



CBI  
*Ministry of Foreign Affairs of the Netherlands*

## **CBI Policy Intelligence: FLEGT**

# **FLEGT, VPA, EUTR and their possible impact on the Bolivian timber sector**

**Final Report**

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## Acknowledgements

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*Cover photo: Interviewed Bolivian entrepreneur in his showroom.*

## Executive summary

This study was developed at the request of the Timber Task Force (TTF) in Bolivia and its ally in The Netherlands, the Centre for the Promotion of Imports from developing countries (CBI). The reason behind it was the fear that from the introduction of the EUTR in March 2013 there would be no possibility of continuing exporting Bolivian timber (products) to the EU market, without there being a signed Voluntary Partnership Agreement (VPA). Therefore the objective of the study was to inventory the actual situation in Bolivia and develop a kind of action plan that would enable the achievement of a functional VPA within a year. S-FOR-S formed a team of consultants to implement a desk study (internet, document review) and a field mission (discussions, interviews, observations). Both in Bolivia and in the EU a series of companies involved in the trade of Bolivian timber (products) and other relevant stakeholders of the sector were interviewed.

The forestry sector (NTFP's and timber (-products)) is important for the Bolivian economy, as the contribution to the GNP is approximately 3 %. It should be much higher, due to the illegal logging problem, which is estimated at approximately 50% of the total harvested volume. In addition, the formal forestry sector contributes approximately 4 % to the national employment. In 2011 the forestry sector contributed 8.8 % to the total export value of Bolivia; whereas Brazil nut ("castaña") was the principle forest export product, timber (products) contributed 3.2% to the total export value, with an amount of US \$ 85.1 million.

The EU market is the most important one for Bolivia in terms of export value (covering one third of that value). The export value to the EU has increased by approximately 450 % over the last decade and is characterized by high added value. The US market diminished during the same period, while the Chinese market increased by an even higher percentage, but with much less added value. On the other hand, Bolivia is not a major provider of tropical timber (products) to the EU market, with less than 1 % of the total value of tropical timber imported to the EU.

An important part of the stakeholders of the forestry sector in Bolivia is not well informed on the concepts of and processes related to FLEGT, VPA and EUTR. There is a lack of information in general and there are many misunderstandings. During the field mission the necessary explanations were given to the contacted people. Nonetheless an information campaign is required to prepare the sector in general for the introduction of the EUTR. The TTF may play an important role in this sense.

Based on the experiences with VPA processes worldwide and taking into consideration the actual Bolivian context (with an important informal sub-sector and lack of institutional capacity, among others) it will not be feasible to achieve a VPA in the short term (within 1 year). However, it seems useful to initiate such a process in order to achieve a VPA in the medium or long term, provided that the Government of Bolivia (GoB) shows real interest in it. The initiative must be taken by the GoB, as the GoB itself will be the most important actor, followed by the EU. It is however very important that all other stakeholders relevant to the sector are involved in the entire process, in order to guarantee the success of the VPA. It is recommended that the donor platform involved in the environmental sector in Bolivia lend its support to the process.

In the short term the timber sector must focus on other alternatives: 1. the Verification of Legal Compliance (VLC), for example according to the verification systems of SW/RA or SGS, for companies that export timber legally but which have not yet been FSC certified or legally verified or 2. the certification of sustainable forest management (SFM), like FSC or PEFC, and the related CoC, for companies that have previously been FSC certified or currently have a valid certificate. The level of VLC is lower than the level of SFM (which goes way beyond legal compliance), but it coincides with the level required by the EUTR and can be reached more easily in the short term by the majority of companies.

In the context of the EUTR, the authorities in the EU will always accept a FLEGT certificate based on a functional VPA (at the level of a partner country) or a CITES certificate. It is most probable that timber with a VLC or SFM certificate will be accepted by the due diligence systems of the operators and/or monitoring organizations in the EU partner countries. A third option, sending proof with each batch to demonstrate compliance with all relevant laws and regulations of Bolivia, appears to be rather laborious and more risky and therefore does not seem feasible.

The implementation of a VLC support programme is recommended, focussing, in the short term, on medium sized timber exporting companies, in order to assure their being prepared for the introduction of the EUTR. At a later stage, a functional VPA should make it easier for small companies and communities to become exporters also.

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## List of abbreviations

ABT	Forest and Land Authority (Autoridad de Fiscalización y Control Social de Bosques y Tierra)
AFP	Pension Fund Administration (Administración de Fondos de Pensiones)
AFIN	National Indigenous Forestry Association (Asociación Forestal Indígena Nacional)
ASL	Local Community Association (Asociación Social de Lugar)
BSO	Business Support Organization
BVC	Bureau Veritas Certification (certification body)
CANEB	National Export Chamber of Bolivia (Cámara Nacional de Exportadores de Bolivia)
CADEFOR	Amazonian Forestry Development Centre (Centro Amazónico de Desarrollo Forestal)
CADEX	Export Chamber of Santa Cruz (Cámara de Exportadores de Santa Cruz)
CAMEX	Export Chamber of La Paz (Cámara de Exportadores de La Paz)
CBI	Centre for Import Promotion (Centrum voor de Bevordering van de Import; The Netherlands)
CoC	Chain of Custody
CFB	Forestry Chamber of Bolivia (Cámara Forestal de Bolivia)
CFO	Forest Origin Certificate (Certificado Forestal de Origen)
CITES	Convention on International Trade in Endangered Species
CUC	Control Union Certifications (certification body)
DA	Designated Authority (EU)
DD	Due Diligence
DDS	Due Diligence System
DGIS	Dutch Development Cooperation (Directoraat Generaal Internationale Samenwerking)
ECP	Export Coaching Programme (CBI programme)
US	United States
EFI	European Forest Institute
ETTF	European Timber Trade Federation
EU	European Union
EUTR	European Timber Regulation

FAN	Fundación Amigos de la Naturaleza (NGO)
FAO	Food and Agriculture Organization of the United Nations
FCBC	Fundación para la Conservación del Bosque Chiquitano (NGO)
FLEGT	Forest Law Enforcement, Governance and Trade (EU programme)
FMP	Forest Management Plan
FSC	Forest Stewardship Council (SFM certification system)
GFTN	Global Forest & Trade Network (WWF programme)
GNP	Gross National Product
GoB	Government of Bolivia
GPS	Global Positioning System
ha	hectare
IBCE	Bolivian Institute for Foreign Trade (Instituto Boliviano de Comercio Exterior)
IBIF	Bolivian Institute for Forestry research (Instituto Boliviano de Investigación Forestal)
IBNORCA	Bolivian Standards Institute (Instituto Boliviano de Normalización y Calidad)
IICA	Inter-American Institute for Agricultural Cooperation (Instituto Interamericano de Cooperación Agrícola)
IMAFLOA	Instituto de Manejo e Certificação Florestal e Agrícola (certification body)
IMÖ	Institut für Marktökologie (certification body)
IMO	Independent Monitoring Organization (in partner country)
INE	National Statistical institute (Instituto Nacional de Estadísticas)
JIC	Joint Implementation Committee
LAS	Legality Assurance System
MO	Monitoring Organization (in the EU)
NA	Not Applicable
NGO	Non Governmental Organization
NIT	Tax Identification Number (Número de Identificación Tributaria)
NFLU	National FLEGT Licencing Unit
NLVS	National Legality Verification System
NTFP	Non Timber Forest Product
NTTA	Royal Dutch Timber Trade Association
OLB	Origine et Légalité des Bois (legality verification system of BVC)

OP	Operator (= first company in the supply chain placing timber on the EU market)
PEFC	Programme for the Endorsement of Certification Systems (SFM certification system)
POAF	Annual forest operation plan (Plan Operativo Annual Forestal)
Ref	Reference to
SENASAG	National Phytosanitary Service (Servicio Nacional de Sanidad Agropecuaria e Inocuidad Alimentaria)
SFM	Sustainable Forest Management
S-FOR-S	Sustainable Forest Services (Servicios Forestales Sostenibles; consultancy firm)
SGS	Société General de Suisse (certification body)
SNV	Stichting Nederlandse Vrijwilligers (Dutch Volunteer Service; NGO)
SW/RA	SmartWood / Rainforest Alliance (certification body)
TAA	The Amazon Alternative (NGO)
TBI	Tropenbos International (research organization)
TGN	National Treasury (Tesoro General de la Nación)
TLTV	Timber Legality and Traceability Verification (legality verification system of SGS)
TNC	The Nature Conservancy (NGO)
ToR	Terms of Reference
TTF	Timber Task Force (forum of the Bolivian timber sector coordinated by CADEX)
UAGRM	Universidad Autónoma Gabriel Rene Moreno (Santa Cruz public university)
US-AID	US Agency for International Cooperation
VLC	Verified Legal Compliance (Verificación Legal Completa)
VPA	Voluntary Partnership Agreement (= Acuerdo Voluntario de Asociación - AVA)
WUR	Wageningen University and Research
WWF	Worldwide Fund for Nature (NGO)



# 1. Introduction to the CBI FLEGT Bolivia study

## 1.1 Reasons for the study

- Concern on behalf of the Bolivian timber sector, expressed through the Timber Task Force (TTF) – a forum coordinated by CANEB/CADEX - that, as of March 2013, Bolivia would not be able any more to export timber products to the European Union (EU) market and the perception that the only way to be able to continue the export of timber products to the EU would be by signing a Voluntary Partnership Agreement (VPA) between the Government of Bolivia (GoB) and the UE.
- Lack of knowledge on the steps to be followed in order to be able to sign a VPA.
- A concern that it would be necessary to start moving things based on up-dated information in order to urgently take the necessary measures to achieve the signing of a VPA.

The ToR is presented in Annex 1.

## 1.2 Financing of the study

- CBI (Centre for the Promotion of Import from developing countries) of The Netherlands (related to the Ministry of Foreign Affairs, DGIS, The Hague).
- Support Programme to CANEB and specifically to its Export Coaching Programme (ECP) that includes approximately 20 companies of the Bolivian timber sector.

## 1.3 Expected “output” of the study

- Up-date of information concerning FLEGT, the importance of the timber market for the Bolivian economy, the importance of the EU market for the Bolivian timber sector and the relevant conditions of the Bolivian context.
- An inventory of the level of preparation of the Bolivian timber sector and the EU timber sector with respect to the EUTR.
- The importance for Bolivia of signing or not signing a VPA identified.
- An Action Plan indicating the steps to be followed – by the GoB and the stakeholders of the timber/forestry sector – in order to achieve the signing of a VPA at the short term (within one year)<sup>1</sup>.

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<sup>1</sup> Due to the fact that a VPA process always requires more time than just one year, that in addition there is no necessity to achieve it in the short term (as assumed by the authors of the ToR) and that there are other alternatives by which it would be possible to assure the export of timber (-products) in the short term, in coordination with CBI, CANEB and CADEX it was agreed to give less importance to the action plan. Instead, more attention has been given to the description of the real situation and the short term alternatives, while the possible steps to be followed to achieve a VPA are described in less detail.

## 1.4 Methodology

- Qualitative and quantitative desk study (using internet, statistics, documents, articles)
- Fieldwork in the EU:
  1. Structured interviews with companies that import Bolivian timber – 9 in The Netherlands and Belgium<sup>2</sup>
  2. Institutional interviews – 4 (TBI, EFI, WUR, TAA)
  3. Government interviews – 2 (CBI-DGIS in The Hague, UE in Brussels)
  4. Participation in the 19<sup>th</sup> Illegal Logging Update Meeting, London (9-10/02/12)
  5. Participation in a workshop of the NTTA (Royal Netherlands Timber Trade Association) concerning the preparation of member companies for the EUTR, Almere (22/03/12).
- Fieldwork in Bolivia:
  1. Structured interviews with companies that export Bolivian timber – 9
  2. Semi-structured interviews of NGO's – 5 (WWF/GFTN, FCBC, TNC, SNV, FAN Bolivia)
  3. Semi-structured interviews with sector/education institutions – 9 (CADEX, CANEB, CFB, IBCE, IBNORCA, SmartWood/Rainforest Alliance, IBIF, CADEFOR, Universidad de la Cordillera)
  4. Semi-structured interviews of GoB – 3 (ABT, Vice Ministry of Environment, Biodiversity, Climate Change and Forest Development and Management – Forest Development and Management Director, Vice Minister of Small and Micro Businesses)<sup>3</sup>
  5. Group or individual discussions with donors – 7 (Royal Netherlands Embassy, British Embassy, German Embassy, Danish Embassy, US-AID, EU Representation, FAO Representation)
  6. Participation in a TTF meeting in Cochabamba (10/02/12)
- Data analysis and reporting

## 1.5 Development of the study

The team formed by S-FOR-S consists of a local consultant in Bolivia (Christopher Carden), a local consultant in the EU (Robbert Wijers) and an international consultant, team leader (Paul Zambon). The study was implemented between February and March 2012. The itinerary of the field mission in Bolivia is presented in Annex 2. Annex 3 presents a list of the people interviewed by the team. With the companies interviewed in Bolivia and in the UE it was agreed that their collaboration would be anonymous; for that reason neither the names of the companies nor the names of their interviewees are specified. Annex 4 presents the documents and materials reviewed by the team.

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<sup>2</sup> Some Bolivian timber (-product) importing companies in England and Germany were also contacted, but these declined to collaborate with the interview.

<sup>3</sup> An interview with the Cancillería (Ministry of Foreign Affairs) was cancelled; however the team did manage to meet with a Special Advisor to the Cancillería.

## 2. Update on FLEGT, VPA and the EUTR

### 2.1 EU FLEGT Action Plan and VPA

The **FLEGT** (Forest Law Enforcement, Governance and Trade) Program<sup>4</sup> of the EU, also known as the EU FLEGT Action Plan, started in 2003 with the aim of contributing to the eradication of illegal logging in producer countries as well as combating trade in associated timber (products). Finally, the FLEGT Program is intended to contribute to sustainable forest management by stimulating legal management, by eliminating unfair competition by the illegal trade and by enabling Governments of producer countries to obtain the tax income they are supposed to derive from legal transactions, amongst other objectives.

The EU FLEGT Action Plan focuses mainly on improving governance structures, policy reforms, improved transparency and information exchange, capacity building, and the promotion of legal timber. The action plan proposes voluntary bilateral agreements between the Governments of producer countries (FLEGT Partner Countries) and the EU. These Voluntary Partnership Agreements (VPA's) set out commitments to action by both parties to tackle illegal logging (FLEGT Briefing note 1, 2007). Through a VPA the EU and a partner country agree to establish and maintain the necessary structures to assure that timber (products) exported by that country with a so-called FLEGT license guarantee that all relevant laws of the producer country are complied with. The most important element of a VPA is the Legality Assurance System (LAS), which sets out the procedures by which a producer country will ensure that timber and timber products originate from legal sources (EFI, 2010). The definition of legality<sup>5</sup> is the basis of the system and depends on the specific legal context in the producer country.

It is important to understand that a VPA is not a law but a voluntary agreement between the EU and the producer country's government. That means that without a VPA, exports of timber and timber products to the EU can continue as long as the export documents meet the import requirements of the EU.

The LAS consists of 5 elements that are interlinked: 1. the **Legality Definition** (this defines the legislative and regulatory requirements to be systematically fulfilled and verified without any exception to ensure legal compliance); 2. **Control of the supply chain** (this refers to a timber tracking system that, firstly, enables the operator to demonstrate that timber is from a legal source and, secondly, covers the entire supply chain (Chain of Custody; CoC) from the point of harvest to the point of export); 3. **Verification system** (this refers to a set of procedures and processes to systematically check compliance with the requirements of the Legality Definition and the CoC); 4. **National Licencing system** (a system by which a designated authority in the producer country issues FLEGT licences for timber (products) thus confirming that these have been legally produced); 5. **Independent Monitoring** (an independent 3<sup>rd</sup> party is used to check that all aspects of the LAS function as intended).

