 - Operator responses to Q10**

| Very well | Quite well | Neither well nor poorly | Quite poorly | Very poorly | Not sure |
|---|---|---|---|---|---|
| 3 | 1 | 5 | 1 | 0 | 4 |

It is difficult to draw conclusions from Q10 as respondents appeared to feel that they were not best placed to know how well FLEGT licensing is enforced in the UK. However, one respondent commented that compliance with FLEGT requirements on business were easy to follow.

**Q11: How could awareness and enforcement of FLEGT be improved?**

Respondents indicated that the following actions could lead to better awareness and enforcement of FLEGT:

- Ensure FLEGT is written into purchasing policies.
- Better advertisement, for example through more regular enforcement action publications.

One respondent criticised the need for greater awareness and enforcement of FLEGT given the limited scope of the programme at present.

## Trader responses

Traders are those businesses buying or selling timber and timber products which have already been placed on the GB market.

**Q1: Are you aware of FLEGT licensing?**

All (11/11) traders who responded indicated that they are aware of FLEGT licensing.

**Q2: How accessible and well-advertised is FLEGT licensed timber?**

Traders responded that FLEGT licensed timber is not well-advertised but that it is accessible.

**Q3: Approximately what proportion of your timber purchases are FLEGT licensed?**

Traders who responded (5) indicated that 10-20% of their timber imports are FLEGT licensed.

**Q4: Why does your business choose to purchase FLEGT licensed timber?**

There was a general agreement among respondents that the driver of choosing FLEGT licensed timber is a faster and easier due diligence process.

**Q5: How could awareness and enforcement of FLEGT be improved?**

Stakeholders suggested two ways to improve awareness and enforcement of FLEGT. These were:

- Increasing the number of countries that can issue FLEGT licences to increase the availability of FLEGT licensed timber products which will in turn increase awareness.
- Increased engagement and guidance from OPSS.

# Annex B – Literature Review

Both whilst in the EU and since leaving the EU, the UK has played an active role in supporting VPA agreements with the intention of signing these at the point of FLEGT licence readiness. This support has been delivered largely through the Forest Governance, Markets and Climate (FGMC) programme. A literature review of the impact and effectiveness of the FLEGT and VPA processes has been conducted. Reports produced by FGMC for this review covered several VPA countries including Cameroon, Ghana, Indonesia, Republic of Congo, and Vietnam. The sources cited in these reports were also explored further to elaborate on the key emerging themes: Forest governance and legality, illegal logging, deforestation, and economic conditions and poverty alleviation. Another key source referenced throughout the literature review is a comprehensive study conducted by the Centre for International Forestry Research (CIFOR), which evaluates evidence to gauge any changes which come from the implementation of the FLEGT process. This study served as a valuable benchmark for evaluating the overall effectiveness of VPAs across different regions.

The literature indicates that the FLEGT process has had a significant and demonstrable positive impact on forest governance, reduced illegal logging, and improved economic conditions and poverty alleviation within Indonesia, Cameroon, Ghana, Liberia, the Republic of Congo, and Vietnam. However, the evidence suggests that outcomes have varied across these countries, with Indonesia and Vietnam experiencing clearer benefits, while other countries involved in the FLEGT process continue to face challenges.

A direct impact of the FLEGT process on deforestation cannot be fully discerned due to the complexity of deforestation processes as well as various external factors. These include the difficulty of establishing baseline deforestation rates, delays in the impact of processes such as FLEGT, and the challenge of delineating the influence of FLEGT from other factors affecting deforestation rates such as economic and political factors, market demands for timber, and climate change. However, it is evident that the FLEGT process contributes to reducing deforestation through improved governance and reduced illegal logging.

## Forest governance and legality

In Indonesia, the FLEGT process has significantly improved forest governance and legality within the timber trade. Indonesia has established legal frameworks, such as its Timber Legality Verification System (SVLK), to ensure that timber products are legally sourced.[12] While SVLK compliance has not been specified in national public procurement, independent research

[12] FLEGT Independent Market Monitoring. (2022). Communicating SVLK’s All-round Environmental Credentials. Retrieved from: https://flegtimm.eu/news/communicating-svlks-all-round-environmental-credentials/?utm_source=rss&utm_medium=rss&utm_campaign=communicating-svlks-all-round-environmental-credentials

estimates that the share of illegal timber on the domestic market has decreased from 51% to 40% between 2016 (when FLEGT licensing began) and 2020.[13]

