

Federico Lopez-Casero Institute for Global Environmental Strategies (IGES) 10 May 2006

Chatham House Meeting - January 2006

- Summary -

The purpose of this summary is to keep policy makers in Asia abreast of the current developments and thinking on illegal logging.

On 19 and 20 January 2006, an Illegal Logging Update and Stakeholder Consultation Meeting took place at Chatham House, Royal Institute of International Affairs in London. As the seventh in a regular series of biannual consultations, this meeting provided a valuable opportunity to gather up-to-date information on the illegal logging and timber trade, as well as on the evolving policy processes to combat these problems. The number of participants exceeded 100, making this meeting one of the best attended so far, according to regular attendees. Apart from IGES, participation from Japan was limited to one representative of the Japanese Embassy on the first day of the meeting.

Twenty-nine presentations were delivered during seven sessions and all the presentations were discussed by a panel. The sessions included:¹

- 1. The introductory presentation
- 2. Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan and Voluntary Partnership Agreement negotiations
- 3. Public procurement policies
- 4. Research updates
- 5. Private sector updates
- 6. Forest Law Enforcement and Governance (FLEG) panel
- 7. Campaign and project updates

The presentations related to: a) regional processes presently ongoing in Europe and the Asia-Pacific region (such as the negotiation processes for Voluntary Partnership Agreements under the EU FLEGT Action plan or, the workshop held in Cebu in November 2005 for cooperation among customs authorities in East Asia), and b) the formulation of national public procurement policies in some European countries (UK, Denmark and the Netherlands) are

¹ Most presentations are available at: http://www.illegal-logging.info/presentations/180106/



summarised below. All presentations are at least briefly mentioned.

1. Introductory presentation

Gareth Thomas, MP and Parliamentary Under-Secretary for International Development, gave the introductory presentation on the overall UK government position and action against illegal logging. Thomas stated that illegal logging has been, is and will continue to be a priority for the UK. As an example he referred to the G8 summit in Gleneagles (Scotland) in July 2005. According to Thomas, the four main objectives of the UK government are: 1) FLEGT, 2) mandate for VPA, 3) development of the VPAs, and 4) additional options (e.g., seminar in Brussels). Thomas mentioned that the UK government plans to allocate GBP* 25 million for projects specifically on illegal logging in FLEGT partnership countries. He also mentioned Latin America as the only region not yet covered by a FEGT process. Thomas expressed concern that around 3/4 of the EU member countries have yet to undertake any concrete action.

*GBP = Great Britain Pound Sterling

Discussion:

The following discussion was wide-ranging and concerns were raised about various areas such as the UK procurement policy's exclusion of social impacts criteria and a lack of harmonisation of procurement policies in the EU. Some participants highlighted the need for FLEGT and procurement policies to be supported by anti-corruption efforts. Industry representatives voiced their support for the government's work but also expressed concerns over minimal clear guidance regarding the development of verifiable sources. Best practice guidelines were requested that could provide clarity to companies trying to navigate a path acceptable to both the WTO and procurement policies. Mr. Thomas agreed that there was more that the UK government could do in this area.

2. FLEGT Action Plan and Voluntary Partnership Agreement (VPA) Negotiations

Neil Scotland of the **European Commission** presented an update on the EU's engagement against illegal logging. Recent developments include a legislative proposal agreed by member states in December 2005 and a workshop to plan EU development assistance. VPA negotiations are ongoing between Cameroon and Germany, Gabon/Congo and France, Ghana and the UK, Indonesia and the EU, and Malaysia and the Netherlands. Mr. Scotland denoted encouraging responses from potential partners but admitted that many uncertainties remain. The development assistance will be used to support reform to governance in producer countries. Commission and member states have earmarked substantial resources around the FLEGT Action Plan. EC sup-



port includes EUR* 15 million for Indonesia and EUR 10 million for the African, Caribbean and Pacific group of states (ACP). Outside the VPA, a series of pilot projects on forest governance themes have been funded with EUR 16 million. The objective for 2006 is to make the FLEGT Action Plan fully operational by finalising the VPA negotiations and planning development assistance.

*EUR = Euro

Discussion:

There was concern that no broader opportunity existed to discuss the principles of the VPAs and that the negotiating mandate is not currently publicly available. Mr. Scotland's response to this was that as the approval of any VPA depends on its legal basis, it is not possible to approve of any individual VPA in a public process.