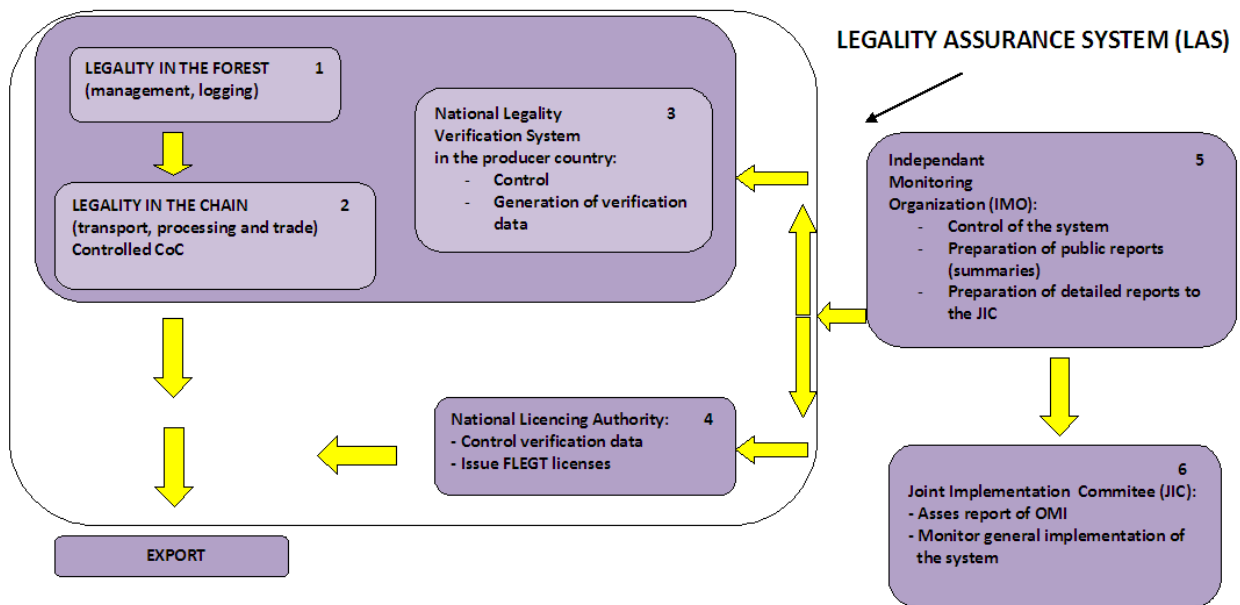
The scheme (Figure 2.1) is applied equally in all VPA partner countries worldwide. A Joint Implementation Committee (JIC, consisting of representatives of the partner country and the EU) is responsible for the bilateral control of the VPA, once in operation. It is informed by (at least) the half-yearly reports of the independent monitoring organization. The JIC may require adjustments of the LAS and may annul the VPA if the LAS does not function to its satisfaction.

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<sup>4</sup> The FLEGT Action Plan covers a range of activities, that focus on 7 broad areas: 1. support to timber producing countries; 2. activities to promote trade in legal timber; 3. promotion of public procurement policies in EU countries; 4. support for private sector initiatives; 5. safeguards for financing and investment; 6. use of existing legislative instruments or adoption of new legislation to support the Plan; 7. addressing the problem of "conflict timber".

<sup>5</sup> Although the definition of legality depends on the legal context (laws, regulations, ratified international treaties, etc) of the producer country and full legal compliance is aimed for, at least the following elements shall be addressed: a. right to harvest timber within legally gazetted boundaries; b. payments for harvest rights and timber, including duties related to timber harvesting; c. timber harvesting, including environmental and forest legislation, including forest management and biodiversity conservation, where directly related to timber harvesting, d. third parties legal rights concerning use and tenure that are affected by timber harvesting; e. trade and customs as far as the forest sector is concerned.

**ORGANIZATION SCHEME FLEGT VPA (Voluntary Partnership Agreement FLEGT)**

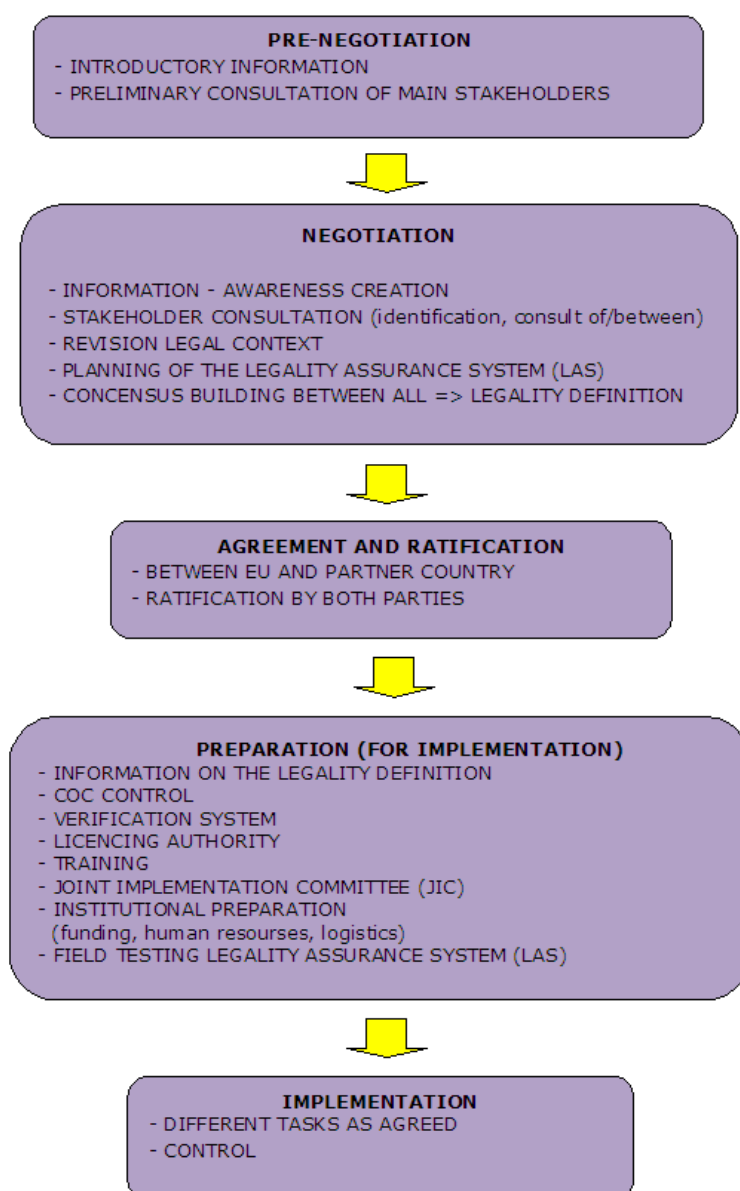


**Figure 2.1:** General institutional arrangement for a VPA.

The path to a functioning VPA consists of several phases (Figure 2.2): a. pre-negotiation (preliminary information exchange and assessment of relevance and mutual interest); b. negotiation (processes, including wide stakeholder consultation<sup>6</sup>, to establish the definition of legality; awareness creation; negotiations within and between stakeholder groups; study of legal context; identification of needs for reforms; definition of legality, where possible by consensus); c. signing (official ceremony) of the VPA (which describes the legality definition and the required reforms, where applicable, and a detailed plan that sets out time bound actions for improving forest sector governance and implementing the licencing scheme) and ratification (by the partners and EU Parliament); d. preparation for implementation (assuring that the different elements of the LAS are in place and fully operational); e. implementation (this will only happen after field testing has indicated that the system is functioning well in practice and will cover implementation of the different tasks, including issuance of FLEGT licenses by the competent authority to companies that comply with legal requirements, and monitoring).

<sup>6</sup> This process allows stakeholders the opportunity to provide their input, raise their concerns, and provide suggestions on the content of the definition of legality of timber and timber products. Stakeholders can be defined as groups that are directly involved in or affected by forestry operations. Stakeholders are, for example, forest services, government agencies, community members, forest companies, and NGOs (EFI, 2010). The stakeholder consultation process in the producer country is the most difficult process due to the fact that in most producer countries there is not a strong tradition of this type of consultation (personal note J. Bruneval, 2012).

## FLEGT VPA PROCESS



**Figure 2.2:** Phases of the VPA process.

To date, six VPA's have been signed and ratified (Indonesia, Ghana, Cameroon, Congo, CAR, Liberia) while another 4 are in negotiation (Malaysia, Gabon, DRC, Vietnam). These countries are amongst the major suppliers of tropical timber (products) to the EU; not one Latin American country is included<sup>7</sup> yet. Figure 2.3 indicates the time required for the VPA negotiations and the preparation for implementation. It should be noted that while the process so far has taken between 3 and 6 years, not one of these VPA's has yet reached the implementation phase; in other words, the preparation process is still on-going. It is questionable whether any of the VPA's (signed and/or in negotiation) will be functional by March 3<sup>rd</sup> 2013, i.e. there is a big chance that at that time no timber with a FLEGT license will actually be available.

<sup>7</sup> Preliminary meetings and/or workshops to explore the potential for negotiation of a VPA have been held in Honduras, Guatemala, Colombia, Guyana and Brazil. Recently (on May 15<sup>th</sup> 2012) Honduras decided to start negotiations. Guyana has expressed its serious interest to do so, while Brazil indicated not to be interested. In the other countries so far pre-negotiation activities have not lead to the decision to establish formal negotiations.

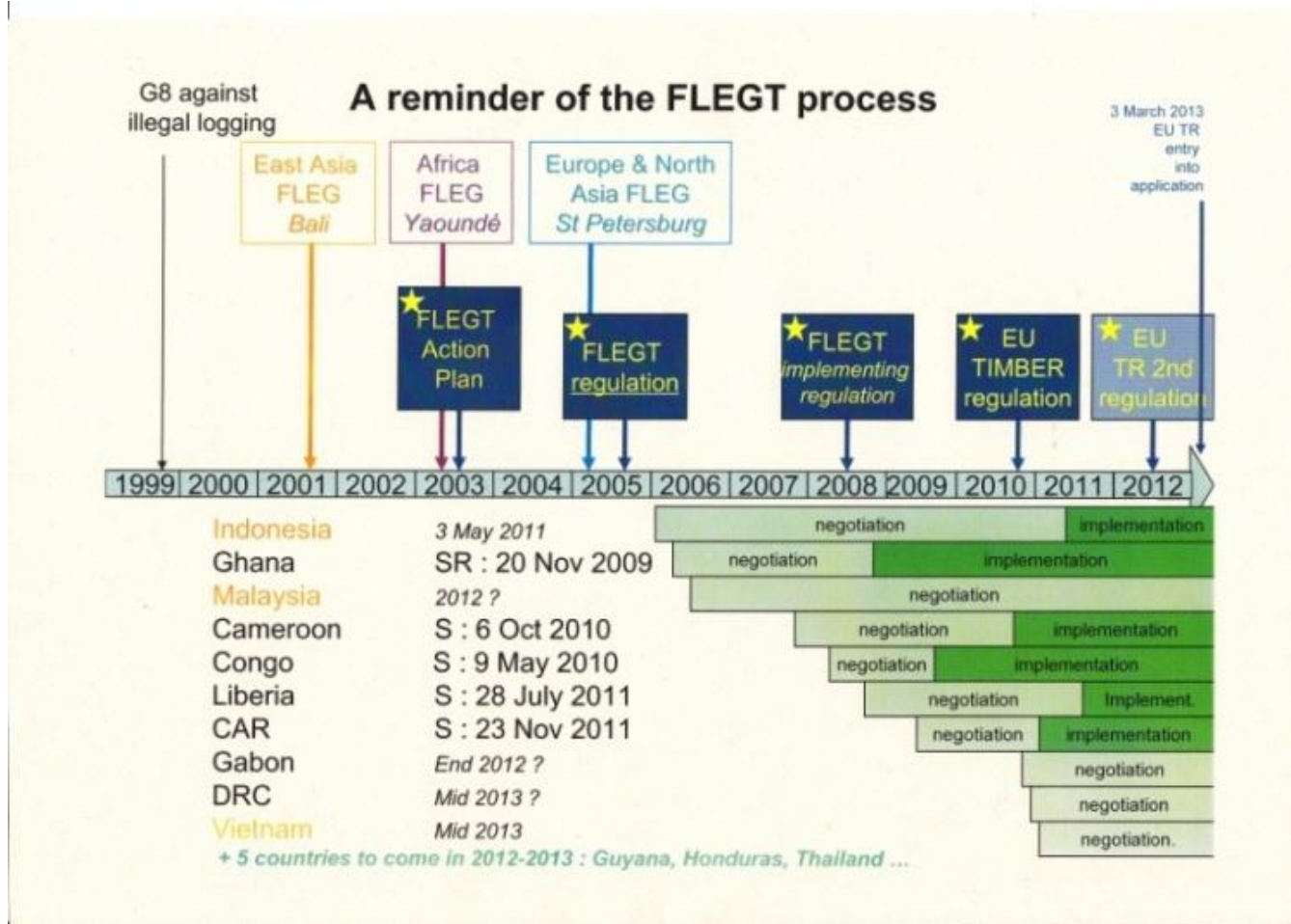


Figure 2.3: An overview of the FLEGT process in different countries (EU PowerPoint presentation, Chatham House Meeting, February 2012).

#### Lessons learned<sup>8</sup> within the framework of VPA negotiations:

- Every country is different, so there is no blueprint
- It is always a difficult process
- The VPA content depends on the quality of the process
- The most important negotiation is the internal one, i.e. inside the producer country, not the one with the EU
- Preparatory activities are most important to enable consensus building at national level

<sup>8</sup> Personal communication EU representatives, February 2012.

## 2.2 The EUTR

The **EUTR** (EU Timber Regulation) will become effective on March 3<sup>rd</sup> 2013. The EUTR is a law that has been approved by the EU Parliament; it has 3 elements:

a) **Prohibition.** EUTR prohibits operators<sup>9</sup> from placing illegally harvested timber (products) on the EU market. The definition of legality is based on the legal context of the producer country (country of origin).

b) **Due Diligence System.** EUTR requires operators to apply Due Diligence (DD) either by themselves or by associating with a Monitoring Organization (MO) that applies a DD system. DD comprises three steps: 1. operators shall *provide access to information* concerning the timber, such as country of harvest, concession, species, sizes, quantities; 2. they shall implement a *risk assessment procedure* to evaluate the risk of occurrence of illegally harvested timber or timber products; 3. if the risk of illegally harvested timber (products) is deemed not to be negligible, operators shall implement *risk mitigation measures and procedures* to minimize risk.

c) **Traceability Obligation.** EUTR requires that (internal) traders apply a tracking system, providing basic information to enable identification of their suppliers and clients (1 step in both directions).

Since the EUTR is a law that has been approved by the EU Parliament, it is clear that it will not be postponed (personal note J. Bazill, 2012). The EU border will not be closed; however, mechanisms will be in place to ensure an effective control of timber placed on the EU market. These mechanisms include the establishment of a functional control system in each of the EU member states (Figure 2.4), the necessary changes to laws and regulations in the EU member states (e.g. with respect to prosecution in case of non-compliance) and the development of arrangements to harmonize implementation between the EU member states. Each EU member state will designate the responsibility for control to a Competent Authority that will control both individual operators and MO's. In the latter case, the MO's in turn exert control on the operator through their DD system. Although the burden of proof is with the Competent Authority, in all cases the operator remains responsible for compliance with the law.

