

Independent Forest Monitoring

Guyana

Summary of First Independent Forest Monitoring



P r e s e n t e d t o

Guyana Forestry Commission
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**Summary of
First Independent Forest
Monitoring Audit Guyana**

A d d r e s s

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Abbreviations

AAA	Annual Allowable Area
AAC	Annual Allowable Cut
ACoF	Assistant Commissioner of Forests
AL	Agricultural Lease
AOP	Annual Operational Plan
APA	Amerindian Peoples Association
AVC	Amerindian Village Council
CAR	Corrective Action Request
CBO	Community Based Organisation
CFO	Community Forestry Organisation
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CSO	Civil Society Organisation
CIG	Conservation International Guyana
CLA	Community Logging Association
CoF	Commissioner of Forests
CoP	Code of Practice for Timber Harvesting
CTA	Customs and Trade Administration
DBH	Diameter at Breast Height
DCoF	Deputy Commissioner of Forests
DFO	Divisional Forest Officer
EAO	Environmental Auditing Officer
EPA	Environmental Protection Agency
EU-FLEGT	Forest Law Enforcement, Governance and Trade Action Plan of the European Union
FAO	Food and Agriculture Organisation of the United Nations
FI	Forest Inspector
FMD	Forest Monitoring Department
FMP	Forest Management Plan
FMO	Forest Management Organisation
FPA	Forest Producers Association
FPDMC	Forest Products Development and Marketing Council
FR	Forest Ranger
FRAC	Forest Resources Allocation Committee
FRIU	Forest Resources Information Unit
FRMD	Forest Resources Management Division
FTCI	Forestry Training Centre Inc.
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GIS	Geographic Information System
GLAS	Legality Assurance System for Guyana
GLSC	Guyana Lands & Surveys Commission
GMSA	Guyana Manufacturing & Services Association
GNBS	Guyana National Bureau of Standards
GoG	Government of Guyana
GOIP	Guyanese Organization of Indigenous Peoples
GRA	Guyana Revenue Authority
GSA	Guyana School of Agriculture

IFM	Independent Forest Monitoring
IPC	Indigenous Peoples Commission
JCN	Joint Concept Note
LCDS	Low Carbon Development Strategy
LCMU	Large Concession Monitoring Unit
LMEU	Legality, Monitoring & Extension Unit
LMO	Legality Monitoring Officer
MAC	Maximum Allowable Cut
MIS	Management Information System
ML	Mining Lease
MoAA	Ministry of Amerindian Affairs
MoL&HS	Ministry of Labour and Human Services
MoNR&E	Ministry of Natural Resources and the Environment
MoU	Memorandum of Understanding
MSSC	Multi-Stakeholder Steering Committee of the LCDS
NADF	National Amerindian Development Foundation
NDC	Neighbourhood Democratic Council
NGO	Non-Governmental Organisation
NRDDB	North Rupununi District Development Board
NTC	National Toshao Council
OBS	Observation (formal)
PPRD	Private Property Removal Declaration
PSC	Private Sector Commission of Guyana
RDC	Regional Democratic Council
REDD+	Reducing Emissions from Deforestation and Forest Degradation plus the role of conservation, sustainable management of forests and enhancement of forest carbon stocks
RP	Reporting Panel for IFM (includes reps. of EPA, FPA, FPDMC, FTCl, GGMC, GLSC, IPC, NTC)
SFEP	State Forest Exploratory Permit
SFP	State Forest Permission
SOC	Strengths, Opportunities, and Challenges
SWOT	Strengths, Weaknesses, Opportunities, and Threats
SQL	Structured Query Language
TAAMOG	The Amerindian Action Movement of Guyana
TMC	Timber Marketing Certificate
ToR	Terms of Reference
TSA	Timber Sales Agreement
UBFAPA	Upper Berbice Forest and Agricultural Producers Association
UG	University of Guyana
UNDP	United Nations Development Organisation
WCL	Wood Cutting Lease
WWF	World Wildlife Fund for Nature

Independent Forest Monitoring Statement

Context

In 2009, Guyana and Norway signed a Memorandum of Understanding (MoU) regarding cooperation on issues related to the fight against climate change, in particular those concerning reducing emissions from deforestation and forest degradation in developing countries (REDD-plus), the protection of biodiversity, and enhancement of sustainable, low carbon development. According to the Joint Concept Note (JCN) Independent Forest Monitoring is required to verify Interim Indicators for REDD-plus performance in Guyana related to emissions resulting from 1) forest management (i.e. selective logging) activities in natural or semi-natural forests and 2) illegal logging activities.

GFA Consulting Group has been contracted by the Guyana Forestry Commission (GFC) to perform an independent assessment of Guyana's laws and regulations relevant to forests, their enforcement systems, and legal compliance, against pre-specified, non-accredited criteria, under the Guyana-Norway REDD-plus partnership.

Audit objective

Independent Forest Monitoring is a tool for assessing and strengthening legal compliance in the forest sector. By complementing GFC's forest law enforcement activities with the objectivity and public credibility of an independent third party, IFM can improve transparency while contributing to the development of a sound legislative and regulatory framework for responsible forest management.

The specific objective of the audit is to provide stakeholders with a professional and independent evaluation of Guyana's official forest law enforcement systems, the implementation thereof and legal compliance by stakeholders as evaluated using the specified Criteria for Monitoring.

Audit scope

This first Independent Forest Monitoring (IFM) Audit was aimed, primarily, at GFC's forest monitoring system. The key objective was to assess the validity, reliability and effectiveness of GFC's monitoring system in assuring that stated purposes are fulfilled against a framework of accepted/agreed and recognized quality standards. These standards included certain principles, criteria and indicators. Note that this is an audit and evaluation of GFC monitoring systems and not a certification audit or part of any accredited certification system.

Audit criteria

The validation of the monitoring system and the verification of the correct implementation of the system as well as legal compliance are done against the Criteria for Independent Forest Monitoring; revised wording dated May 8, 2012. The original Criteria for Independent Forest Monitoring were included in the Terms of Reference for Independent Forest Monitoring dated August 10, 2010. Wording of a number of indicators was revised by the Reporting Panel following the Scoping Mission, which took place in October 2011.

Evaluation of compliance

The consensus between the GFC and the Monitor was that the audit should be rather "systems based", where there would be detailed checks to see: whether a system, mechanism or protocol was in place; that a procedure was being generally followed; there was a mechanism to detect any breaches; and there was a system to satisfactorily address any breaches.

The key to a systems approach is reviewing how sections of the system work and cross triangulating the information gathered. This does not rule out or negate the use of numbers and statistics as part of the overall analysis – they are used only to illustrate or support conclusions about the operation of the system.

All non-compliances that are identified by the Monitor during the assessment will be systematically recorded in the associated checklist with the Criteria for IFM Monitoring. Each non-compliance

against the principles and criteria for IFM Monitoring will be evaluated to determine whether it constitutes a minor or major non-compliance at the level of the associated criterion. Non-compliances may lead to corrective action requests (CAR). Formal observations (OBS) may be made for future improvement of the methodology used, and/or the implementation of the methodology and/or compliance by stakeholders.

Decision-making is based on the recording of factual observations by the auditors and on the professional judgement as to whether the IFM Indicators have been met. GFA does not insist on perfection.

The Monitor identifies non-compliance as either major or minor following the definitions below:

A non-compliance shall be considered major if, either alone or in combination with further non-compliances, it results in, or is likely to:

- a) to result in a fundamental failure to achieve the objectives of the relevant IFM Criterion and/or Indicator.
- b) continue over a long period of time, or
- c) is repeated or systematic, or
- d) affects a wide area and/or causes significant damage, or
- e) is indicated by the absence or a total breakdown of a system, or
- f) is not corrected or adequately responded to by the GFC once identified.

A non-compliance shall be considered minor if:

- a) it is a temporary lapse (less than one year), or
- b) it is unusual/ non-systematic, or
- c) the impacts of the non-compliance are limited in their temporal and spatial scale, and
- d) it does not result in a fundamental failure to achieve the objective of the relevant IFM Criterion and/or Indicator.

A minor non-compliance may turn into a major non-compliance at the next surveillance audit, if it is not addressed.

Observations:

Observations may be issued where no non-compliance is noted but where an issue *may* require attention in order to prevent a future non-compliance. An 'observation' does not *require* any corrective action at the moment, but represents an area that will be looked at closely by inspectors on the subsequent visit.

The GFC has expressed that Observations are intended to be viewed as recommendations and should be interpreted as measures to strengthen existing systems. The Commission has indicated that these should be interpreted in this manner and not necessarily used as the basis to determine future Corrective Actions since in doing so they are interpreted to be requirements rather than recommendations for strengthening existing functioning systems. ¹

Compliance index/measure:

Satisfactory Compliance: where the verification process detects satisfactory compliance; possibly with some weaknesses regarding a few areas, which will require one or more Observations

Minor Non-compliance: where the verification process detects partial compliance with non-compliance regarding the criterion and/or indicator in some critical areas and will result in a Corrective Action Request

Major Non-Compliance: where the verification process detects little compliance with significant non-compliance regarding the criterion and/or indicator in all critical areas and will result in a Corrective Action Request

¹ Comments in boxes reflect the view of the GFC and not the opinion of the GFA mission.