The question was raised whether the existing certification schemes would be acceptable as part of the licensing scheme. Scotland clarified that although the Commission cannot say at this stage which schemes will be acceptable, there is a clear provision within FLEGT for existing schemes to be considered.

Sebastian Risso from **Greenpeace** presented an NGO response. He stated that long-term, political direction is needed which led to the following questions: What is the end goal? How can it be achieved? Greenpeace disagrees with a phased approach. *Legality* should not be a first step toward *sustainability*, as the phased approach could work as a disincentive to sustainable forest management, with the risk of legalising the destruction of biodiversity and forests. In Risso's view, the VPAs should include a positive definition of *"legality"* as well as joint and time-bound programmes of work. Moreover, he argued that for the implementation of the VPAs it is necessary to: 1) assess needs, allocate sufficient resources and create a FLEGT task force; 2) create a FLEGT advisory group and agree on clear principles and procedures to guarantee transparency and consultation; and 3) clarify the methodology for an evaluation of the existing legality verification system and for the required coordination between the EU Commission and member states, and 4) include additional legislative options and multilateral negotiations aiming to protect forests.

Ending this session, **Duncan Brack** from the **Chatham House** presented more legislative options, and **Emily Fripp**, an **independent consultant**, spoke about FLEGT impact indicators.²

² The presentations are available at http://www.illegal-logging.info/presentations/180106/Brack.ppt and http://www.illegal-logging.info/presentations/180106/fripp.ppt, respectively.



3. Public procurement policies

Neil Judd from the private consultancy **Proforest** described the Central Point of Expertise on Timber (CPET), which is a major component of the UK's public timber procurement policy. CPET was established in 2005 and is a public service operated by Proforest on behalf of the UK government. CPET's main objective is to provide advice to the UK public sector buyers and their suppliers on how to meet the public procurement policy requirements. For this purpose it provides a *helpline*, which is only available to public sector buyers (i.e., central government departments and agencies, affiliated bodies, and local authorities), as well as their suppliers. Another major task for CPET is the *assessment of evidence* to determine whether forest sources qualify as legal and/or sustainable. Potential evidence includes both certified material (Category A evidence)³ and other types of documentation (Category B evidence).⁴ CPET services include a training programme, a website and a monitoring of the implementation of policy.

Joan Walley, Chair of the UK Environmental Audit Committee, spoke about the public procurement policy from a member of parliament's perspective. While Walley requested a more centralised approach to timber procurement within the UK government, she also demanded policy action at the local level, including her own constituency. While Walley expressed general satisfaction with CPET, she stated that more needs to be done and suggested that CPET must ensure that only certified timber is procured. She demanded a final deadline to ensure that all departments purchase legal and sustainable timber. Walley also pointed out a lack of detail in the procurement guidelines that needs to be addressed. Finally, she asked for a Europe-wide approach, including EU legislation to remove illegal timber from the markets.

On behalf of the UK government, **Clair Treliving** from the Department for Environment, Food and Rural Affairs (**DEFRA**) gave a brief update on the public procurement policy. She pointed out that an annual review of all the forest certification schemes assessed under the UK public procurement policy was to start at the end of February 2006. With respect to PEFC (Programme for the Endorsement of Forest Certification schemes), which originally had failed in the assessment but committed itself to adopting the changes required by the UK policy, Treliving mentioned that CPET was checking PEFC national bodies on their progress with the changes. She emphasised that all national bodies must adopt the changes if PEFC is to continue providing assurance of sustainable timber. Treliving said that the CPET Reference Board will consider

³ Category A evidence requires the regular assessment of existing certification schemes by CPET to establish which ones currently deliver the policy requirements as defined by the government criteria for assessing schemes. According to a CPET expert interviewed, these criteria are predominantly "transparency" (particularly traceability) and "stakeholder involvement".

⁴ Category B evidence can vary greatly and usually needs to be judged on a case-by-case basis. It involves all forms of credible evidence other than the certification schemes. These usually are audit statements, government documentation or supplier declarations.



suggestions for improving the Category A assurance criteria. The Category B criteria would be modelled on Category A. With respect to an issue that proved to be quite controversial at the Chatham House meeting, Treliving said that the government was re-examining the scope for including criteria in contracts to help forest-dependent people ("social criteria").