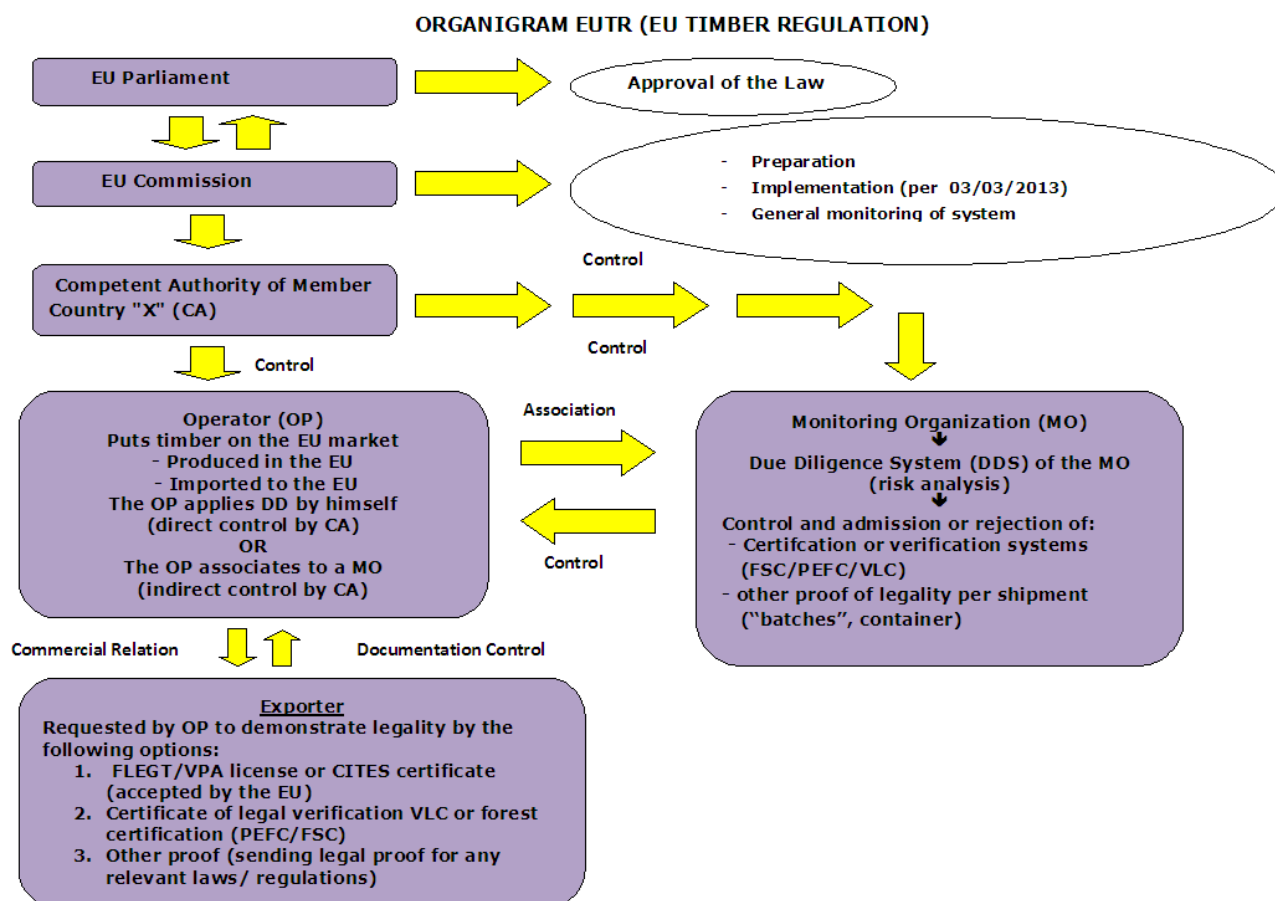
The process of definition of EUTR implementation and delegation mechanisms is still on-going. The final version is expected to be completed in June 2012.

As indicated above the EUTR sets requirements for operators IN the EU, not for exporters TO the EU. This enables EU designated authorities to exert effective control on implementation and - in case of non-compliance - prosecution<sup>10</sup>. It is clear, though, that operators in the EU will require their business partners overseas to provide them with the information necessary to enable them to comply with the requirements of the EUTR.

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<sup>9</sup> "Operators" are the first individuals or organizations in the supply chain that place timber and/or timber products on the internal European market, either timber produced within the EU or imported to the EU.

<sup>10</sup> Prosecution is defined at the level of the Member Countries. For example in the case of The Netherlands new legislation is being prepared to enable the prosecution of infringements of the EUTR. The expected punishments include fines up to 750.000 € and imprisonment.



**Figure 2.4:** Institutional arrangement concerning EUTR control for EU member states.

From March 3<sup>rd</sup> 2013 there will be **three options** to import timber (products) into the EU:

- 1) By use of a *FLEGT licence* when there is a functional FLEGT VPA between the producer country and the EU. Timber with a FLEGT license will be accepted without any additional information by any member state of the EU. Likewise, in the case of a *CITES*<sup>11</sup> *certificate*, the EU will not require further information in order to accept the timber (products). In the long term this is the easiest way to prove the legality of timber (products).
- 2) By use of a *recognised 3<sup>rd</sup> party certification and/or verification schemes*. Examples of such certification schemes for sustainable forest management are FSC and PEFC; examples of legality verification schemes are the VLC (Verification of Legal Compliance) system of SmartWood/Rainforest Alliance, the TLTV<sup>12</sup>-VLC system of SGS and the OLB (Origine et Légalité des Bois) system of BVC. A common misunderstanding is that an FSC certificate is synonymous with meeting all the requirements of the EUTR. There is and will not be a direct relation between EUTR and the FSC certificate (personal note S. Atanasova, 2012). This means that the EU will not define a “green lane” for certain certification/verification systems. Instead, through the EUTR, the EU will establish a functional control system on the basis of due diligence, thus enabling its users to determine whether a certificate of a certain certification/verification system in a particular country will suffice to ensure legality. Thus, being in possession of an FSC, PEFC or a VLC certificate will most probably be helpful in complying with the EUTR requirements. In the short and medium term it

<sup>11</sup> Convention on International Trade of Endangered Species.

<sup>12</sup> Timber Legality and Trade Verification.



is expected that independent 3<sup>rd</sup> party certification/verification will be the most practical way to prove compliance with local legality requirements and the EUTR.

- 3) By supplying *all necessary information* to demonstrate the legality of timber (products) scheduled for export to the EU. This involves proofs of legality relevant to the particular producer country and would in principle apply to every batch or at best to every supplier. This option appears to be relatively time consuming and complicated and is therefore considered less practicable.

## **2.3 Activities related to FLEGT in Bolivia**

In April 2010 the FLEGT Facility of EFI (European Forest Institute) made a first mission to Bolivia to collect information concerning the FLEGT possibilities, inform major stakeholders on FLEGT and assess the level of interest in getting involved in a VPA process.

Early March 2012 a mission of Steinberger (NTU<sup>13</sup>) visited Bolivia (amongst other Latin American countries) to study legal and illegal timber flows between Latin American countries.

During the first two weeks of March 2012 also the present S-FOR-S mission took place, as described in this report.

In the second part of March 2012 a technical assistance mission (focus: awareness creation and information provision to stakeholders) was implemented by Didier Devers (EFI-FLEGT Facility).

A follow-up mission (focus: organization of a workshop for Government staff about the FLEGT Action Plan and the EUTR) by the European Commission, to be implemented by Antoine Saintraint, could be proposed for mid 2012.

The EU exerts neither political power nor pressure on Bolivia to establish a VPA. First of all the VPA is a voluntary agreement. Furthermore, the purpose of the agreement is to support producer countries in combating illegal logging and trade, while respecting their sovereignty and legal context. Finally, the quality of the process, especially the stakeholder consultation, is considered to be very important (personal note Bruneval, 2012). It will be clear that if the ownership of the process is with the Government and the natural stakeholders in the national setting, the chances of a thorough, high quality process will be better, thus improving the possibility of a successful VPA.

Considering the actual state of activities on FLEGT developed so far in Bolivia and experiences in other countries, it is quite impossible that Bolivia could obtain a functional VPA within one year. The process is still in the pre-negotiation phase. It is not yet clear whether the Bolivian Government will be interested in getting involved in a VPA process. At best, such a process would take several years to result in an operational VPA.

## **2.4 State of knowledge about FLEGT, VPA and EUTR in Bolivia**

During the field mission in Bolivia different stakeholders were interviewed, one of the issues being the level of knowledge about and/or understanding of FLEGT, VPA and EUTR.

Annex 5 provides an overview of statements made by interviewees about FLEGT, VPA and EUTR. It is clear that there is a lot of misunderstanding and confusion and a considerable lack of information on these topics. The mission interviewed 9 companies that produce and export timber (products). The total annual production of these companies amounts to 16.76 million US \$, of which 4.51 million US \$ (27 %) is exported to the EU market. So the value of products exported to the EU by

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<sup>13</sup> Mission implemented by NTU-Strategic Development & Consulting, fielded by the EU.

the interviewed companies represents 22% of the total value of the Bolivian timber (products) exported to the EU market<sup>14</sup>. Their annual production per company varies from 210,000 US \$ to 7 million US \$. Exports to the EU by the companies interviewed vary from 0 to 1.75 million US \$. The number of employees per company varies from 23 to 1,060. Of these companies, approximately 20 % has some idea of what FLEGT is about. Only 10 % is more or less informed on VPA, while none had adequate information on the EUTR to be able to prepare themselves for its introduction. As source of the information obtained so far they mentioned CADEX/TTF (3x), CFB (2x), FSC (2x), CBI (1x) and clients in the EU (1x). All recognized the need for further information.

The mission estimates that overall at most 10 % of the stakeholders interviewed was reasonably informed about these issues. Relatively best informed were NGO's and certain service providers, followed by donors and Government representatives. Basically none of the companies was adequately informed.

## 2.5 State of knowledge about FLEGT, VPA and EUTR in Europe

Also importers of Bolivian timber were interviewed in Europe. Approximately 15 companies were approached in the most relevant EU countries, i.e. The Netherlands, Germany, UK and Belgium. Together the companies approached import about one third (in terms of value) of the Bolivian timber (products) exported to the EU. The German and UK companies were not willing to cooperate with the interview, so that the text below reflects the answers of the 3 Belgian and 6 Dutch companies<sup>15</sup>.

Annex 6 provides an overview of statements made by interviewees on FLEGT, VPA and EUTR. It is clear that the understanding of these stakeholders is better than that of their colleagues in Bolivia, especially with respect to EUTR: the idea of the EUTR is clear to all respondents ("it will ban illegal timber from the market"). With respect to FLEGT and VPA there are major differences: some have no idea what FLEGT and VPA are about, others have all available information.

The mission estimates that approximately 50% of the companies interviewed are sufficiently informed on FLEGT and the EUTR to be able to prepare themselves for it. In general however they indicated that more clarity is needed on the requirements for the EUTR (e.g. which certification and/or verification systems will be accepted by the Competent Authorities and/or Monitoring Organizations). They are generally waiting until such clarity is provided before worrying about preparing themselves. Only when the requirements are clear will the companies know how the EUTR may affect their business with Bolivia. Some respondents see an FSC certificate as a way to continue the import to the EU; others state that forest legislation and control in Bolivia are very strict and functioning well and that therefore it would probably meet the EUTR requirements.

Regarding the need for a VPA, only one respondent indicated that he considered it to be necessary in order to continue importing from Bolivia. One third of the respondents in the EU consider that a VPA might be a good option for the long-term. But most respondents had no clear idea about the VPA concept.

In addition to the interviews with specific companies, a meeting of the Dutch NTTA (Royal Netherlands Timber Trade Association) regarding the preparation for the EUTR (with a participation of approximately 25 % of the associated importers, not specifically related to Bolivia) was attended. The impression was that the level of information disseminated and the level of discussion were good. It appears that the NTTA and the ETTF (European Timber Trade Federation) are seriously preparing themselves for the EUTR. It has to be stated though that, at the moment, there are still issues under discussion of the EUTR Implementation and Delegation Acts and that clarity on specific requirements and arrangements is to be expected only after June 2012.

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<sup>14</sup> Due to the limited number of interviewed companies, the data concerning these companies, presented here and in the following chapters, shall not be considered as statistical studies. However, the fact that these companies represent 22% of the total timber (product) export value from Bolivia to the EU does give an impression of its representativeness.

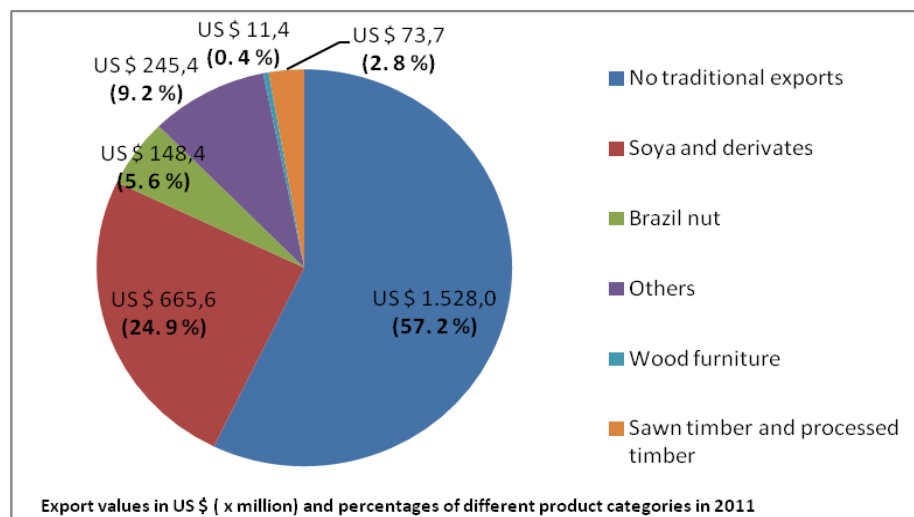
<sup>15</sup> The data concerning the 9 companies that import Bolivian timber (products), interviewed in the EU, neither shall be considered as statistical study. However, the fact that their totalled import amounts to 34 % of the total timber (product) import value from Bolivia to the EU, does give an impression of its representative ness.

### 3. The importance of the Bolivian timber sector to the Bolivian economy

Bolivia's 2011 gross domestic product (GDP) totalled approximately US \$51 billion.<sup>16</sup> The forestry sector contributes about 3 % to the GDP which is estimated at US \$ 1.54 billion. This figure is most likely lower than the actual contribution of the sector to the GDP since it only captured **legal** timber and Brazil nut (an NTFP) production. Because of the high level of **illegality** in the forest sector the contribution is probably higher than 3%. There are estimations that the annual legal and illegal harvest of logs in 2008 is around 3.5 million m<sup>3</sup> (Tuomasjukka et al, 2010). Domestic consumption in 2010 is estimated to have been approximately 1 million m<sup>3</sup> of logs (Cadex, 2011). The value of the timber sector (excluding Non Timber Forest Products - NTFP's) was US \$ 294 million in 2007 of which 44% was exported and 56% was consumed by the national market (Tuomasjukka et al, 2010).

