THE CERTIFICATION PROCESS IN MALAYSIA: A CASE STUDY

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EXECUTIVE SUMMARY

In the late 80s and early 90s, forests became a major environmental issue in the global arena. High deforestation rates and the forest degradation especially with regard to tropical forests caused global campaigns and trade boycotts against tropical forest products. Environmental non-governmental organisations (ENGOs) proceeded to launch demonstrations and campaigns to discourage the use of tropical forest products. As a result of these campaigns, governments in Europe proceeded to ban and to impose trade restrictions on the import of tropical forest products.

Efforts were launched to combat the increasing problem of global forest loss and forest degradation, including international initiatives such as the Tropical Forests Action Programme (TFAP), which was launched by the Food and Agricultural Organisation of the United Nations (FAO). The International Tropical Timber Organisation (ITTO) also responded by adopting the Year 2000 Objective which states that all tropical timber would be produced from sustainably managed forests by the year 2000. Forest certification, was promoted, as a tool to ensure that timber from sustainably managed forests would be allowed into environmentally sensitive markets.

Although previously cautious, the government of Malaysia has taken bold steps forward in achieving ITTO’s Year 2000 Objective. One of the major initiatives taken by the government was the formation of the National Timber Certification Council, Malaysia (NTCC) which became operational in January 1999. Other activities include consultations held with various stakeholders in formulating the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I). In the interim, the government of Malaysia conducted a pilot study on certification together with the Keurhout Foundation in the Netherlands.

WWF Malaysia (WWFM) have been promoting the application of timber certification since 1992 as it is a better alternative to tropical timber bans which was proposed to reduce tropical deforestation. As an organisation, WWFM has always been supporting efforts in improving forest management practices. As a commitment to this fact, WWFM has been a member of Forest Stewardship Council (FSC) since its formation in 1993. WWFM has also been very much involved in the processes in moving towards improved forest management and forest certification in Malaysia. The recent formation of NTCC in 1999 provided further opportunities to participate more actively in the processes of forming a national standard in forest certification in Malaysia.
1 INTRODUCTION

1.1 Malaysia and Forestry

Malaysia is a country separated into two geographical areas, Peninsular Malaysia on the west and Sabah and Sarawak on the east. Malaysia is situated within longitudes of 100° E to 119° E and latitudes of 1° N to 7° N. Peninsular Malaysia is separated from the states of Sabah and Sarawak on the island of Borneo by 720 km by the South China Sea. Politically, Malaysia is divided into eleven states, the Federal Territory of Kuala Lumpur and the Federal Territory of Labuan (Forestry Department Headquarters, 1997).

Malaysia experiences the warmth and humidity of the tropical climate with the average temperature of about 27°C which varies within 1.6 °C. The average annual humidity is about 95%. Malaysia receives heavy rainfall throughout the year with occasional dry spells. The average annual rainfall varies from the maximum of about 5,080 mm to about the minimum of about 1,650 mm (Forestry Department Headquarters, 1997).

The total land area for Malaysia is approximately 32.86 million hectares (ha) whereupon the total land area for each Peninsular Malaysia, Sabah and Sarawak are approximately 13.16 million ha, 7.37 million ha and 12.33 million ha respectively. The total forested area for the whole of Malaysia is about 18.91 million ha where 5.85 million ha is in Peninsular Malaysia, 4.45 million ha in Sabah and 8.61 million ha in Sarawak respectively (Table 1). Out of these total forested areas, about 14.28 million ha are gazetted as Permanent Forest Estates (PFEs). The PFEs are gazetted under the National Forestry Act under one or more of the 11 classes and is under the management of the Forestry Department.

### Table 1: Total Land Area, Total Forested Land and Forested Land Gazetted as Permanent Forest Estates (PFEs) in Peninsular Malaysia, Sabah and Sarawak.

<table>
<thead>
<tr>
<th></th>
<th>Land Area (Mill Ha)</th>
<th>Forested Land (Mill Ha)</th>
<th>Forested Land Under Permanent Forest Estates (PFEs) (Mill Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peninsular Malaysia</td>
<td>13.16</td>
<td>5.85</td>
<td>4.68</td>
</tr>
<tr>
<td>Sabah</td>
<td>7.37</td>
<td>4.45</td>
<td>3.60</td>
</tr>
<tr>
<td>Sarawak</td>
<td>12.33</td>
<td>8.61</td>
<td>6.00</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>32.86</td>
<td>18.91</td>
<td>14.28</td>
</tr>
</tbody>
</table>


The tropical climate, the geographical region, altitude and geology provides the setting for the existence of a huge diversity of habitats and forest types. Whitmore (1984) classified the forest types in Malaysia in accordance to altitude to 5 forest types which among them are; the lowland dipterocarp forest, hill dipterocarp forest, upper hill dipterocarp forest, oak-laurel forests and montane ericaceous forests. Some of the forests are classified under the substrate where they occur for example the limestone forest, quartz forest, sandstone forest and ultrabasic forests. To add, there are also occasions of the kerengas forest, heath forest and the strand forest. There are also extensive stretch of wetland habitats such as the peat swamp, the mangroves and the freshwater riparian swamp forests.

The high occurrence of such a diverse habitat increases the amount of biological diversity and it is known that Malaysia is among one of the countries with mega-biological diversity. It is currently estimated that there are some 14,500 species of flowering plants in Malaysia. Around 8,000 can be
found in Peninsular Malaysia alone and of which, 2,650 are tree species. Currently, it is estimated that there are about 1,000 species of vertebrate and between 20 to 80 thousand invertebrate species (Table 2).