In her presentation, **Saskia Ozinga** from the NGO **FERN** strongly criticised the UK public procurement policy. She pointed out the missing social criteria in the UK policy and quoted an EU study whereby social criteria could be included. She demanded that a non-inclusion should be explained by the government. Ozinga expressed her disappointment with the certification scheme assessment. She said that even using the same criteria, CPET and FERN reached different conclusions. She accused the CPET methodology of having failed as it only looked at what the certification schemes were saying.

Christian Lundmark Jensen from the **Danish Forest and Nature Agency** explained the Danish public procurement policy. Under this policy, government agencies should procure timber and wood products that are: 1) legal and sustainable, or 2) legal and preparing toward sustainability. Tools include guidelines on the purchase of *tropical* timber. The government is undertaking three projects: a) a user survey and calculation of the consequences of expanding the procurement policy to *all* timber and more binding rules; b) a comparison with the procurement policy in the UK; c) a judicial assessment. The user survey revealed that the guidelines on tropical timber are *not* being followed to a satisfactory degree. Denmark is the only country to focus only on tropical timber. While the guidelines are still *voluntary*, Denmark is considering binding rules for *all* timber and the introduction of social criteria.

Janneke de Jong from the Ministry of Housing, Spatial Planning and the Environment of the Netherlands gave a presentation on the timber procurement policy in his country. According to this policy, timber and wood products to be procured by government agencies must be "preferably sustainable." The development of procurement standards began in 1997 with the introduction of minimum requirements which became a national standard in 2005. De Jong announced that in February 2006 a decision will be made on whether to adopt a new system, abbreviated as "BRL" in Dutch. He mentioned a parliamentary motion whereby procured timber *has to be sustainable* by the end of 2010, "even if it is 20 per cent more expensive." According to de Jong, the Dutch model will be closer to FLEGT than others as its legal criteria will be based on the FLEGT timber-licensing scheme. As remaining issues, de Jong stated the need to design model documents and the equivalence validation of certification schemes based on a "BRL-test."



Discussion

CPET responded to the points raised by Ms. Ozinga in the 'NGO Response,' saying that many of these issues have arisen as a result of a preliminary assessment of certification schemes. The next steps of policy implementation will hopefully bring the various stakeholders' visions of CPET closer in line.

There is no survey to date as to the degree to which the UK local governments are following the central government timber procurement policy as CPET's current focus is on the central government; however, local government buyers are invited to training courses.

On the subject of harmonisation, one suggestion was a shift in focus from a national to an EU procurement policy. The EU currently does not have a public procurement policy.

4. Session on research updates

Wolfgang Richert from **AidEnvironment** presented "Regulating Private Forestry Investment: Policy Options." Richert stated that there is no simple answer to the question "Is the financing of an illegal timber trader or a logging company that is involved in illegal logging allowed?" He also said that more research is required on this issue. Richert introduced a study financed by the Dutch government which aimed to investigate how to prevent the financing of illegal activities outside the EU by European financial institutions. The study showed that environmental policy toward the financial sector is 20-30 years behind. While regulations are often already in place, they are not applied as the banks are not aware of them. He concluded that there is a need for information and use of the courts.

John Palmer from the UK's Department for International Development (DFID) Forestry Research Programme (FRP) discussed the operation and regulation of chainsaw logging and milling. Palmer said that this research focused on the ease of chainsaw acquisition and portability which would make chainsaws attractive for illegal timber cutting. He made clear that the project is intended especially to help countries where chainsaw logging is illegal but prevalent due to corruption.

Marcus Colchester from **CIFOR** addressed the issue of "Justice in the Forests: Rural Livelihoods and Forest Law Enforcement." He expressed concern about the impact of illegal logging on rural livelihoods. Colchester quoted a World Bank report, whereby the value of forest dependency amounts to USD 700 million, while he pointed out that in reality the amount is higher, yet not quantifiable due to a lack of reliable information. Colchester focused on laws affecting social groups dependent on forests, arguing that illegal logging is not just an outcome of poor governance, but an integral part of the forest economy. He stressed that the forestry law



has been favourably influenced by the private forestry sector and that strict enforcement has negative impacts on the poor. He recommended an improvement in interagency coordination and a maximisation of transparency and accountability.