The FLEGT process has also led to improved laws and regulations in Indonesia, although law enforcement remains a challenge. From January 2015 to April 2020, the Ministry of Environment and Forestry investigated 526 cases of illegal logging and trading and seized 37,619m$^3$ of timber. 408 of these cases have been prosecuted to date.[14] Other legal measures that the Indonesian government have taken to control illegal deforestation and promote sustainable forestry practices include cancelling illegally issued permits for logging and plantations and extending the moratorium on clearing forests and peatlands.[15,16]

Other VPA countries including Ghana, Cameroon, Republic of Congo, Guyana, Liberia, and Vietnam have made notable progress in forest governance. The FLEGT process has led to increased multi-stakeholder engagement and greater transparency in decision-making. In Guyana, for example, research has indicated that corruption in the forest sector has decreased, and the FLEGT process has energised political will to combat corruption in addition to stimulating greater coherence in the legal and regulatory framework.[17] In many countries, the FLEGT process has strengthened cross-sector cooperation to tackle illegality. In Liberia, the process has brought together Government, the private sector and civil society stakeholders to address illegality in the forest sector through actions such as building capacity within the Liberian Forestry Development Authority and by enabling civil society and community representatives to engage in negotiations and participate in forest monitoring activities.[18] The VPA in the Republic of Congo has also led to gradual improvements in governance, however, corruption remains a challenge and further capacity building across stakeholders is required.

## Illegal logging

Implementation of the FLEGT process in Indonesia has been effective in reducing illegal logging and increasing the availability of legal timber for export. In 2008, the volume of total timber exports from Indonesia estimated to be illegal was approximately 8 million m$^3$ of roundwood equivalent, one of the highest rates globally. By 2018, this had declined to approximately 2.2 million m$^3$ of

[13] Goetghebuer T, Breyne J, Dermawan A, Leszczynska N, Almeida B, Newbery J, van der Ploeg L, and Cerutti PO. (2022). Collecting evidence of FLEGT-VPA impacts: Indonesia country report. Retrieved from: FLEGT-VPA_Indonesia.pdf (cifor.org)
[14] Law enforcement performance data (2015-2020). Directorate General of Law Enforcement, Ministry of Environment and Forestry, Government of Indonesia
[15] Mongabay. (2022). As Indonesia retakes land from develops, conservation is an afterthought. Retrieved from: As Indonesia retakes land from developers, conservation is an afterthought (mongabay.com)
[16] Mongabay. (2019). Indonesia forest-clearing ban is made permanent, but labelled 'propaganda'. Retrieved from: Indonesia forest-clearing ban is made permanent, but labeled 'propaganda' (mongabay.com)
[17] Leszczynska, N., Van der Ploeg, L., Goetghebuer, T., Newbery, J., Almeida, B., and Cerutti, P.O. (2022). Collecting evidence of FLEGT-VPA impacts. Guyana country report. Retrieved from: https://www.cifor.org/knowledge/publication/8444/
[18] VPA Africa-Latin America. Liberia – Background. Retrieved from: Background: Liberia - VPA ALA Facility (flegtvpafacility.org)

roundwood equivalent.[19] Research conducted by CIFOR found that within Indonesia, the SVLK system, along with increased awareness and capacity building among small and medium-sized enterprises, has promoted a 'traceability mindset' among key industry stakeholders. As a result, more legal timber has become available for export, reducing the prevalence of illegal logging.Error! Bookmark not defined.

The FLEGT process has also played a significant role in the reduction of illegal logging in Ghana, Cameroon, the Republic of Congo, and Vietnam through the development of legality assurance systems, awareness campaigns, and increased transparency. Within Ghana, the FLEGT process has contributed to a significant decrease in illegal logging both in reserves and off-reserve areas. The reduction in illegal logging was attributed to better law enforcement and traceability, both on domestic and export markets. A key factor driving improvements in timber legality was the decision by the government of Ghana to include the domestic market in the timber legality assurance system (TLAS). This made legal wood more attractive on the domestic market due to strengthened law enforcement and the development of a public procurement policy for the domestic market.[20] However, respondents to our VPA stakeholder survey reported that the domestic market remains a key area of challenge within Ghana's forestry sector.

