

# **Certification: Barriers to Benefits**

**A Discussion of Equity Implications**

**Kirsti Thornber, Dominiek Plouvier and Stephen Bass**

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## ACRONYMS

C&I	Criteria and Indicators
CAR	corrective action request
DFID	Department for International Development
EC-DGVIII	European Commission – Directorate General 8
ENGO	environmental non-governmental organisation
EMS	environmental management system
FSC	Forest Stewardship Council
ISO	International Standards Organisation
ITTO	International Tropical Timber Organisation
NGO	non-governmental organisation
NTFP	non-timber forest product
P&C	Principles and Criteria (FSC)
PNG	Papua New Guinea
SAFCOL	South African Forestry Company Ltd.
SFM	sustainable forest management
SME	small and medium sized enterprises
SRL	sustainable rural livelihoods



## SUMMARY

Forest management certification has been hailed by many as a significant advance in creating real incentives for sustainable forest management (SFM). However, emerging trends of the distribution in certificates have raised concerns as to whether all enterprises can gain equal opportunity for certification and its potential benefits.

This paper discusses the equity implications of forest management certification in terms of which stakeholders gain which benefits. Issues of inequity between developed and developing countries, and between large and small enterprises are raised. Approaches which have been, and could be, taken by the certification community and by donors are outlined.

FSC certification is a focus only because it is the best established forest-management certification currently operating. 66% of FSC certificates and 80% of certified areas are in developed countries, with Africa, Oceania and Asia having only 8%, 5% and 4% of certificates, respectively. Industrial enterprises dominate, accounting for 35% of certificates and 66% of the area certified. Community enterprises account for 25% of certificates, but only 3% of the area.

### **EQUITY IMPLICATIONS**

Certification has brought many positive equity impacts:

- bringing a wider range of stakeholder interests in forestry debates and policy,
- promoting better planning for SFM,
- accelerating environmental improvements, and
- proving that good forest management can (for some companies) be economically viable.

However, there are also some major areas of concern with respect to equity. Most may derive from assumptions – about the type or size of enterprise, its location and land-use focus – upon which certification systems are currently based:

**Participation in the development of certification schemes and standards.** Despite a fairly designed system, southern and small enterprises are under-represented in the FSC system (and ISO certification is also dominated by industrial enterprises). There is concern that processes and standards reflect the values and management models of northern industrial enterprises and ENGOs, whilst issues of importance to the more marginal stakeholders will be neglected. This risk could be exacerbated by targets to increase areas

certified, which might place more emphasis on bigger companies in countries with existing good forest management – the “easy targets” – who would then increasingly drive certification system development.

**The resources an enterprise has to meet the standards, and its ability to bear the costs and risks.** The capacity of an enterprise to meet standards and become certified depends not only on the finances available, but also the administrative and managerial capacity for the changes required to meet the standards. High levels of paperwork are a constant problem for smaller enterprises, especially in developing countries. In general, enterprises more accustomed to formal reporting and with tighter regulation are better able to face the certification process and the financial risks it entails – these are mostly in the North.

**The markets which an enterprise can tap into, and the capacity of an enterprise to do so.** Embryonic and inconsistent global markets for certified products are difficult for enterprises in some regions to enter. Enterprises need reasonably well-developed marketing skills to make the most of these markets, and evidence shows that small enterprises in developing countries have particular disadvantages, notably poor economies of scale.

**The availability of information.** Information is critical to an enterprise’s ability to understand and participate in certification. Information on SFM, certification and markets is not equally distributed globally. Enterprises in regions outside of the main market demand, particularly small enterprises, have most problems keeping up to date with information on which certification decisions could be based.

**Rewarding the producer or the market?** Benefits of certification are often not felt at the producer level, but higher up the supply chain, as the producer is unable to participate directly in the market. Buyers are not paying for SFM but for the label, and the producers can remain unrewarded. Whilst the original focus of certification was on its SFM benefits, marketing interests may be dominating. In addition, there is an increasing concern that certification cannot address non-market forestry – for instance complex rural livelihood systems, and small-scale production which does not enter markets for certified products.

## **RESPONSIVE ACTION**

Certification is continually evolving, and is not so rigidly formed that it cannot respond to new concerns. FSC has demonstrated its commitments by: changing its structure to allow a better balance of influence and interests; writing non-discrimination and flexibility of standards for local conditions into its statutes; developing new guidelines for regional standards and group certification; addressing considerations for small enterprises and involving governments. Certifiers are making increasing efforts to make information available, use local certifiers, and reduce costs for smaller enterprises where possible. To maintain their own credibility, certification bodies should continue to prioritise concerns as they arise, and avoid simply doing “more of the same”.