Audit activities

- Data sources included concessionaires, documents, various databases, registers and records kept at GFC, two field visits, key GFC personnel and other key stakeholders.
- Documents were accessed using a quota sampling technique, which was appropriate for structured plans, and licensing procedures. Ten to fifteen percent of such documents were pulled based upon the four forest areas for the large population (402) of SFP documents; while entire population of the TSAs (27); ALs and MLs (14 including 1 ML) were accessed and assessed. These were subject to document and content analysis: the former focused on the general aspects of the document i.e. its type, time of compilation and its purpose, while the latter, content analysis, focused on the patterns/trends and exceptions in the contents of the documents utilizing a comparative approach.
- The auditors conducted structured and unstructured interviews with key GFC personnel, focus group meetings with stakeholders and two concessionaires and staff while on field visit. Observations of critical elements of the monitoring system were also made during the field visit.

Audit findings

A) Monitoring of Timber Sales Agreement and Wood Cutting Leases		
Indicator	Compliance measure	OBS / CAR
Principle 1 - the FMO has legal rights to harvest and other parties' legal tenure rights are respected		
Criterion 1.1 - The FMO holds legal logging rights to the forest		
<i>Indicator 1.1.1 - The FMO is in possession of a legally valid concession agreement for the area from which all timber is sourced</i>	<i>Satisfactory Compliance with some Observations.</i>	<p><i>All TSAs and WCLs have valid agreements for definite periods, with the exception of two, which operate under an annual extension process that is approved by the Minister of NRE. Renewal is not automatic, but is performance based.</i></p> <p><i>The variety of arrangements for renewal of TSAs raises the following observations:</i></p> <ul style="list-style-type: none"> - <i>Observation: - The continued utilization of a scheme of annual extensions for some FMOs may affect the certainty and predictability on the part of the FMO</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that annual extension are valid agreements and in fact, for the review period, this applied to one concession.</i></p> </div>

Criterion 1.1 - The FMO holds legal logging rights to the forest		
<i>Indicator 1.1.2 - If the FMO has contracted a third party (includes concession activities relating to harvesting, extracting of forest produce and transporting to another point out of the concession, processing and export, of forest produce), such arrangement must be formally approved by the GFC using the defined approach and in compliance with the Forest Act.</i>	<i>Satisfactory Compliance</i>	

Criterion 1.2 - There is compliance by both the FMO and any party contracted by the FMO, with the Forest Laws relevant to the other parties' tenure and use rights		
<i>Indicator 1.2.1 - There are no legal titles by indigenous or other persons on GFC approved concessions unknown to GFC and FMO.</i>	<i>Satisfactory Compliance</i>	
<i>Indicator 1.2.2 - Legal and traditional uses and customs of the forest are not prevented by the FMO and the principles of sustainability as required by the GFC are maintained.</i>	<i>Satisfactory Compliance with some Observations</i>	<p><i>Observations:</i> <i>There is scope to:</i></p> <ul style="list-style-type: none"> - <i>Present clear guidelines regarding "traditional use and customs" of the forest to remove ambiguity and strengthen the monitoring capacity of the system</i> - <i>Identify and chronicle the traditional uses and customs of the forest</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the Amerindian Act addressed this matter and is a reference document for this indicator. Further, the Commission has clarified that the ongoing discussions and work of the Indigenous People' Commission and National Toshias' Council are the relevant means through which this can be clarified and not necessarily within the direct purview of the IFM system.</i></p> </div>

Principle 2 The FMO Complies with the Forest Legislation as it pertains to Forest Management and the Environment and Any Special Condition as the Commission institutes in keeping with the GFC's Mandate.

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate

<p><i>Indicator 2.1.1 - Approved management plan exists or special condition prevailing as instituted by the Commission, in keeping with the GFC's mandate.</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>There is general compliance by the FMOs. 22 out of 26 TSAs/WCL submitted their FMP of which 12 have been approved. 4 TSAs that were inactive during the time of the audit made no submission. For the 14 FMOs without approved FMPs, the special condition mentioned in the indicator was applied.</i></p> <ul style="list-style-type: none"> - <i>Observation: - Capacity of FMOs to develop "GFC ready" plans is meagre in some cases; various formats are currently being used; a training plan is needed to increase capacity in the sector to deliver what is required.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that the format for the development for Annual and Management Plans are Guideline documents intended to provide an outline to companies on the information that is required. There is some room for variation in presentation, (as long as the required information is presented), as the documents should not be interpreted as rigid templates but rather Guidelines.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - Current utilization of resources to notify concessionaires and address resubmissions on multiple occasions without positive results deserves attention - GFC could apply legal resources at their disposal to persuade FMOs to submit adequate FMPs timely.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that despite challenges experienced by forest concession holders, the compliance rate FMOs that have submitted plans is approximately 85%. The non submission statistics reflected in the review period, relates to those concessions that are inactive, that is, not engaged in forest production during the review period. The GFC has further clarified that non approval (and/or re submission) of a management plan does not compromise the practice of sustainable forest management or forest legality at the concession level</i></p> </div>
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Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - Observation: - Some way of ratifying and/or validating EPA's no objection in lieu of EPA Permit is needed. <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p>The GFC Guidelines including the Code of Practice for Harvesting Operations has set best practice standards for environmental management and as such, institutes required safeguards in lieu of the EPA Permit</p> </div> - Observation: - It should be clear that the special condition is an exemption to the rule and should not become the rule. Its use should be phased out and at a minimum be diminished at the next audit. <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p>The GFC has expressed that special conditions follow a standard procedure of request, assessment and approval and this is done based on specific circumstances that require such.</p> </div> - Observation: - A written authorization of the highest level within GFC ("Commissioner") should be the basis for applying the special condition, as this is an exceptional but foreseen deviation from the standard procedure (FMP approved) <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p>The GFC has indicated that for every case of such conditions, such approval has been applied.</p> </div>
<p>Indicator 2.1.2 - Approved 1-yr operational plan, covering the source areas for logs, is implemented based on approved forest management plan, or special condition prevailing as instituted by the Commission in keeping with the GFC's mandate.</p>	<p>Satisfactory Compliance with some Observations</p>	<p>There is general compliance by the FMOs. 25 out of 26 TSAs/WCL submitted their AOP of which 19 have been approved. 1 TSA that was inactive during the time of the audit made no submission. For the 6 FMOs without approved AOP, the special condition mentioned in the indicator was applied.</p> <ul style="list-style-type: none"> - Observation - Capacity of FMO to develop "GFC ready" plans should be improved by reviewing planning requirements by possibly simplifying or standardising various formats that are currently being used and by training plan producers so that there is capacity in the sector to deliver what is required. <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p>The GFC has expressed that the format for the development for Annual and Management Plans are Guideline documents intended to provide an outline to companies on the information that is required. There is some room for variation in presentation, (as long as the required information is presented), as the documents should not be interpreted as rigid templates but rather Guidelines.</p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate

