SUMMARY

This paper is in three parts. The first part provides a general introduction to forest certification, its history and its mechanisms. The second part focuses in more detail on the current debate about the relative merits of the certification of performance standards, as carried out by the Forest Stewardship Council, versus the certification of management system standards as promoted by the International Organisation for Standardization. In the third part, some of the outstanding issues to be resolved are outlined and suggestions made for a way forward.

PART I - AN INTRODUCTION TO FOREST CERTIFICATION

What Are the Origins of Forest Certification?

Forest management certification is a relatively new type of formal, voluntary procedure. A certifier - who is a third-party inspector - gives a written assurance that the quality of forest management practised by a defined manager or group conforms to specified standards. This certification is often followed by verification of the chain of custody of products from the certified forests, and labelling of the products, so that they can be proven not to have been mixed with, or substituted by, products from other forests. In this way, certification attempts to link market demands for forest products produced to high environmental and social standards with producers who can meet such demands.

Certification was originally developed for the wine industry in France - *appellation d’origine contrôlée*. It has since been used for a range of activities from organic agriculture to laboratory testing procedures, but has only been applied to forests since 1989. At this time the North American and European public were arguing for a complete boycott of tropical timber in order to safeguard the future of tropical forests. As an alternative, the idea of timber labelling, to enable the public to choose products from ‘sound’ sources, was promoted. Forest certification thus evolved as an instrument to give due recognition to, and provide an incentive for, sustainable forest management (von Kruedener and Burger, 1998). Its development is part of a general trend to define and monitor standards for environmental and social improvements in natural resource management.

Why Is Certification So Topical?

In the last twenty years, forest problems worldwide have been on the increase. Forest area and quality have both declined, especially in the tropics and boreal areas. Stakeholders are in conflict over increasingly scarce forest goods and services. It is generally acknowledged that the root causes of forest problems are policy, market and institutional failures. In recent years, four basic responses have been made to address these failures:

- *Improving national policies* by making them more comprehensive and participatory, and thereby covering more objectives. National forest plans are being promoted by development assistance. This is fundamental and irreplaceable for establishing land law, allocation and use rights.

- *Developing international initiatives* that encourage or oblige more sustainable treatment of forests at national level. These have tended to be of the lowest common denominator (UN Forest Principles); but
they can be catalytic of useful local action (Tropical Forest Action Programme). There is a danger that these initiatives may be top-down, irrelevant and inequitable if not negotiated by the right parties.

- **Civil society efforts** have been developed in response to the perceived failure of the above two approaches. NGO campaigns and/or boycotts, for example against tropical timber, have largely been ineffective, but have raised awareness. Private sector voluntary codes of practice and self-declared 'labels' of sustainable production have lacked credibility, but have helped the industry to begin internalising social and environmental concerns.

- **Market instruments** have recently been developed by different civil society groups working together. Among these, forest certification and ecolabelling are currently receiving much attention.

### What Does Certification Aim to Achieve?

The direct purpose of any form of certification is to provide verification that something - a product, service or process - has been produced or carried out as prescribed. Indirectly, forest certification can contribute to transparency and accountability within the forestry industry. Still more indirectly, accountability may serve as an incentive to improve performance, and it may result in customers making an informed choice in favour of the certified operation. For different forest stakeholders, the possibility of these potential chains of impact has led to varied hopes for certification.

The main expectation of most NGOs involved is that certification will improve forest management, and enhance multiple values from forests. Other expectations are developing, for example that certification will improve mechanisms for producer accountability, challenge policy/legal frameworks and improve government roles, and reduce government's forest monitoring burdens, by bringing in independent certifiers. On the other hand, producers and the trade hope that certification will, maintain or improve their market access/share.

Other producer interests, less universal, are to obtain a price premium for certified products, obtain/defend the producer's access to forests, resources, and capital, reduce the producer's environmental and social risk, and improve the awareness, skills or morale of staff and shareholders.

All of the above-mentioned expectations are central to forestry debates which go far beyond the limitations of certification. Yet hardly anything is known about the likelihood of achieving most of them. There is very little monitoring and assessment of certification's impact on forests, people and trade. Nonetheless, most parties will be satisfied if certification both improves forest management and ensures good market access for well-managed forests.