There are over 1,300 forestry companies registered with the Bolivian Forest Authority (2011)<sup>17</sup> and around 6,000 forest products production units (sawmills, wood yards, and processing facilities), 70% of which are small or medium sized businesses (Encyclopaedia of Forestry, 2012) that produce less than 1,000 m<sup>3</sup> of timber per year (Tuomasjukka et al, 2010). According to the Bolivian Chamber of Forests (CFB) the whole timber sector generated a total of 90,000 direct jobs and 160,000 indirect jobs in 2008. The formal timber sector (includes logging and processing) contribute 4.1 % to national employment (Tuomasjukka et al, 2010). In reality this figure should be higher because of the significant illegality within the sector. The multiplier effect of the formal timber sector is estimated to be 2.54 which means that every job created in this sector generates 2.54 other jobs (Tuomasjukka et al, 2010)<sup>18</sup>.

According to the data of the CFB, in 2011 the forestry sector (including Brazil nuts and all types of timber product) contributed 8.8% to exports. Of this contribution, the major part (almost 64%) comprised the export of Brazil nuts. Considering only the timber products, the contribution is 3.2% of all the exports with a value of US \$ 85.1 million in 2011. The timber products exported can be divided into two groups: (1) furniture exports (0.4%) and (2) rough sawn timber and processed timber exports (2.8%). Examples of processed timber are decking and profiled timber. Figure 3.1 shows the value and % distribution of the different export categories in 2011. The product group "no traditional exports" covers 57.2% of total exports and refers to products with value added; this includes the hydrocarbon, gas- and oil mining activities.



**Figure 3.1:** Overview of export distribution percentages of the different Bolivian export categories in 2011. The category "others" includes sunflower and derivatives, quinoa, leather, beans and coffee (based on data of CADEX, 2012).

<sup>16</sup> The GDP of Bolivia (in purchasing power parity dollars) varies according to different sources: US \$ 51,46 billion ([www.cia.gov](http://www.cia.gov)), US \$ 50,9 billion ([www.knoema.com](http://www.knoema.com)); US \$ 51,41 billion ([www.wikipedia.com](http://www.wikipedia.com)).

<sup>17</sup> Personal communication by Ing. Edwin Margariños, CADEX, 2012.

<sup>18</sup> More actualized data on employment in the forestry sector than those of Tuomasjukka et al, 2010 are not available.

Total exports from Bolivia increased by US \$ 1,670.3 million between 2001 and 2011 (Annex 7). The main absolute growth has been in the sector of no traditional exports with a growth of US \$ 945.4 million. The export of Brazil nuts also increased by US \$ 120.6 million between 2001 and 2011. Table 3.1 shows the value (US \$ x million) growth of the different export categories and their growth percentages. The data show the relatively slow growth of the timber sector (furniture and rough sawn timber and processed timber) compared to that of the other export categories. There are many reasons for the slow growth: the timber sector is very complex being characterized by a variety of products, many different stakeholders, slow movement of capital, lack of good infrastructure, a need for well educated labourers and domination by small and medium sized companies. The other sectors are mostly dominated by multinationals (oil and gas, mining, soya bean production) or do not need any capital input (Brazil nut).

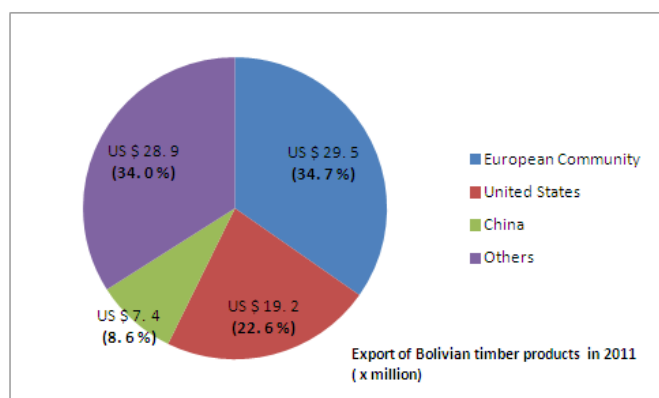
<b>Export categories of Bolivia</b>	<b>2001</b>	<b>2011</b>	<b>Δ \$</b>	<b>Δ %</b>
No Traditional products	582.7	1,528.0	945.4	162.3
Soya and derivatives	275.0	665.6	390.6	142.0
Brazil nut	27.7	148.4	120.6	434.8
Others	65.9	245.4	179.5	272.6
Wooden furniture	10.0	11.4	1.4	13.8
Timber and timber products	40.9	73.7	32.8	80.2
<b>Total</b>	<b>1,002.1</b>	<b>2,672.4</b>	<b>1,670.3</b>	

Others = Sunflower and derivatives, quinoa, leather, beans, coffee.

**Table 3.1:** Increase of different Bolivian export categories between 2001 and 2011. The change in export value (US \$ x million) and the increase of % compared to 2001 is presented (based on data of the Cadex, 2012).

## 4. The EU: a major import market for Bolivian timber

Bolivian timber<sup>19</sup> products are exported to more than forty different countries in the world; estimates of their total value vary from US \$ 85.0 (Cámara Forestal Bolivia, 2012) to 89.3 million in 2011 (Cadex, 2012). At present, the USA and the EU are the main destinations. In 2011 the value of exports of Bolivian timber products to the EU was US \$ 29.5 million which represents 34.5 % of the total exports (Figure 4.1). Thus the EU market was the most important market for Bolivia. Other export markets for Bolivian timber (products) include China, Argentina, Chile and Mexico amongst others (Cadex, 2012). More detailed information is presented in Annex 8.



**Figure 4.1:** Export of Bolivian timber, timber products and wooden furniture to different parts of the world in US dollar (x million) and percentages in 2011. "Others" are Argentina, Brazil, Chile, Mexico and some smaller importers (based on data of the Cadex, 2012).

Table 4.1 shows the total value and volume of Bolivian timber (products) exported to the main seven destinations as well as the average value per metric ton; the latter gives a clear indication of the big differences in value added for each market. Added values are mostly the result of additional processing of the timber. With such processing, a single piece of timber has a higher sales value than without such processing. Examples of added value processing are: drying, moulding and production of flooring or furniture. Exports of timber products to China, Argentina and Brazil have a low value per metric ton which means that low grades of sawn timber, logs or other low grade timber products are exported to these countries. The export value /metric ton ratios for the United States, Germany and The Netherlands are very high; this means that the value added to these products is also very high. Products with a high added value include flooring, furniture, decking and garden products. The production of high added value goods is desirable because it creates employment in the exporting country. The average value for timber products exported to the EU is 1,272 US \$ per metric ton.

<sup>19</sup> Exported timber includes the following species: almendrillo/cumarú (*Dipteryx odorata*), almendrillo amarillo (*Apuleia leiocarpa*), amburana/cerejeira/roble (*Amburana cearensis*), bibosi (*Ficus* sp.), cambará (*Erismia uncinatum*), canelón (*Vochysia* spp.), cedro (*Cedrela* spp.), chiriguano (*Simarouba amara*), cuchi (*Astronomium* spp.), curupau (*Anadenanthera culubrina*), jichituriqui (*Aspidosperma* spp.), mururé (*Clarisia racemosa*), paquí/jatoba (*Hymenaea courbaril*), toco (*Enterolobium contortisiliquum*), tajibo/ipé (*Tabebuia serratifolia*), sauco (*Zanthoxylum* spp.), serebo (*Schizolobium parahyba*), sirari (*Ormosia* spp.), verdolago (*Terminalia oblonga*), yesquero negro/cusuru (*Cariniana estellensis*). The species mara (*Swietenia macrophylla*) can only be harvested and traded with a CITES certificate, but is hardly available.

Country	Export Value (US \$) (x million)	Volume (metric tons)	Value (US \$) /metric tons
United States	20.61	10,038.66	2,053
China	7.54	29,215.37	258
Argentina	7.37	13,650.69	539
Germany	5.86	4,560.53	1,284
Brazil	5.37	31,798.21	168
The Netherlands	5.36	5,846.25	916
France	5.04	4,128.22	1,220
<b>EU in total</b>	<b>29.50</b>	<b>23,179.32</b>	<b>1,272</b>

**Table 4.1:** Exports of Bolivian timber products to the seven main destinations and to the EU in total. The export value in US \$ (x million), the volume in metric tons and the value in US \$ per metric tons in 2011. Note: total exports were 144,841 metric tons (based on data of INE and Cadex, 2012).

Bolivia's timber exports have increased from US \$ 50.8 million in 2001 to US \$ 85.4 million in 2011 (Table 4.2). The export to China is the most important increase: from US \$ 0.2 million in 2001 to US \$ 7.4 million in 2011. Exports to the USA have declined by 36% to US \$ 19.2 million. On the other hand, exports to the EU have increased from US \$ 6.6 million in 2001 to US \$ 29.5 million in 2011, equivalent to a growth of 347 %<sup>20</sup>. This represents an export volume of 23.2 thousand metric tons in 2011. Considering the global trends of raw material markets, it is expected that the export of raw materials to both China and India will increase further in the future. Indian and Chinese purchasers are at the moment not interested in high value products because processing in their countries is cheaper than in Bolivia. Therefore, in the future, Asian countries may become increasingly competitive with Bolivian timber products.

Destination /year	2001	2011	Δ \$	Δ %
European Community	6.6	29.5	22.9	347.0
United States	30.0	19.2	-10.8	-36.0
China	0.2	7.4	7.2	4525.0
Others	14.0	29.3	15.3	109.3
<b>Total exports</b>	<b>50.8</b>	<b>85.4</b>		

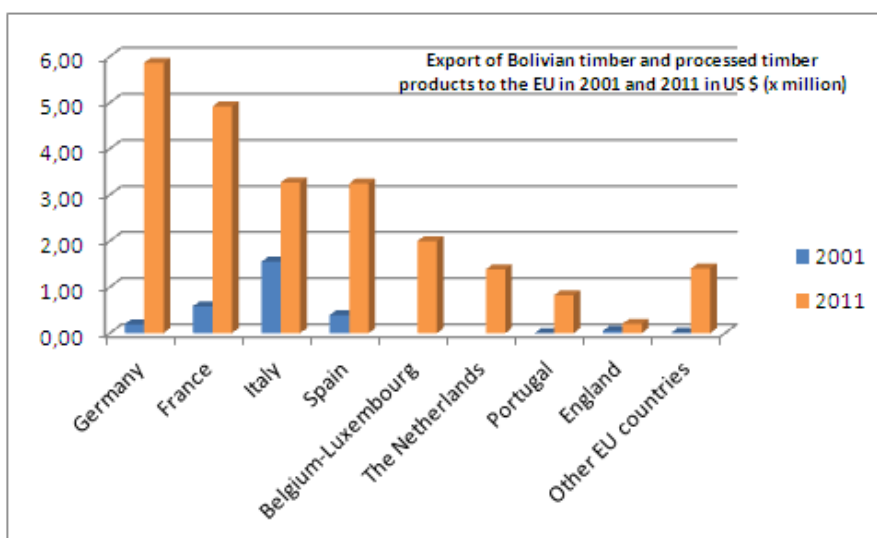
**Table 4.2:** Changing values of timber (products) exported by Bolivia in the period 2001 – 2011 in US \$ (x million). "Others" are Argentina, Brazil, Chile, Mexico and some smaller importers. (Based on data of the Cámara Forestal Bolivia, 2012).

The Bolivian timber industry exports more than 40 different timber products. The four most important export products are general sawn timber (US \$ 15.2 million), sawn timber species of other species<sup>21</sup> (US \$ 12.1 million), furniture (US \$ 10.6 million) and doors and door frames (US \$ 8.82 million). These four product categories cover more than 54 % of the total export. The average value in US \$ per metric ton is highest for doors and door frames (US \$ 3072.00 /metric ton) and lowest for general sawn timber (US \$ 335.00 /metric ton).

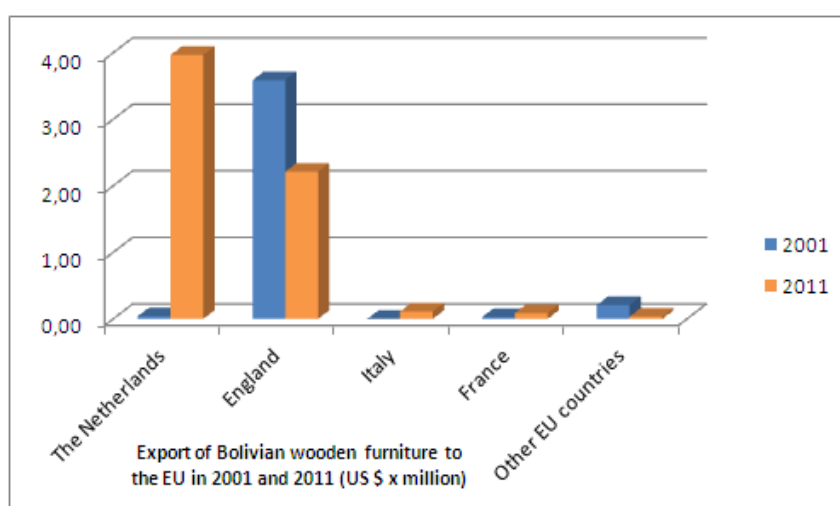
Exports to the EU can be divided into 2 different product groups: (1) sawn timber and processed timber and (2) wooden furniture. In 2011 the total export value of sawn timber and processed timber was US \$ 23.08 million and the export value of wooden furniture was US \$ 6.41 million. The development of exports to the EU of different product groups from 2001 - 2011 years differs between countries (see Figures 4.2 and 4.3). Annex 7 presents the value increase of timber exports to the EU from 2001 till 2011.

<sup>20</sup> CADEX (2011) estimates the export value in 2011 at 29.8 million US \$, which represents an increase in value (2001- 2011) of 451 %.

<sup>21</sup> Registered as "other sawn timber of species different than conifers".



**Figure 4.2:** Development of exports of Bolivian timber and processed timber products to the main EU markets in 2001 and 2011 (based on data of the Cadex, 2012).



**Figure 4.3:** Development of exports of Bolivian wooden furniture to the main EU markets in 2001 and 2011 (based on data of the Cadex, 2012).

There is still scope for further growth of exports of Bolivian timber products<sup>22</sup> to the EU market. During the interviews, the respondents of importing trading and production companies concluded that Bolivian timber products have already found their niche on the European market and are used mainly for outdoor end uses. The total value of Bolivian timber (products) imported by the companies interviewed is estimated at US \$ 10.0 million in 2011, which is 33.8 % of total timber (products) imported by the EU. They consider that the main obstacles to increasing Bolivian timber product exports to the EU are bureaucracy, small production units compared to production units in other exporting countries, delay in delivery times and, thus poor contract compliance. According to the respondents an FSC-certificate is positive but not necessary for further growth. **For more extended information concerning the market of Bolivian timber products in the EU, please consult the Sector Export Marketing Plan (SEMP) of CADEX (CADEX, 2011).**

<sup>22</sup> Tuomasjuka et al (2010) classify 41 million ha of forest as “permanent production forest” of which approximately 8 million ha are under forest management. According to CADEX (2011) there are between 20 and 30 million ha of forest with production potential.

## 5. Factors relevant to the current Bolivian context

### 5.1 Mistaken perceptions

From the start of the study it was clear that - due to lack of adequate information, the very complexity of the topic and its novelty (certain aspects are still in development) - there were many mistaken perceptions amongst the target group organizations of the consultancy:

- a) That the EU borders will close for the export of tropical timber products in March 2013.
- b) That the definition of “legality” is to be imposed by the EU.
- c) That the signing of a VPA is “a must” for Bolivia.
- d) That it would be possible to achieve an operational VPA within a year.
- e) That a signed VPA would be the only way to demonstrate legality.
- f) That FSC certification would not be acceptable as proof of legality.
- g) That the EU would consider a VPA with Bolivia to be very important and would therefore want to “push” its negotiation.
- h) That the introduction of the EUTR would represent a disaster for the Bolivian timber sector.