		<ul style="list-style-type: none"> - <i>Observation: - GFC should review the current utilisation of resources to notify concessionaires and address resubmissions on multiple occasions without positive results. GFC could apply legal resources at their disposal to persuade FMOs to submit adequate AOPs timely.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that despite challenges experienced by forest concession holders, the compliance rate FMOs that have submitted plans is approximately 96%. The non submission statistics reflected in the review period, relates to a concession that was inactive, that is, not engaged in forest production during the review period. The GFC has further clarified that non approval (and/or re submission) of a management plan does not compromise the practice of sustainable forest management or forest legality at the concession level.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - It should be clear that the special condition is an exemption to the rule and should not become the rule. Its use should be phased out and at a minimum be diminished at the next audit.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that special conditions follow a standard procedure of request, assessment and approval and this is done based on specific circumstances that require such.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - A written authorization of the highest level within GFC ("Commissioner") should be the basis for applying the special condition, as this is an exceptional but foreseen deviation from the standard procedure (AOP approved).</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has indicated that for every case of such conditions, such approval has been applied.</i></p> </div>
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Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.3 - The Annual Allowable Cut is appropriately calculated, approved and not surpassed on the basis of 100% inventory of commercial species, to a maximum of 20 m³ per hectare over a 60 year cycle, or a prorated AAC based on the 20 m³/ha over 60 year calculation, or AAC may be higher or lower in cases where such level is adequately supported by management level inventory applying growth and yield model, and complies with the requirements of the Code of Practice for Harvesting.</i></p>	<p><i>Minor Non-Compliance with some Observations</i></p>	<p><i>GFC has a robust mechanism to ensure that the Annual Allowable Cut is appropriately calculated, approved, and not surpassed. Audit findings indicate that the AAC was indeed appropriately calculated, approved and not surpassed by any of the ten companies sampled (constituting 74% of the allocated area and 95% of the annual production from TSAs/WCL). However:</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request: – The policy and procedures relating to the granting of “advance” blocks shall be strengthened. Particularly the granting of supplementary advanced blocks before previously granted advance blocks have been deducted from the annual quota needs to be addressed.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that granting of advance blocks follow a standard procedure of request, assessment and approval and this is done based on specific circumstances that require such.</i></p> </div> <ul style="list-style-type: none"> - <i>Corrective Action Request: – GFC shall document the applicable special conditions for it to approve advance blocks.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that special conditions follow a standard procedure of request, assessment and approval and this is done based on specific circumstances that require such.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - In some FMPs, the method to calculate the AAA does not consistently follow the method described in the FRMD manual of procedures. The actually implemented procedure considers the specific concession’s location, operator feedback, and information “on the ground” - this is not reflected in the manual of procedures.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has informed that the application of AAA follows the general guidelines of the FRMD Manual of Procedures, however, given the unique circumstance that may exist within some concessions; the computation reflects such scenarios at the concession level. Nevertheless, even in such circumstances the main principles of the sustainable management of the concession areas are maintained.</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation: – A number of TSAs that were issued previously apply the default (prorated) maximum harvesting rate based on 20 m³/ha for a 60-year cutting cycle. It is desirable to consider information on previous harvests, if available, and/or a recent management level inventory to ensure that the default AAC applies for concessions that were harvested within the previous 60 years.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that in these circumstances assessments reveal low intensity harvest levels, and as such, although concession were issued previously, the computation of AAC over the 60-year cutting cycle will not affect the sustainable management of the areas.</i></p> </div>
<p><i>Indicator 2.1.4 - There is a mechanism to ensure that tags are properly obtained and a record of their use is kept. There is a mechanism to ensure that all unused/returned tags are appropriately accounted for at the end of the GFC reporting period.</i></p>	<p><i>Satisfactory Compliance with one Observation</i></p>	<p><i>There is a mechanism to ensure that tags are properly obtained; a record of their use is kept; and that all unused/returned tags are appropriately accounted for</i></p> <ul style="list-style-type: none"> - <i>Observation: – In many instances, the average volume per harvested tree lies below the 3 m³ per tree that is used to determine the number of tags to be issued per block. There is scope for addressing this situation by estimating the number of required tags based on the pre-harvest inventory data.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC is of the view that the formula as used is applied for purposes of consistency as the system is applied at national scale. Additionally, the use of the estimate of 3m³/ha is an overall conservative estimate of expected yield. Further, although there may be variation in volume for individual trees, the overall maximum allowable harvest level per block is still maintained.</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.5 - There is a mechanism to ensure that logs and stumps are tagged according to the national log-tracking system</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>The Log tagging system to track all logs in the country appears to be largely in place with GFC staff and operators understanding the system well and generally good implementation.</i></p> <p><i>A mechanism is thus in place and the procedure is generally being followed. There is also a mechanism to detect any breaches; and a system to satisfactorily address such breaches. However, no system can “ensure” that private sector operators comply with the requirement that logs and stumps are tagged as examples are found where tags are missing. In a strict interpretation of the wording of the indicator a CAR could be given, but no system for anything anywhere in the world is perfect. In any system there are lapses. These “minor” lapses would be expected to occur in any system and have been identified as such by the independent audit process.</i></p> <ul style="list-style-type: none"> - <i>Observation: — The monthly monitoring report system has weaknesses in a few areas: such as the methodology and sometimes inconsistent implementation.</i> - <i>Observation: - Implementation of monitoring procedures in some cases suffers from transportation constraints within concessions and., operators’ resource constraints.</i> <div style="border: 1px dashed black; padding: 5px; margin: 10px 0;"> <p><i>The GFC has reported that it has in placed an established monitoring and reporting framework. This framework has been fulfilling the requirements as intended and has been implemented using a phased approach. Taking this approach, the Commission has identified next steps for the future improvement for the development and strengthening of the system, for example, in the areas of corrective actions management, field sampling approach, the reconciliation and analysis of data integrating various existing database, etc.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - Summary Data regarding operator audits and non-compliances are currently summarized and analysed to identify patterns of trends, but there is scope to improve the system relating to the strategic overview and purpose of the review and analysis of data.</i>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation: Forest breaches are categorized as either illegal or procedural. Improper or no tagging is classified as a procedural breach, while felling outside of a concession or without concession agreement is considered illegal. Penalties progress from first to second and third offense. In view of the considerable frequency of recidivism there is scope to review corrective actions given to operator so as to deter recidivism.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that there is an existing operational mechanism for progressive deterrent for breaches. The GFC is of the view that its role extend beyond the imposition of fines and penalties, whilst still maintaining strong forest legality, but also places importance on development of capacities at the operator level.</i></p> </div>
<p><i>Indicator 2.1.6 - Transportation of logs is accompanied by relevant GFC approved documents. Transportation of consignments of lumber is accompanied by relevant GFC approved documents to the point of royalty assessment and declaration.</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>Transportation of produce is indeed accompanied by relevant GFC approved documents (lumber up to the point of royalty assessment and declaration). Checks during the audit revealed, however, that Transshipment permits were being issued, while data on Removal Permits had not been entered in the MIS yet,. Data on Transshipment permits could hence only be verified manually. Transshipment permits should not be issued - In the case of TSA/WCLs - if royalties have not been paid by the 15th day of the preceding month.</i></p> <p><i>The following observations apply:</i></p> <ul style="list-style-type: none"> - <i>Observation: - Transshipment permits are issued with reference to a removal permit and serve as a reference document to indicate and verify produce in transit. Cross-referencing of Transshipment permits with Removal Permits showed errors in Removal Permit numbers and/or tag numbers in a few cases.</i> - <i>Observation: - During checks in transit and at the final destination, forest officers are normally able to verify whether the forest produce has been assessed for the payment of royalty since there is a reference to a removal permit number on the transshipment permit, which can be further verified. However, data on Transshipment Permits are not entered in the MIS and as such verification is not always possible through the electronic system, although possible manually/physically. (GFC has indicated that it will address the need for a more updated Removal Permit entry system.)</i>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<p>The GFC has expressed that transshipment permits are not intended to be verification source documents in the system but rather Removal Permits continue to be the primary source document. Further GFC has indicated addressing the need for a more updated Removal permit entry system may be a more realistic and feasible outcome.</p>
<p>Indicator 2.1.7 - Logs in transit and at point of export that originate from the State Forest Estate can be traced back to source stump. Lumber in transit, and at point of royalty assessment and declaration that originates from the State Forest Estate can be traced back to source stump.</p>	<p>Satisfactory Compliance with some Observations</p>	<p>Logs in transit, and at point of export can normally be traced back to source stump. The GFC has a mechanism in place where one can trace the location where both logs and lumber originated through the removal documentation procedure. In theory contamination with lumber originating from “illegal” logs is possible, Sawmills are required to keep a sawmill register, removal permits and are required to declare lumber produced, but sawmills are not required to work with a batch processing-recording system. Instead, GFC is developing a database which should evaluate conversion rates based on the sawmill register, removal permit and declaration of lumber. However, this system was not fully operational yet at the time of the audit.</p> <p>Nevertheless, the risk of contamination is small in the case of TSA/WCLs.</p> <ul style="list-style-type: none"> - Observation: –There is scope to review mechanisms to track and trace lumber; whereby particularly the point of conversion from logs to lumber needs to be considered, because this is a critical control point at which contamination could occur. - Observation: –There are problems with the way in which this indicator is worded. Firstly, it has two parts (1. Logs, 2. Lumber); Secondly within each of these there are two requirements (a. in transit, b. at point of export / royalty assessment). All four requirements need to be met to pass in full. - Observation:–the GFC has in place a minimum requirement as it relates to documentation for log and lumber export. However, there is scope to improve consistency of documentation. - Observation:–There is scope to improve guidance/checklists for export staff in order to make checks more systematic and record checks made. - Observation:–Quoting log tag numbers at point of export would improve traceability to source stump.