Donors can help by continuing to support national working group dialogue on standards and processes, and thus boosting stakeholder participation. Contributions to information provision and sharing, and impact assessment, should help build capacities for SFM and to make informed decisions about certification. Support to initiatives such as group certification, small business development, and promotion of certifier organisations in the South might also help boost the profitability of certification for currently disadvantaged groups. It is important that donors should consider certification as a part of sector-wide support to forestry rather than focus on it. Other mechanisms may be more efficient and equitable and may also need support. They might include non-market-based systems of certification or verification.



# 1 INTRODUCTION

Forest certification has been hailed by many as one of the most significant advances in forestry in recent years, with the aim of creating real incentives for sustainable forest management (Box 1). However, concerns have been raised by others about the equitability of certification – the fairness with which its benefits can be enjoyed by all stakeholders. It starts with a reasonably equitable base – a definition of forestry standards agreed, in theory, by many stakeholder groups. Indeed, it could be likened to a ‘civil society forest convention’. This discussion paper aims not to decry the basis and achievements of certification, but to point to areas for improvement – an approach consistent with the philosophy of certification itself. The paper discusses the equity issues raised by forest management certification, and their implications to all stakeholders, but with a focus on the poor, smaller producers and poorer producer countries. As such, recommendations for development assistance agencies – most of which have an identifiable concern with equity – are also given. The limitations of dealing with such a broad issue in a short paper are acknowledged.

**Certification and Sustainability.** Sustainable forest management (SFM) concerns the pursuit of multiple goals – sustained economic productivity, maintenance of environmental values, and equity for forest users. Promoting SFM has always been the underlying aim of forest certification, even if many of the drivers of certification have been primarily concerned about their market access. However, only a few of the actors in certification have made improved equity an overt goal – notably, the social ‘chamber’ members of the Forest Stewardship Council (FSC), and some of the development assistance support to certification. Yet there is much evidence that an equitable sharing of powers over forests, and benefits from forest management, can improve SFM and rural development.

Certification in any form aims to verify that something (in this case forest management) has been done as prescribed. Forest certification embodies multiple goals: the original expectation of most NGOs involved was that certification would improve forest management, and enhance multiple values from forests. Whilst it is already evident that certification is a useful market-based tool to differentiate good and bad producers and products – very helpful to the concerned consumer – it is less clear whether, in its current form and in the current policy and market environment, it can change *bad* producers into good producers.

**Trends in FSC certification.** After 5 years in operation, it is beginning to be possible to look at emerging trends in FSC certification. Recent analysis (Thorner 1999) of a database of all FSC certificates (156 covering 14,992,960 ha) has shown the following:

### **BOX 1: WHAT IS FOREST CERTIFICATION AND HOW DOES IT WORK?**

Forest management certification is a relatively new type of formal, voluntary procedure. A third party inspector (the certifier) gives a written assurance that the quality of forest management practised by a defined manager or group conforms to specific standards. Forest certification has evolved since 1989, and is part of a general trend to define and monitor standards for environmental and social improvements in natural resource use.

The general practice of forest certification is as follows: At the request of the forest enterprise, the third party certifier conducts:

- an independent audit of forest management quality
- in a specified forest area
- under one management regime,
- against specified environmental, social and economic standards;
- by assessing documents which prescribe and record management, together with checks in the forest,
- followed by peer review of the assessment,
- resulting in a certificate for a period; and/or a schedule of improvements ('corrective action requests' or CARs)
- plus regular checks thereafter to maintain the certificate.

The three main approaches to forest certification are:

1. The Forest Stewardship Council (FSC) approach: this is currently the only established international system of forest management certification. The FSC was established precisely for the purpose of forest certification to promote high performance standards. The approach offers a global set of Principles and Criteria (P&C) for good forest stewardship; an international accreditation programme for certifiers; and a trademark which can be used in labelling products from certified forests<sup>1</sup>; and a communication/advocacy programme. At present the FSC-accredited schemes are dominant.
2. The International Organisation for Standardisation (ISO): offers a framework for certification of environmental management systems (EMSs) through its ISO 14000 series. This covers similar ground to forest management certification except that it does not specify forest management performance standards, and does not confer a label on products, severely limiting how products can be promoted in the market. It certifies the EMS rather than the forest.
3. National certification programmes: some have been developed under the aegis and following the procedures of the FSC. But others are independent e.g. in Indonesia, Malaysia, Finland, Canada and an emerging approach in Ghana. Many of these combine elements of the FSC performance-based approach and the ISO process-based approach.