### How Does Certification Work in Practice?

There are a variety of approaches but forest certification generally comprises a number of basic elements, beginning with **certification of forest management**. This is a voluntary process. Forest enterprises that want certification usually ask for an initial visit by a certifier to see how well they are doing against the (various) relevant **forest management standards**. Certification is carried out by third party certifiers who have themselves received **accreditation** as being competent, reliable and independent in providing specified certification services. The formal certification process will then involve the third party certifier conducting an independent audit of forest management quality.

The audit takes place in a specified forest area, under one management regime, and against specified environmental, social and economic standards. It is done by assessing documents which prescribe and record the management of the forest, together with checks in the forest. This is followed by a peer review of the assessment. The process results in a certificate for a period; and/or a schedule of improvements ('corrective action requests'), and regular checks are held thereafter to maintain the certificate.

**Chain of custody verification** and **labelling** may follow, but these are separate activities. Since the process is market-driven, the forest enterprise will usually then want to put some sort of label on the products from certified forests. This will involve 'chain of custody' auditing, i.e. a monitoring process involving independent verification of flows of forest products, with their associated records, from forest to processing, to finished product at the point of sale. Bar-codes and hand-held computers have been used for this. At the point of sale, a product that has a verified unbroken chain of custody may then be provided with a label that identifies it as being from a certified forest. This will be a single-issue label if it only covers forest management (as can be certified by forest certifiers).
It may also be a multiple-issue ecolabel if it also covers such issues as processing operations and transport.

Certification bodies have separate procedures for forest certification and chain of custody monitoring.

What Standards Are Used?

Certification is essentially a procedural affair. But the choice of standards (and of who should certify whom) is at the heart of most arguments concerning certification. Standards are documented agreements covering technical specifications/criteria to ensure that processes (such as forest management), products or services are fit for their purpose and that they are developed by stakeholder participation. There are two complementary types:

- **performance standards** — which cover operations and their impacts;
- **process/management system standards** — which cover enterprise policies, management systems and processes.

There are two main contentious issues here. One is that different groups have different aspirations for the performance standards. Environmental/social NGOs and those buyers promoting ‘green’ or ‘fair trade’ forest products would like to see the achievement of very high performance standards, particularly as defined by the Forest Stewardship Council (FSC — see below) and, more recently, by the International Federation of Organic Agricultural Movements (IFOAM). Others say that, where government requirements are good enough, certification will be of no extra advantage to forestry (though it may be to the marketing of forest products). This is particularly the case because certification in any case requires adherence to legislation.

The other issue concerns the balance between performance and process standards. Big forestry businesses tend to stress the need for process over performance, stating that all forests and enterprises are different and it is inappropriate to force single sets of performance targets on all enterprises, irrespective of their starting points and capacities. They like the ISO Environmental Management System standard for this reason (ISO 14001 — see below).

In the second part of this paper, it is suggested that sustainable forest management will be achieved by a mix of both process and performance standards.

How Is the Quality of Certifiers Ensured?

To work properly, the practice and results of certification must be credible to the market and stakeholders, and therefore transparent and independent. To assure this, an assessment of the skills, procedures and impartiality of certifiers themselves is required. This is called accreditation of certifiers. Accreditation mechanisms are well established in other sectors. Many countries have national accreditation councils for certifiers in several sectors. FSC is taking a lead in developing global-level accreditation of forest certifiers.

Three Approaches to Certification

**The Forest Stewardship Council (FSC)**

The FSC was developed by NGOs and private sector actors. At present, the FSC and its accredited certifiers offer the only established international system of forest management certification. The FSC was established precisely for the purpose of forest certification. It operates a complete package: a global set of 10 Principles and Criteria for good forest stewardship (which it hopes will be translated into many national standards); an international accreditation programme for certifiers; a trademark which can be used in labelling products from certified forests; and a communication/advocacy programme. Certifiers accredited to the FSC can certify by interpreting the global Principles and Criteria; but they have to use national standards once these have been defined (as in Sweden). They often use local consultants in their teams, which may include an ecologist, a forester and a sociologist. There are currently only five accredited certification programmes, all of which are in the North:

- Qualifor (SGS-Forestry, UK)
- Woodmark (Soil Association, UK)
- Smart Wood (Rainforest Alliance, USA)
- Forest Conservation Programme (Scientific Certification Systems, USA)
- SKAL (The Netherlands).