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<p><i>The GFC has reported that its standard operation for monitoring of lumber involves the verification of lumber at the first point of conversion, mainly through sawmills, via a sawmill register, or at the point of first declaration via the removal permit or removal declaration. As such, these source documents provide a means through which lumber is verified for purposes of legality. The GFC is of the view that once this minimum requirement is met, there is a mechanism in place for traceability, and a mechanism that is working. To complement this, the GFC executed planned as well as impromptu verification using a sampling approach of lumber at various stages of the supply chain.</i></p>
<p><i>Indicator 2.1.8 - Sawmill and Timber Dealers licences are held and up-to-date</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>Sawmill and Timber Dealers licences are indeed held, however the following observations were made</i></p> <ul style="list-style-type: none"> - <i>Observation: — The GFC has monitoring systems in place to ensure operators have valid licences. However, there is scope to ensure deadlines are met for the updating of licences</i> - <i>Observation: — There is a SOP for the processing of licences. The GFC also has a mechanism in place to facilitate the processing of applications throughout the year based on the interest of the applicant. In this respect, there is scope to expedite processing.</i> <p><i>As standard operating procedures on this matter, all licences are issued for the calendar year and are valid until the end of that calendar year. In addition, with regards to the specific point raised on ensuring deadlines are met, the GFC has in place an active mechanism in place to address as cases arise.</i></p> <p><i>On the point of expediting processing taking into consideration imminent deadlines, the GFC indeed executes in a very expeditious manner the processing licences under these circumstances.</i></p>
<p><i>Indicator 2.1.9 - Directional felling is practiced as required by the GFC criteria checklist</i></p>	<p><i>Major Non-Compliance and some observations</i></p>	<p><i>There appears to be widespread non-compliance with the indicator as actually worded, i.e.: “directional felling is practised as required by the GFC checklist” in the field by operators, mainly caused by inherent difficulties in the design of the evaluation system. Interpretation by GFC staff and implementation by operators vary, which makes compliance consistently poor (both systematic and widespread). The GFC intends to put a new evaluation system in place, which was undergoing</i></p>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<p><i>field-testing for full implementation during the time of the audit. No system for managing compliance/corrective actions are in place -, no system applied/enforced in most monitoring reports that were reviewed at the time of the audit, while non-compliance with the directional felling requirement neither is listed as a type of offense in the manual of procedures.</i></p> <p><i>Corrective Action Requests:</i></p> <ul style="list-style-type: none"> - <i>GFC shall consider reviewing the checklist for directional felling in order to improve consistency of implementation;</i> - <i>GFC shall ensure consistent implementation of the evaluation system;</i> - <i>Non-compliance with the directional felling requirement shall be listed as a type of offense in the manual of procedures. A proper system for managing compliance and corrective actions. In case of directional felling needs to be developed.</i> - <i>Observation - GFC should document their system for analysis of results</i> <div style="border: 1px dashed black; padding: 5px;"> <p><i>The GFC has expressed disagreement with the compliance level of this indicator. The Commission has reported that there is a system in place to address directional felling through the implementation of a checklist. Additionally, the field staff within the Monitoring Division are trained in this area, all through the Forestry Training Centre. The view of the GFC is that the checklist system allows for a consistent implementation of monitoring of directional felling that ensures that subjectivity is removed from the GFC's monitoring of this area. This checklist also allows for the collection of appropriate and adequate data for further analysis to make determination of the effective implementation of directional felling. Additionally, the GFC's monitoring framework allows for continuous detection of infractions and corrective action in these areas:</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.10 - There is a mechanism to ensure that trees felled are above the regulatory, or other GFC approved, minimum diameter and parameters</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>There is a mechanism to monitor that trees felled are above the regulatory minimum diameter:</i></p> <ul style="list-style-type: none"> - <i>Observation: – There is scope to review methodology for monitoring to ensure consistent approach to sampling and source data used.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that the Commission has in place and has demonstrated to the GFA team that there is a consistent sampling methodology that is being implemented to assess and report on this indicator. E.g a sample of field verification, a sample of production measurements, and the verification of the actual logs in transit (as the case applied), or before processing (as the case applied).</i></p> </div> <ul style="list-style-type: none"> - <i>Observation:–Implementation of monitoring procedures in some cases suffers from transportation constraints within concessions and operators’ resource constraints.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The Commission further expressed that the GFC sampling methodology is based on the number of trees harvested. The number of trees harvested can be viewed as a major factor that speaks to the capacity of the producer. In so doing, the GFC’s approach to monitoring of minimum diameter, essentially takes into consideration the resource capacity of the operator.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: – Summary Data regarding operator audits and non-compliances are currently summarized and analysed to identify patterns of trends, but there is scope to improve the system relating to the strategic overview and purpose of the review and analysis of data.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has further indicated that it currently has in place, a system to review and analyse data as it relates to this indicator and inform the necessary corrective actions. This system is currently evolving and considerations are taken given the constraints of the operator.</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation: – The GFC has a system in place where penalties are applied for defaulters. Forest breaches are categorized as either illegal or procedural. Under size tree felling is classified as a procedural breach. Penalties progress from first to second and third offense. In view of the observed frequency of recidivism there is scope to review corrective actions (level of fines) given to operators so as to deter recidivism.</i> <p style="border: 1px dashed black; padding: 5px;"><i>The GFC has expressed that there is an existing operational mechanism for progressive deterrent for breaches. The GFC is of the view that its role extend beyond the imposition of fines and penalties, whilst still maintaining strong forest legality, but also places importance on development of capacities at the operator level.</i></p>
<p><i>Indicator 2.1.11 - Restricted, protected, and key stone species, should only be harvested and exported in accordance with applicable law, guidelines, policy, and regulation, including forest concession agreements, and GFC approval</i></p>	<p><i>Minor Non-Compliance and one Observation</i></p>	<p><i>A clear mechanism for the granting of approval to harvest Bulletwood is in place; however:</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request:– Keystone species shall be clearly specified in the Code of Practice, TSA agreement or Block approval letters, just as Bulletwood is being specified in these documents</i> <p style="border: 1px dashed black; padding: 5px;"><i>The GFC has expressed that there is a clear Policy and operational mechanism, at the GFC and at relevant authorities, that address the harvesting of restricted and key stone species, including: the SFP Agreement – Schedule D which outlines a list of species, Page 7 of the Code of Practice for Timber Harvesting also identifies that keystone species are to be taken into consideration in forest management and harvesting, and Clause 19 (1) of the TSA agreement also outlined species in these categories. Additionally, restricted and keystone species are documented in Schedule D of the State Forest Permission Agreement and Page 4 of the Timber Sales Agreement; the FRMD Manual of Procedures references Protected (Keystone) Species in Section 4 and alludes to the Forest Act 2009, Part 3, Forest Conservation, Subsection 30, General Protection and Conservation; and the FMD Manual of Procedures 2012 states Harvesting of protected trees as a type of offence (number 9) under the section Offence Committed in Concession (Page 39).</i></p>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation:–Not all requests and approval/non-approval for harvesting of Bulletwood could be traced back properly during the time of the audit. Therefore, there is scope to improve the mechanism to trace requests and approval/non-approval for harvesting of keystone and restricted species (Bulletwood).</i> <p style="border: 1px dashed black; padding: 5px;"><i>The GFC has indicated that each approval follows a standard request format that involves a consistent mechanism for granting approval which is based on a request that is subject to follow on assessment.</i></p>
<p><i>Indicator 2.1.12 - There is a mechanism in place to ensure that spacing of felled trees meets the requirements of the CoP for Timber Harvesting as approved by the GFC</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>There is a mechanism in place to monitor that spacing of felled trees meets the requirements of the CoP for Timber Harvesting, but the following observations were made. There is also a mechanism to detect any breaches; and a system to satisfactorily address such breaches. However, no system can “ensure” that private sector operators comply with the requirement that spacing of felled trees meets the requirements of the CoP for Timber Harvesting as approved by the GFC</i></p> <ul style="list-style-type: none"> - <i>Observation:–There is scope to review methodology for monitoring to ensure consistent approach to sampling and source data used.</i> <p style="border: 1px dashed black; padding: 5px;"><i>The GFC expressed that the Commission has a system in place to assess this indicator through a sampling process and impromptu visit to harvesting operations. As part of this sampling process, the method that is applied is done so consistently. The sample design states the specific percentage of stumps to be verified at the time of the field inspection, and this is based mainly on the total number of trees harvested as taken from the size of the population.</i></p> <ul style="list-style-type: none"> - <i>Observation: – Implementation of monitoring procedures in some cases suffers from transportation constraints within concessions and from operators’ resource constraints.</i> <p style="border: 1px dashed black; padding: 5px;"><i>The GFC has reported the sample design takes into consideration, operator resource constraints as evidenced by the fact that in the development of the sampling system, a statistically appropriate sample is taken rather than an unmanageably large sample size or the entire population checked.</i></p> <ul style="list-style-type: none"> - <i>Observation: – Summary Data regarding operator audits and non-compliances are currently summarized and analysed to identify patterns of trends, but there is scope to improve the system relating to the strategic overview and purpose of the review and analysis of data.</i>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation: –The GFC has a system in place where penalties are applied for defaulters. Forest breaches are categorized as either illegal or procedural. Proximity tree felling is classified as a procedural breach. Penalties progress from first to second and third offense. In view of the observed frequency of recidivism there is scope to review corrective actions (level of fines) given to operators so as to deter recidivism.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that there is an existing operational mechanism for progressive deterrent for breaches. The GFC is of the view that its role extend beyond the imposition of fines and penalties, whilst still maintaining strong forest legality, but also places importance on development of capacities at the operator level.</i></p> </div>
Criterion 2.2 There is compliance by the FMO with the Forest laws, regulations and guidelines relevant to the environment		
<p><i>Indicator 2.2.1 - The FMO has a valid environmental authorisation, where applicable (as part of the State Forest Exploratory Permission Stage for such permissions post to 2006)</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>There is a jointly agreed MoU between the GFC and the EPA as a mechanism to fulfil the necessary requirements and still facilitate the operator. This MoU does however not attempt to replace the EPA's permit or to legitimise the "no objection in lieu of the Permit". It is recommended that this indicator be reworded to take into consideration EPA's capacity to issue valid environmental authorisations as required by the indicator.</i></p> <ul style="list-style-type: none"> - <i>Observation: – The number of cases currently under the "no objection" mechanism needs to be clearly documented</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the Commission and the EPA have a clear systems in place which involve the determination of the issuance of no objection and who is required to secure same. e.g. as per the GFC/EPA MoU, which clearly outlines the conditions set out for such licences.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: – Thereto appointed GFC staff should have the technical ability to evaluate environmental issues and systems for doing this in lieu of EPA.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the Commission has trained staff in the detection of environmental issues and in the process that should be undertaken in this process and following this process.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: – There is no indication of legitimizing and/or validating EPA's no objection in lieu of EPA Permit. Permits should not be realized by interim approaches or actions providing interim outcomes.</i>

Criterion 2.2 There is compliance by the FMO with the Forest laws, regulations and guidelines relevant to the environment		
		<p>The GFC has noted that operator constrain is taken into consideration in this area. As such, MoU as jointly agreed between the GFC and the EPA is a valid mechanism whereby operators and the Govt. are working in collaboration to fulfil the necessary requirements and still facilitate the operator.</p> <ul style="list-style-type: none"> - Observation: –The constant refinement of the Memorandum of Understanding has produced a robust document which captures the operations and considerations of the agencies. To promote certainty among stakeholders, the refinements should be communicated on a regular basis to stakeholders.
<p>Indicator 2.2.2 - Species exported are not listed in CITES appendices I or if listed in appendices II, can only be exported prior to securing relevant approval</p>	<p>Satisfactory Compliance with one Observation</p>	<p>CITES export permits are issued by the Guyana Wildlife Management Authority. The GFC has in place, within the export unit, a guiding list of CITES species to ensure that such species are not exported without the relevant approval.</p> <ul style="list-style-type: none"> - Observation:–Species listed in CITES appendices I or II should be clearly specified as such in Code of Practice, TSA agreement and Block approval letters, just as Bulletwood is being specified in these documents
<p>Indicator 2.2.3 - There is a mechanism in place to verify that logging on slopes meets the requirements of the CoP in areas with less than 60% hilly terrains</p>	<p>Satisfactory Compliance with some Observation</p>	<p>There is a mechanism in place to monitor that logging on slopes meets the requirements of the Code of Practice</p> <ul style="list-style-type: none"> - Observation: –The evaluation system to assess the slope gradient of the terrain/hill should be re-examined to be more in keeping with best practice. - Observation: – Forest breaches are categorized as either illegal or procedural. Felling on slopes > 40 % is, however, not listed as any type of offense in the FMD manual of procedures. <p>The GFC has expressed that the list of offences in the FMD Manual Of Procedures is not intended to be an exhaustive list but rather examples of main breaches that can be characterised as “Illegal” or “procedural” breach.</p> <ul style="list-style-type: none"> - Observation: –There is scope to review methodology for monitoring to ensure consistent approach to sampling and source data used.

