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**A7-0081/2012**

29.3.2012

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## **RECOMMENDATION**

on the draft Council decision on the conclusion of the Voluntary Partnership Agreement between the European Union and the Republic of Liberia on forest law enforcement, governance and trade in timber products to the European Union

(11104/2011 – C7-0241/2011 – 2011/0160(NLE))

Committee on International Trade

Rapporteur: Elisabeth Köstinger

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the draft Council decision on the conclusion of the Voluntary Partnership Agreement between the European Union and the Republic of Liberia on forest law enforcement, governance and trade in timber products to the European Union (11104/2011 – C7-0241/2011 – 2011/0160(NLE))**

### **(Consent)**

*The European Parliament,*

- having regard to the draft Council decision (11104/2011),
  - having regard to the Voluntary Partnership Agreement between the European Union and the Republic of Liberia on forest law enforcement, governance and trade in timber products to the European Union (11101/2011),
  - having regard to the request for consent submitted by the Council in accordance with Article 207(3) and (4) and Article 218(6), second subparagraph, point (a)(v), and Article 218(7) of the Treaty on the Functioning of the European Union (C7-0241/2011),
  - having regard to Rules 81 and 90(7) of its Rules of Procedure,
  - having regard to the recommendation of the Committee on International Trade and the opinion of the Committee on Development (A7-0081/2012),
1. Consents to conclusion of the Agreement;
  2. Calls on the Commission to regularly report to the Parliament on progress in the implementation of existing Voluntary Partnership Agreements (VPAs) and in negotiating and implementing new VPAs;
  3. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of the Republic of Liberia.

## EXPLANATORY STATEMENT

### Introduction

In December 2005 the Council authorised the Commission to negotiate a series of voluntary partnership agreements (VPA) with timber-producing and exporting countries to encourage trade in legally harvested timber onto the EU market and to improve forest governance in partner countries. These bilateral agreements are a cornerstone of the EU Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT)<sup>1</sup> to halt illegal logging.

The VPAs commit partner countries to trade only in verified legal timber products into the EU. In order to verify the legality of timber exports, the agreements establish the framework, institutions and systems of a licensing scheme and set out supply chain controls, a framework for monitoring legal compliance and independent audit requirements. Partner countries develop, under the VPAs and with the EU's support, their systems to verify the legality of their timber exports to the EU.

The Commission entered into negotiations with Liberia in March 2009. The Agreement with Liberia, signed on 27 July 2011, was the sixth such agreement to be negotiated, following the agreements with Ghana, Congo, Cameroon, the Central African Republic and Indonesia. Agreements with a few other African and Asian countries are being negotiated and several other countries have expressed an interest in joining the VPA process.

As was the case for the previous FLEGT partnership agreements, the consent of the European Parliament is required for the conclusion of this agreement.

### Liberia and the FLEGT VPA

The EU-Liberia VPA has a fairly particular context. Almost 45% of Liberia is covered by forest and the country hosts over half of West Africa's remaining rain forests<sup>2</sup>. The protracted civil war (1997-2003) saw the forestry sector deeply involved – timber revenues were used to fuel the conflict – which led to UN Security Council imposed sanctions on Liberian timber imports. These were lifted in 2006 following Liberia's efforts to reform the forestry sector by rewriting the legal framework and improving transparency<sup>3</sup>.

Following the shutdown of the forestry sector in the aftermath of the war, the governments of President Ellen Johnson Sirleaf have striven towards transforming the sector into one of sustainability and accountability. Engaging in the FLEGT VPA process underpins the ongoing efforts. Suffering from the legacy of the "blood timber" era, the VPA and its licencing system will provide Liberian timber with legality assurances and help reassure international markets. Liberia already has in place a national wood traceability system<sup>4</sup> on

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<sup>1</sup> COM(2003) 251

<sup>2</sup> [http://www.efi.int/files/attachments/euflegt/liberia\\_vpa-briefingnote\\_eng.pdf](http://www.efi.int/files/attachments/euflegt/liberia_vpa-briefingnote_eng.pdf)

<sup>3</sup> Including achieving compliance, in 2008, with the Extractive Industries Transparency Initiative (EITI), as the first African country, and to be the first to include timber revenues under it

<sup>4</sup> LiberFor, a consortium of European companies and Liberia's Forestry Development Authority

which the VPA will build.

In Liberia, the VPA process has seen a highly participatory multi-stakeholder approach and a direct involvement of both civil society and industry, as well as – for the first time – of forest dwelling communities, whose concerns and rights the VPA largely addresses. While the private sector's involvement has been weakened by a lack of organisation, the civil society has proven very vocal in the VPA negotiations and in the setting up of the system.