Discussion:

The discussion began with questions about the arguments regarding rural livelihoods and forest law enforcement. It was suggested that the point of approaching legality from a forest management perspective is a first step towards protecting rural livelihoods. Colchester acknowledged this suggestion in theory but said his research showed that on the ground it is much easier to penalise the small-scale illegal loggers while the real problems go unaddressed. The remainder of the discussion focused on the FLEGT VPAs, with stakeholders expressing some frustration about not being able to participate in their development. EC representatives said that issues of rural livelihoods and other concerns were being discussed and made a commitment to continuing discussions with all stakeholders.

5. Private sector updates

Eric Boilley, from the French timber trade association *Le Commerce du Bois* (LCB), presented an overview of his organisation's involvement in public timber procurement. LCB is a private initiative from specialised timber distributors with strong links to public procurement policy. Its objectives include committing all LCB members to improve their practices, supporting the suppliers in their efforts toward sustainable forest management and involving other stakeholders. According to Boilley, LCB's environmental charter will be compulsory for all members in 2006 and will lead to a continuous increase in the supply of certified products. LCB provides a database on areas of conflict (based on NGO information) to its members, and information on three production features to its customers: commercial name, country of origin, and certification. Boilley also mentioned that member companies have to facilitate monitoring by independent third party certifiers and make visible progress at the biennial audits.

Alberto Romero, from the Spanish Timber Trade Federation AEIM, gave an update on his association's code of good environmental practices, approved in March 2005. The code includes a commitment to responsible timber purchase. While AEIM member companies account for around 70%, this is merely a private initiative as there is no public procurement policy in Spain.

Mike Packer from the **Timbmet Group**, the UK's leading distributor of hardwoods and other value-added timber products, talked about risk management and commercial responses to changing markets. According to Packer, Timbmet is ahead of general processes in the UK's private sector. The ultimate goal of Timbmet's timber purchasing policy is that all their timber



will be derived from sustainable forest management. Timbmet has categorised, certified and verified timber as follows: 1) sustainable (timber certified by the FSC, CSA, PEFC, SFI); 2) progressing to sustainable (independently certified by Timbmet Silverman); 3) semi-sustainable (e.g., MTCC, considered being traceable and legal for government contracts); 4) traceable and legal, i.e., independently audited (e.g., SGS, Eurocertifor). Timbmet Silverman's purchasing performance shows that the percentage of certified/verified products has increased from 17 per cent in 2004 to 27 per cent in 2005. Timbmet's risk assessment process focuses on product-specific source risks, i.e., country and species risks and on forest source information. However, Packer also pointed at existing constraints to the purchase of certified tropical timber.

Adam Matthews presented industry proposals for increased transparency in the global timber sector formulated by the **Timber Industry Forum**, an informal alliance of "25+ companies" (producers, importers, consumers), mainly investing in Africa. From a long-term perspective, his group supports a ban of illegal timber. The Forum is working on a joint industry/NGO contribution to create greater awareness in the private sector, with WWF and Greenpeace as partners. The group has no intention to formalise its status, but seeks to be a lot more engaged. Apart from exploring the chances of cooperation with the UK government, the group advocates a transparency code to introduce further transparency into the industry sector.

Representing Koninklijke Houthandel G. Wijma & Zonen, Mark Diepstraten presented his company's efforts to obtain FSC certification for its concessions in Cameroon.

Peter Latham spoke on behalf of absent Andy Roby from the **UK Timber Trade Federation** (**TTF**). The TTF's thirty-four members represent 30% of the UK's imported timber. He stated that the existing demand for verified timber products is presently not getting through the market. Latham urged the UK government to rigorously enforce their timber procurement policy, with which the TTF is not yet satisfied. He demanded a system to trace the chain of supply and mentioned the TTF's intention to join forces with other associations in the EU in order to increase pressure on suppliers. Latham quoted a statement by Andy Roby in which Roby expressed the TTF's disappointment with the EU Commission's work.

Discussion:

A question was raised about the onerous commitments in the French LCB Charter. The response was that signatories must sell at least legal timber projects when they sign up, and if they do not meet the requirements at each stage of the process, members will be ruled out of the federation. On the Spanish AEIM's code of good environmental conduct, a question was raised about its general commitments and how third party verifiers would be able to measure progress—the answer was that this is still being worked on.