Criterion 2.2 There is compliance by the FMO with the Forest laws, regulations and guidelines relevant to the environment		
		<ul style="list-style-type: none"> - <i>Observation: – Implementation of monitoring procedures in some cases suffers from transportation constraints within concessions and from operators’ resource constraints.</i> - <i>Observation: –Summary Data regarding operator audits and non-compliances are currently summarized and analysed to identify patterns of trends, but there is scope to improve the system relating to the strategic overview and purpose of the review and analysis of data.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has reported that its current system for assessing slope gradient is executed through a sampling process and impromptu visit to harvesting operations. As part of this sampling process, the method that is applied is done so consistently. The sample design takes into consideration, operator resource constraints as evidenced by the fact that in the development of the sampling system, a statistically appropriate sample is taken rather than an unmanageably large sample size or the entire population checked.</i></p> </div>

Principle 3 - The FMO has Paid Required Fees and Royalties

Criterion 3.1 - The payment of fees and royalties, applicable to the FMO, is done to the satisfaction of the relevant authorities		
<p><i>Indicator 3.1.1 - There is a mechanism in place to ensure that royalties and fees are collected and any outstanding royalties and fees are accounted for in accordance with the GFC’s accounting system</i></p>	<p><i>Satisfactory Compliance with some Observation</i></p>	<p><i>There is a mechanism in place to ensure that royalties and fees are collected in keeping with standard accounting practices and in compliance with International Financial Reporting Standard.</i></p> <ul style="list-style-type: none"> - <i>Observation: –Wider stakeholder awareness relating to penalties in this system is recommended</i> - <i>Observation: –The payments system can be improved in the areas of formatting and invoice numbering, including stipulations of dates for payment deadlines.</i> - <i>Observation: –The invoicing mechanisms should be reconciled with accounting standards to allow for numerical cross-referencing.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC’s has expressed that its system of invoicing and collecting of royalties follows standard accounting practices and is applied consistently.</i></p> </div>

Criterion 3.1 - The payment of fees and royalties, applicable to the FMO, is done to the satisfaction of the relevant authorities		
<p><i>Indicator 3.1.2 - There is a mechanism in place to ensure that acreage fees are collected and any outstanding acreage fees are accounted for in accordance with the GFC's accounting system</i></p>	<p><i>Satisfactory Compliance with some Observation</i></p>	<p><i>There is a mechanism in place to ensure that acreage fees are collected in keeping with standard accounting practices and in compliance with International Financial Reporting Standard.</i></p> <ul style="list-style-type: none"> - <i>Observation: –Wider stakeholder awareness relating to penalties in this system is recommended</i> - <i>Observation: –The payments system can be improved in the areas of formatting and invoice numbering, including stipulations of dates for payment deadlines.</i> - <i>Observation: –The invoicing mechanisms should be reconciled with accounting standards to allow for numerical cross-referencing.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC's has expressed that its system of invoicing and collecting of acreage fees follows standard accounting practices and is applied consistently.</i></p> </div>
<p><i>Indicator 3.1.3 - Sawmills and Timber Dealers licence fees are paid</i></p>	<p><i>Satisfactory Compliance with one Observation</i></p>	<p><i>There is a system of registers that is sufficiently robust to provide, with a certain level of certainty, the status of Sawmill and Timber Dealers licences</i></p> <ul style="list-style-type: none"> - <i>Observation: – GFC should strengthen the system in place to document cases of default.</i>

B) Monitoring of State Forest Permits		
Indicator	Compliance measure	OBS / CAR
Principle 1 the FMO has legal rights to harvest and other parties' legal tenure rights are respected		
Criterion 1.1 The FMO holds legal logging rights to the forest		
<i>Indicator 1.1.1 - The FMO is in possession of a legally valid concession agreement for the area from which all timber is sourced</i>	<i>Satisfactory Compliance with some Observations</i>	<p><i>FMOs are in possession of legally valid concession agreements. However, the system could be improved in response to the following observations:</i></p> <ul style="list-style-type: none"> - <i>Observation: –The system used to monitor, confirm and verify the authorization and connection between applicants and eventual persons granted concessions could be improved.</i> - <i>Observation: – Obligatory signatories and signatures with designations for CLA documents, in particular, and other authorized signatories can be improved in terms of formally recording such and acknowledging same.</i>
<i>Indicator 1.1.2 - If the FMO has contracted a third party (includes concession activities relating to harvesting, extracting of forest produce and transporting to another point out of the concession, processing within state forest areas, and export, of forest produce), such arrangement must be formally approved by the GFC, using the defined approach, and in compliance with the Forest Act</i>	<i>Satisfactory Compliance without any Observations</i>	<p><i>If FMOs have contracted a third party, such arrangements were formally approved by the GFC.</i></p> <div style="border: 1px dashed black; padding: 5px;"> <p><i>The GFC has expressed that the current system in place requires for all contracts to be approved by Head Office and then sent to relevant operating station/s to guide their monitoring activities. As such, this is already in place.</i></p> </div>

Criterion 1.2 - There is compliance by both the FMO and any party contracted by the FMO, with the Forest Laws relevant to the other parties' tenure and use rights		
<i>Indicator 1.2.1 - There are no legal titles by indigenous or other persons on GFC approved concessions unknown to GFC and FMO</i>	<i>Satisfactory Compliance without any observations</i>	
<i>Indicator 1.2.2 - Legal and traditional uses and customs of the forest are not prevented by the FMO</i>	<i>Satisfactory Compliance without any observations</i>	

Principle 2 The FMO Complies with the Forest Legislation as it pertains to Forest Management and the Environment and Any Special Condition as the Commission institutes in keeping with the GFC's Mandate

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<i>Indicator 2.1.1 - The Annual Allowable Cut is appropriately calculated, approved and based on quota allocation informed by 20 m³/ha over 60 years, or otherwise approved quota allocation informed by inventory assessment and land use categorisation</i>	<i>Minor Non-Compliance and some Observations</i>	<p><i>The Forest Resource Management Division (FRMD) calculates the Annual Allowable Cut for SFPs based on the area of the SFP and previous harvesting history, and is under full control of GFC. FRMD and FMD monitor production per SFP against the allocated quota. In case the quota is exceeded, the excess volume is in principle deducted from the quota for the next 2-year period, when the holder applies for renewal. In theory, this system guarantees that the Annual Allowable Cut is appropriately calculated, approved and not surpassed provided that is strictly applied. However,;</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request: – a small number of SFPs (ca. 1%) exceeded their quota in 2010-2011, but did not have the excess volume reduced from their quota in the following period. Hence, the system was not applied consistently at the time of the audit.</i> - <i>Observation: –Eight SFPs exceeded their quota in two consecutive 2-year periods (2008-09 and 2010-11);</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that with regards to the 8 SFPs exceeding in two consecutive year, the advanced quota was granted to these SFP following an assessment of the request of these SFP holders. This was done in order to allow important and necessary infrastructure work to be done in the concession areas. This was done also in recognition of economic constraints prevails at those operator levels. This prevailed for the two lease periods since it was found to be necessary to effectively</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate

		<p><i>address the operator constraints. An assessment was done and it was recognised that only 4 of the 8 SFPs who required to have a further extension to another lease period. That is, four of the SFP could be integrated back into the 60 year cycle. This does not affect the sustainability of the area.</i></p> <p><i>With regards to the observation on the 4 SFP not have the excess volume deducted in the 2012/2013 period, the GFC has instituted, following a formal examination of the circumstances, for the four concessions in question, to have the excess volume deducted in the upcoming lease period. This was done following the Commission's assessment that there was significant constraints faced by the operator in these four cases, including partial flooding of the area, and economic and social constraints. In doing so, the GFC has ensured that the areas is managed within the principles of SFM taking into consideration that SFPs are currently managed on a 60 years cycle and there is allow for the deduction of the volume in upcoming lease period. It should be noted that this is evidently not a wide spread and systematic occurrence, the GFC carefully records and tracks these instances.</i></p> <ul style="list-style-type: none"> - <i>Observation:--It was noted that in at least eight cases areas exceeding 20,000 acres were split into SFPs with an area below 20,000 acres and reallocated to the same former grantee. Should such areas not be allocated as either WCL (>20,000 acres) or TSA (>60,000 acres) with respective requirements for the holder?</i> - <i>The GFC's land allocation process is clear in that areas 20,000 acres can be issued as an SFP. The GFC's procedure further outlined that one operator can be the holder of more than one SFPs. E.g depending on the level of investment and processing capability.</i> - <i>Observation: – Mechanism or conditions relating to SFPs issued as “conversions areas because of mining” should be clearly documented and reports of field assessment that inform the presence/extent of mining in the SFP area should be available with a copy included in the SFP folio.</i>
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Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<p><i>The GFC has reported that, there is a clear policy mechanism in place where in: a field assessment is done by the GFC that inform the presence/extent of mining in the SFP area, and the necessary follow up decision is taken on whether to issue the SFP as a conversion area.</i></p>
		<ul style="list-style-type: none"> - <i>Observation: – Amending of the boundaries or size of SFP areas should take place before a SFP is advertised and not during the allocation period, since this may render quota calculation and adherence ambiguous;</i> <p><i>The GFC has expressed that there may be extenuating circumstances that require the modification of a boundary during an SFP lease period as part of the process of Amerindian area being demarcated during an SFP lease period and as such may necessitate boundary, In such instances, the quota is re computed on the new area size and managed accordingly.</i></p> <ul style="list-style-type: none"> - <i>Observation: – SFP database 2010-2011 uses 3 m³ per tree to calculate number of tags to be issued instead of 2 m³ as stated in FMD Manual of Procedures (section 4.3.2 calculation of allowable cut for SFPs, page 21);</i> <p><i>The GFC has reported that the application of 3m³ per tree is being used by the GFC and consistently applied. Actual production is reconciled to tag usage periodically, and prior to new requests for tags are approved. This therefore implies that 3m³ is an approximate estimation.</i></p> <ul style="list-style-type: none"> - <i>Observation: –Procedures relating to the assessment of stocking in SFP areas should be improved to allow stocking information to be available before a new biennial SFP is issued (to determine if the stocking is indeed sufficient to sustain the calculated annual quota)</i> <p><i>The GFC has reported that the application of 80% estimate of productive area of an SFP is intended to allow for circumstances of reduced stocking of some areas to be taken account of and integrated within the SFP quota allocation per concession.</i></p>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.2 - There is a mechanism to ensure that tags are properly obtained and a record of their use is kept. There is a mechanism to ensure that all unused tags are appropriately accounted for at the end of the GFC reporting period</i></p>	<p><i>Satisfactory Compliance without any observations</i></p>	
<p><i>Indicator 2.1.3 - There is a mechanism to ensure that Logs and stumps are tagged according to the national log-tracking system</i></p>	<p><i>Satisfactory Compliance with some Observations.</i></p>	<p><i>There is a mechanism to monitor that logs and stumps are tagged according to the national log-tracking system. If logs and stumps are discovered untagged during the GFC monitoring and verification process, the GFC will implement penalties for such occurrences whenever non-compliance is recognized. However, no system can “ensure” that private sector operators comply with the requirement that logs and stumps are tagged as examples are found where tags are missing. In a strict interpretation of the wording of the indicator a CAR could be given. No system for anything anywhere in the world is perfect. In any system there are lapses. These “minor” lapses would be expected to occur in any system and have been identified as such by the independent audit process.</i></p> <ul style="list-style-type: none"> - <i>Observation: – The level of non-compliance with tagging requirements is relatively high at 7.3%; in addition, 2.2% of trees were taken from outside the allocated concession.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the approach undertaken by IFM is a systems approach, and as such, the operation of the log tracking system whether it detects full compliance or partial compliance is effective not whether it achieves full compliance but whether it can effectively detect compliance. For example, GFC’s operation system of verification, where logging occurs out of the concession area, trees will not be tagged and the GFC’s audits will deem these as illegal logging. In the system reviewed by GFA, these were presented as such.</i></p> <p><i>The Commission has further expressed that the references of 7.3% and 2.2% but these were not taken on a representative sample. GFC’s tally based on all occurrences of breaches reflects this breach to be less than 1%.</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - <i>Observation: –It was found that some operators continue to fail to comply with requirements e.g. repeated felling outside of concession, repeated examples where no tag on stump. Improper or no tagging is classified as a procedural breach, while felling outside of a concession or without concession agreement is considered illegal. Penalties progress from first to second and third offense. In view of the considerable frequency of recidivism there is scope to review corrective actions (level of fines) given to operator so as to deter recidivism</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that there is an existing operational mechanism for progressive deterrent for breaches. The GFC is of the view that its role extend beyond the imposition of fines and penalties, whilst still maintaining strong forest legality, but also places importance on development of capacities at the operator level.</i></p> </div>
		<ul style="list-style-type: none"> - <i>Observation: – Monitoring report system has weaknesses – methodology could be better designed and implemented more consistently.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC reported that the Commission has in place, an established monitoring and reporting framework. This framework has been fulfilling the requirements as intended and has been implemented using a phased approach. Taking this approach, the Commission has identified next steps for the future improvement for the development and strengthening of the system, for example, in the areas of corrective actions management, field sampling approach, the reconciliation and analysis of data integrating various existing database, etc.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: – There is scope to improve overview of management of ‘Tag defect reports’ and follow up investigations.</i> - <i>Observation: – There is scope to improve strategic overview and analysis of data collected.</i>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.4 - Transportation of logs is accompanied by relevant GFC approved documents. Transportation of consignments of lumber is accompanied by relevant GFC approved documents to the point of royalty assessment and declaration</i></p>	<p><i>Satisfactory Compliance with one Observations</i></p>	<p><i>Transportation of produce is indeed accompanied by relevant GFC approved documents (lumber up to the point of royalty assessment and declaration). Transportation of logs or lumber to the point of royalty assessment and declaration originating from SFPs is usually accompanied by a Removal Permit</i></p> <ul style="list-style-type: none"> - <i>Observation: Transportation of logs or lumber was inspected during the scoping visit, but not during the 1st audit due to accessibility problems at the time of the audit. Field checks of transports originating from SFPs should be carried out at the next visit.</i>
<p><i>Indicator 2.1.5 - Logs in transit and at point of export that originate from the State Forest Estate can be traced back to source stump. Lumber in transit and at point of royalty assessment and declaration, which originates from the State Forest Estate, can be traced back to source stump</i></p>	<p><i>Minor Non-compliance with some Observations</i></p>	<p><i>The GFC has a mechanism in place where one can trace the location where both logs and lumber originated through the removal documentation procedure. Logs in transit, and at point of export can normally be traced back to source stump. Many SFP operators, however, carry out some form of conversion from log to lumber e.g. chainsaw milling or portable sawmill conversion. The point of conversion from logs to lumber is a critical control point at which contamination with lumber originating from "illegal" logs can occur. Although, lumber in transit is accompanied by removal permits – these record tag numbers of source logs - , the link between lumber and log is weak and can only be cross-checked based on production records. Portable sawmills are required to keep a sawmill register and are required to declare lumber produced, but are not required to work with a batch processing-recording system. GFC is developing a database which should evaluate conversion rates based on the sawmill register, removal permit and declaration of lumber. However, this system was not fully operational yet at the time of the audit.</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request: – GFC shall consider reviewing mechanisms to track and trace lumber; particularly the point of conversion from logs to lumber needs to be considered, because this is a critical control point at which contamination can occur.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the scope of this indicator requires for Lumber to be traceability from the point of royalty assessment and declaration. This observation applies only if the indicator had required for lumber to be traced beyond this point. As such, the GFC believes that contamination is addressed by strong controls at the first point of royalty declaration.</i></p> </div>

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
		<ul style="list-style-type: none"> - Observation: – There are problems with the way in which this indicator is worded. Firstly, it has two parts (1. Logs, 2. Lumber); Secondly within each of these there are two requirements (a. in transit, b. at point of export / royalty assessment). All four requirements need to be met to pass in full. - Observation: – The GFC has in place a minimum requirement as it relates to documentation for log and lumber export. However, there is scope to improve consistency of documentation. - Observation: – There is scope to improve guidance/checklists for export staff in order to make checks more systematic and record checks made. - Observation: – Quoting log tag numbers at point of export would improve traceability to source stump.
Indicator 2.1.6 - Sawmill and Timber Dealers licences are held and up-to-date	Satisfactory Compliance with some Observations	<p>Sawmill and Timber Dealers licences are indeed held, however the following observations were made</p> <ul style="list-style-type: none"> - Observation: – The GFC has monitoring systems in place to ensure operators have valid licences. However, there is scope to ensure deadlines are met for the updating of licences - Observation: – There is a standard SOP for the processing of licences. The GFC also has a mechanism in place to facilitate the processing of applications throughout the year based on the interest of the applicant. In this respect, there is scope to expedite processing.

Principle 3 - The FMO has Paid Required Fees and Royalties		
Criterion 3.1 - The payment of fees and royalties, applicable to the FMO, is done to the satisfaction of the relevant authorities		
<p><i>Indicator 3.1.1 - There is a mechanism in place to ensure that royalties and fees are collected and any outstanding royalties and fees are accounted for in accordance with the GFC's accounting system</i></p>	<p><i>Satisfactory Compliance with some Observation</i></p>	<p><i>There is a mechanism in place to ensure that royalties and fees are collected in keeping with standard accounting practices and in compliance with International Financial Reporting Standard.</i></p> <ul style="list-style-type: none"> - <i>Observation: –Wider stakeholder awareness relating to penalties in this system is recommended.</i> - <i>Observation: –The payments system can be improved in the areas of formatting and invoice numbering, including stipulations of dates for payment deadlines.</i> - <i>Observation: –The invoicing mechanisms should be reconciled with accounting standards to allow for numerical cross-referencing.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC's has expressed that its system of invoicing and collecting of royalties follows standard accounting practices and is applied consistently.</i></p> </div>
<p><i>Indicator 3.1.2 - There is a mechanism in place to ensure that acreage fees are collected and any outstanding acreage fees are accounted for in accordance with the GFC's accounting system</i></p>	<p><i>Satisfactory Compliance with some Observation</i></p>	<p><i>There is a mechanism in place to ensure that acreage fees are collected in keeping with standard accounting practices and in compliance with International Financial Reporting Standard.</i></p> <ul style="list-style-type: none"> - <i>Observation: –Wider stakeholder awareness relating to penalties in this system is recommended.</i> - <i>Observation: –The payments system can be improved in the areas of formatting and invoice numbering, including stipulations of dates for payment deadlines. The invoicing mechanisms should be reconciled with accounting standards to allow for numerical cross-referencing.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC's has expressed that its system of invoicing and collecting of acreage fees follows standard accounting practices and is applied consistently.</i></p> </div>
<p><i>Indicator 3.1.3 - Sawmills and Timber Dealers licence fees are paid</i></p>	<p><i>Satisfactory Compliance with one Observation.</i></p>	<p><i>There is a system of registers that is sufficiently robust to provide, with a certain level of certainty, the status of Sawmill and Timber Dealers licences</i></p> <ul style="list-style-type: none"> - <i>Observation: – GFC should strengthen the system in place to document cases of default.</i>