In the VPA process, special attention has been given to the new legality assurance system, the independent auditing, the role of civil society in the monitoring of the agreement, as well as transparency and information exchange.

Liberia is committed to establishing a system to provide assurance that all timber products exported from Liberia are legally produced. Further, the Liberian definition of legal timber goes beyond the minimum product coverage of the VPA regime, from wood chips and logs to wooden furniture, and embraces aspects such as allocation of harvesting rights, workers' rights, and environmental obligations.

Further to addressing the potential risk of leakage as concerns other international markets than the EU – and including timber imported from third countries – Liberia has decided to extend the legality requirements to timber products sold on the domestic market. This reflects the positive political and regulatory impact of the VPA process.

The development of the Liberian legality assurance system was scheduled to begin in January 2012. Liberia expects the VPA system be fully operational, including for issuing FLEGT licenses for exports, by 2014. Setting up of the legality assurance system will require considerable efforts from Liberia due to its substantial capacity gap, as well as international support.

As for implementation, a Joint Implementation Committee to be established by the parties will oversee the agreement. A further national stakeholder committee, comprising from government, industry, communities' and civil society representatives will monitor VPA implementation. The VPA also introduces independent third party auditing to ensure that only legally verified timber is sold domestically or exported.

### **The EU timber regulation**

Along with the VPAs, the 2003 FLEGT Action Plan foresaw a new EU Timber Regulation<sup>1</sup>. To enter into force in March 2013, the Timber Regulation aims at facilitating legitimate trade in timber products and providing a level playing field for all market participants.

It will ban the sale of illegally harvested timber and products manufactured of such timber in the EU, under the rules of the country of origin. The regulation sets due diligence obligations on operators that place timber or related products on the EU market. It will cover the timber supply chain from logging sites to European consumers and will thus aim at guaranteeing legally-sourced products access to EU markets - while halting at the same time

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<sup>1</sup> Regulation (EU) No 995/2010

deforestation in third countries.

The adoption of the Regulation responds to growing consumer awareness over illegal logging and quest for legally verified and certified wood products. Further, it seems to have resulted in an increased interest in the VPA process, thus broadening possibilities to improve forest governance in those tropical forest countries that have shown an interest. As FLEGT-licensed timber from VPA countries is considered to be automatically compliant with the new Regulation, the agreement may give Liberian timber a competitive advantage over non-verified timber.

While the process should help resuming EU as a major market for Liberian timber – including with the EU striving to promote favourable access to its market – there are no reliable export statistics available.

## **Conclusions**

Like the previous voluntary partnership agreements, the one with Liberia is hoped to help improve governance and law enforcement in the country's forestry sector. Along with establishing a partnership tool to enable Liberia to halt illegal deforestation and forest degradation contributing to climate change, the VPA should improve market opportunities for Liberian timber products in European and other international markets. Thereby it can be expected to contribute positively also to Liberia's overall development and growth.

The EU-Liberia VPA is considered to have been developed in a transparent manner with so far strongest participation, involving all key forest stakeholders. The various stakeholders will continue to be involved in the implementation and monitoring of the VPA, and thereby contribute to transparency, accountability and good governance in the sector.

The challenges lie, however, with effective implementation and monitoring. In Liberia, the agreement is in the implementation stage, yet proceeding slowly. For Liberia, a critical point is capacity building, for which support from the EU and its Member States is needed.

As concerns licensing, the target date set for 2014 might prove to be too ambitious for issuing licenses. A careful assessment, against the criteria laid down in the VPA, of the Liberian licensing scheme, as well as implementation of the ongoing regulatory reforms, is needed before the EU can begin accepting FLEGT licences.

Further, civil society organisations have raised concerns over a large number of Private Use Permits for harvesting that the Liberian government has been issuing recently, claiming that they violate the spirit of the VPA. These developments will need monitoring.

While recommending that the Parliament gives its consent to the agreement, your rapporteur stresses that both Liberia and the European Commission will need to devote sufficient attention to effective and timely VPA enforcement, including capacity building and participation of local communities, in Liberia.



Your rapporteur therefore reiterates the Parliament's call<sup>1</sup> for regular reporting on progress both in the implementation of agreed VPAs and in negotiating and implementing new agreements. Further, your rapporteur calls on the Commission and Member States to continue to ensure that the effective implementation of an increasing number of VPAs is supported through adequate financial resources.