The study by CIFOR synthesised qualitative and quantitative evidence of EU-FLEGT VPA impacts across seven countries – Cameroon, Ghana, Indonesia, Republic of Congo, Côte d'Ivoire, Guyana, and Honduras.[21] This study compiled evidence from over 700 interviews with forest sector experts in order to assess change before and after the start of the FLEGT process and the contribution of the VPA to that change. This study highlights that about half (45%) the reduction in illegal logging is attributed to the FLEGT process.

## Deforestation

The FLEGT process has had a positive impact on deforestation by addressing illegal logging and promoting sustainable forest management. However, the fight against deforestation requires a multifaceted approach. VPA stakeholders viewed that ongoing monitoring and evaluation are essential to assess the long-term impacts of FLEGT on deforestation rates and to refine strategies for even greater success.

In Indonesia, evidence suggests medium to long-term trends of declining illegality and reduced levels of deforestation. These trends can be linked to better forest governance resulting from

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[19] Chatham House. (2022). Establishing fair and sustainable forest economies. Lessons learned from tackling illegal logging. Research Paper. Environment and Society Programme. Retrieved from: 2022-09-28-fair-sustainable-forest-economies-hoare-kanashiro-uehara.pdf (chathamhouse.org)

[20] Leszczynska N, Tsanga R, Goetghebuer T, Mauquoy C, Tabi P, Almeida B, Newbery J, van der Ploeg L, and Cerutti PO. (2022). Collecting evidence of FLEGT-VPA impacts: Ghana country report. Retrieved from: Collecting evidence of FLEGT-VPA impacts: Ghana country report - FLEGT Voluntary Partnership Agreement Library (cifor.org)

[21] Center for International Forestry Research (CIFOR). (2022) Collecting evidence of FLEGT-VPA impacts. Retrieved from: (cifor.org)

Indonesia's FLEGT VPA process. Data released by the World Resources Institute (WRI) in March 2022 shows that Indonesia reduced primary forest loss for a fifth year running in 2021. In 2016, annual deforestation was estimated to be around 930,000 ha; by 2021, this had dropped to 203,000 ha. The rate of primary forest loss is the lowest since 2003. Stronger law enforcement is one of the key factors behind the decline in primary forest loss, according to WRI[22]. The VPA has contributed to this reduction in deforestation and to better implementation of forest management plans, mainly through the Sustainable Forest Management standard introduced in 2017. While Indonesia has made significant progress in reducing deforestation rates, further action is needed. Indonesia remains a top contributor to primary forest loss worldwide, accounting for 5.6% of total primary forest loss in 2022 and ranking the 4th highest contributor.[23]

In other VPA countries where a reduction in deforestation has been observed, it has been challenging to delineate the direct impact of the FLEGT process on deforestation levels. In Cameroon and the Republic of Congo, the VPA is considered to have contributed to a reduction of deforestation, despite a general increase in recent years. In Ghana and Vietnam, the direct effect of the FLEGT process on deforestation is unclear. However, these countries have seen improved forest governance and reduced illegal logging, which can indirectly contribute to a reduction in deforestation. In Ghana, research shows that illegal logging has decreased since the VPA came into force.[24] A 2018 Chatham House assessment found that notable progress in addressing illegal logging has been made by the Vietnamese government, particularly through international cooperation.[25]

Research by CIFOR looked at the perceived contribution of VPAs to improving forest conditions and reducing deforestation levels across several countries (Indonesia, Ghana, Cameroon, Republic of Congo, Guyana, and Côte d'Ivoire). While the average VPA contribution varies across countries, with stronger contribution in Ghana, Guyana and Republic of Congo, on average VPAs are perceived to have contributed to 40% of reported improvements in forest conditions.**Error! Bookmark not defined.** Improvements in forest conditions are likely linked to better implementation of forest management plans in these countries. For example, in Guyana, research indicates that forest management plans are at least partially implemented and the VPA process is considered to have moderately contributed to this change. Our VPA stakeholder survey results support this finding.

When asked about the contribution of VPAs in reducing deforestation levels across Indonesia, Ghana, Republic of Congo, and Cameroon, results indicated that the VPA process has slightly contributed to the reduction of deforestation in all countries except Cameroon. In Cameroon, further improvements in forest governance were identified as necessary to realise the benefits of the VPA process in terms of reducing deforestation.