C) Monitoring Produce originating from Amerindian Reservations		
No Amerindian Reservation has opted in to the LCDS and this indicator should in principle not be audited until such point that a community opts in. Nevertheless, once commercial produce is transported outside the regular boundaries of an Amerindian Titled Area and from that point onward, the monitoring system is similar to that of the State Forest lands.		
Indicator	Compliance measure	OBS / CAR
Principle 2 The FMO Complies with the Forest Legislation as it pertains to Forest Management and the Environment and Any Special Condition as the Commission institutes in keeping with the GFC's Mandate		
Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<p><i>Indicator 2.1.4 - Transportation of logs out of Amerindian Village, is accompanied by relevant GFC approved documents.</i></p> <p><i>Transportation of consignments of lumber out of Amerindian Village, is accompanied by relevant GFC approved documents to the point of declaration</i></p>	<p><i>Satisfactory Compliance with one Observation</i></p>	<p><i>Observation: – GFC should consider reviewing mechanisms to track and trace lumber and verify that it originates from a legally verified source (refer to TSA indicator 2.1.7).</i></p> <p><i>The GFC has reported that its standard operation for monitoring of lumber involves the verification of lumber at the first point of conversion, mainly through sawmills, via a sawmill register, or at the point of first declaration via the removal permit or removal declaration. As such, these source documents provide a means through which lumber is verified for purposes of legality. The GFC is of the view that once this minimum requirement is met, there is a mechanism in place for traceability, and a mechanism that is working. To complement this, the GFC executed planned as well as impromptu verification using a sampling approach of lumber at various stages of the supply chain.</i></p>

D) Monitoring of Agricultural and Mining Property Owners		
Indicator	Compliance measure	OBS / CAR
Principle 1 the FMO has legal rights to harvest and other parties' legal tenure rights are respected		
Criterion 1.1 The FMO holds legal logging rights to the forest		
<i>Indicator 1.1.1 - The FMO is in possession of a legally valid concession agreement for the area from which all timber is sourced</i>	<i>Satisfactory Compliance. No Observations.</i>	
Principle 2 The FMO Complies with the Forest Legislation as it pertains to Forest Management and the Environment and Any Special Condition as the Commission institutes in keeping with the GFC's Mandate		
Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<i>Indicator 2.1.1 - Transportation of logs is accompanied by relevant GFC approved documents. Transportation of consignments of lumber is accompanied by relevant GFC approved documents to the point of royalty assessment and declaration</i>	<i>Satisfactory Compliance. No Observations.</i>	
<i>Indicator 2.1.2 - There is system in place to record production volumes extracted, of logs in transit, and at point of export, that originate from Agriculture leases and Mining properties. There is a system in place to record production volumes extracted of consignments of lumber in transit, and at point of royalty assessment and declaration that originate from Agriculture leases and Mining properties</i>	<i>Not verified; the number, combined area and production of Agricultural and Mining leases are very small in proportion to regular SFPs and TSAs</i>	

Criterion 2.1 There is compliance by the FMO with requirements instituted by the Commission, in keeping with its mandate		
<i>Indicator 2.1.3 - Sawmill and Timber Dealers licences are held and up-to-date</i>	<i>Satisfactory Compliance with some Observations</i>	<p><i>Sawmill and Timber Dealers licences are indeed held, however the following observations were made:</i></p> <ul style="list-style-type: none"> - <i>Observation: – The GFC has monitoring systems in place to ensure operators have valid licences. However, there is scope to ensure deadlines are met for the updating of licences</i> - <i>Observation: – There is a standard SOP for the processing of licences. The GFC also has a mechanism in place to facilitate the processing of applications throughout the year based on the interest of the applicant. In this respect, there is scope to expedite processing.</i>

Principle 3 - The FMO has Paid Required Fees		
Criterion 3.1 - The payment of fees and royalties, applicable to the FMO, is done to the satisfaction of the relevant authorities		
<i>Indicator 3.1.1 - Sawmills and Timber Dealers licence fees are paid</i>	<i>Satisfactory Compliance with one Observation</i>	<p><i>There is a system of registers that is sufficiently robust to provide, with a certain level of certainty, the status of Sawmill and Timber Dealers licences</i></p> <ul style="list-style-type: none"> - <i>Observation: – GFC should strengthen the system in place to document cases of default</i>

E) Monitoring of Processing and Export Stages		
Indicator	Compliance measure	OBS / CAR
Principle 1 The Operator has in place an Effective System for Materials Receipts and Storage that Allows for Assessment of Legality		
Criterion 1.1 There is a mechanism in place to ensure that the Sawmill or Timber Dealer Licence Holder can verify the legality of origin of logs, and consignments of primary lumber (if it is the first point of declaration), entering facility based on approved GFC delivery document		
<i>Indicator 1.1.1 - Logs, and consignments of Lumber (if it is the first point of declaration) are accompanied by appropriate documentation, demonstrating legally verified source and compliance with GFC procedures</i>	<i>Minor Non-Compliance with one Observation</i>	<p><i>There is a mechanism in place to trace the legal origin of logs and lumber through the GFC chain of custody system. The operating system, within the scope of this indicator, generally works well for logs, but less for lumber. See previous indicators TSA 2.1.7 and SFP 2.1.5 regarding traceability of lumber. It is not always possible for Sawmill/Timber Dealer to provide documentation that clearly demonstrates evidence of legally verified source for lumber.</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request: – GFC shall consider reviewing mechanisms to track and trace lumber; particularly the point of conversion from logs to lumber needs to be considered, because this is a critical control point at which contamination can occur.</i> <div style="border: 1px dashed black; padding: 5px;"> <p><i>The GFC has expressed that the scope of this indicator requires for Lumber to be traceability from the point of royalty assessment and declaration. This observation applies only if the indicator had required for lumber to be traced beyond this point. As such, the GFC believes that contamination is addressed by strong controls at the first point of royalty declaration.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation:–A more detailed audit of sawmills and timber dealers is required at next IFM monitoring audit.</i>
<i>Indicator 1.1.2 - Logs, and consignments of Lumber (if it is the first point of declaration) receipts are recorded on a form that contains supplier information, quantity of delivery, species, date of delivery, permit or other documentation number</i>	<i>Satisfactory Compliance with one Observation</i>	<ul style="list-style-type: none"> - <i>Observation: – A more detailed audit of sawmills and timber dealers is required at next IFM monitoring audit.</i>

Criterion 1.1 There is a mechanism in place to ensure that the Sawmill or Timber Dealer Licence Holder can verify the legality of origin of logs, and consignments of primary lumber (if it is the first point of declaration), entering facility based on approved GFC delivery document		
<p><i>Indicator 1.1.3 - Logs, and consignments of lumber (if it is at the first point of declaration), at facility can be reconciled to supplier input and allow for identification of legal source</i></p>	<p><i>Satisfactory Compliance with one Observation</i></p>	<ul style="list-style-type: none"> - <i>Observation: – The link between log tag and lumber is requires improvement. See Observations under SFP indicators 2.1.3-2.1.5 and TSA indicators 2.1.5 – 2.1.7 above.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the scope of this indicator requires for Lumber to be traceability from the point of royalty assessment and declaration. This observation applies only if the indicator had required for lumber to be traced beyond this point. As such, the GFC believes that contamination is addressed by strong controls at the first point of royalty declaration.</i></p> </div>
<p><i>Indicator 1.2.1 - There is a monthly record of total quantity (volume) of logs and lumber input and output, to allow for reconciliation of these amounts, to determine whether recovery percent/rate is within expected norms (for various species wherever applicable)</i></p>	<p><i>Satisfactory Compliance with some Observations</i></p>	<p><i>The audit team agrees that a (relatively new) recovery evaluation system is in place. However, data are not available for all operators and evaluation mechanisms were being introduced at time of audit – i.e. the system is not yet fully functional and effective so needs further development and implementation.</i></p> <ul style="list-style-type: none"> - <i>Observation: –The ways the GFC collects, reviews, and evaluates conversion data and investigates individual operators should be inspected in detail during the next IFM audit.</i> - <i>Observation - GFC should consider how it may evaluate log production and lumber production at a strategic level;</i> - <i>Observation - In the event that GFC modify requirements for tracing lumber it should also consider what impact any changes may have in relation to evaluating conversion rate.</i>

Principle 2 The Operator has in place Sales and Shipping Documentation that allows for Traceability of Legal Origin of Logs and Lumber for Exports

Criterion 2.1 There is compliance with declaration of export sales and shipping information as required by the GFC