There was discussion about timber purchasing clauses in UK government department contracts and Mr. Latham made it clear that TTF members often find themselves quoting for work against companies that are not certified. The clause in the TTF Code of Conduct requiring all timber to be from legal sources was also discussed. Although the clause is apparently clear, in reality members do not find it straightforward and need guidance as to what is legal. The code should be seen as a method of continuous improvement with members setting year-on-year targets verified by a third party.

Experience from Indonesia was that although a system had been set up to get FSC certification, the timber price is still too low and it is therefore extremely hard to maintain the commitment. Many traders find it easier to forget certification and simply opt to work illegally.

6. FLEG panel

Victor Teplyakov from the World Conservation Union (IUCN) Russia gave a presentation on the involvement of Russian civil society in the ENA FLEG (Europe and North Asia Forest Law Enforcement and Governance) process following the St. Petersburg Declaration from November 2005. He identified different segments of Russian civil society attracted by, and mass media involved in, ENA FLEG, and regarded the National Action Plan that is currently being formulated as a positive first stage. However, Teplyakov criticised the lack of a national forest policy in Russia and the planned decentralisation of forest administration, which will not be accompanied by a devolution of funding to regional authorities.

Gary Dunning from the **Forest Dialogue** introduced his organisation as one whose members are both from civil society and private sector leaders and whose mission is to be a catalyst and advocate of rational discourse on forests.

Tapani Oksanen from the **World Bank FLEG Team** explained how the World Bank has mainstreamed illegal logging-related issues into broader governance programmes since 2005. With regard to East Asia, he mentioned past and planned meetings organised by the World Bank on forest transparency and access to data.

Carole Saint Laurent of the **World Conservation Union** described some lessons learned for effective FLEG implementation, as well as current challenges. IUCN has been involved in the FLEG processes in Asia, Africa and Latin America. Lessons learnt from this are that effective FLEG implementation processes require:

- Continuing awareness-raising to enable effective action as issues arise.
- Clarity about who will do what in order to manage expectations.
- Interaction between civil society, industry and governmental follow-up.



- Resources to match the mandate.
- Reaching out to ensure that the people participating are the right people; this may mean those most affected, those with the most interesting initiatives, or key government officers.
- Dialogue and action should happen simultaneously.

International oversight is crucial in order to avoid a loss of momentum.

Alexander von Bismarck from the **Environmental Investigation Agency** (**EIA**) spoke about the value that FLEG has added to the debate on forest management. EIA sees two main purposes for FLEG which have been apparent during the last five years:

- 1. As a 'beachhead' for awareness-building regarding forest management and illegal logging. The success of Asia FLEG is very clear and has been achieved by the political will and energy provided by the FLEG process. FLEG provides a means to examine all the issues and develop them into focused action, for example, co-operative enforcement action.
- 2. FLEG acts as a functional regional enforcement mechanism, filling a crucial gap in forest management. A clear example of this is in the area of falsified permits on shipments; shipments may involve products from a number of countries, all of which are illegal, but missed by individual systems due to a lack of co-operation and knowledge.

John Hudson from the UK's **Department for International Development (DFID)** focused on the results of the ENA FLEG meeting. He pointed out that the way in which NGOs and the private sector worked together to influence governments was very effective. He claimed that the level of awareness and interest in the subject has increased recently, as the presence of representatives from eighteen member states of the EU demonstrated.

It was clear that there was no real consensus on the role and purpose of FLEG. For some, it is to create awareness, build the political will and foster some momentum. But other participants see the need to follow this with action plans and a committed budget. This raises questions of whether FLEG should be broadened to include, for example, rural livelihoods in the broadest sense, or whether issues have to be dealt with in broader contexts at the national level.

It is important to understand how different FLEG processes support each other. For example, processes set up after Asia FLEG have not operated as expected and it is important to learn from that. Africa cannot be treated as a single area in the FLEG process and, as an EU state, UK action in Africa will be channelled through the EU FLEG.

DFID identified two main problems with the process. The first is a need to broaden the membership by bringing in other actors; the second is a concern for whether such an organisation can work in an affordable way, particularly in poorer regions.