*Source: Bass, 1997*

<sup>1</sup> Chain of custody certification monitors the route of products from the forest through the processing chain and verifies that the end-product is indeed from a certified forest. Forest management certification alone rarely confers a labelling advantage.

- The USA has the highest number of certificates (43) covering around 10% of the total area.
- Sweden has the by far highest area of certified forests, with 52% of the total.
- Developed countries have 66% of the certificates and 80% of the area, and the average certified area of each enterprise is twice as large (116,371 ha) as in developing countries.
- Africa, Asia and Oceania remain minority players, with only 8%, 4% and 5% of certificates respectively.
- Industrial enterprises dominate, with 35% of certificates and 66% of the area, mostly in certificates over 10,000 ha. Community enterprises have 25% of certificates, but unsurprisingly only 3% of the area.
- Certifiers appear to operate in different client groups: Rainforest Alliance has the highest number of certificates 36%, but only 10% of the area, the majority in community enterprises, whilst SGS has 29% of the certificates and 61% of the area, mainly in industrial certificates.
- Boreal/temperate forests dominate over tropical and subtropical, natural over plantation, and conifer over broadleaf, in terms of certificate numbers, areas and average sizes.

The trend for certification to remain predominantly in the north is predicted to continue (pers. comm. T. Synnott) as the standard of forest management (in natural forests) in developed countries is generally higher. Plantations are likely to become increasingly important in developing countries (especially in volumes of timber).

Trends in the conditions placed on certificates have proven more difficult to discern at this stage. This is in part due to the inconsistency of information provided to FSC by certifiers. However, predominant conditions appear to be related to: management plan documentation; monitoring (especially in developing countries); and environmental impacts (especially in developed countries). European certificates appear to have fewer conditions placed on them, presumably a consequence of higher initial management standards, and of well developed national standards in some cases (e.g. Sweden).

**Why be concerned about equity?** Whilst the concept and practice of certification are still relatively young, it appears that patterns in certification are becoming evident, and that some enterprises in some regions are less likely to achieve certification than others. This paper discusses some of the reasons why this might be the case, addressing equity concerns and issues, the opportunities and access to certification, and the implications of these issues for different types of stakeholders. We also discuss some of the options for improving equity in certification for certifying organisations and development assistance agencies.



## 2 TYPES OF EQUITY CONCERNS

When one looks at the criticisms levelled at certification, questions about equity stand out as one of the principal concerns. The issue of equity is also one which development agencies regard as critical.

This section introduces the stakeholders between whom equity concerns arise and the types of equity issue which are increasingly recognised.

### 2.1 STAKEHOLDERS – EQUITY BETWEEN WHOM?

Inequities may be faced at different levels: international (the north-south divide); national (enterprises of different sizes and types); and forest type (natural or plantation). Each will be discussed in this paper.

*International* level concerns relate not just to differences between developed and developing country enterprises, but also to the variable market conditions, and the needs to address the harmonisation of different schemes. All schemes must be comparable to maintain the credibility of certification as a whole. Otherwise there is a risk that the range of labels and certification systems may prove as confusing and misleading to the consumers and users as the unfounded claims on products which led to the development of certification systems in the first place.

At the *national* level we can identify differences between enterprises (Table 1) and land-use types (Table 2). Whilst in this document it is not possible to address every different type of enterprise, it is worth highlighting some of the range of extremes.

There are also clear differences between *natural forest and plantation* management. Most plantations are less complex to manage than natural forests and, as such, are more easily certified. About one third of certificates issued to date are for plantations, but they account for only 7% of the certified area. However, as industrial plantations have been estimated to cover less than 5% of the world's total exploitable forest area (Basett 1993), this is unsurprising.

### 2.2 TYPES OF EQUITY ISSUES

The main kinds of concerns that have been raised relate to the assumptions inherent in current certification systems, especially the models of forest enterprise and markets on which certification systems appear to be based, compared to the range of stakeholder and land-use realities. There is a perceived lack of equity in the following areas.

**Table 1.** Generalised forest enterprise categorisations

<i>Integrated companies</i>	<i>or</i>	<i>Single-stage companies</i>
May own/manage forest, harvest and process and produce end-product.		Specialise in one aspect; e.g. harvesting, or processing, or paper, or trade.
<i>Large companies</i>	<i>or</i>	<i>SMEs or community enterprises</i>
With reasonable technical and managerial capacities, and ability to bear financial risk. Good external communications. Highly capitalised. Economies of scale allow flexibility.		Sometimes low levels of technical and managerial skills in-house <sup>2</sup> . Risk averse. Poor external communications and access to information. Low capitalisation allows flexibility.
<i>Multi-national company</i>	<i>or</i>	<i>National/local company</i>
With access to global resources, skills, markets and finances. Good external communications, dynamic, responsive, with access to a wide range of markets.		Skills and finances may be nationally limited, more risk averse. Poor external communications and information.
<i>Private companies</i>	<i>or</i>	<i>State enterprises</i>
Profit motive dominates, individual or corporate ownership.		Restricted to state funding and policy, often subsidised.