The real situation is as follows:

- Ref. a) The EU border will not close, but from 03/03/13 the EUTR requires that the **EU operators** only supply themselves with “legal timber” and put this on the EU market.
- Ref. b) The definition of “legal timber” depends on the **legal context of the producer country**.
- Ref. c) The signing of a VPA is totally **voluntary**; in the case of Bolivia it may be advisable but it is neither “a must” nor obligatory.
- Ref. d) The signing and implementation of a VPA by the GoB is a process that, based on worldwide experiences to date, will probably not be achieved in less than **three years**, possibly within six years ... or - if the GoB lacks interest in pursuing the process - never.
- Ref. e) In order to comply with the EUTR there are **3 options**:
  1. FLEGT-VPA certificate (country level certificate; in other words: recognition of the Bolivian FLEGT certificates) or CITES certificate (internationally recognised certificate); these will always be accepted by the EU authorities, as they form a part of the EU obligations of the VPA.
  2. VLC (Verified Legal Compliance) certificate or a certificate for Sustainable Forest Management (FSC, PEFC); (certificate at company level); these have a considerable probability of being approved by the Due Diligence Systems (DDS) of the Operators (OP) or the Monitoring Organizations (MO).
  3. Sending of all relevant proof to demonstrate compliance with legality (copies of proof with each exported batch); this has a chance of being accepted by the DDS of the OP or the MO, provided that the documentation is complete and convincing.



- Ref. f) While it is true that the EU will not accept FSC certification directly (“**there will be no green lane**”), it is expected that it will be accepted indirectly by the Due Diligence systems of the OP or the MO. This also applies to other renowned SFM certification and/or VLC verification systems.
- Ref. g) The Bolivian contribution to imports of tropical timber to the EU is less than 1 %; Bolivia, as a source of tropical timber (products) is, therefore, not of major importance to the EU. If the GoB is interested in the VPA process, the EU is willing to support its development. If such is the case a “thorough process” will be needed, because the **quality of the process** determines the success of the VPA. The EU is not interested in imposing anything on anybody.
- Ref. h) There are well founded arguments that suggest that the introduction of the European Timber Regulation (EUTR) as of 3/3/13 could be a great **opportunity** both for Bolivian timber (products) exporters, especially the certified ones, and for certification/verification companies.

## 5.2 The political situation

The GoB promotes a policy of “integrated and sustainable forest management” and another of “eradicating illegality in the forestry chain”. According to representatives of the GoB interviewed by the mission an initiative like FLEGT/VPA fits well within these policies and may therefore well be of interest to the GoB. A VPA process could be of special interest to small companies and communities, which form another focal point of GoB policies.

One concern of the GoB is the amount of bureaucracy, which they are trying to reduce. A VPA process could contribute to reducing and/or simplifying bureaucratic processes or - where these are unavoidable - explaining their necessity more effectively.

In general, the mission encountered interest in knowing more on the topic, including experiences of VPA processes in other countries and receiving materials (documents, folders, videos). In addition, interest was expressed in discussing the topic between the different ministries involved.

Nonetheless, it should be noted that the different ministries of GoB have their own policies and priorities, and these do not always point in the same direction. For example, the GoB promotes the conservation of natural resources and respect for nature. At the same time the colonization of forest zones, accompanied by significant deforestation, occurs as a result of a major lack of control by the responsible authorities.

Another negative factor is the employment instability of high level government staff. With the frequent changes of high-level staff in ministries and institutions it is likely to be difficult to establish relationships, coordinate processes and consolidate agreements.

## 5.3 The institutional situation

ABT (Autoridad de Bosques y Tierras; the Forest and Land Authority) is responsible for the control of forest management, processing and transport of timber (products). Its main objective is to promote the sustainable and legal use of forests and land. ABT has assumed the responsibilities of the former Superintendencia Forestal (Forest Authority) and the Superintendencia Agraria (Land Authority). Although ABT has assumed this double role - which in itself is a positive change - it counts at best with 10% more staff than the former Superintendencia Forestal alone. ABT currently has a team of 300 staff, half of which is financed by the Dutch cooperation; it is of great concern that this support is planned to end in short term. According to its estimations, ABT would need approximately 1,500 staff (80% technical) to be able to fulfil all its duties. ABT’s main problem is financial – it does not receive any funding from the “Tesoro General de la Nación” (TGN; national treasury), for its normal functioning and addressing the forestry and land activities. Other problems mentioned by ABT are the limited level of training, physical threats to its field staff, and the opportunities for corruption of its own staff and support (e.g. police) staff.

Due to lack of staff the operational capacity of ABT has been severely affected. The current forest law (Ley Forestal 1700) requires the auditing of forest concessions every 5 years. A lack of interest from independent auditors (as required by law), has meant that it has not been possible to carry out these audits. As a provisional measure, ABT has formed inspection teams that have managed to inspect concessions in the departments of Pando and Beni. Inspections of concessions in other departments and of all “Asociaciones Sociales de Lugar” (ASL; local community associations) have yet to be done.

ABT is responsible for issuing the “Certificado Forestal de Origen” (CFO; certificate of origin for the transport of timber and timber products), of which several different types exist: CFO-A for logs, CFO-B for NTFP’s (Non-Timber Forest Products), CFO-C for sawn timber, CFO-D for export products. Without these documents the timber (product) may not be transported and/or sold. Before issuing a CFO, ABT has to implement a physical inspection. For example, before ABT can issue a CFO-A the operator must have a concession permit or a deforestation permit (in case of conversion), must have carried out an inventory of at least 10 %, must have prepared a Forest Management Plan (FMP) and have had it approved by ABT, must have implemented a forest census (100% inventory) in order to prepare a “Plan Operativo Anual Forestal” (POAF; annual forest operation plan), must have undertaken the necessary silvicultural measures, must have been subjected to a physical inspection by ABT and have paid all relevant patents and fees. Only after all this, it is possible to obtain a CFO. Due to lack of staff at ABT, the producer has to wait until the ABT staff have time; due to lack of transport/travel allowances for ABT officials, companies are frequently obliged to transport the inspectors themselves, which often results in trips of hundreds of kilometres – and in one extreme case more than one thousand kilometres. Additionally, the validity of the different permits, which is often quite limited, must be watched carefully, in order to avoid losing them as a result of delays caused by ABT procedures themselves.

With regard to processing centres, ABT operates a primary material supply and processing control programme as well as maintaining fixed highway control posts (and some mobile units) to control movement of log and timber (products). If the data mentioned in the papers do not coincide with those of the transported load, of the transporting vehicle or of the census, ABT may confiscate the load and the means of transport. Finally, ABT inspects shipments before their export and sometimes checks the registration of companies.

ABT is aware of the inconveniences that their inspections are causing and is considering changing the 100 % physical inspection scheme for all companies into a random inspection system for operators that do not show irregularities.

Although Bolivia has quite an advanced and internationally acknowledged Forest Law, a new forest law is currently being drafted. There is no guarantee that the new Forest Law will become valid in 2012 or in 2013. It is possible that the new law will have significant institutional consequences, including for ABT.

Also the development of a national forest certification system is foreseen, which may perhaps be implemented by IBNORCA. This institution establishes all technical norms in Bolivia; besides it offers certification training and plays the role of certification body (CB) for specific norms. With respect to forest certification, IBNORCA has had contacts with WWF and FSC. So far they have not had any experience with legality verification.

With reference to the control of the forest sector there are several other governmental organizations that play an important role: the “Servicio Nacional de Impuestos” (known as “Renta”); national tax department) checks whether taxes have been paid correctly, the “Dirección Departamental de Trabajo” (officially representing the Ministry of Labour) controls the labour, social and safety conditions and the “Servicio Nacional de Sanidad Agropecuaria Inocuidad Animal” (SENASAG; national phytosanitary and veterinary service) controls sanitary conditions and fumigates containers before export.

Other institutions related to the forest sector are the commercial and export chambers like “Cámara Nacional de Exportadores de Bolivia” (CANEB; National Chamber of Bolivian Exporters), “Cámara de Exportadores de Santa Cruz” (CADEX; Chamber of Exporters of Santa Cruz), “Cámara Forestal de Bolivia” (CFB; Forestry Chamber of Bolivia) and other related institutions like the “Instituto Boliviano de Comercio Exterior” (IBCE; Bolivian Institute for External Trade). These organizations represent different parts of productive chain of the sector, maintain data on their associates and/or the sector in general and may play important roles in the diffusion of strategic information and awareness creation amongst their associates and/or the sector in general.

There are several NGO's in Bolivia that are related to the forest sector, be it through productive projects and/or community development (e.g. CADEFOR, SNV, FCBC, the PUMA Foundation) or through conservation and/or sustainable use activities (e.g. WWF, FAN, TNC, FCBC). Although, in general, these organizations are focussing on their specific topics, they form an important group with relevant experience and knowledge, independent judgement capacity and a relevant network of (national and international) contacts.

SmartWood / Rainforest Alliance (SW/RA) is an NGO that functions as a forestry certification body. SW/RA has an office in Santa Cruz and has certified most of the FSC certified companies (forest management and/or Chain of Custody - CoC). Although SW/RA has its own VLC verification system - well known in many parts of the world and frequently applied as part of a phased approach towards FSC certification - it has not yet been applied in Bolivia. Another CB, SGS, does not currently have an office in Bolivia, but does have experience with FSC in Bolivia and has its own VLC verification system<sup>23</sup>.

Relevant universities and research institutions are the "Instituto Boliviano de Investigación Forestal (IBIF; Bolivian Forest Research Institute), associated to the UAGRM and the "Universidad de la Cordillera"<sup>24</sup>. The "Instituto Interamericano de Cooperación Agrícola" (IICA; Inter-American Institute for Agricultural Cooperation) has forestry support programs in Bolivia. Although the FAO (the Food and Agriculture Organization of the UN) does not currently have any specifically forestry projects in Bolivia, they have a fund to support forestry activities.

Furthermore, there is a network of donors that are active on environmental issues. The participants of this network interchange information and coordinate activities and support. Amongst the participants the following can be mentioned: Embassies of the UK, Denmark, Germany, The Netherlands, Sweden, South Korea, the EU and US-AID.

Finally, lead by CADEX, there is the TTF, a national forestry forum, whose active participants include forest- and timber (-product) companies, stakeholders from the public and private sectors, NGO's and developing organizations, universities and research institutions, BSO's (Business Support Organizations) and regional and sector chambers, among others. They aim to address and solve national and international problems to the Bolivian forest sector. TTF also endeavours to establish international contacts with donors, importers and sector support organizations. It supports projects related to environment, the EU, market development and capacity building, among others. It is an initiative that is supported by CBI. The TTF was established only 2 years ago and is still "gaining strength". TTF aspires to represent the interests of all stakeholders in the Bolivian forestry sector.

## 5.4 Illegal logging and its control in Bolivia

Between 2001 and 2011 estimations of the volume of timber resulting from illegal logging have varied between 50 % and 80 % of the volume harvested legally (Stortelder, 2010). For 2011 it is estimated that approximately 50 % of the harvest was "informal" (illegal), involving a volume of approximately 1 million m<sup>3</sup> (Heredia García, 2012). Illegal timber is mainly absorbed by the national market. It is estimated that the GoB loses approximately 1 - 2 million US \$ per year in taxes and fees. Illegal timber (as a result of direct harvesting of trees in the forest or due to deforestation in order to change of land use, e.g. for soya or coca cultivation or cattle farming) originates from forest concessions, private, communal, national or municipality areas as well as through falsification of data and documents: inventories, transport and processing and illegal marketing.

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<sup>23</sup> There are several other certification bodies with experience in FSC certification in Bolivia like IMÖ Control (with office in Cochabamba), Control Union (with office in Colombia) and IMAFLORA (with office in Brazil); these CB's however DO NOT have a VLC verification system. Certification body BVC (with office in France) also has its own legality verification system: OLB (Origine et Légalité des Bois).

<sup>24</sup> The Forestry Department of the Universidad de la Cordillera receives support from the Dutch Embassy and is active on Climate Change and REDD (Reducing Emissions from Deforestation and Climate Change), among others.



**Figure 5.1:** Confiscated trucks, materials and timber, in custody in the yard of ABT in Santa Cruz (March, 2012).

In recent months control by ABT has become more efficient and intensive; this has resulted in an increase in the number of timber-laden trucks, tractors and other equipment and materials that have been confiscated (Figure 5.1). The more than 1.500 trucks with sawn timber and/or logs that are sequestered in the different offices of ABT have an estimated value of 25 million US \$ (Heredia García, 2012). The embargoes have caused demonstrations and occupations, especially by (family members of) people that are working in the informal market (Figure 5.2).



**Figure 5.2:** Demonstration by people demanding the restitution of their “working tools”, in front of the ABT HQ, Santa Cruz (March, 2012).

According to ABT the introduction of the digital CFO (a new procedure to reduce illegality and exert major control within a short time) has been a very important factor their fight against illegal logging. This process does not only include more secure documents (e.g. with “bar code”), but also physical control of logs at forest landings, where comparisons are made with the census data. Furthermore, it has helped to reduce corruption at the road blocks, by impeding the recycling (“bicileteo”) of CFO’s. ABT estimates that they have succeeded in reducing illegal logging by 80 %. Actually ABT receives support from the military at their checkpoints in order to improve control. .

For very many years log exports have been prohibited. More recently, though loggers have been getting around the ban by producing “flitches” (squared logs) for export, especially to China. Now the export of flitches has been prohibited as well.

Table 5.1 summarizes the experiences of the companies interviewed with respect to the frequency of controls by government agencies.

category	responsible authority	companies controlled	frequency
Forest Management Plan (approved and valid)	ABT	9 out of 9	before approving it
implementation FMP verified by ABT	ABT	9 out of 9	every year
transport of logs	ABT	8 out of 9	frequently, at road blocks
source of primary material	ABT	8 out of 9	frequently in the forest and at log yards; once per year in processing factories
processing	ABT	8 out of 9	once per year
environmental regulations	municipality and/or governor	4 out of 9	once per year
transport of boards and products	ABT	7 out of 9	at road blocks
company management	ABT, Renta	7 out of 9	ABT: after change of name; Renta: varies between once a year - frequently
respect for labour rights	Labour Department	5 out of 9	1 - 4 times / year
export	ABT, SENASAG	8 out of 9	ABT: for the CFO-D SENASAG: before each sending (fumigation because of phytosanitary measures)

**Table 5.1:** Control of the forestry chain by authorities, as experienced in practice by the companies interviewed (N=9).