Discussion:

It was suggested that if FLEG concentrates on key focus areas, this might lead to governments scaling down their activities to just those particular areas. It was felt that a debate was necessary. Decisions should be made on how wide the FLEG process should go and should it involve, for example, land tenure questions and by-laws.

7. Campaign and project updates

Joseph Roland Matta, the National President of the **Cameroonian Chapter** of the Central African Parliamentary Network and President of the Organising Committee of the Second Conference of Parliamentarians for the Sustainable Management of Central African Moist Forests Ecosystems, spoke on the role of parliamentarians in the Cameroonian VPA negotiations.

Pat Venditti, Greenpeace, illustrated the "China Syndrome," as a result of a case study on continuing illegal timber imports from Papua New Guinea via China into Europe.

Stuart Wilson, REM, and Alain Marius Ngoya-Kessy, Ministry of Economics, Forestry and the Environment reported on integrated forest management (IFM) in the Republic of the Congo.

Brenda Brito, Assistant Researcher and Vice-Executive Director of **Imazon** spoke about "Logging and Forest Law enforcement in the Brazilian Amazon" and recommended that timber traders not buy from environmental perpetrators, a list of whom the Brazilian government regularly publishes.

Alexander von Bismarck from the **Environmental Investigation Agency** (EIA) showed an investigative documentary film on the "Illegal Logging Crisis in Honduras."

Andrey Zakharenkov, explained the Validation of the Legal Timber Programme (VLTP) that his organisation SGS has designed for the Russian Far East as a complementary and stepwise approach to responsible forest management and certification. Requested by the government of the Khabarovsk region, VLTP is a voluntary programme of independent timber legality verification designed to meet the requirements of international mechanisms, such as the ENA FLEG and the EU FLEGT. SGS VLTP statements and product stickers provide assurances that wood-based products were produced and sold legally, potentially serving as a basis for issuing official export permits. VLTP involves a combination of audits, spot checks and monitoring of timber origins, legal compliance and traceability checks and a chain of custody mechanisms for companies processing and trading in legal products. The scheme is operated by



SGS in association with a local partner. Environmental and social NGOs will be invited to join an advisory committee to give guidance. By February 2006, twenty-eight companies from four Far Eastern regions of Russia had registered with the scheme.

Chen Hin Keong, from **TRAFFIC International,** addressed the recent efforts to promote cooperation among customs and forestry authorities in East Asia to combat trade in illegal wood products." He presented the results of a three-day workshop in Cebu which aimed to share information and experience and to explore the chances of building regional frameworks. Participants were the main producer countries in Asia and some importer countries. According to Chen, the workshop recommended at the *national* level: 1) Coordination by creating inter-sectoral national working groups to share information and increase participation of civil society. Chen emphasised that customs officials themselves saw their role in serving as the focal institution in their countries to provide a one-step service; 2) Creation of a legal framework; 3) Capacity building of customs authorities on illegal logging and forestry issues. At the regional level, the workshop recommended a framework by creating an ad hoc working group within six months to define a regional level structure. ASEAN was identified as the appropriate regional form to harmonise system codes and formulate a regional definition of legality.

Mike Davis from **Global Witness** contributed his organisation's Burma and Cambodia campaign reports. He argued that 98% of the trade between China and Burma was illegal and based on untruthful information, but also said that a logging ban implemented by Burmese authorities has shown some positive effects. In Cambodia, on the other hand, customs officials confiscated documents and arrested people engaged in natural resources management. Davis criticised the World Bank for their "180 degree change of view" on whether companies are using their concession in a sustainable manner.

Ian Redmond of the **UK-based Ape Alliance**, gave a presentation on a UNEP/UNESCO Great Apes Survival Project.

Discussion:

With respect to Zakharenkov's presentation, a question was raised about the incentives for companies in the Russian Far East to join the scheme. Zakharenkov responded that almost 40% of timber is exported to Japan which, he said, now asks for legal certification. In addition, a company exporting to both Japan and China has begun asking for certification independently. However, it was acknowledged that the driving force has to be the government and that competition between forest companies is not sufficient.



As of January 2006, the next multi-stakeholder consultation meeting at the Chatham House was planned for late June or early July 2006. Chatham House representatives expressed their interest in continued participation from Japan. A presentation on the Japanese public timber procurement guidelines by a government official was said to be particularly desirable.

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