<p><i>Indicator 2.1.1 - Information is declared for logs and lumber to be exported on: name and address of buyer, date of export, description of produce, quantity, sales invoice/receipt/permit number</i></p>	<p><i>Minor Non-Compliance with some Observations</i></p>	<p><i>GFC in general verifies that forest produce is accompanied by the appropriate documentation up to the point of export. The process of verification can be tedious especially in cases where the produce would have changed ownership more than two times where traceability includes removal permits and bill of sales and where the total volume on removal permits or bill of sales is not exported. During the audit, anomalies were observed: e.g., no removal permit number, different volumes or numbers of pieces quoted on packing lists, transshipment permits, export declarations, and incorrect legal entity of origin quoted. In relation to lumber, the critical control point for the system as a whole is the point at which conversion takes place. As mentioned with SFP indicator 2.1.5, lumber in transit is accompanied by removal permits which record tag numbers of source logs. However, the link between lumber and log should be improved as cross-checking is mainly done based on production records. (Portable) sawmills are required to keep a sawmill register and are required to declare lumber produced, but are not required to work with a batch processing-recording system. GFC is developing a database which should evaluate conversion rates based on the sawmill register, removal permit and declaration of lumber. However, this system was not fully operational yet at the time of the audit.</i></p> <ul style="list-style-type: none"> - <i>Corrective Action Request: - GFC shall consider reviewing mechanisms to track and trace lumber; particularly the point of conversion from logs to lumber needs to be considered, because this is a critical control point at which contamination can occur.</i> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p><i>The GFC has expressed that the scope of this indicator requires for Lumber to be traceability from the point of royalty assessment and declaration. This observation applies only if the indicator had required for lumber to be traced beyond this point. As such, the GFC believes that contamination is addressed by strong controls at the first point of royalty declaration.</i></p> </div>
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Criterion 2.1 There is compliance with declaration of export sales and shipping information as required by the GFC		
		<ul style="list-style-type: none"> - <i>Observation: - the GFC has in place a minimum requirement as it relates to documentation for log and lumber export. However, documentation for export that was presented by exporters during the audit varied in quality and completeness.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has expressed that there is an operational system in place for documentation relating to export procedures. There are set minimum requirements which are set based on a checklist and these are monitored for compliance. There is additional supplementary information that is provided on the export document. Overall, the checks and balance in place of the minimum requirements allow for a functioning system to apply.</i></p> </div> <ul style="list-style-type: none"> - <i>etc.; Application for export; Approved timber marketing certification; Approved export certification; and Commercial invoice.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>Further, the GFC reiterates that there is a standard operating procedure outlining the requirements as it related to documents as regards the export of forest produce.</i></p> </div> <ul style="list-style-type: none"> - <i>Observation: - Anomalies were noted during the audit between documents in some consignments e.g. numbers of pieces declared and supporting documentation demonstrating legal tenure. Some shipments were not supported by Removal Permit/Transshipment documents.</i> - <i>Observation: - Guidance / checklists for GFC export staff is lacking to make systematic checks and to record checks made.</i> - <i>Observation: - Quoting log tag numbers at point of export would improve traceability to source stump.</i> <div style="border: 1px dashed black; padding: 5px; margin: 5px 0;"> <p><i>The GFC has indicated that there are several system element that must be complied with: the GFC has as a mandatory requirement prior to any export being approved, the following appropriate documentation being fulfilled: Evidence and verification of the legal source of the produce, e.g. reference to permit number, receipt of purchase</i></p> </div>

Audit conclusions

Independent Forest Monitoring is a tool for assessing and strengthening legal compliance in the forest sector. By complementing GFC's forest law enforcement activities with the objectivity and public credibility of an independent third party, IFM can improve transparency while contributing to the development of a sound legislative and regulatory framework for responsible forest management. The audit conclusions should be seen in this context. The role of the Monitor thus goes further than an assessment of legal compliance, by aiming in addition to provide guidance on the further development and strengthening of the legislative and regulatory framework for forest management. The IFM audit process is as such intended to assist with the development of GFC's law enforcement system and this was the spirit, in which the team implemented the audit, and is the intent of the report and its findings.

In response to the scoping visit in October 2011, the GFC has taken corrective action to address many of the legal considerations and corrective action requests, which were raised and recorded in the work breakdown structure in the scoping report. Clear improvements were noted in the monitoring reporting format, the finalization of the FMD Manual of procedures, and the development of a FRMD Manual of Procedures. The tag issuance and management and compounding databases have been improved (transferred to SQL language) as well as the management of these databases. A special unit was set up for the monitoring of large concessions, which should allow for better strategic analysis and management of corrective actions. The GFC has made a serious effort to increase the rate of submission of Forest Management Plans and Annual Operating Plans. Issues with interim arrangements with a number of TSA holders have been addressed as well as the issue regarding unlimited quota for SFPs in mining areas previously earmarked as conversion areas.

The Independent Forest Monitoring team understands that any functioning system has minor lapses and no system can be expected to ensure or guarantee that the parties that are being monitored by the system – the private operators – observe all rules and regulations as required. Such lapses have been identified as such by the independent audit process and corrective action requests have been put in place with the view to highlight possible improvements to the system. In addition, the GFC was observed to have internal monitoring systems to review how effectively their system is working and how it may be improved.

The audit revealed that 38 of the 45 indicators were met during the first IFM audit in July 2012. Only one major (systemic) non-compliance was noted, while minor (non-systematic, limited impact in temporal and spatial scale) non-compliances occurred in case of six other indicators. GFC's general performance against the IFM criteria and indicators at the first audit can thus be seen as satisfactory and indicative of improvements made in the forest monitoring system in Guyana. In case of most indicators, the audit team made observations indicating areas for possible improvement and strengthening of GFC's systems and the implementation thereof.

In three of the six cases, minor non-compliances were prompted by the same underlying cause and are given the same corrective action request; i.e. SFP indicator 2.1.5, and Processing and Export Stages indicators 1.1.1 and 1.2.1. In addition, observations made with indicators TSA 2.1.6 and 2.1.7; and Processing and Export Stages Indicator 1.1.3, have the same underlying cause. The cause concerns the system to track and trace lumber. The GFC does have a mechanism in place where it can trace the location where both logs and lumber originated through the removal documentation procedure. However, the link between lumber and log requires improvement as cross-checks have to be made based on production records. (Portable) sawmills are required to keep a sawmill register and to declare lumber produced, but are not required to work with a batch processing-recording system. The audit team agrees that a (relatively new) recovery evaluation system is in place. However, data are not available for all operators and evaluation mechanisms were being introduced at time of audit – i.e. the system is not yet fully functional and effective so needs further development and implementation. .

Furthermore, observations were raised vis-à-vis TSA indicators 2.1.5, 2.1.9, 2.1.10, 2.1.12, 2.2.3; and SFP 2.1.3 indicator that were also prompted by similar underlying causes. In all these cases there appears to be scope for improvement of the monitoring system. This was demonstrated by data in GFC's own monthly monitoring reports and the annual monitoring by the LMEU. A very large sample taken from all TSA monthly monitoring reports (e.g. reflecting 95% of the production from TSAs) showed:

- 1) There is scope to review the methodology for monthly reporting and monitoring by the LMEU to ensure consistent approach to sampling and source data;;
- 2) There is scope to improve strategic overview and analysis of data collected during monitoring;
- 3) Implementation of monitoring procedures in some cases suffers from transportation constraints within concessions and operators' resource constraints;
- 4) The GFC has a system in place where penalties are applied for defaulters. Penalties progress from first to second and third offense. In view of the considerable frequency of recidivism there is scope to review corrective actions (levels of fines) given to operators so as to deter recidivism.

It thus appeared that some operators face resource constraints, which hamper implementation of the legal and regulatory requirements. This not only affects the indicators mentioned above, but also the timeliness of submission of FMPs and AOPs and their quality.

In addition, a number of observations were raised because the indicators prescribe that there should be a mechanism to "ensure" that certain conditions are met. The audit revealed that GFC indeed has a system in place to monitor required procedures; mechanisms to detect any breaches; and a system to satisfactorily address any breaches. However, no system *per se* can "ensure" that the procedures are adhered to in all cases, because of operators' resource constraints or malevolence. Rephrasing of the indicators concerned could be considered to achieve full compliance with the indicators.

Notwithstanding the efforts taken by the GFC to address the corrective action request raised during the scoping mission and a further increase in its staff complement dedicated to monitoring, the GFC may benefit from reconsidering the effective deployment of its monitoring resources. GFC could e.g. reconsider its aim to inspect 100% of stumps in TSAs. Appropriate review and analysis of monitoring results at a strategic level could guide GFC how to deploy its resources more effectively.

Some IFM Criteria identify special conditions under which exemptions from the general procedure are allowed. This applies e.g. to the requirement for TSA holders to possess an approved FMP, an approved AOP and a valid environmental authorization, issued by the EPA if applicable; calculation of the Annual Allowable Cut at operator level, granting of advance blocks in case of TSAs, or permitting exceeding of allotted quota in case of SFPs.

It should be clear that in order to arrive at a robust legality assurance system; the usage of a special condition - or exemption from the general procedure or rule - should remain an exception and should not become the rule. If special conditions are going to be applied in large numbers this would imply a risk to the integrity of the legality assurance system as a whole. The IFM team therefore expects that the usage of special conditions will be decreased at the next IFM surveillance audit. Furthermore, the IFM audit team strongly recommends that the circumstances under which special conditions can be applied be clearly defined and documented, as well as the procedures that must be followed in case of such circumstances.

The consulted stakeholders expressed confidence in the GFC system and its further enhancement being under the umbrella of the MoNR&E. Stakeholders stated as upsides that GFC has an effective system to manage the forest, which works well outside titled (red. Amerindian) areas, that GFC has more capacity than its partners in the natural resource sector do and that the monitoring system is quite rigorous with tough rules, with an excellent Code of Practice. Among the downsides, stakeholders asserted that GFC "micromanages at the block level" and that the monitoring system "designed in such a way to overburden itself" with its target to monitor 100% of blocks and stumps. This opinion corroborates the findings of the audit team.