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[22] Global Forest Watch | World Resources Institute (wri.org)

[23] The Latest Analysis on Global Forests & Tree Cover Loss | Global Forest Review (wri.org)

[24] VPA Africa-Latin America. Ghana Background. Retrieved from: Background: Ghana - VPA ALA Facility (flegtvpafacility.org)

[25] Chatham House. Forest Governance and Legality. Retrieved from: Forest-Policy-Assessment-Vietnam.pdf (chathamhouse.org)

The direct impact of the FLEGT programme on deforestation levels is difficult to quantify due to the complexity of deforestation processes, indirect effects, data limitations, and the presence of numerous other factors that influence deforestation such as agricultural expansion, infrastructure development, and land-use policies. It is clear however, that FLEGT has decreased levels of deforestation indirectly through curbing illegal logging and improving forest governance.

## Economic conditions and poverty alleviation

The FLEGT VPA process indirectly contributes to economic development and helps alleviate poverty through various means. Research by CIFOR indicated that participation in the FLEGT process fosters a positive perception of the country on global markets and establishes its reputation as a trustworthy business partner. Other outcomes that are more difficult to measure include streamlined and improved tax collection, better redistribution of some taxes to local communities and indigenous people, increased job opportunities, and improved labour rights.**Error! Bookmark not defined.** This research found that across all indicators related to livelihood, VPAs are perceived to have contributed to 22% of reported improvements in livelihoods and reduced poverty. In some countries, legal reforms catalysed by VPA processes have improved the rights of local communities. For example, in Liberia, new regulations implemented as a result of the VPA process have included strengthening local communities' rights to own, manage and benefit from forest land and resources.[26] Many respondents to our VPA stakeholder survey from both Liberia and Ghana also reported improved community engagement in forest management and that greater benefits from the timber industry are now being passed on to forest communities.

[26] FERN. (2021). FLEGT Voluntary Partnership Agreements 2.0: A response to the European Commission FLEGT fitness check, and options for the future. Retrieved from: FLEGT_Voluntary_Partnership_Agreements_2.0.pdf (fern.org)

# Annex C – VPA stakeholder survey findings (full breakdown)

Methodology

This survey had four sections: Governance, Illegal Logging and Forest Conditions, Economic Development and Poverty Alleviation, and Overarching questions. The first three sections each contained multiple-choice questions asking respondents to grade the extent of change on a particular issue and then to grade the extent to which that change could be attributed to the VPA. These questions provided quantitative data. The first three sections ended with a qualitative question allowing respondents to offer further reflections in writing on that section's issues overall. The latter section contained three written response questions relating to overarching challenges, potential additional UK support, and general comments.

Since not all respondents answered all questions, percentages relating to this survey's results describe the proportions of responses to individual questions, rather than of total respondents to the survey (i.e. percentages always add up to 100, despite some respondents not answering that particular question). Where possible, the number of responses that a percentage represents is given in brackets (e.g. 98% (107)). In some cases, an average of multiple questions is presented, meaning it is not possible in these instances to link the average percentage to a number of responses.

Data Limitations

Please note that the below findings can only be considered indicative only and not representative of either the countries or sectors surveyed. The findings represent the perceptions of the survey respondents only. Additionally, Indonesia (11) and Guyana (7) had considerably lower numbers of respondents compared to Ghana (56) and Liberia (44). Similarly, when grouping responses by sector, the two cohorts of timber producers/distributors and consultants each contain 18 respondents, which is considerably fewer than for government (29) and civil society (53) and therefore may affect the reliability of any trends identified.

A copy of the survey will be made available alongside this review.

# Governance

Respondents were very positive about changes in the area of forest governance since the inception of their respective VPAs. The most positive responses were on the subject of traceability and transparency, where 98% (107) of respondents reported improvements and 77% (84) said that this change can largely be attributed to the VPA. The least positive responses were in relation to bribery and corruption, though even here 78% (84) of respondents had seen a decline and 51% (56) thought that a lot of this decline was linked to the VPA.

Country Breakdown

While all countries surveyed produced positive responses relating to governance, Liberia was the most positive overall, with an average of 93% of respondents citing positive change. Ghana followed closely with 91% positive responses on average, Indonesia 87%, and Guyana 76%. There is a fair degree of consensus[27] among countries with regard to positive changes in governance.

Consensus between countries is absent, however, when considering respondents' assessment of the VPA's role in generating this change. Liberia then Ghana are again the most positive on average, scoring 69% and 67% respectively, Guyana averages 59%, then Indonesia considerably lower at 30%. Though these scores are lower, this is unsurprising given the wider domestic and international factors that also influence governance and deforestation.