**Table 2.** Differing forest land-use priorities.

<i>Timber production</i>	<i>or</i>	<i>Mixed land-use</i>	<i>or</i>	<i>Management for environmental benefits</i>
Where timber is the sole or main product, prioritised in management for regular cash returns.		Rural livelihood systems, where farmers use trees in a flexible and integrated way within a broader land-usage for farming etc. This requires flexibility in time and space management, and is rarely formally planned.		Forests managed not for timber, but to provide environmental benefits such as watershed protection, slope stabilisation, carbon sequestration, etc.

2 It is important to note that some small companies are very well managed, through necessity for efficiency and control, with a great deal of skill and experience.



**Participation in the development of certification schemes and standards.** Certification systems have been promoted by environmental NGOs, forest-based industries, and, notably, buyers and retailers of forest products. For a scheme to be equitable, all stakeholders must be represented in the process of its development: including large or small enterprises, from developed or developing countries. Those not represented cannot easily influence the development of the scheme or the standards. They may feel a limited sense of “ownership” of the scheme, and thus less inclined, or indeed able, to participate later. Information about the scheme may consequently be less available to them. Whilst schemes such as the FSC are based on principles of representative participation, in practice different schemes have different levels of participation, and even FSC is under-represented in its social ‘chamber’ and struggles to include those not formally recognised as forest stakeholders<sup>3</sup>. However, as certification is increasingly seen as an important tool, with schemes proliferating, the discussion of harmonisation or mutual recognition of schemes is becoming important.

**Standards.** Standards provide the baseline principles and criteria (P&C) against which forest management is measured. Internationally accepted standards rely on representation, participation and consensus. The level of participation in the process of developing the standards defines the particular “model” of sustainable forestry on which they are based. The applicability of the general model to the wide diversity of enterprises, production systems, forest types and regions they aim (or are used) to cover may be questioned.

**Resources to meet standards.** Certification requires that the enterprise can prove its adherence to (internationally accepted) standards of forest management. This often means changes in management at the forest level, improving documentation and drawing up management plans. A relatively high level of technical skills, administrative capacity and financial flexibility is required. The enterprise must have the ability to apply its capital, skills and other resources to improve forest practice, its planning, management or documentation or meet certification standards in other ways.

**Ability to bear costs and risk.** Forest management and/or chain of custody certification add direct and indirect costs to enterprises. The direct cost of certification can be high<sup>4</sup>, involving specialist accredited certifiers. The indirect costs of implementing associated management changes and producing products to the quality demanded by the North American and European market add to this. In making the decision to certify, unless there are guarantees of returns to cover these costs<sup>5</sup>, the enterprise is at risk of losing money. The enterprise must have the financial security to bear the costs and risks.

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3 For example, those for whom forestry (as opposed to other land-use systems) is not a main management objective

4 It is difficult to suggest an average cost for certification. Costs may range hugely between enterprises, dependent on previous experience of certification, standards of management, legal requirements, certifier and location (A.Jenkins pers.comm. 1999). However, certifiers have observed costs of certification doubling since 1996 through tightening of FSC regulations and demands (J.Sandom, pers.comm.1998).

5 A valuable role for buyers groups.

**Markets.** For the costs and associated risks of certification to be acceptable an enterprise, has to gain some form of market advantage or a price premium for its products. It has to be able to access a market which demands certified products. If the enterprise cannot gain access to such environmentally sensitive markets, the benefits are unlikely to be realised and certification will prove to be a bad business decision. This seems to have been the case for various community-held certificates, notwithstanding the fact that some other non-business benefits have been realised (Markopoulos 1998i, 1998ii, 1999).

**Information.** Critically, enterprises must have ready access to good and up to date information, both about *certification* and the *markets* of certified products. Simply making a decision to opt for supplying certified products does not substitute for good business practice, market research and intelligence and sales promotion. Information is needed to help an enterprise understand what certification is, decide whether certification is appropriate, whether they can tap into the niche market, and how they can be involved in the development of certification processes and schemes. In this developmental stage of certification it is clear that enterprises that are prepared to become involved in the certification process (the establishment of schemes and standards) are able to gain valuable information which can benefit them later when marketing their product. The level of participation in the process of developing certification schemes influences the amount of information available to an enterprise. Similarly, the local market and predominance of demands for certified produce influences the demand for information about certification. Where there is no local market to stimulate information flow or no local participation in certification, information will frequently be limited.