Further (potential) certifiers — from Argentina, Brazil, Canada, Costa Rica, Germany, the Netherlands, and Switzerland — are seeking accreditation.

The International Organisation for Standardization (ISO)

Through its ISO 14000 series, the ISO offers a framework for the certification of environmental management systems (EMSs). This series covers similar ground to forest management certification, except that it does not specify forest management performance standards, and does not permit a label to be attached to products. The EMS is certified, rather than the forest. Although not strictly a forest certification programme, the ISO approach offers much potential for assessing the environmental quality of forest management. An ISO Technical Committee Working Group is preparing an information document on the various forest performance standards available, to help enterprises incorporate relevant standards into their EMS.

National certification programmes

Developed by multi-stakeholder groups, these are of two kinds: those developed under the aegis and following the procedures of the FSC, such as that recently developed for Sweden (and under way or planned for several other countries); and independent approaches. It is interesting to note that the independent approaches have tended to involve government more, and also combine elements of the FSC and ISO approaches. These include the Canadian Standards Association approach (designed for forestry) with its orderly integration of prescribed types of performance criteria at local level. Another is the European Commission's Eco-Management Auditing System (EMAS), originally designed for industrial plants, with its requirement for use of economically-viable, best available technologies, and for communication of site-specific environmental information. There are also the new initiatives in Indonesia (Lembaga Ekolabel Indonesia) and Finland, as well as evolving initiatives in Norway (Living Forests) and Ghana (based on a quality management system standard). Some have, or will, incorporate standards begun through intergovernmental processes (such as the Helsinki Criteria for Europe, which will be used in the Iberian standard). It remains to be seen how the 'home-grown' approaches will be internationally recognised — perhaps mutual recognition agreements will be developed.

If Certification Is Market-Led, Who Is Demanding It?

Markets in north-west Europe, especially in the UK, Belgium, Netherlands and Germany, are becoming strongly aware of certification. There are also emerging North American markets. Business-to-business buyers tend to need only forest certificates while those who ultimately sell retail tend to require labels in addition.

Buyers' groups, such as the '1995 Plus Group' organised in the UK by the Worldwide Fund for Nature (WWF), have committed themselves to buying only certified products after a certain date. More significantly, they are committed to FSC-certified products; at present, there are no buyers demanding an ISO-EMS approach. They can legitimately apply a label to FSC products, but not to those of an enterprise with an EMS certificate. Perhaps they also find it easier to promote the lofty and clear values of FSC, rather than the bland notion of EMSS; certainly, there is no doubt that retailers are very much the driving force behind certification at present — using the power of advertising to create demand amongst consumers.

This demand is not creating a 'green premium' for certified products. Rather, it is a question of market access. In Britain, a local authorities group is being formed to help local government in pursuing its wood procurement policies, which have moved, for example, from bans on tropical hardwoods, to favouring sustainable production. Whilst the buyers' groups appear to have environmental concerns uppermost, it now appears that the 'fair trade' market, where social objectives are paramount, is gaining ground. It remains to be seen whether this market will be fed by improving social standards and verification through forest certification, or whether separate 'fair trade' programmes and audits will fulfil the need.

Finally, the recent announcement by the World Bank of its intention to promote 200 million hectares of certified forests in the next few years may lead to further initiatives outside the market.
What Are the Costs of Certification?

The costs of certification must, of course, be distinguished from the costs of improving management to a level at which a certificate may be awarded. Once management has improved, however, some companies have noted that efficiency and health and safety gains can outweigh the costs of certification.

There is a broad range of cost estimates on a per hectare basis (e.g. $0.3-1.0 per ha per year in tropical forests) or a percentage (1-5%). These vary because:

- large operations are able to spread the fixed costs of certification over bigger areas and volumes;
- competition is increasing, bringing down costs; and
- the costs of certifying a complex and remote rain forest, for example, may be higher than those for a uniform plantation near a pulp mill.