<table>
<thead>
<tr>
<th>Plant/ Animal Group</th>
<th>No. of Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flowering plants</td>
<td>8,000</td>
</tr>
<tr>
<td>Ferns</td>
<td>500</td>
</tr>
<tr>
<td>Fungi</td>
<td>300</td>
</tr>
<tr>
<td>Mammals</td>
<td>203</td>
</tr>
<tr>
<td>Birds</td>
<td>616</td>
</tr>
<tr>
<td>Snakes</td>
<td>141</td>
</tr>
<tr>
<td>Frogs</td>
<td>93</td>
</tr>
<tr>
<td>Lizards</td>
<td>80</td>
</tr>
<tr>
<td>Butterflies</td>
<td>1,022</td>
</tr>
<tr>
<td>Moths</td>
<td>&gt; 5,000</td>
</tr>
<tr>
<td>Other insects</td>
<td>&gt; 20,000</td>
</tr>
<tr>
<td>Other invertebrates</td>
<td>&gt; 10,000</td>
</tr>
</tbody>
</table>

Source: Tho (1992)

1.2 Forestry Sector and its Importance

The forestry sector in Malaysia plays an important role in the socio – economic development of the country (Forestry Department Headquarters, 1997). It is estimated that the total export value of timber and timber products, which includes rattan and wooden furniture is recorded at RM 13.1 billion (USD 3.27 billion) or about 7.0% of total export receipt of the country in 1995. The total revenue derived from royalties, premium, forest development fund and others in 1995 amounted to about RM 2.0 billion (USD 0.5 billion). Total investment into wood-based industries in Peninsular Malaysia in 1995 were estimated to be about RM 2,549 million (USD 671 million).

The forestry sector also provided employment, either direct or indirect for about 250,000 persons in 1995. A total of about RM 500 million are paid out as salaries for workers involved in the forestry sector. In Peninsular Malaysia alone, the forestry sector provided employment for at least 87,512 persons, specifically in the industries such as the logging industry, sawmilling, plywood/ veneer, moulding, furniture mills, wood-wool cement slabs, pencil, match and the small scale rattan and bamboo industries. The public sector employs a total of about 5,647 persons (Table 3).

<table>
<thead>
<tr>
<th>INDUSTRY SECTORS IN FORESTRY</th>
<th>TOTAL NUMBERS EMPLOYED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logging</td>
<td>12,940</td>
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<tr>
<td>Sawmilling</td>
<td>20,075</td>
</tr>
<tr>
<td>Plywood/ veneer</td>
<td>16,259</td>
</tr>
<tr>
<td>Moulding</td>
<td>8,591</td>
</tr>
<tr>
<td>Furniture mills, wood-wool cement slabs, match, pencil, rattan and bamboo</td>
<td>18,000</td>
</tr>
<tr>
<td>Public sector</td>
<td>5,647</td>
</tr>
<tr>
<td><strong>Total employed in Peninsular Malaysia</strong></td>
<td><strong>81,512</strong></td>
</tr>
</tbody>
</table>

2 FORESTRY INSTITUTIONS AND POLICIES IN MALAYSIA

2.1 National Forestry Council (NFC)

Under article 74 (2) of the Federal Constitution, forestry in Malaysia comes under the jurisdiction of state governments. This allows each state government the authority to enact laws or to formulate forest policy independently. The Federal departments only have authority over areas such as forestry research, training and allocation of technical assistance to the states. To ensure the uniformity of the implementation and the formulation of national policies on forestry, a National Forestry Council (NFC) was established by the National Land Council (NLC). The NLC was established under Article 91 of the Constitution to formulate national policies for the promotion and control of the utilisation of land throughout the country for mining, agriculture, forestry and other land uses.

The objective of the NFC was to coordinate the planning, management and development of forest resources and to guide programmes for management, production, industrial development, utilisation and conservation of Malaysia’s forests (Menon, 1976). It also serves as a forum for the Federal and State governments to discuss and resolve problems and issues pertaining to forestry policies, administration and management. Apart from the policies and administrative duties, NFC also sets the annual allowable cut (AAC) for each state. However, at the end of 1992, during the 47th session of the NLC, it was decided that forestry issues will be discussed directly by the NLC.

2.2 National Forestry Act, 1984 (Amended 1993) (NFA)

The National Forestry Act was gazetted in 1984 and was adopted for implementation by the states in Peninsular Malaysia. The NFA provides for the establishment and protection of the Permanent Forest Estates (PFE) whereby it would be classified under one or more of the functional classes which includes:

1. Timber production under sustained yield
2. Soil protection forest
3. Soil reclamation forest
4. Flood control forest
5. Water catchment forest
6. Forest sanctuary for wildlife
7. Virgin jungle reserve forest
8. Amenity forest
9. Education forest
10. Research forest
11. Forest for federal purposes

The NFA also outlines the purview and the authority of the Forestry Department as well as the Director of the State Forestry Department. The purview includes the authority of the Director of the State Forestry Department to give out licenses for the purpose of forest resource harvesting.