It is not possible to draw robust conclusions from comparisons between countries, owing to the large differences in respondent group size. However, in a roundtable discussion, Indonesian respondents noted that their country had made strides towards sustainable forestry long before the FLEGT process was established, which may explain why they attribute comparatively less change directly to their VPA.

Sector Breakdown

As with countries, all sectors surveyed produced highly positive responses linked to governance, with civil society being the most positive, with an average score of 94%. This was followed by government scoring 92%, private sector (consultancy) scoring 89%, and private sector (timber producers/distributors) scoring an average of 79%. Across the four sectors, there is consensus regarding positive governance change. However, there wasn't consensus when asked about how much of the changes were attributed to the VPA: 77% of private sector (consultancy) thought the VPA had a lot of influence over the improvements, whereas for government the average was 72%, civil society averaged at 60%, and private sector (timber producers/distributors) averaged at 45%.

Wider Feedback

On Governance, text responses mainly centred around:

- benefits arising from increased stakeholder involvement, including local communities and civil society organisations; capacity building that supports their involvement, and an associated flow of financial benefit to forest-dependent communities;
- improvements in transparency, accountability, compliance and enforcement; and

[27] The definition of consensus used in this section follows from Diamond et al (2014), whose systematic review found 75% agreement to be the median threshold to define consensus. Adapting their approach to the context of this survey, we state that there is consensus among countries or sectors where their average responses differ by 25% or less. (Reference: Diamond, I.R., Grant, R.C., Feldman, B.M., Pencharz, P.B., Ling, S.C., Moore, A.M. and Wales, P.W. (2014), Defining consensus: a systematic review recommends methodologic criteria for reporting of Delphi studies. *Journal of clinical epidemiology*, *67*(4), pp.401-409.)

- challenges with implementing the VPA, including bureaucratic hurdles, capacity issues, and a need for greater awareness.

Respondents from Ghana and Liberia reflect a mixed picture with regard to women's involvement in forest governance and activity. Some note the inclusion of women on governance committees and their positive contribution, whilst others state that women are underrepresented or even absent from the process.

In Indonesia, a respondent from civil society reported the positive impact of independent forest monitors on forest governance, also noting the need for increased capacity in this area. Greater compliance and more transparent forest management were also identified.

In Ghana, some private sector consultants would welcome greater engagement from their government in the FLEGT process, in particular on compliance and enforcement. Some Ghanaian respondents also report that FLEGT's export focus sometimes overshadows issues in the domestic market, leading to disparities in resource distribution.

Both civil society and consultant respondents from Liberia highlighted the important role of independent media in monitoring forest governance and investigating illegal logging. One consultant respondent remarked upon friction between concession companies and local communities in which they operate.

## Illegal Logging and Forest Conditions

Respondents overall feel similarly positive about improvements to illegal logging and forest conditions. Out of all the respondents, 93% (97) reported that forest management plans have become more widely used following the establishment of VPAs – the most positive result in this section. Again, the lowest figure still shows considerable positive change, where 77% (80) respondents reported that overall deforestation (both illegal and legal) has reduced since VPAs were introduced; and 74% (77) of respondents reported that the VPA has been the key driver of positive change across all aspects investigated within this section.

Country Breakdown

Grouping respondents by country, Indonesia scored most highly for this section, with 96% of respondents on average citing positive change. Ghana and Liberia were again similar in their assessments, though slightly less positive here than on issues relating to governance, with average positive responses of 86% and 83% respectively. Guyanese respondents, though still positive, were noticeably less so than others, with 67% identifying positive change. There is therefore an absence of consensus between countries on changes to illegal logging.

Respondents from all countries feel that their VPAs have had more direct positive impact on illegal logging and forest conditions than on governance, which is a distinctly positive finding given that reducing illegal logging is the fundamental objective of the FLEGT process. When assessing the amount of change attributable to the VPA for this section, Liberia then Ghana are the most positive once more, with 78% (31) and 75% (39) of these respondents attributing considerable change directly to the VPA. For Guyana this was 67% (2) and, again, Indonesia noticeably lower at 56% (5), although samples are small. Nonetheless, this indicates a degree of consensus between countries on VPAs' impact in this area.