The forest enterprise normally pays the costs. Sometimes the costs are borne by the buyers if they begin to require certification but also want to maintain existing relationships with certain forest enterprises.

The Framework for Effective Certification

Some prerequisites are required for certification to work well. It is not worth considering certifying forests unless the following are in place:

- environmentally and/or socially-conscious markets to which forest products are traded, e.g. in Western Europe;
- adequate forest management (the costs of improving management to a certifiable standard may be too high otherwise); adequate policy conditions for supporting good forest management;
- adequate stakeholder fora and communications.

If these are in place, then the incremental revenues from the first condition must outweigh the costs of the other three - unless there is some other way of compensating forest enterprises for the environmental and social benefits which they are producing and which certification is verifying. In other words, certification can provide an incentive to improve management only if it builds on an adequate base. For countries where there is rampant asset-stripping of forests, and a lack of government control, more fundamental improvements to policy, law and enforcement capacity are needed first.

How Can We judge whether Certification Programmes Are Effective and Efficient?

Leaving aside all of the possible purposes of certification except improving forest management and assisting market access/share, effective certification will mean:

- compatibility with, and positive contributions to, sustainable forest management, including other instruments for sustainable forest management (SFM);
- acceptability to stakeholders and credibility in the marketplace;
- non-distortion of trade.

Each of these requirements is elaborated in more detail in Boxes 1, 2 and 3.

Box 1 Certification should contribute to sustainable forest management
Certification needs to recognise that, at any one time, a forest is the product of past objectives and their impacts, current practices, and management plans for the future. In other words, sustainability performance needs to be monitored (the past), implemented (the present) and planned (the future) through a coherent management system. Performance should balance economic, social and environmental objectives; global, national and local interests; and present and future requirements.

The management system needs to be adaptive, allowing for continuous improvement. It must integrate the above objectives within the local context or make trade-offs if integration is not possible. Participation of local stakeholders is essential as is a readiness to experiment, monitor and learn from results. Sustainability requires the root causes of forest problems to be addressed. These may include institutional weaknesses, distorting policies that favour an asset-stripping approach to forests, and imbalanced power relations between those who depend on forests. Whilst certification may not be able to have a direct effect on these, it should be compatible with other efforts to alleviate them.

### Box 2 Certification should be acceptable to stakeholders and inspire market confidence

Stakeholders can be defined and ranked by a number of factors including their proximity to the forest; pre-existing rights; their dependence on the forest; levels of indigenous knowledge; the importance of the forest in their culture; and their degree of marginalisation. The acceptability of certification to stakeholders depends on:

- the possibility to engage in participatory, transparent approaches to developing standards;
- standards reflecting stakeholders' knowledge, values and aspirations;
- the existence of transparent and repeatable certification/accreditation procedures;
- equitable treatment regarding type/scale of forest owner/manager;
- the cost-effectiveness and practicality of the certification process; and
- engaging the right stakeholders in the standards and assessment processes.

To ensure that it inspires marketplace confidence, certification requires:

- standards that reflect consumers' values and aspirations;
- certification, accreditation and labelling procedures that are transparent, repeatable and free from possibilities for fraud;
- assurance of adequate production and low prices, whilst keeping to reasonable standards;
- means for recognition where different schemes exist.

### Box 3 Certification should minimise trade distortions

The World Trade Organization (WTO) agrees that Technical Barriers to Trade (TBTs) are acceptable if they protect consumers, environment and plant health. However, until cases are brought to the YPM panels, one can only speculate as to how certification may be treated. At present the WTO considers TBTs such as standards and conformity assessment procedures (certification) to be acceptable as long as they are voluntary and run by the private sector. It implies that certification should:

- be nondiscriminatory (against country or forest type);
- avoid unnecessary obstacles to trade or distortions of trade (i.e. certification should meet environmental objectives and go no further);
- encourage harmonisation, or acceptance of equivalence, amongst similar approaches to
standards/conformity assessment;

- use international standards where these exist;
- be verifiable and transparent; and
- allow for special/favourable treatment of developing countries.

Social standards may present special difficulties as they could be construed as harming the competition by not allowing countries to make use of low labour costs. High environmental performance standards may also present difficulties as they may be considered to go beyond national environmental objectives.