The NFA was later amended in 1993 in the effort to curb the rise of incidences for forest offences. The penalty of any forest offence has been increased from the maximum penalty of RM 10,000 or an imprisonment for a term not exceeding three years or both to a maximum penalty of RM 500,000 and an imprisonment not exceeding 20 years with a mandatory imprisonment of at least one year (Thang, 1996). The amendments also enacted provisions for the Police and Armed Forces to undertake surveillance of forest activities.
2.3 National Forestry Policy, 1978 (Revised 1992)

In 1952, an Interim Forest Policy was formulated under the Government of Malaya. The Interim Forest Policy states that there would be sufficient forest land reserved permanently for the benefit of present and future inhabitants to ensure sound climatic and physical condition of the country under Protective Reserves and to supply in perpetuity all forms of forest produce which can be economically produced under Productive Reserves (Menon, 1976). Under the Interim Forest Policy, principles of conservation for the guarding of water supply and soil protection are covered under the Protective Reserves.

The Interim Forest Policy was later amended and adopted in 1978 and gazetted as the National Forest Policy for Malaysia. The National Forest Policy was later revised in 1992. On the whole, the objectives of the National Forest Policy was to:

1. Conserve and manage the nation's forests based on the principles of sustainable management
2. Protect the environment and to conserve the biological diversity, genetic resources and to enhance research and education in forest management

The Permanent Forest Estate (PFE) were divided into four major functions under the National Forest Policy which includes Protection Forest, Production Forest, Amenity Forest and Research and Education Forest.

2.4 Forestry Legislation in Sabah

The Forest Enactment and Forest Rules were adopted in 1968 and 1969 respectively by the Sabah state government. The Forest Enactment which was amended in 1984, provides for the classification of the forest reserves under functions which includes:

- **Class I** Protection. Forest conserved for the maintenance of the stability of essential climatic, watershed and other environmental factors. These areas cannot be logged.
- **Class II** Commercial. Forest which can be logged, to supply timber and other forest products. Most often, lowland and hill dipterocarp forests, including forests up to about 800 m.
- **Class III** Domestic. Forest for supplying timber and other forest products for local consumption only.
- **Class IV** Amenity. Forest providing recreational and attractive sites, especially on road sides in Sabah. Exotic species are often planted to enhance the amenity value of these areas.
- **Class V** Mangrove. Forest for the supply of mangrove timber and other produce.
- **Class VI** Virgin jungle. Forest conserved intact for research purposes. This forest cannot be logged.
- **Class VII** Wildlife. Forest conserved primarily for the protection of wild animal species.

2.5 Forestry Legislation in Sarawak

The Forest Department of Sarawak was established in 1919 with the objective of conserving and managing the state's forest resources (Forest Department Sarawak, 1993). The Forest Department of Sarawak adopted a Forest Policy which provided the guidelines for forest management. Three ordinances were introduced in the 1950s to assist the state Forestry Department in achieving these objectives. The Forest Ordinance was enacted in 1954 provides for the establishment and management of PFEs and to regulate the harvesting of the forest produce. The National Parks Ordinance was adopted in 1956 which provides for the formation, maintenance and control of national parks within the state. In 1958, the Wildlife Ordinance was enacted to provide for the establishment of Wildlife Sanctuaries and the protection of wildlife. The Forest Ordinance provides for the establishment of the PFEs under which the various classifications are as follows:

- **Forest Reserves** Normally productive forest destined to be principle permanent sources of supplies of timber and other forest produce.
- **Protected Forests** Primary purpose is the general protection of soil and water. The people of
Sarawak have rights to take forest produce for domestic use, to hunt, fish and to pasture cattle.

Communal Forests Constituted only where it is clearly a desire of a settled community to set aside a convenient area of forest to provide for its domestic needs of forest produce.

It would be expected that with the existence of these policies and legislation would be effective in ensuring the sustainability of Malaysia's forest resources. However, over the years since the inception of the Forestry Department as well as policies with regard to sustainable forest management, the rate of forest loss and deforestation is still increasing with each year. The implementation and controls of harvesting and silvicultural activities are considered as one of the threats to long term sustainable forest management.

3 FOREST MANAGEMENT SYSTEMS

Forest management in Peninsular Malaysia began in the 1900s when the first Forest Officer was appointed in 1901. Over the years, there have been several changes in the forest management system which were being practiced in correspondence with the needs and demands of the market.

3.1 The “Gutta Percha” Era (1900 – 1910)

The forest management system from the 1900 – 1910 was known as the “gutta percha” era. At that time, the main forest product was latex called gutta percha which was derived from various species of plants from the *Palaquium* species. The best latex was from the main species known as *Palaquium gutta*. The gutta percha were used in electrical, surgical and dental apparatus. It was also used to manufacture golf balls, more importantly, it was used in the coating of submarine cables (Shaharuddin, 1998). The demand for gutta percha reduced with the introduction of radio telegraphy. Other logging activities were confined to the felling of the heavy hardwoods, mainly *Neobalanocarpus heimii*, the *Shorea* species for use as railway sleepers. Early silvicultural operations were confined to the establishment of *P. gutta* and enrichment planting of *N. heimii*.

3.2 The Improvement and Regeneration Felling Era (1911 – 1942)

The improvement and regeneration era began from the period of 1911 – 1922. Silvicultural treatments were implemented initially in two states; Selangor and Negeri Sembilan (Shaharuddin, 1998). The treatments included the removal of all species whose crown interfere with the valuable timber species and the cutting of all bertam (*Eugeissona triste*) and climbers within a fixed distance (Wyatt-Smith, 1963). The exploitation of timber at that period was still focussed on the *P. gutta* species and other valuable timber species. The demand for timber at that period was for railway sleepers and firewood for domestic use, mining and rubber factories.