Sector Breakdown

There is greater consensus between sectors on illegal logging and forest conditions than for governance; however, the averages are generally slightly lower compared to sector-specific governance responses. Of civil society respondents, 86% on average saw positive changes. The average was 85% for government, 79% for private sector (timber producer/distributor), and 76% for private sector (consultancy).

When looking at how far these changes are attributed to the VPA, there is no consensus between sectors with the highest proportion of private sector (consultancy) respondents believing a lot of change was linked to the VPA, 82% (14). The next highest was government with 81% (21), then civil society with 76% (37), and private sector (timber producer/distributor) with 42% (5/12). As private sector (timber producer/distributor) had a total response rate of 12 people, this is lower than the other sectors, and therefore makes it difficult to compare their results to the other sectors. However, 7/12 of private sector (timber producer/ distributor) respondents still thought that some changes were linked to the VPA, and no respondents thought no changes were linked to the VPA.

Wider Feedback

Reflections in this section largely identified:

- A decrease in illegal logging, though some respondents voice clear concerns regarding the rate at which this continues, and highlight unforeseen factors such as mining;
- Developments in community forestry, emboldened whistleblowers, and community monitoring of forest activities; and
- Issues around law enforcement, loopholes, penalties, and compliance, including criticism of Governments.

Respondents identify a reduction in illegal logging, particularly among larger companies, yet report that illegal logging continues at a smaller scale with some comments referring to individual chainsaw operators. This may link to the feeling in Ghana that FLEGT-related resource and capacity has tended to be absorbed by private sector organisations.

Many respondents, particularly from Liberia, note that the VPA process has led to more attention on community forestry and community benefits, which is broadly positive. However, one respondent also felt that some unscrupulous operators target communities so as to exert influence over them.

Again, Ghanaian respondents note challenges related to the domestic timber market, access to legal timber domestically, and the need for regulatory clarity.

Numerous Ghanaian respondents, and one from Liberia, report that illegal mining is a significant problem that needs to be addressed and isn't currently captured by FLEGT processes.

## Economic Development and Poverty Alleviation

The overall scores in this section are also highly positive, notwithstanding a small drop in the proportion of respondents identifying positive change. Two questions scored the highest: 82% of respondents felt that positive change has occurred in both forest working conditions (83) and the redistribution of income/profit from the forest sector towards local communities and indigenous peoples (82). However, only 58% (59) of respondents felt that the VPA had been a major driver of improvements to working conditions, whereas 63% (63) thought VPAs have significantly influenced the redistribution of income/profit.

Though still positive, the lowest proportion of positive responses (71%, 74) was on the question of increased market share for small and medium-sized enterprises (SMEs). Challenges for SMEs were also reported by a number of text responses and participants in subsequent roundtable discussions, indicating that this is an area that would benefit from renewed focus and additional, ongoing UK support.

Country Breakdown

When dividing respondents by country, the greatest proportion of respondents on average reporting positive change on these issues were from Liberia (83%). Ghanaian respondents saw the next highest average for positive change (77%) but were more closely aligned with Guyana (75%) on these issues than with Liberia, as had been the case for governance and illegal logging. Indonesia reported the lowest average proportion of respondents citing positive change (61%), which is also the lowest proportion for any country across all sections. There are no text responses or roundtable testimonies that indicate why this may be.

There is a degree of consensus between countries on economic issues relating to forests, though not as much as on governance. There is not a consensus regarding the impact of VPAs on economic change, though less varied responses than on VPAs' impact on governance. Liberian respondents again feel noticeably more positive, with 68% on average seeing the VPA as a major driver of positive economic change. Ghana is next with an average of 56%, Guyana 42%, then Indonesia again scoring lowest with an average of 36%.

Sector Breakdown

When breaking responses down by sector, there is consensus across all four sectors, with governments having the highest proportion of respondents on average noticing positive change (84%). This is followed by private sector (consultancy), where 79% reported positive change, private sector (timber producer/distributor) seeing a similar proportion with 77%, and civil society having an overall average of 74%.

When looking at how far these changes are attributed to the VPA, there is consensus amongst all sectors, and shows that, overall, the majority of respondents in each sector believe that a lot of changes are linked to the VPA. Government had the highest average proportion of respondents reporting that the VPA had a lot of impact on the changes at 63%, and similarly private sector (consultancy) had an average of 62% that believed the changes were linked to the VPA. For civil society this figure was 56% and for private sector (timber producers/distributors) this was 52%.