## 5.5 The legal situation of the companies interviewed

The companies interviewed are all legally registered. Table 5.2 presents some general impressions on aspects that are related to the legality of these companies. The majority of the companies consider that they are complying with the law and that they do not have to change much in order to be able to comply with the requirements of the EU with respect to legality. There are however some aspects that require attention in order to achieve a VLC (Verification of Legal Compliance) level. It has to be stressed that, as expected, FSC certified companies are the most advanced. As mentioned before, it is not the intention to present a statistical analysis in this report, but just an example of relevant aspects, based on the results of the interviews with a non-random sample of companies interviewed. These represent only 22 % of the value of the timber (products) exported by Bolivia to the EU.

aspect	# of total	observations	risk
legal registration	9 out of 9	All companies interviewed are registered.	
tax registration	9 out of 9	All companies interviewed are registered.	
employees with legal contract	8 out of 9	1 (rather new) company is still working on it; the other companies have a determined group of legalised staff, but in general still have temporary employees without a contract. On average 63 % of the employees have a legal contract. For certified companies this is 100 %.	
documentation of waste materials (sawdust, rests, etc)	1 out of 9	Only 1 company documents its flows of production waste materials because it has a contract with a company that produces chips/composites. It is observed that 75 % of the companies interviewed use the major part of their waste materials internally.	
exports to the EU verified by a VLC system	0 out of 9	Until now not one company has been verified for VLC; the certification bodies haven't even proposed it to them. The companies do not know the VLC system.	NA
exports to the EU certified by FSC	2 out of 9	The companies that are FSC certified export 100 % of their export volume as FSC. Nonetheless they also process non certified timber for the national/regional market.	
timber export documents specify species, dimension, quantity, country of destination, name of the buyer and certification status (yes/no)	9 out of 9	This is the type of information required by the EU.	
product export documents specify species, dimension, quantity, country of destination, name of the buyer and certification status (yes/no)	9 out of 9	This is the type of information required by the EU.	
combination of different destinations (buyers) in one container (batch)	0 out of 9	All companies always prepare a batch (in a container) specifically for one client only.	
company considers to buy more primary materials from communities in the future	6 out of 9	Although the impression exists that this will be more important in future, it is not always feasible (e.g. due to the lack of communities near the sawmill).	
legal requirements for subcontractors	0 out of 9	Not one of the companies interviewed checks the legal status of its subcontractors. Nonetheless normally well known companies are subcontracted.	
how (preferably by signed contract); alternatively by written advise or by oral advise.	0 out of 9	Not one of the companies interviewed has a contract by which it requires compliance with the legal norms and regulations by it's subcontractors.	
legal requirements for providers	8 out of 9	The majority of the companies interviewed require legal timber, with an invoice and CFO-A or CFO-C. Other companies buy everywhere: from regular and irregular providers and from communities (ASL).	
how (preferably by signed contract); alternatively by written advise or by oral advise.	3 out of 9	Normally it is agreed orally that timber shall be from a legal source. Only certified companies sign contracts to assure that legal timber is supplied.	

**Table 5.2:** Some legal aspects of the companies interviewed (N=9). The colour in the column "risk" expresses the level of risk for not complying with the legal context (with increasing risk from dark green, via lighter greens and orange to red).

According to the majority of the people interviewed both in Bolivia and in the EU, there is a considerable series of legal requirements for forest companies in Bolivia. Table 5.3 presents those aspects mentioned in the interviews. During a VPA process those aspects would be identified whose legal compliance would be considered obligatory for the control of the LAS; FLEGT certificates would only be issued in these cases that those aspects are fully complied with.

Category	Aspects
company establishment	<ul style="list-style-type: none"> <li>register the company name</li> <li>register the establishment of the company (obtaining a "NIT")</li> <li>designate a legal representative</li> <li>inscribe in the national tax register ("Renta")</li> <li>obtain an environmental permit of the municipality</li> <li>arrange the permit of the municipality</li> <li>inscribe with ABT (this requires a contract with a registered forester)</li> <li>inscribe in the register of the social security system</li> <li>inscribe in the AFP (Pension Fund) register.</li> <li>inscribe in "Caja" bank (open an account)</li> </ul>
forest management	<ul style="list-style-type: none"> <li>obtain concession rights (company, ASL, TIOC, owners)</li> <li>obtain a deforestation permit (in case of conversion)</li> <li>implement a forest inventory of at least 10 %</li> <li>prepare a Forest Management Plan - FMP (rotation at least 20 years) and apply for approval by ABT</li> <li>prepare an annual operational plan (POAF), based on a 100 % inventory and georeferenced maps); approval by ABT</li> <li>facilitate control in the field by ABT (inventory data vs data of logged trees) in order to get the CFO-A</li> </ul>
transport	<ul style="list-style-type: none"> <li>obtain CFO-A for transport of logs (ABT)</li> <li>obtain CFO-C for transport of boards (ABT)</li> <li>assure that the transport papers coincide with the authorization (CFO), with respect to the load and the vehicle.</li> <li>comply with the maximum weight authorized per truck or container</li> </ul>
processing	<ul style="list-style-type: none"> <li>prepare trimestral reports on primary material and processed products (approval by ABT)</li> <li>facilitate in factory control by ABT regarding source and processing to obtain the CFO-C</li> </ul>
export	<ul style="list-style-type: none"> <li>obtain CFO-D for export (ABT)</li> <li>obtain a phytosanitary permit from SENASAG (after fumigation)</li> <li>arrange the export papers with the customs</li> <li>obtain the certificate of origin of the country.</li> <li>obtain a CITES certificate (in the case that this is relevant)</li> </ul>
company management	<ul style="list-style-type: none"> <li>pay concession rights (US \$ 8.30/ha)</li> <li>pay timber taxes</li> <li>inform with respect to contability.</li> <li>inform with respect to staff</li> <li>assure compliance with social laws</li> <li>assure compliance with environmental laws</li> <li>assure compliance with general laws</li> </ul>

**Table 5.3:** Inventory of legal requirements, mentioned by the stakeholders interviewed.

## 5.6 Forecast effects of the EUTR

More than half of the companies interviewed in Bolivia did not know what effect the introduction of the EUTR would have in the long term. 10 % thought that it would help to clean-up the sector. With regard to the short term there is more clarity: one third responded that exporting companies will have to comply with the norms and a quarter foresee that, due to a likely scarcity of timber with a FLEGT licence it is possible that there will be a shortage of timber on the EU market, as a result of which prices may rise (at least temporarily).

Regarding the effects on individual companies one quarter of the companies interviewed considered that there will not be many changes, as they are already complying with all the norms and/or are FSC certified. Almost half considered that – although they are already complying with the norms – it will be convenient to demonstrate that with a VLC verification (or, perhaps, in the future and depending on the market and additional costs<sup>25</sup> involved, by

<sup>25</sup> The costs of certification can generally be divided into "direct costs" (costs of audits - inception and annual monitoring - by the certification body and the annual contribution to FSC) and the "indirect costs" (costs necessary to achieve the certifiable level, for example to make relevant adjustments to the operational procedures and administration of the company, training of staff, adjustments in forest management practices, investments in materials and equipment (e.g. GPS, software, personal security equipments, etc), socio-cultural and/or ecological studies). Generally the indirect costs are higher than the

FSC certification). Another quarter indicated that they have no option but to comply, but that they do not know whether this will have significant effects on the company. One company was considering abandoning the EU market for another.

## 5.7 Strengths of Bolivia

- The majority of currently exporting companies, FSC certified or not, believes that<sup>26</sup> they **operate legally** in the entire chain of custody and provide much evidence suggesting that this is correct. **It will certainly not cost them much** to satisfy the legality requirements of the EUTR. With an acknowledged certificate of VLC or FSC<sup>27</sup> they will be able to demonstrate to their clients in the EU that they comply with the “legality” standards required by the EUTR, which is based precisely on the VLC level. These certificates will probably be accepted by the DDS of the operators and the MO’s in the EU.
- Bolivia already has an acknowledged **certification body installed** in the country (Smartwood/Rainforest Alliance), which has a VLC verification system and a lot of experience with FSC certification. Other CB’s also have an acknowledged VLC system and some experience in Bolivia (SGS, BVC) or just have experience with FSC certification in the country (IMO, CUC, IMAFLORA).
- Bolivia has **abundant forest resources available** for legal logging (Bolivia occupies sixth place with respect to forest cover worldwide; Annex 9) and has approximately fifteen years of **experience with FSC certification** in its legal and sustainable logging and processing.
- Bolivia has an **overcapacity of processing units** which could enable it to increase its production at any moment.
- The Bolivian **exporting companies** already act within the established legal framework and therefore very legally compared with the majority of the traditional countries (former British and French colonies) that supply the EU market with tropical timber thus making it easier for the Bolivian companies to compete with traditional suppliers.

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direct costs. In the case of VLC verification the direct costs are limited to the audit costs, while the indirect costs are significantly lower than those for FSC certification. Although it is not possible to provide precise cost data (as these depend on the specific situation of each company and have to be negotiated with the certification bodies) there is a general indication that refers to the levels of requirements of VLC and FSC. According to SW/RA the level of VLC is approximately 65 % of the requirements for FSC certification.

<sup>26</sup> It is possible that due to lack of adequate and/or actualized information, lack of understanding or ignorance there is “room for improvement”. It is important for all stakeholders that the rules are written in black and white, understandable and accessible; in other words: there is a need for transparency.

<sup>27</sup> Actually FSC is integrating legality elements in its CoC standard, so that it can be accepted by the Due Diligence Systems of the Operators and/or Monitoring Organizations in the EU.



## 6. The relevance of a VPA for Bolivia

### 6.1 Why could a VPA be important for Bolivia?

*Basic question: Should the GoB start the process of negotiating a VPA?*

We believe **YES**

*Why?*

- Because the effective implementation of a VPA would mean the installation of a long-term institution capable of assuring the legal exploitation of the forest **throughout** the country.
- Because the effective implementation of a VPA will make the **rules of play** much clearer, will considerably improve the structure of the sector, and will put an end to **unfair and strong competition** by illegal actors.
- Because a FLEGT certification at country level will greatly facilitate the participation in exporting of medium and **small companies and communities**, that are involved in forest management and develop community enterprises (or develop long-term community – company association mechanisms).
- Because European assistance for any country undergoing the process of a VPA, especially for institutional strengthening, will greatly help the GoB achieve its objective of significantly reducing, if not totally eliminating, illegal timber and, furthermore, it coincides with the GoB policy of “integral and sustainable management of the forests” and of “putting an end to illegal logging”. These elements are integrated in the “National Development Plan to Live Good”.
- Because the effective implementation of a VPA will affect not only exports but also the national market, and will thus help the GoB recover taxes that it deserves.
- Because a VPA promotes transparency<sup>28</sup> in the sector: more transparency + less bureaucracy = less illegality.
- Because a VPA will allow for the **stimulation of investment** in the sector, both nationally and internationally.

### 6.2 Thoughts of stakeholders on the possibility of Bolivia signing a VPA

While speaking to a range of actors in the Bolivian forestry sector, the mission realised that it was very necessary first to explain FLEGT, VPA and EUTR before being able to discuss with them the desirability of a VPA and the different elements to be taken into account in a VPA process

The majority of actors interviewed agreed that, in the long term, it will be important for Bolivia to sign a VPA. Table 6.1 presents some of the reasons why a VPA could be of interest to Bolivia, according to the different stakeholders.

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<sup>28</sup> Reference is made to the transparency of the sector in general and the fact that the timber (-product) chain can be followed by the authorities and/or independent auditors. It is not suggested here that the entire chain (and all relevant commercial contacts) will be made public.

stakeholder category	reason to have a VPA
authorities	<p>illegal logging is a concern to the GoB, therefore a VPA could be of interest.</p> <p>it fits well with the GoB policy on "Integrated and Sustainable Forest Management"</p> <p>it fits well with the GoB policy on "termination of illegality in the timber production chain"</p> <p>it may be very important for small companies.</p> <p>it may unite the social sectors (communities, companies, processors) in order to have them participate and increase added value.</p> <p>it may contribute to considerable competitive advantage in order to access to the EU market.</p>
companies and sector representations	<p>the informality does not affect the export very much, but is important to the sector in general.</p> <p>a VPA is important to the sector, because it would be better for the entire sector; now we have to compete with the illegal loggers and traders.</p> <p>with a VPA more legal timber will become available. With a bigger volume of legal timber, it will be easier to comply with the requests for major volumes.</p> <p>a VPA creates competitive advantages and may cause a positive effect on the price.</p> <p>the main impact of a VPA will be on the national market.</p>
institutions and service providers	<p>some companies are dependent on export; a VPA is important for their survival.</p> <p>the added value of the export is high and has impact on employment; a VPA has influence on the market access of many stakeholders.</p> <p>the conditions of the national economy actually get worse; the GoB is aware of that and may try to rescue employment.</p> <p>with all the information that is already available, it would be possible to achieve a VPA within approximately 3 years.</p> <p>a characteristic of the forestry sector is that there is an open negotiation table; a VPA will be possible whenever the applied logic is prepositive and well directed.</p> <p>a VPA provides the opportunity to make a bridge between the indigenous people and the private sector.</p> <p>although its feasibility is complicated, it remains equally important to try to achieve a VPA.</p> <p>a VPA allows the communities to get involved in the productive forestry chain.</p>
NGO's	<p>it will provide an opportunity to communities (farmer- and indigenous) to participate and increase their income and improve their living conditions.</p> <p>it is in line with the policy of redistribution of access rights to resources.</p> <p>In case possibilities for communities can be included in the VPA process, the GoB might be interested.</p> <p>it is important to form well coordinated groups of small producers, in order to let them achieve to export.</p> <p>a VPA allows to develop a more integrated forest management with communities and the poorest people.</p> <p>by integrating the community it will be possible to generate employment, turn around the tendency of migration towards urban centres and increase the social cohesion.</p>
donors	<p>it is important to diversify the income sources of the country (not only focus on gas)</p> <p>the VPA process is in line with the policies of the GoB on integrated forest management and termination of illegality; besides it tries to integrate the social sectors.</p> <p>the competitive advantages to enter the market are highlighted.</p> <p>the amount of recuperated income due to taxes will be significant for the GoB.</p>

**Table 6.1:** Reasons why a VPA would be of interest for Bolivia, according to different stakeholders.

The different representatives, authorities and companies interviewed expressed the following:

- The representatives of the GoB were grateful for the explanations given and wished to obtain further information and materials on the subject. They all also are motivated to discuss the topic in more detail with the other ministries involved.
- The companies and the sector organisations generally think that a VPA could be important, not only for exporting to the EU, but, above all, to “clean up” the sector nationally. Given that the vast majority of exporting companies are already doing their best to fulfil the established legal requirements (and a significant part of them has even received FSC certification), they don’t expect it will have a great effect on them.<sup>29</sup> However, they do realise the possible competitive advantages as well as the possible positive effect on prices when the illegal offer is less; also there exists the possibility of their increasing production, thus reducing the weight of fixed costs per cubic metre and, at the same time, being able to fulfil larger orders for their clients. Given that a major part of the forest resource is currently in the hands of communities, the sector is also interested in obtaining formal access to the resource managed and offered (standing or in rodeo) by them.
- The NGO’s emphasise that a VPA represents an opportunity for building a bridge between the communities and the private sector which could and should be favourable for both. At present the major part of the forest is in the hands of communities (ASLs, TCOs). In many cases it is there that the deforestation and illegal logging (with chainsaw) is greatest. There are more than 600 Forest Management Plans (FMP) for areas less than 200 hectares that are not controlled (the Forest Law 1700 focuses mostly on large concessions rather than areas less than 200 hectares). It will be important to achieve the integration of the communities, small producers and those with limited resources in the legal process. There are examples of successful community involvement in forest management, with positive effects on employment, standard of living and social cohesion. This also suits the GoB because it will help to create jobs in rural areas.

<sup>29</sup> This has been confirmed by the auditors of SW/RA; according to them, there is a major difference between the formal and the informal sector. “The illegal ones have a different structure, different concept and a different way of functioning”.

- For their part, the aid donors emphasised that it is important that the country diversify its sources of revenue and that there will be a considerable recovery of funds for GoB from taxes and patents once the sector is working legally.