However, in 1922, the increase in demand for firewood and poles for the mining industry caused a change in the silvicultural practices. The practices were reviewed in 1926 whereupon two classes of operations were distinguished; the Departmental Regeneration Improvement Fellings (RIF) and the Commercial Regeneration Fellings. These two improvement system was aimed in improving and assisting natural regeneration of the timber species being exploited (Shaharuddin, 1998). The Departmental Regeneration Improvement Fellings were highly successful in regenerating the forests in Peninsular Malaysia.

3.3 Second World War and the Japanese Occupation (1942 – 1945)

The Second World War and the Japanese Occupation caused extensive forest destruction as a result of uncontrolled exploitation and conversion of forests for food cultivation during this period. After the war, between the periods of 1945 to 1948, the Forestry Department carried out an assessment of the
conditions of the forest areas in Peninsular Malaysia. It was estimated that about 14200 hectares of forests under the regeneration silvicultural treatment and 5300 hectares of fully regenerated forests were destroyed during the war (Wyatt-Smith, 1963).

3.4 The Malayan Uniform System Era (MUS) (1948 – 1978)

The Malayan Uniform System (MUS) was implemented as the demand for raw materials increased and the use of heavy machinery for harvesting was introduced after the war. The MUS system was a system to convert the virgin lowland dipterocarp forests from the multi-species and multi-aged forest to a more or less even-aged forest which would be stocked by commercial tree species that would be harvested in a single felling. Silvicultural treatment includes poison girdling of non-commercial tree species to assist in the natural regeneration of seedlings of selected species.

3.5 The Selective Management System Era (SMS) (1978 onwards)

The MUS which was successfully implemented on the lowland dipterocarp forest proved to be unsuccessful for the management of hill dipterocarp forest (Shaharuddin, 1998). The unsuccessful implementation of the MUS on the hill dipterocarp forest was attributed to the uneven stocking of timber species, difficult terrain, lack of natural regeneration on the forest floor before logging and uncertain seedling regeneration after logging due to irregular flowering of mother trees. There was also higher risk of soil erosion on steep slopes and the opening of canopies caused and increase in secondary growth and especially E. triste (bertam).

The move to higher terrain for exploitation was the result of the conversion of the lowland dipterocarp forests and accessible hill dipterocarp forest for government agricultural development scheme such as FELDA and FELCRA for the purpose of eradication of rural poverty. The application of the MUS on the hill forest was not financially and ecologically sustainable as the long rotation and single cycle of the MUS would require a large forest base.

The SMS was then introduced to allow for flexible timber harvesting regimes which took in consideration environmental safeguards whilst catering to the demands of the timber market (Shaharuddin, 1998). The rotation for SMS would be between 25 – 30 years with an expected net economic out-turn of 30 – 40 m³/ ha. The implementation of the SMS involves three stages, which includes pre-harvesting, harvesting and post-harvesting activities. Pre-harvesting activities would include a pre-felling inventory, tree mapping and tree tagging. Cutting limits were also prescribed during this stage whereupon the prescribed cutting limit for dipterocarp species should not be less than 50 cmdbh, except for N. heimii where the prescribed cutting limit should not be less than 60 cm dbh. The cutting limit prescribed for non-dipterocarp species should not be less than 45 cm dbh. The residual stocking should have at least 32 sound commercial trees per ha from the diameter class between 30 – 45 cm. During the tree tagging activity, plastic tags are used to mark the trees for directional felling.

The SMS also includes prescribed activities during harvesting which would include directional felling to ensure minimal damage to the stand and the construction of forest roads, logging trails and log landings. Other prescribe activity would be to provide adequate buffer strips along rivers and streams to mitigate soil erosion. Post harvesting activities would include forest survey immediately after the harvesting, the post felling forest inventory two to five years after the harvesting. The post felling forest inventory will determine the silvicultural treatment to be applied. Among the silvicultural treatment include girdling of infected trees, climber cutting and enrichment planting.
3.6 Forestry in Sabah and Sarawak

The first Conservator of Forests in Sabah was appointed in 1915 while the first Conservator of Forests in Sarawak was appointed in 1919 (Menon, 1976). In 1954, the recruitment of a Forest Botanist and Forest Ecologist in 1955 opened the way for a regular forest research to be conducted by full time staff. In June 1958, the forest research programme under the Sarawak Forest Department was initiated.

3.7 Changing Trends

Over the years, forest management in Malaysia has slowly been moving from the traditional single-use, single-resource management of sustained yield towards a more holistic scope of multiple-value, multi-resource management (Figure 1). The current trend is not only looking towards sustaining the yield of the forest resource but also including environmentally appropriate and socially acceptable management of the forests.

![Figure 1: Changing Trends Over The Years](image)

4 FOREST CERTIFICATION IN MALAYSIA

4.1 The International Tropical Timber Organization (ITTO) and the Year 2000 Objective

The International Tropical Timber Organization (ITTO) has a total number of members from 54 countries, where 28 countries from producer countries, 25 countries and the European Union from the consumer countries. The new International Tropical Timber Agreement (ITTA) which was signed in 1994 and came into force in 1997, puts greater focus on sustainable forest management (FAO, 1999). The central focus of this agreement is the “Year 2000 Objective” where all producer countries have made commitments to have their exports of tropical timber and tropical timber products come from sustainably managed sources by the year 2000. The consumer countries also made commitments to have their forests under sustainable management by the year 2000.