Wider Feedback

The following broad themes emerge from comments in this section:

- Issues relating to forest communities, including their greater awareness of, and demand for, their social and economic rights; and
- Procedural issues relating to revenue collection and distribution arising from forestry, enforcement and accountability, and associated challenges and delays.

Respondents express varying views on the extent to which economic conditions have improved. While some report improvements, others note that progress has been limited. For example, one respondent remarked that only communities that have been engaged by NGOs are aware of their rights and the demands they should make of forest companies, with many communities as yet unreached.

In Ghana, implementation of the VPA is noted as having led to the institutionalisation, enforcement, and widespread use of Social Responsibility Agreements (SRAs). These are seen as crucial in ensuring that forest management and governance reforms benefit local communities. Whilst some report that compliance with SRAs is challenging, they are mainly praised, with one respondent characterising them as a “tangible indication of how forest management and governance reforms are benefiting the local communities”.

# Overarching

The only quantitative question in this section asked respondents to judge whether their VPA has been effective in achieving the stated aims. This received the most positive responses and the most consensus of any section, which is a very positive finding.  All Indonesian (9) and Guyanese (3) respondents reported that their VPAs had been effective, along with 97% (38) of Liberian respondents and 96% (43) Ghanaian respondents.  Similarly, when split by sector, all 15 private sector consultancy respondents reported that the VPA had been effective, along with 98% (45) of civil society respondents, 96% (23) of government respondents and 91% (10) of private sector (timber producer/distributor) respondents.

As mentioned, this section contained three written response questions, on challenges, additional UK support, and any other comments.

## Challenges

The key challenges that respondents report are:

- A lack of capacity in all sectors – community, civil society, private sector, and Government;
- Law enforcement and governance that respondents feel could be more consistently and stringently applied;
- Suboptimal community understanding and involvement;
- Delays in, and changes to, processes such as those required for the issuing of permits and contracts, which leads to perceptions of a lack of commitment;
- A lack of transparency and accountability – one respondent notes that communication is key to building trust between operators and regulatory agencies.

Many Liberian respondents highlight challenges with monitoring, remarking that this is lacking and in need of significant logistical support.

## Additional UK Support

The key areas that respondents identify where further UK support would make a positive difference are:

- Capacity building and training across all sectors involved;
- Independent monitoring and reporting;
- Fair benefit sharing between communities, government, and private enterprise;
- Reforms to legal structures and enforcement of existing laws.

Many respondents express the need for support with capacity building, training, and education to advance knowledge and skills related to the VPA process and sustainable forest management across government agencies, civil society organizations (CSOs), and private timber enterprises. This is a common theme for respondents from all countries surveyed.

Responses from all surveyed countries and sectors foreground the importance of independent monitoring and reporting mechanisms. This includes supporting CSOs to play a watchdog role in forest governance and accountability. It also involves government agencies monitoring the timber supply chain and reporting on implementation processes. One Ghanaian private sector consultant advocates for a “joint mission to monitor progress on the ground”.

The important role of media, particularly community radio, in highlighting instances of non-compliance and illegal logging features heavily in responses from all sectors in Liberia bar private sector timber producers/distributors. Liberian respondents also see the media as offering a valuable means for increasing awareness of the VPA, educating people regarding its processes, and communicating its benefits, also encouraging the UK to provide support in this area to realise this potential.

## Other Comments

Respondents additionally provided comments around:

- Appreciation and recognition – several comments express gratitude to the UK Government for its support and contributions;
- The importance of support continuity – a number of comments stress the need for continued support from the UK Government, including on forest sector reform and capacity building, to ensure that VPA objectives are attained and sustained long-term;
- Potential to broaden the VPA – many respondents contend that greater reductions in deforestation could be realised if the VPAs are broadened in scope to address issues such as domestic timber markets, mining, and forest risk commodities, as well as expanding FLEGT licensing to non-FLEGT countries.

Finally, respondents from Indonesia, Ghana, and Liberia see the multi-stakeholder approach of VPAs as a cornerstone of the process and crucial to its ongoing success.