Moreover, your rapporteur points out that the measures for implementation of the VPA should be adopted in accordance with the Regulation (EU) No 182/2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers<sup>2</sup>. Regarding amending the annexes of the VPA your rapporteur stresses the need for possible future delegation of powers to fully take into account the Parliament's prerogatives under the regime of Delegated Acts (Article 290 TFEU).

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<sup>1</sup> P7\_TA-PROV(2011)0008

<sup>2</sup> OJL 55, 28.2.2011, p. 13

29.2.2012

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on International Trade

on the draft Council decision on the conclusion of the Voluntary Partnership Agreement between the European Union and the Republic of Liberia on forest law enforcement, governance and trade in timber products to the European Union (11104/2011 – C7-0241/2011 – 2011/0160(NLE))

Rapporteur: Judith Sargentini

PA\_Leg\_Consent

### **SHORT JUSTIFICATION**

The aim of the Voluntary Partnership Agreement (VPA) between the EU and Liberia is to strengthen forest governance, increasing transparency, strengthening of civil society participation and stop illegal logging. The Committee on Development welcomes the smooth and participatory negotiation, involving all key forest stakeholders, which has permitted a first agreement with the direct participation of forest communities.

Notwithstanding these positive signs, we must remind that the proof of the pudding is in the eating and that effective implementation will be the key challenge of the whole process. In this context, the Committee on Development would believe that the provisions contained in the agreement will be considered successful if the FLEGT's objectives and commitments are effectively backed with the political will by both sides. In particular, there are several issues that the DEVE Committee would like to highlight:

- That VPA process should conform to all forest related and national instruments (laws, regulations etc.) with an implementation framework to stop illegal logging in the timber industry and reduce corruption;
- That the Government of Liberia must demonstrate a strong political will by complementing the funds provided by other EU donors to support communities and civil society organisations and providing an Executive Order to make the Steering Committee a legal entity.
- That the whole forestry sector must duly take into account the rights and interests of the communities that will be affected by logging in compliance with the social and environmental terms included in the agreements signed with the communities.

- That although the FLEGT and Reduced Emissions from Deforestation and Forest Degradation (REDD) schemes deal with forest uses, they are perceived as separate initiatives and handled by different ministers in the partner countries. It stresses, therefore that without insisting on good governance and recognition of rights of local communities and indigenous peoples, REDD schemes can bypass the consultation processes (and when relevant, the governance and law reforms) that are part of the FLEGT process. For that reason, REDD schemes must be built on the FLEGT consultation process and address the underlying causes of deforestation and forest degradation.

Lastly, the European Parliament is currently considering the Commission's plan to include country-by-country reporting in proposals for the EU transparency and accounting directives. These proposals are particularly of utmost importance for extractive industries, including timber, as they provide a unique opportunity for the EU to show leadership by adopting ambitious measures on mandatory country-by-country disclosure requirements for European companies and in this way, to combat tax evasion and upgrade social responsibility of multinational enterprises.

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The Committee on Development calls on the Committee on International Trade, as the committee responsible, to propose that Parliament give its consent.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	29.2.2012
<b>Result of final vote</b>	+: 20 -: 0 0: 0
<b>Members present for the final vote</b>	Ricardo Cortés Lastra, Nirj Deva, Leonidas Donskis, Charles Goerens, Filip Kaczmarek, Franziska Keller, Miguel Angel Martínez Martínez, Maurice Ponga, Birgit Schnieber-Jastram, Eleni Theocharous, Patrice Tirolien, Gabriele Zimmer
<b>Substitute(s) present for the final vote</b>	Isabella Lövin, Gesine Meissner, Cristian Dan Preda, Bart Staes, Patrizia Toia
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Joseph Cuschieri, Zita Gurmai, Claudiu Ciprian Tănăsescu

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	27.3.2012
<b>Result of final vote</b>	+: 29 -: 0 0: 0
<b>Members present for the final vote</b>	William (The Earl of) Dartmouth, Damien Abad, Laima Liucija Andrikienė, Maria Badia i Cutchet, David Campbell Bannerman, Daniel Caspary, Marielle de Sarnez, Yannick Jadot, Metin Kazak, Bernd Lange, David Martin, Vital Moreira, Paul Murphy, Godelieve Quisthoudt-Rowohl, Niccolò Rinaldi, Helmut Scholz, Peter Šťastný, Robert Sturdy, Gianluca Susta, Keith Taylor, Iuliu Winkler, Jan Zahradil, Paweł Zalewski
<b>Substitute(s) present for the final vote</b>	Josefa Andrés Barea, George Sabin Cutaş, Mário David, Elisabeth Köstinger, Jörg Leichtfried, Jarosław Leszek Wałęsa