Malaysia, as a major tropical timber producing country has made the commitment towards sustainable forest management under the ITTA and the Year 2000 Objective. In ensuring the success of achieving its international commitments, Malaysia has allocated substantial resource to improve sustainable forest management practices in Malaysia. This includes the formation of the National Timber
Certification Council, Malaysia (NTCC) and the formulation of the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I).

4.2 Initial Stages

The initial effort made by the government of Malaysia towards forest certification was the organisation of a seminar entitled “Seminar on Timber from Sustainably Managed Forests” in April 1994. The seminar was jointly organised by the Ministry of Primary Industries (MPI) and the Malaysian Timber Industry Development Council (now known as the Malaysian Timber Council, MTC). The outcome of the seminar was the formation of the pro-tem National Timber Certification Committee (NTCC). The committee was coordinated by the Malaysian Timber Industry Board (MTIB) with membership comprising of government agencies, research institution, industries as well as non-governmental organisation, which was represented by the Malaysian Nature Society and WWF Malaysia.

At almost the same time in 1994, another national committee, the National Committee for Sustainable Forest Management (NCSFM) was formed (Thang, 1998). The members of this committee were representatives from the Ministry of Primary Industries (MPI), the Forestry Departments of Peninsular Malaysia, Sabah and Sarawak, the Forest Research Institute of Malaysia (FRIM), the Malaysian Timber Industry Board (MTIB), the Malaysian Timber Council (MTC) and the Faculty of Forestry, Universiti Putra Malaysia (UPM). The committee deliberated and elaborated on “ITTO’s Criteria for the Measurement of Sustainable Tropical Forest Management” to formulate ITTO’s Criteria and Indicators for Malaysia. In support of this work, the ten State Forestry Departments in Peninsular Malaysia formed a Working Party on Sustainable Natural Forest Management, Peninsular Malaysia. Together with the committee, 92 activities were formulated on Sustainable Forest Management.

In the middle of 1996, a pilot study was conducted on timber certification under the Malaysia – Netherlands Joint Working Group (JWG) (Chew, 1998). MTIB and the Netherlands Timber Trade Association (NTTA) were the focal points for the study for Malaysia and Netherlands respectively. In this study, timber products were subjected to the timber certification process, and would enter the Netherlands market under the Keurhout Hallmark System implemented in the Netherlands. Under the pilot study, three states, Terengganu, Pahang and Selangor were independently assessed by SGS (M) Sdn. Bhd. using agreed standards under the Keurhout System. Audit statements on the forest management were issued to the three State Forestry Department. The Department will have to show commitment to demonstrate continuous improvement to achieve full compliance with the requirements by the year 2000. The pilot study yielded important information and experience which would benefit the Forestry Departments in achieving full compliance under the proposed certification scheme in Malaysia. The assessment of the three states by an independent third party, have shown that while many critical activities achieved full compliance for sustainable forest management, there had been several activities which needs further improvement (Chew, 1998).

4.3 National Timber Certification Council, Malaysia (NTCC)

These initial steps in forest certification took a major turn with the establishment of the National Timber Certification Council, Malaysia (NTCC). On the 4th July 1997, the NFC, which was chaired by the Deputy Prime Minister, approved the formation of NTCC. Subsequently, it was also decided that the criteria and indicators that would be used by NTCC would be based on ITTO’s Criteria and Indicators. The NFC also decided that for Peninsular Malaysia, each state is defined as a forest management unit (FMU). However, FMU for the state of Sabah and Sarawak have been defined differently.

The FMU for the state of Sabah is the area covered under the “Sustainable Forest Management Licence Agreement (SFMLA)”. These Agreements were given out to companies and covers a period of 99 years for an area of about 100,000 hectares each. In Sarawak, the FMU for this state is defined as each existing concession area.
NTCC was to be established as a private company with a Board of Trustees with representation from the timber industry, academic/research institutions, non-governmental organisations and relevant government agencies. NTCC is headed by its Chairman, Dato' Dr. Freezailah Che Yeom, who was previously the Executive Director of ITTO, together with the Chief Executive Officer (CEO) of NTCC, Mr. Chew Lye Teng. Other staff includes the Senior General Manager, Mr. Harinder Singh and a General Manager, Mr. Ismail.

NTCC’s functions would include:
1. To consult with all interested parties (stakeholders) regarding the establishment and operation of a timber certification scheme in Malaysia.
2. To process applications for timber certification from applicant enterprises
3. To exercise control over evaluation of forest management and chain-of-custody status in the applicant enterprises for purposes of certification
4. To liaise closely with the appropriate standards setting body in the application of standards related to timber certification
5. To formulate rules with regard to the use and issuance of certificates for forest management and chain-of-custody
6. To consider reports of assessors and make decisions whether to certify or reject applications
7. To liaise closely with the national accreditation council and other certification organisations in matters related to timber certification
8. To liaise closely with assessors and certifiers in application of standards related to timber certification
9. To conduct promotion programmes to publicize its activities, both internationally and locally
10. To establish and implement an appeals procedure for enterprises whose certification application have been rejected
11. To determine costs involved in carrying out assessments and certification
12. To determine fee structure for payments by applicant enterprises
13. To establish surveillance mechanism for periodic review of compliance by certified enterprises
14. To do all such things as may be deemed incidental or conducive to the furtherance of any or all of the above objects

WWFM has been a member of the Board of Trustees of NTCC since its formation in 1999 and has been actively participating in the various activities organised by NTCC.