In general the actors believe that it is possible for Bolivia to implement a VPA (approximately from 2 to 5 years hence), but recommend bearing in mind the following points:

- “It is necessary to speak the same language as the GoB and emphasise how a VPA will favour its various policies”,
- “It is necessary to stimulate the GoB “to fall in love” with the idea of VPA/FLEGT”,
- “The GoB itself must lead the process (not the sector itself nor the NGO’s)”,
- “The EU must seek the collaboration of the GoB in making a political decision on the subject”,
- “Some sectors of the population that are responsible for deforestation act thus due to poverty; this aspect must be taken into account in the strategy”,
- “The opportunities offered by a VPA to communities (native and peasant) and small companies must be emphasised”,
- “It must not be forgotten that 2014 is an election year; thus 2013 could be affected”.

Some actors do not believe that a VPA is feasible simply because they doubt that the GoB will be interested in one for political reasons or because it could think that it would principally favour large industry or because it would never accept an independent monitoring of the system. Others doubt that the system could avoid becoming one more bureaucratic nightmare.

The actors also agree that it will be very important that all the actors in the sector are involved in the process; among these they identify: The Foreign Ministry, the Vice-Presidency, The Ministry of Finance and Economy, The Ministry of the Environment, The Vice-Ministry of Environment, Biodiversity, Climate Change and Forest Development and Management (and its Directorate of Forest Development and Management), The Vice-Ministry of Small and Micro Business, ABT, the private sector (companies, communities, ASL, TCO, manufacturers), sector organisations (CFB, CANEB, CADEX<sup>30</sup>, CAMEX), certifiers (IBNORCA, SW/RA, SGS), research and sector support institutions (IBIF, CADEFOR), universities, professionals, the indigenous sector (the Asociación Indígena Forestal Nacional), embassies and other donors (EU, FAO), the environmental sub-group of the donors, civil society (FAN, WWF, FCBC, TNC, SNV, ICCO, HIVOS, TAA, etc.) and anyone else who may wish to become involved in the process.

Of the companies interviewed, two thirds indicated that a VPA will be important for the sector; 10% didn’t know whilst a quarter agreed that it was important but didn’t believe it was feasible. More than half of the companies interviewed believed that a VPA would be important for their own company, in many cases because it would provide them with new opportunities and a competitive advantage.

### **6.3 Steps to follow to achieve a VPA in Bolivia**

Based on the previous paragraphs, we propose, firstly, focusing on an information and awakening campaign amongst the major actors in the sector and, especially, the authorities. On the one hand it is hoped that this mission and that of EFI (both

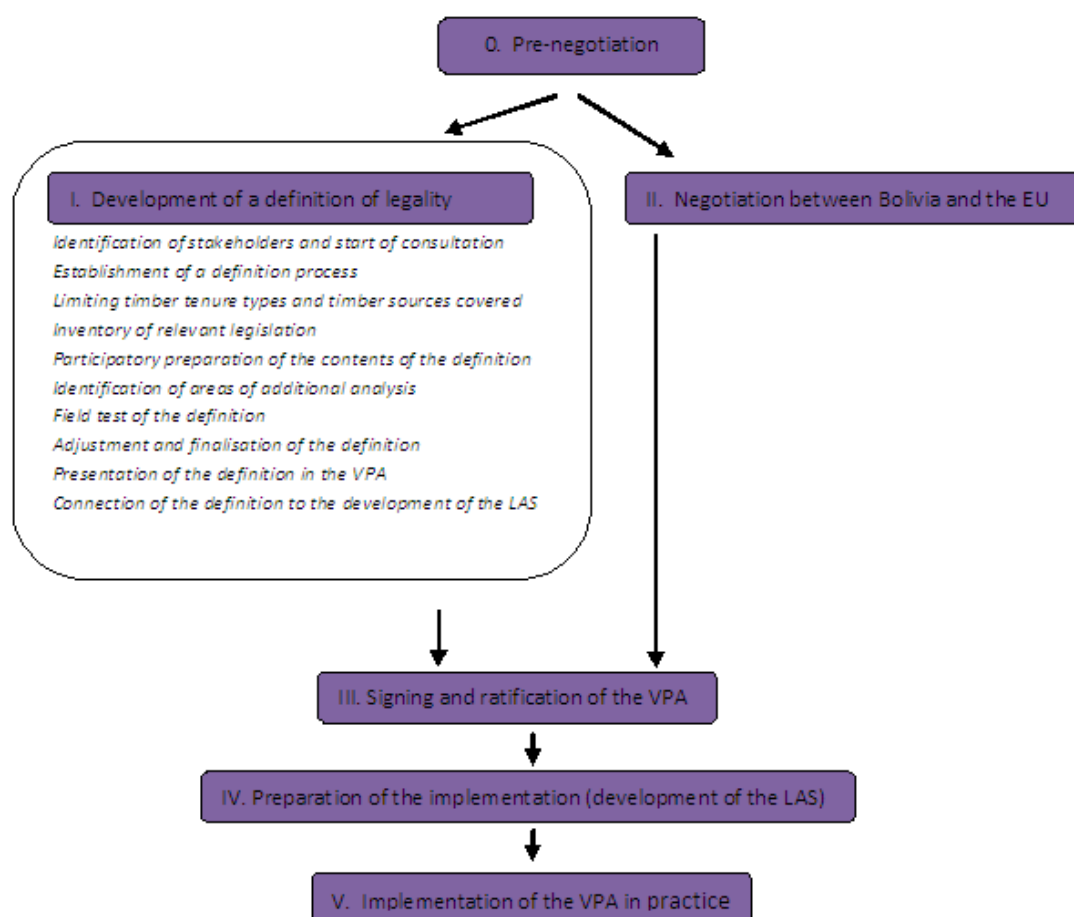
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<sup>30</sup> This includes the TTF as platform organization, coordinated by CADEX.

in March 2012) will have had a certain positive effect. However we suppose that this will not have been enough, and therefore suggest that the EU itself makes available in the short term to the different authorities in Bolivia the relevant and official information (including videos, reports, posters, experiences from other countries) so that these actors will have sufficient information to be able to begin fruitful internal discussions on the matter.

At the same time we suggest that the TTF, in coordination with the environmental group of donors, organise some information events and initiate a flow of appropriate information to the other groups of actors already identified in this report. Finally we support the EU proposal to send a political mission within a few months with the specific objective of organising a workshop for the authorities in order to answer all their questions and possible doubts about the VPA process. These activities should be considered part of the pre-negotiation phase (see Figure 2.2, paragraph 2.12).

In the event of the GoB deciding that it is genuinely interested in starting a VPA process, we propose, in line with experiences of VPA processes in other countries and bearing in mind the particular Bolivian context, the steps presented in Figure 6.1 and described below in more detail. Annex 10 presents a checklist of the steps and activities to be developed.



**Figure 6.1:** Steps of the preparation process of a VPA.

## A. Development of a definition of legality

1. *Identify groups of stakeholders involved and establish a consulting process with them:* this requires a systematic and thorough identification of the stakeholders in order to involve them in the VPA process in such a way as to give both national and international credibility to the VPA. The stakeholders comprise at least all those involved in or affected by forest production. It is important to involve all the different groups of stakeholders because they may have different experiences and perspectives and, as a result, different priorities, problems of implementation or lack of clarity in the legal context. The consultations with the stakeholders allow the discussion of different priorities in order to avoid possible conflicts. The interaction with the stakeholders allows them to familiarise themselves with current legislation and with the identification of their most relevant needs, thus solidifying local support for the definition. The objective is to agree clear and unambiguous requisites. The participation of all the stakeholders also helps to educate and achieve a common voice. The consultation processes with the stakeholders must allow these to express their opinions, worries and suggestions in such a way that dialogue prospers between the different groups of stakeholders in order to achieve practical solutions that satisfy the requisites for the definition of legality. Based on experiences of consulting processes to date certain lessons have been learned<sup>31</sup> (EFI, 2010). In the case of Bolivia it is recommended that the valuable experiences of VPA processes in other countries<sup>32</sup> be taken into account. It is important to successfully identify all the groups of stakeholders, inform them and involve them. Whilst the process may be led by the GoB, we suggest that the GoB be supported by an independent group that makes available all necessary information so that the process attains the necessary quality and depth. We recommend that this facilitating group be the environmental subgroup of the donors. Although the legal context is broad and existing laws are fairly advanced, such discussion will help to identify rules which are perhaps redundant in certain circumstances (as, for example, the indiscriminate fumigation by SENASAG of kiln dried timber packaged in plastic prior to export).
2. *Agree and establish a process for developing the definition of legality:* the development of the definition of legality is achieved by processes of consultation and explanation between groups of stakeholders, followed by negotiation between groups of stakeholders and between the EU and the partner country. It is important that these internal and external processes be clearly linked in such a way as to ensure that the internal processes provide information useful for the external negotiations. For this it is necessary a) that there exists an openness and total transparency in both the internal and external processes, b) that rules of communication and information are imposed for both the internal and the external processes and c) that consistency is achieved in the representation of the groups throughout the process. Amongst the lessons learned it is important to mention the need to agree who will be responsible for developing the draft, how to revise the drafts and how to take decisions on requisites and verification. By establishing the rules of play before dealing with the content promotes clearer and more realistic expectations regarding the participation of the stakeholders. Another lesson learned is the need to give the group representatives sufficient time to interact with their bases. For example, in remote areas more time may be required due to the practical difficulties of travelling and the specific calendar of the stakeholders; also it may be necessary to translate, adapt and interpret documents, either orally or in writing, so that the stakeholders can better understand them. The support of NGO's or community organisations may be necessary in order to attain the desired quality of consultation process. In the Bolivian context the NGO's have expressed an interest in supporting local processes, above all at those locations where the GoB lacks presence and/or the capacity to reach all parts.

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<sup>31</sup> Consultation processes: 1) take time; 2) require flexibility; 3) may need additional support to guarantee a fair process; 4) require appropriate attention and capacity in order to manage them professionally; 5) need to agree structures, rules and expectations, including roles and responsibilities; 6) require the use of different communication techniques and clarity regarding which to use and when; 7) require a selection of representatives for the same group of stakeholders (rather than designation by the authorities); 8) requires equal transparency with regard to the interests of all the groups of stakeholders; 9) have shown that what seems to be a single group of stakeholders may represent a series of different interests; in such cases it is best to separate the different subgroups so that all have their own voice.

<sup>32</sup> Reference is made to the publications of the EU on signed VPA's, which are available in English and Spanish (see Annex 4, list of documents) and to the FLEGT website of EFI ([www.euflegt.efi.int](http://www.euflegt.efi.int)).

3. *Define what types of ownership and which timber sources will be covered by the definition of legality:* the sources and ownership of the wood must be made clear in the definition of legality. This refers equally to the requisites for sources within the partner country as for timber imported to the partner country and subsequently exported to the EU. The partner country may decide which types of product should be included in the VPA, if there should be few or all. Some countries have applied a phased strategy. One lesson learned is that this confuses the situation and gives the informal market “wriggle room”; it is better to focus on a complete list of VPA products in order to bring about the necessary legal changes throughout the sector. In the case of Bolivia it is suggested that the focus be on all export timber products regardless of their destination (EU or elsewhere). In order to have a greater impact on legality and an effective LAS it is suggested that the requirements be applied also to products for the national market as well as for own consumption.
4. *Compare and contrast a “long list” of relevant legislation that should be taken into account for the needs of the definition of legality:* the definition of legality in a VPA is based upon a collection of national legislation that includes laws, rules and other regulatory texts such as codes and international treaties ratified by the partner country. VPA processes normally include requirements based on legislation that go beyond the strict forest legislation. The definitions of legality must take into account legislation relating to social, economic and environmental obligations. These include legal registration, payment of taxes, community obligations, health and security of employees, labour regulations, environmental regulations, and customs obligations, amongst others. Many of these requirements are not specifically included in forestry legislation. It is important to use the complete list as the basis for the discussion.
5. *Consider and decide via consultations with the many parties involved the content of the definition of legality (e.g. requisites, evidence necessary to prove compliance):* the definition of legality will vary between countries depending on the legal context, the forest types and the institutional context, amongst other factors. However, certain basic elements exist that must inevitably be taken into account in the definition: a) *principles* (they provide a convenient means of grouping the intentions of different laws), b) *requirements* (type of indicators), c) *verifiers* of compliance (document, report or activity that demonstrates compliance), d) *legal references* (the legal text that justifies the requirement) and e) *sources of wood and ownership*. The most effective means of transmitting the definition of legality is by presenting the information in **a table** (Annex 11 presents an example). The principles help to classify the requirements of thematic areas. The requirements must be clear and indicate without ambiguity if they have been complied with or not. One should prove the compliance with **all the requirements included in the definition of legality**. The verification processes contained in the LAS need to be checked periodically; hence it is necessary to **make a strategic selection of the requirements**. Identifying the principal problems and the main requirements to be discussed is an essential part of the dialogue for defining legality. The choice of a few strategic requisites instead of overburdening the definition with all possible requisites will ensure that the system is easier to implement and follow. Government priorities may guide this process. The verifiers are objective evidence that demonstrate compliance. In a LAS all the requirements must be proven. One lesson learned is that many original drafts of verifiers suffer problems such as a too general description, the lack of relevance to the requirement or being open to different interpretations. The references are based on the currently valid legal context. In the case of Bolivia, we suggest developing a table as described; when it is necessary to include elements of the new forest law that is foreseen, they may be included under the requirement and verifier headings whilst in the reference heading one may indicate that it is still subject to a process of legislative reform.
6. *Identify areas that need work or additional analysis (e.g. contradictory legislation, lacunas, legal reforms):* many countries find difficulties by insisting on compliance when there are contradictions or confusion. The process of definition of legality easily identifies eventual inconsistencies or lacunas that require additional study and/or analysis. If there is an interest in providing a solution to some inconsistency, it may be described in an annex “additional measures”. The purpose of the definition of legality is not to create a parallel legal framework but to provide an opportunity for identifying, treating, and in some cases improving areas of legislation and regulation that are difficult to implement, impractical or confusing. In some processes VPA was the first time such a broad process of reflection had been undertaken.

7. *Undertake a field trial of the definition of legality once a solid draft is available:* once the definition of legality has been developed and has achieved the support of the stakeholders involved and has been discussed with the EU, a field trial of the same should be undertaken. Amongst other advantages, this will facilitate the detection of incoherencies, the inclusion of impractical requirements, the verification of the applicability of the definition in practice, the determination of which departments participate and the facilitation of the development of a LAS. The trial is normally undertaken by a team of professionals with experience relevant to legal verification, assisted by government professionals with knowledge of the legal context of the country; sometimes representatives of NGO's also participate in order to attain a balanced combination. The trial consists of visiting a sample of sites representative of the different types of authorisation or circumstances identified in the definition. The team will check that each requirement and verifier is relevant and could be applied in practice, at the same time making comments and recommendations for their improvement. The team will interact with forest stakeholders at each site visited in order to gain a better understanding of possible worries or problems with the definition.
8. *Review and address the comments of the field trial and conclude the definition of legality:* the trial team will submit a report with their conclusions and recommendations, which should be analysed and evaluated by the partner country with a view to later, if necessary, modifying the definition of legality.
9. *Present the definition of legality as an annex to the VPA:* the agreed definition of legality remains written in the annex of the VPA. It is divided into two parts: a) general information (a brief summary of the forest sector and the legal framework, presenting a list of legislation and rules used and a description of the process of development of the definition) and b) the tables of the definition of legality (see point 5).
10. *Link the definition of legality to the development of the LAS:* the definition of legality represents only 1 of the 5 elements of the LAS. Given that it is the foundation for the other elements, normally it is the first element to be developed and negotiated within the VPA process. This does not mean that the other elements may not be started until the definition of legality has been concluded. In order to develop the LAS, all its elements (see paragraph 2.1 and Figure 2.1) must have been defined and agreed.