# Annex D: FLEGT HS4 Commodity Codes

| Selected HS4 commodity headings | |
|---|---|
| **Aggregated category (HS4)** | **Defined commodity** |
| 4401 | all sub categories |
| 4408 | all sub categories |
| 4409 | all sub categories |
| 4410 | all sub categories |
| 4411 | all sub categories |
| 4412 | all sub categories |
| 4413 | all sub categories |
| 4414 | all sub categories |
| 4415 | all sub categories |
| 4416 | all sub categories |
| 4417 | all sub categories |
| 4418 | all sub categories |
| 4419 | all sub categories |
| 4701 | all sub categories |
| 4702 | all sub categories |
| 4703 | all sub categories |
| 4704 | all sub categories |
| 4705 | all sub categories |
| 4802 | all sub categories |
| 4803 | all sub categories |
| 4804 | all sub categories |
| 4805 | all sub categories |
| 4806 | all sub categories |
| 4807 | all sub categories |
| 4808 | all sub categories |
| 4809 | all sub categories |
| 4810 | all sub categories |
| 4811 | all sub categories |
| 4812 | all sub categories |
| 4813 | all sub categories |
| 4814 | all sub categories |
| 4816 | all sub categories |
| 4817 | all sub categories |
| 4818 | all sub categories |
| 4821 | all sub categories |
| 4822 | all sub categories |
| 4823 | all sub categories |
| 9401 | all sub categories |
| 9403 | all sub categories |
| 9406 | all sub categories |

# Annex E: Post Implementation Review

| | |
|---|---|
| **Title:** Forest Law Enforcement, Governance and Trade Regulations 2012 | Post Implementation Review |
| **PIR No:** PIR-66444 | **Date: 28/03/2024** |
| **Original IA/RPC No:** DEFRA1460 | **Type of regulation: Domestic** |
| **Lead department or agency:** Department for Environment Food and Rural Affairs | **Type of review: Statutory** |
| **Other departments or agencies:** Office for Product Safety and Standards (BEIS) | **Date measure came into force: 03/03/2013** |
| | **Recommendation: Keep** |
| **Contact for enquiries: illegal.logging@defra.gov.uk** | **RPC Opinion: N/A** |

**1. What were the policy objectives of the measure?** (Maximum 5 lines)

Illegal logging is a major driver of deforestation, leading to loss of ecosystem services and biodiversity, and contributing to climate change. The FLEGT regulation, alongside the UKTR, enables the protection of forests around the world, ultimately supporting the Government's ambition to lead the world in environmental protection, end extreme poverty, and be at the forefront of action against global climate change.

**2. What evidence has informed the PIR?** (Maximum 5 lines)

This PIR was based on multiple information sources: data and intelligence collected and provided by OPSS, HMRC and UK Border Force (UKBF); a survey of UK businesses; and engagement with a range of stakeholders in VPA countries. A literature review of VPAs was also conducted to provide some wider context to the survey results.

**3. To what extent have the policy objectives been achieved?** (Maximum 5 lines)

The Regulations are considered mostly successful in achieving their original objectives. This is almost universally felt by stakeholders, however, we acknowledge that some challenges are reported by stakeholders regarding consistency of application and implementation, and that the impact on deforestation decoupled from illegal logging is difficult to assess. The UK will continue to address these challenges through its partnerships with producer countries.

Sign-off for Post Implementation Review:

***I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed:  Alistair Rennie, International Biodiversity and Climate lead analyst      Date: 04/04/2024

Signed: Minister of State for Climate, Environment and Energy      Date: 05/04/2024

Richard Benyon.

## Further information sheet

Please provide additional evidence in subsequent sheets, as required.

| |
|---|
| **4. What were the original assumptions?** (Maximum 5 lines)<br><br>That the aim of a FLEGT and VPA is to guarantee that any wood exported from a timber-producing country to the UK comes from legal sources and to help the partner country stop illegal logging by improving forest governance and regulation. The FLEGT regulations are complemented by the UK Timber Regulations (UKTR), which place due diligence requirements on businesses placing timber on the UK market. These were assumed to prevent the trade of illegally harvested timber with the UK. |
| **5. Were there any unintended consequences?** (Maximum 5 lines)<br><br>There have not been any unintended consequences, although the length of time it takes to implement a VPA and install a FLEGT licensing system was likely underestimated when the original Impact Assessment was conducted. |
| **6. Has the evidence identified any opportunities for reducing the burden on business?** (Maximum 5 lines)<br><br>FLEGT licences provide a green lane for trade and are associated with a reduction in the administrative burden and costs of due diligence for businesses. Businesses have reported that cost is not a restrictive factor when purchasing a FLEGT licence. If more countries were able to issue FLEGT licences this cost saving opportunity would be amplified. |