### 4.4 Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I)

The Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I) was drafted by the National Committee on Sustainable Forest Management based on ITTO’s Criteria and Indicators (Chew, 1998). The draft MC&I was tabled for discussion at the regional level, between stakeholders in Peninsular Malaysia, Sabah and Sarawak. The consultations were done in stages with Peninsular Malaysia on the 9 – 11 August 1999, Sabah on the 11 – 13 August 1999 and in Sarawak on the 13 – 18 September 1999. Representatives from WWFM attended the meetings held at both Peninsular Malaysia and Sabah. The MC&I were thoroughly discussed between stakeholders from the social, environment, economic groups and also the State Forestry Departments.

After the series of regional meetings, the Forestry Department of Peninsular Malaysia, Sabah and Sarawak together with NTCC met to consolidate the three documents to produce a single document which would be applicable at the national level. The document was later tabled for consultation with
the various stakeholders at the national level which was held at Kuala Lumpur from 18 – 21 October 1999 (Appendix 1). The session was organised by NTCC and there were a total of about 36 individuals from the government departments and agencies, 45 individuals from the trade and industry associations, 5 individuals from the academic/ research institutions and 20 individuals from the NGOs.

During the discussions, objections were raised from several of the social groups, with regard to conflicts in land rights in Sarawak. As such, these social groups proposed that certification in Sarawak was to be deferred until the issue with regard to the conflict in land rights are resolved. The meeting noted the objection that was submitted in writing and NTCC stated that the issue would have to further examined and discussed as land rights are currently beyond the jurisdiction of NTCC. The chairman noted that NTCC would have to open a dialogue session between the indigenous people’s representatives with the government agencies as soon as possible to resolve the issue.

The national level consultation was closed with the agreement of the participants to adopt the MC&I as the national standards, including all the inputs of the participants. The final document that was produced from that meeting had seven criteria and fifty-three indicators.

4.5 **Assessment Procedures in Using the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I)**

Subsequently after the consultations, the corrections and additions were made to the draft document. A report together with the amended MC&I were sent to the stakeholders involved for further written inputs into the document. As a follow up to the national standards, NTCC proceeded to draft out a document entitled “Assessment Procedures in Using the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I)” on the 8 March 2000 and also 27 – 28 March 2000. The objective of the document was to provide a standard document which would be used by the assessors when using the MC&I for assessment.

The invited participants were narrowed to the Forestry Department Headquarters, Sabah and Sarawak, two trade industry representatives, two NGOs, and two academic/ research department. Among the issues that were raised were the definition of major and minor corrective action requests (CAR) and the method for assessing compliance to the criteria and indicators.

4.6 **Assessment Procedures for Chain-of-Custody Certification**

The Assessment Procedures that were developed for the MC&I was also developed for Chain-of-Custody certification. The assessment procedures were also discussed with various interested parties and WWFM was also involved in the discussion. NTCC suggested the use of three systems which could be recognized as valid. The three systems are:

- **The physical separation system** - System based on physically separating certified and uncertified products in one processing area
- **The minimum average percentage system** - This system is the system which is currently used by FSC
- **The input/ output system** - This system is similar to the system used by PEFC

WWFM participated in the discussions that were held provided inputs to increase the credibility of the chain-of-custody system. It was suggested that the input/ output system would not be a system that would be credible for international markets, although it is more cost effective and allows the industry to operate in much the same capacity. After much discussion, it was agreed that a minimum percentage of input into the system must be applied for the product to be labeled as certified and the percentage of certified material is to be depicted on each of the product.
4.7 Mock Field Assessment Exercise To Assess The Forest Management Unit Of The State Of Johor Using The Malaysian Criteria And Indicators (MC&I)

Recently, on the 14 – 18 August 2000, a mock field assessment exercise was organised by NTCC to assess the forest management unit of the state of Johor using the Assessor’s Procedures. WWFM and several other interested parties were involved in the mock exercise as part of the mock assessment team. The team was led by SGS (M) Sdn. Bhd. which had previous experience in the assessment of the forest management unit of Selangor, Terengganu and Pahang. The previous assessments were done under the agreement with the Dutch under the Malaysian-Netherlands Joint Working Group.

The objective of the mock assessment was to check the practicality of the MC&I and the Assessment Procedures on the ground. The other objective was to assess the forest management unit of the state of Johor against the MC&I. The report is currently being prepared by SGS (M) Sdn. Bhd. after recent consultation with the mock assessment team members and has yet to be submitted to NTCC.

5  FOREST STEWARDSHIP COUNCIL (FSC) – NTCC COLLABORATION

The Executive Director of FSC, Dr. Timothy Synnott, have on two occasions visited Malaysia and on one such visit, signed an agreement of collaboration between NTCC and FSC. The objective of the agreement was to seek ways to harmonize the MC&I with FSC’s Principles and Criteria. As a Board Member of NTCC and a member of FSC, WWFM therefore in a strategic position to provide information and valuable inputs into the certification process in Malaysia. There are currently two activities in which WWFM is involved, in this capacity as a member of FSC and the Board Member of NTCC.

5.1 International Consultative Study

One of the activities that would be undertaken by NTCC and FSC was to engage consultants who are involved internationally in the subject of certification to do a comparative study between the MC&I and FSC’s Principles and Criteria (P&C). Two international consultants would be engaged to conduct the study, as the consultants would have to be familiar with ITTO’s Criteria and Indicators and FSC’s P&C.