## **B. Present and discuss the draft definition of legality in the negotiation sessions with the EU**

The formal technical negotiations between the partner country and the EU will include discussions on the definition of legality. These discussions may take place at any stage of the process of elaborating the draft and help to ensure that the definition is clear and practical, including, without undue emphasis, social, environmental and economic obligations and covering all the necessary areas of interest that have been accepted by all the stakeholders involved. There generally exists a need to discuss various drafts before reaching a consensus. If necessary, the EU offers technical support to clarify matters or undertake any additional analysis.

## **C. Signing of the agreement and ratification by both parties (GoB and EU)**

Once the content of the VPA has been agreed, an official signing ceremony is celebrated amidst publicity and articles in the national and international press. After this official act a certain amount of time is required for both parties to ratify the agreement in their respective parliaments. After the ratification it is important to launch an information campaign on the final content of the VPA, directed not only to the forest sector but also to the general public.

## **D. Preparation of the implementation (development of the LAS)**

The development of the LAS includes all the activities necessary to make adequately operative the different elements of the LAS as defined before the signing of the VPA. This includes the creation of the necessary authorities and the provision of adequate information to the public. In the case of Bolivia it would include amongst other things the creation of sufficient

capacity in the ABT, the training of the ABT team, the designation of authority to a National FLEGT Licensing Unit (NFLU), the training of NFLU staff, agreements regarding the *modus operandi* of the Joint Implementation Committee (JIC), the NFLU, the National Legality Verification System (NLVS) and the Independent Monitoring Organisation (IMO), the appointment of pertinent staff, the assurance of necessary budgets, and notification of the stakeholders involved and the public in general. Finally the correct functioning of the system in practice must be checked before the NFLU can authorise the first FLEGT licence.

## **E. Implementation of the VPA in practice**

Once the real functioning of the whole system has been duly verified, the JIC can define the date on which the VPA takes effect in practice. From that moment all the elements must function as agreed. Furthermore the monitoring of the functioning of the system begins to operate, not only the regular, planned monitoring (e.g. every six months) but also the emergency monitoring (based on warning notices), both implemented by the IMO. It should be noted that when the JIC observes, on the basis of the IMO reports, that the system needs to make certain adjustments in order to operate well, it has the power to insist. If the requirements of the JIC are not fully met, the JIC has the power to annul the VPA. In the case of Bolivia, and notwithstanding the supposition that the VPA would include all timber products produced in the country, it would be possible to obtain FLEGT licences for timber products produced by peasant communities, indigenous groups, small, medium and large companies. It should be noted, however, that in order to successfully place a product on the EU market, not only must it comply with legality standards but also meet certain standards of quality, dimensions, volume and delivery date.

## **6.4 Financing**

There will be no special EU FLEGT Fund to support a FLEGT programme in Bolivia. It is primarily the responsibility of the GoB (but the EU will be available at all times to support the necessary processes).

With reference to the alternatives for (co-)financing it should be mentioned that:

1. The general development cooperation programme between the EU and Latin American countries for the period 2014 - 2020 will focus on only two countries: Paraguay and Bolivia. Compared with the budget for the present period, which is shared by many countries, the 2014 – 2020 budget will be unchanged. This means that the availability of funds will increase significantly. If the GoB is disposed to spending money on a FLEGT programme, it could decide to use a part of the bilateral cooperation funds for this purpose (Personal Communication J. Bazill, 2012).
2. The FAO has established a “Forest Facility” Fund with the Vice-Ministry of Environment for 300,000 US \$/year. So far this has scarcely been used. The fund could be used to organise activities in support of the FLEGT process.
3. There exists a platform of environmental donors in Bolivia. There are indications that several of the donor participants would be interested in supporting FLEGT-related activities on a bilateral basis.



## 7. Conclusions and Recommendations

### 7.1 Conclusions

1. Taking into consideration the advances in the VPA processes in the world so far, with 6 VPA's signed and ratified and another 4 in negotiation, that none of these has achieved effective implementation while the negotiation and associated development processes have taken already between 3 and 6 years, and that these VPA processes require certain quality in order to effectively achieve the legality of the forestry chain, it is considered impossible and, furthermore, undesirable, to think of achieving a the VPA for Bolivia within a year. Nonetheless, it is suggested that the the negotiation of a VPA be considered as useful and an important strategy for medium- and/or long-term.
2. The EUTR is a law of the EU that requires of the operators in the EU that timber (products) put by them on the EU market be legal (in force from 03/03/2013). As a consequence of the EUTR importers of Bolivian timber (products) probably will require of their providers the presentation of the necessary proof to be able to guarantee the legality to the European authorities.
3. In the framework of the EUTR the EU will not define a "green lane" for forest certification systems (FSC, PEFC) or VLC systems (SW/RA-VLC, SGS-VLC, BVC-OLB). Instead the EU will establish an operational scheme that will function in every member state, by means of which - on the basis of Due Diligence Systems – it will be possible to accept certificates of certification/verification systems indirectly. Therefore, having a FSC, PEFC or VLC certificate will likely facilitate access to the EU market.
4. There is a lot of misinformation, confusion and misinterpretation concerning FLEGT, VPA and EUTR at the level of all stakeholder groups involved in the Bolivian forestry sector, and especially the private sector. This mission found that, at best, only 10 % of the interviewed stakeholders have some basic knowledge of these topics. All recognize that there is a great need to obtain additional information on these issues.
5. The private sector in the EU is preparing itself for the introduction of the EUTR. It is estimated that approximately 50% of the companies that import Bolivian timber (products) are sufficiently informed to be able to prepare themselves for the introduction of the EUTR. However, many of them are waiting or delaying their effective preparation until the regulations of the EU become clearer with respect to which verification and/or certification systems will be accepted by them. In reality however the EU will not give any judgement on this in a direct way, but instead will leave this decision to the Due Diligence Systems of the Operators and/or Monitoring Organizations and the related control by the Designated Authorities in the EU Member States.
6. The formal forestry sector, including Brazil nut production (as NTFP), contributes approximately 3 % to the GNP and 8.8 % to the total export value. The contribution of the sub-sector of timber (products) is estimated at 1.1 % of the GNP (US \$ 565.5 million) and 3.2 % of the export value (US\$ 30.6 million). Supposedly the real contribution of the timber sector to GNP is much bigger because of the large informal sector that supplies the national market.
7. There are approximately 1,300 forest companies registered with the ABT (2011), which include roughly 6,000 production units, of which 70 % are small or medium-sized companies. These companies employ approximately 90,000 people directly and 160,000 people indirectly. To estimate the employment generated by the formal timber sub-sector (multiplier effect) the multiplication factor 2.54 is applied, which represents 635,000 jobs.

8. The EU market is important to Bolivia. In 2011 the export of timber (products) from Bolivia to the EU market totalled 29.5 US \$ million, equivalent to 34.7 % of total timber (products) exports. The EU and USA are the most important markets for Bolivia. Between 2001 and 2011 exports to the EU increased at least 347 %, while those to USA shrank by a factor of 0.6. The Chinese market has increased even more than the EU market; while its value is not very big (it hardly reaches 25 % of the value exported to the EU) the exported volume almost tripled the volume exported to the EU. A noteworthy characteristic of the EU and US markets is that they generate high added value, contrary to the markets of China and Latin America (Brazil, Argentina, Mexico). The import of timber (products) from Bolivia to the EU in 2011 represents less than 1 % of the total import of tropical timber (products); therefore the Bolivian market is not very important for the EU.
9. The companies that import timber (products) from Bolivia to the EU consider that these products have already achieved their place in the EU market, especially for outdoor use. Besides they consider that the introduction of the EUTR does not necessarily need to be a major impediment for continued imports. Instead they consider that other factors are more important, such as bureaucratic limitations in Bolivia, the limited production capacity of many companies, delays in delivery and the general level of compliance with contract terms.
10. There are 3 options to comply with the requirements of the EUTR:
  - 1) A FLEGT license (in the long term the easiest way, as these will be accepted directly by the authorities of the EU) or a CITES certificate (which is equally acceptable);
  - 2) A forest management certificate (FSC, PEFC) or a Verified Legal Compliance certificate (SW/RA-VLC, SGS-VLC, OLB), as there is high probability that these will be accepted by the Due Diligence Systems of the Operators or Monitoring Organizations;
  - 3) All other relevant proof in order to be able to demonstrate full legal compliance (copies of proof to accompany each exported load; more complicated and insecure), for which there is a chance of it being accepted by the DDS of the OP or the MO, provided that the evidence is complete and convincing.

While the first option will probably delay several years, in practice exports will continue, making use of the second option, or, perhaps, in a few cases, the third. The second option is considered the most practical, especially the case of a VLC certificate that is the most easily attainable level in the short term for the majority of companies.

11. According to the representatives of the GoB interviewed by the mission, an initiative like FLEGT/VPA fits well within the policies of “integrated and sustainable forest management” and of “ending illegality in the forest chain” and therefore might be of interest to the GoB. A VPA process might be of special interest for small and medium companies and communities, which form another focal point of the GoB policies. There is interest to get to know more on the topic and to discuss it with colleagues of other ministries related to the sector. The influence of different political forces at GoB level and the frequent changes of staff and administrators at the relevant governmental institutions is likely to make the VPA negotiation process more difficult.
12. The governmental institutional situation is rather complicated, given that ABT, the organization responsible for sustainable and legal forest management, approval of the Forest Management Plans, the control of the forestry chain and taxation, amongst other responsibilities, has insufficient human resources to achieve the required levels of control.. This results in insufficient levels of control, significant delays in procedures and a level of illegality estimated at 50 % of the harvested volume. While ABT does its best to improve its control of the situation with new technologies (for example, digital CFOs) and alliances (the military instead of the police) not even its current limited budget is guaranteed and is likely to be significantly reduced in the coming years.
13. There are other relevant institutions in the Bolivian forestry sector, which include sectoral institutions (CFB, CANEB, CADEX), certification bodies (IBNORCA, SW/RA), universities (IBIF, University de la Cordillera), NGOs with experience in community forestry and/or conservation projects (FAN, WWF-GFTN, FCBC, TNC, ICCO, SNV, TAA among others)

and donors (EU, FAO, US-AID, specific Embassies) and combinations of the former groups (like the TTF platform). Their general opinion on a VPA process is positive.

14. There is a considerable number of legal requirements to be complied with, the control of which depends on quite a variety of different authorities (ABT, Tax Department, Ministry of Labour, Municipality, SENASAG). While the impression exists that in general their inspections have a certain regularity and consistency, there are major differences between the experiences of specific companies, which may be attributed to a lack of capacity (human and/or financial) to implement an adequate control.
15. All companies interviewed in Bolivia<sup>33</sup> are legally registered and consider that they are functioning legally. However there are several aspects that require attention (e.g. staff contracts, requirements for subcontracted companies, requirements for suppliers) before a VLC (Verified Legal Compliance) level will be reached. Among the companies interviewed those that are already FSC certified are the most advanced.
16. Eight out of nine companies interviewed in Bolivia considers that they will have to comply with the legality requirement of the EUTR, passed on to them by the importers in the EU. While one quarter considers that not much will change for them as they are FSC certified, half of the companies are considering applying for VLC certification in the short term (and possibly FSC in the medium term). Only one company is considering withdrawing from the EU market.
17. The Bolivian forestry sector has several strengths that may be of help in consolidating its position in the international market in general and in the EU market in particular: an abundance of available raw material, years of experience with sustainable forest management and FSC certification, a large production potential, a surplus of installed processing capacity, many exporting companies that are already working legally, and, finally, the presence and/or experience of renowned certification bodies and the support of institutions, among others.
18. The creation of an entirely legal forestry environment through a VPA process is in the interest of all. The mission considers that a VPA makes sense in the case of Bolivia because it will facilitate the improvement of the institutional capacity of the sector, put an end to unfair competition from the informal sector, facilitate the participation of communities, small and medium companies in exporting, promote transparency in the sector, position the country at international level, help the GoB to recuperate income from taxes and fees that it should collect and, additionally, it lies comfortably within the political framework of the GoB (defined in the National Development Plan).
19. The majority of the stakeholders interviewed in Bolivia agree that, in the long term, the signing of a VPA would be advantageous for Bolivia. They have a wide range of arguments to substantiate this opinion and some concrete advice to take into consideration in order to achieve it. They consider that the process will take between 3 and 5 years and agree that it will be very important that all stakeholders of the sector are involved in the process.
20. Financial and technical support for the FLEGT/VPA process, either directly through the EU or bilaterally through the member countries and donors, will be of primary importance to achieve the required institutional strengthening. Amongst the (co-)financing alternatives the following can be mentioned:
  - 1) The General Development Cooperation Programme between the EU and Latin American countries for the period 2014 – 2020;
  - 2) The Fund “Forestry Facility” of the FAO in Bolivia, established at the Vice Ministry of Environment (300,000.- US \$/ year);
  - 3) Donors that participate in the environmental platform of donors in Bolivia.

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<sup>33</sup> It is stressed that this is not a valid statistical sample, but a small sample that only represents 22% of the export of timber (products) to the EU market.

## 7.2 Recommendations

1. The following strategic focus is recommended for the sector:

- **Short term:** focus on:

1. VLC verification (medium-size companies, not yet certified companies)
2. FSC Certification (big companies, already certified companies)

For the majority of the companies this means that they will focus on the VLC level which is the most feasible to achieve in the short term.

- **Medium/long term:** focus on a VPA process (small companies, communities)

2. In general the sector is as well suggested to focus on the creation of value added and avoid the further increase of the volume of low value products, which tends to deplete resources and at the same time does not significantly contribute to the GDP and employment.
3. It is suggested that the EU make available, in the short term, all relevant official information (including videos, reports, folders, experiences from other countries) to the different authorities in Bolivia, in order to enable them to have sufficient information to start fruitful internal discussions on the topic.
4. At the same time it is suggested that the TTF, in coordination with the environmental group of the donors, organize several informative events and facilitate a flow of adequate information to the other stakeholder groups already identified in this mission report. Such an awareness campaign involves the development of clear messages and materials (e.g. folders, posters, PowerPoint presentations) relevant to the level of communication and understanding of the specific target groups.
5. TTF is recommended to strengthen itself institutionally and extend its cover in the country, looking for participation, support and acknowledgement by other relevant organizations in the forestry sector, so that it will be able to function as a national platform for the Bolivian forestry sector and adequately assume the role of information and/or training centre.
6. In the event of the GoB deciding in favour of a VPA process, it is recommended that the VPA process be initiated in such a way that the GoB will be the leader of the process, with the backing of the donors and the EU, in order that the GoB may acknowledge the process as its own initiative, thereby creating “**ownership**”, a basis for political support and sustainability. In such a case the other stakeholder groups are suggested to cooperate with the GoB and actively participate in the different steps of the process, whenever requested to do so. NGO’s may e.g. become involved in supporting stakeholder consultation processes at remote locations, while TTF may e.g. support further awareness creation or streamline and promote standard procedures in the sector. The EU and the donor group shall monitor the quality of the process and where relevant finance and/or implement support activities to guarantee the required process quality.
7. It is recommended that the CBI support the companies associated to the Export Coaching Programme through a sub-program of “Support to Verified Legal Compliance”. CBI is advised to negotiate a discount (because of the number of companies) with possible certification bodies (SW/RA, SGS). In future CBI might consider requiring companies that are interested in joining the ECP program to enrol in a VLC verification process as prerequisite.
8. In the event of the GoB finally deciding to develop a VPA process, it is recommended they use the checklist presented in Annex 10 and focus at least on all exported timber (products), independently of the destination (EU or other places); it would be even better to focus on all products of the sector, including those of the internal market.

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