Seen as a step closer to the harmonization of the MC&I, WWFM, under the Sustainable Forest Management project provided financial assistance for the engagement of the consultant by NTCC. Currently, NTCC is working closely with FSC in formulating the Terms of Reference (TOR) for the consultants and the identification of the potential consultants who could undertake this study. The result of this study would be a report which could be used by the National Working Group as reference (Appendix 2).

5.2 Forest Certification Workshop to Establish the National Working Group (NWG)

A meeting was held on 5 – 6 June 2000 during the Global Trade Fair and Millennium Forests For Life Conference in London between FSC, NTCC and WWFM. At that meeting, FSC was represented by its Executive Director, Dr. Synnott, and a Board Member, Mr. Mok S. T. NTCC was represented by its Chairman, Dato’ Dr. Freezailah Che Yeom with a representative from the Malaysian Timber Council (MTC). As a result of the discussions, it was decided that NTCC, with the help of WWFM would work together to establish a National Working Group (NWG) for Malaysia.

Subsequently, WWFM, together with Mr. Mok S. T., who is the Malaysian Board Member of FSC and NTCC, came together in a meeting to plan for the establishment of the NWG. It was unanimously decided that a Workshop should be conducted to gather the stakeholders and to inform them of the
suggestion to form a NWG for Malaysia. An interim organizing committee was established for the Workshop, which includes representatives from:

- Deutsche Gesellschaft fur Technische Zusammernarbeit GmbH (GTZ)
- Tropical Forest Trust (TFT)
- NTCC
- Mr. Mok S. T., FSC Board Member
- WWFM

Financial assistance were attained from the various funding agencies such as GTZ, TFT and contributions were also made available from FSC and WWFM for the Workshop and the participation of the NGOs. Efforts were made to ensure that all stakeholders have been informed of the Workshop and financial assistance has been made available to the NGOs to ensure their ability to participate.

The Workshop will be held on the 6 – 7 December 2000 at Kuala Lumpur and a total number of about a hundred and ten (110) participants have responded positively to the invitation. Invited speakers include the new Executive Director of FSC, Dr. Maharaj Muthoo and Ms. Neomi Perez, the FSC Trademark Manager and the programme for the two days of the workshop has been finalized (Table 4). The objective of this Workshop is to inform the various stakeholders on the process of forest certification and the processes involved in establishing a NWG. The interim organizing committee agreed that the decision on the need to establish the NWG will be taken by the stakeholders involved in the Workshop.

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<th>6 DEC 2000</th>
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<tr>
<td>0830 REGISTRATION</td>
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<td>0930 WELCOMING REMARKS</td>
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<tr>
<td>• FSC – Dr. Maharaj Muthoo, Exec. Dir., FSC</td>
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<td>• NTCC Malaysia – Dato’ Dr. Freezailah Che Yeom, Chairman, NTCC Malaysia</td>
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<td>1000 TEA BREAK</td>
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<td>1030 SESSION ONE (Chairman: Dr. Steve Howard – to be confirmed)</td>
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<td>• NTCC Malaysia Timber Certification Scheme – Mr. Chew Lye Teng, CEO, NTCC Malaysia</td>
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<tr>
<td>• FSC’s Mission and Means – Dr. Maharaj Muthoo, Exec. Dir., FSC</td>
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<td>• Accreditation and Certification Processes – Mr. Abdul Aziz Long, SIRIM QAS Sdn. Bhd. / Scientific Certification Systems (SCS)</td>
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<td>• FSC Trademark and Labeling – Ms. Noemi Perez, Trademark Manager, FSC</td>
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<td>• FSC’s National Initiatives – Dr. Timothy Synnott, FSC (to be confirmed)</td>
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<td>1230 LUNCH</td>
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<td>1400 BREAK OUT SESSIONS IN INTEREST GROUPS</td>
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<td>1530 TEA BREAK</td>
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<td>1700 FEEDBACK AND DISCUSSION WITH PANEL</td>
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<td>7 DEC 2000</td>
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<td>0930 SESSION TWO (Chairman: Mr. Rolf Krezdom, GTZ)</td>
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<td>• European Buyer’s Perspective on FSC – Mr. Scott Poynton, ScanCom, Vietnam</td>
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<td>0950 TEA BREAK</td>
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<tr>
<td>1020 • Global Forest and Trade Network – Dr. Steve Howard, WWF International</td>
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<td>• Retailer’s Perspective – Home Depot (to be confirmed)</td>
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6 OUTSTANDING ISSUES AND RECOMMENDATIONS

6.1 Area of Forest Management Unit (FMU)

Under the ITTO definition, the forest management unit (FMU) is defined as “A clearly defined forest area, managed to a set of explicit objectives and according to a long-term management plan.” In Peninsular Malaysia, each state constitutes one FMU while in Sabah, an area covered by a “Sustainable Forest Management Licence Agreement (SFMLA)” constitutes as one FMU. In Sarawak, each forest concession area constitutes one FMU.

Currently, the Director General of each State Forestry Department will issue licenses for a period of between one to five years to contractors to harvest a compartment within the PFEs of each State. The contractors are only engaged to harvest the forest resource while the management and silvicultural treatment of the PFEs are under the jurisdiction of the State Forestry Departments. The State Forestry Departments are also responsible for enforcing the National Forestry Act, 1984 (Amended 1993). Therefore, at any one time, there will be more than one contractor operating within the FMU at any one time. This could cause the possibility of penalizing contractors who practices sustainable forest management on the account of a single contractor who does not. Another possibility that would arise would be the rewarding of a contractor who could be harvesting at unsustainable levels on the account of sustainable forest management practiced by other contractors.

The decision by the NFC to constitute each state in Peninsular Malaysia as an FMU should be reconsidered. The recommendation is to divide the PFEs within the state into smaller areas, following district boundaries and constitute these areas as an FMU as this will be more cost effective and will increase the robustness of the assessment exercise. This in turn will increase the credibility of the assessment done on each FMU.

6.2 Security of Forest Tenure

The current practice of forest harvesting in Peninsular Malaysia is the issuance of logging licenses to contractors for a period of one to five years for one compartment area. This practice does not provide security of the forest tenure to the contractors and this has lead to cases where contractors intensify their harvesting activities to ensure maximum capital returns. In most cases, the felling activities are done with more intensity, with less care, cutting only high value commercial tree species and the increased occurrence of wastage.

This policy will have to be reviewed, as these practices will threaten the sustainability of the forest resource. Suggestions include to increase the tenure of the license to a period of about 25 – 30 years, which is approximately about one rotation period. This will enable the company or contractor to manage their forest resource sustainably without sacrificing economic sustainability.
6.3 Social and Land Rights of Indigenous People

During the National Level Consultation that was held in Kuala Lumpur on the 18 – 21 October 1999, the representatives from the indigenous people’s group in Sarawak has requested that certification be deferred in Sarawak as a result of unresolved issues with regard to land rights and tenure. This issue is still unresolved as land matters are the affairs of the state and it is not within the jurisdiction of NTCC.

However, it was noted that within the MC&I, the social components does not completely address issues such as mechanisms of consultation during the drafting of the forest management plan as well as mechanisms for conflict resolutions. The social components within the MC&I will have to be further developed and improved upon.

The latest development between the FSC – NTCC collaboration will hopefully assist in finding a solution for this problem. Under the FSC’s P&C, Principles 3 and 4 ensure that the rights of indigenous people are to be protected and also provides for a mechanism for conflict resolution between both parties. Therefore, the collaboration between both FSC and NTCC will strengthen the social component within the MC&I.

6.4 Listing of Flora and Fauna Under IUCN Categories

Under Criterion 5 of the MC&I, each FMUs are required to list the number of flora and faunal species that are endangered, rare or threatened as defined by the IUCN species list. Malaysia currently has the list at the national level but have yet to attain such data for the FMUs. The Forestry Department has not been able to provide this information and has mentioned that the list is currently unavailable at the FMU level for Peninsular Malaysia. As such, the non-compliance will be recorded for the inability to provide the list at the FMU level. The Forestry Department Headquarters have admitted that the Department does not have the skill to compile the list for both the flora and the fauna species.

As sustainable forest management is currently moving towards the holistic and integrated management taking into account the social and environmental aspects, the same changes should be seen in the Forestry Department. There should be more efforts in integrating the various departments involved such as the Wildlife Department and the Indigenous People Affairs Department in the management planning and implementation stage. Consultations should also be conducted with the various parties involved during the drafting of the management plan.

7 CONCLUSION

Malaysia has had a history of about 100 years of tropical forest management. Various policies and legislative framework exists in ensuring the sustainability of the forest resource in ensuring the continuous supply of raw materials for the timber industry. However, over the years, the rate of forest loss and degradation has increased in Malaysia.

The trend of forest management has changed tremendously over the last decade. Sustainable forest management now does not only equate to sustained yield but includes environmental and social considerations. Forests are now considered upon as a multi-value and multi-use resource as opposed to the single-value and single-use resource in the past. As such, a more holistic and integrated management of the forest resource will be the future of forest management.

WWFM is committed in its involvement in this field of sustainable forest management and forest certification in hopes that it would achieve the long-term goal of improving the management of the forests in production areas. In turn, with the inclusion of social and environmental components in the forest management system, the true value of the forests will be realised and appreciated.
REFERENCES


Appendix 1: The Process Involved In The Formulation Of The Malaysian Criteria, Indicators, Activities And Standards Of Performance For Forest Management Certification (MC&I)

**Preliminary Meeting**
Forestry Department Headquarters, Sabah Forestry Department and Sarawak Forestry Department

**Regional Consultation**
Peninsular Malaysia, Sabah and Sarawak

**Integration**
3 regional standards into draft national standards

**Draft “Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I)”**

**National Consultation on the Draft MC&I**
36 individuals from government departments/agencies, 45 individuals from the trade and industry associations, 5 individuals from academic/research institutions, 20 individuals from NGOs

**Forum**
To present the MC&I to a wider audience
Appendix 2: FSC-NTCC Malaysia Collaboration - Development Of FSC-Compatible MC&I For Forest Management Certification: Flow Chart Of Activities

- **MC&I for Forest Management Certification**
- **Workshop on Forest Certification jointly organised by WWF Malaysia, NTCC Malaysia and FSC**
  - **Environmental organisations elect representatives**
  - **Social organisations elect representatives**
  - **Economic organisations elect representatives**
- **Formation of Malaysia Working Group**
- **Discussions of Working Group**
- **Proposal of FSC-compatible MC&I for Forest Management Certification**
- **Submission of FSC-compatible MC&I for Forest Management Certification by Malaysia Working Group to FSC**

Additionally:
- **Comparison of MC&I for Forest Management Certification with FSC Principles & Criteria by two independent consultants**
- **Recommendations for amendments to MC&I for Forest Management Certification**