Thus potential inequities relates the nature of the individuals and organisations driving the development of certification schemes: and which players' interests dominate<sup>6</sup>. This influences the abilities of different enterprise types and regions to reap the benefits and enter the process of certification.

As a market-based instrument, some inequities will be associated with market systems in general. Markets require a 'level playing field' and effective competition, but this inevitably results in winners and losers; this is the concomitant of a trading system. This may require policy interventions in order to redress inherent equity problems. The original expectation amongst some interest groups was that certification could act as a 'soft policy' to modify markets in this way. Moreover, whilst many market-related inequities are structural and beyond the influence of certification, some of the responsibility for inadvertent inequitable outcomes may lie with the systems and processes developed for certification and may, therefore, be more amenable to change. This will be discussed in the following sections. Whether certification can or should attempt to redress inherent market behaviour is another question.

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<sup>6</sup> Promotional targets will also be influential: for example the WB-WWF alliance 200Mha target has the potential to favour only large companies with large areas to certify.

## 3 EQUITY ISSUES: EQUAL OPPORTUNITIES AND ACCESS?

Certification, particularly global or generalised systems, is inevitably based on assumptions about the range of countries and enterprises to be involved. Most equity concerns can be seen to relate to assumptions about opportunity and access to certification; through availability and access to information; market benefits, and the ability to implement the standards. The reality is that not all countries or enterprises have an equal opportunity of accessing certification and reaping its potential benefits. This section looks separately at the differing levels of emerging inequities: between developed and developing countries; large and small enterprises; and forest type.

### 3.1 INTERNATIONAL ISSUES – THE NORTH/SOUTH DIVIDE

It is generally acknowledged that developing countries tend to be at a disadvantage in timber certification. The figures shown earlier for FSC certification support this. Of course, even in the developing world there are huge differences between regions and countries.

**Participation in systems and schemes.** The current trend remains for certification schemes to be predominantly driven from northern, industrialised countries. For example, the ISO TC/207 working group for the certification of forest industries consists of industry and forest owners largely from developed countries, and the scope of ISO EMS for forestry encourages mainly large integrated forest owners and pulp producers (Ghazali and Simula 1998).

All FSC accredited certifiers are still located in developed countries, which may add to access and cost problems for enterprises in developing countries (Viana et al 1996). This also leads to a risk of concentration of knowledge and financial benefits from certification in developed countries. Capacity building is key to promoting sustainable forest management. Certifying bodies are in a unique position to share expertise and to develop human resources and policy in sustainable forestry. This is unlikely to be done effectively by international consultants on a tight schedule, and as their business is based on making a profit from certifying clients. Knowledge is more likely to remain within the institutions and countries where the certifiers are based<sup>7</sup>.

This northern dominance of certification processes has led to some reluctance of southern, developing country stakeholders to support even the principle of certification.

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<sup>7</sup> Increasingly, certifiers are being encouraged to use local assessors where possible to combat this problem.

The reaction has been an increase in the development of country-specific systems in several countries. National schemes have been developed in Malaysia and Indonesia, independently of FSC (although in communication with them) or other international systems. This may be good in terms of development of locally appropriate and more cost-effective systems, and may have rooted the system and principles of SFM more centrally to national policy, in part due to greater government involvement. However, it has implications for the consistency of different certification systems. Some level of harmonisation and consistency of certification systems is seen to be critical for the long-term credibility of certification as a whole, otherwise the situation could revert to that of the many and varied claims of sustainability on wood products which stimulated moves towards certification in the first place.

**Standards.** International principles and criteria have been developed by several organisations and work is being continued at the international level. A risk of the most active players in developing the systems being in the north is that the standards can also be seen as representing predominantly northern, industrial values. Perhaps as a consequence, many countries have developed national standards.

Standards are a difficult issue where forestry is not the focus of management, as is often the case in developing countries. There, forests or tree resources may form only a part of sustainable rural livelihood systems (SRLs), in contrast to developed countries, where the forest is a separate unit of production. This will be further discussed in section 3.2.

Another debate surrounds timber coming from areas under conversion from forest to agricultural use. Logically, it cannot be certified, as it does not come from “well-managed forests”. However, in many cases in developing countries, it might be legitimate to convert some forest to other land use to contribute to overall development. SFM is only one means of achieving sustainable development, and sometimes other land uses may be preferable and more appropriate in a livelihood perspective.

FSC standards demand that land tenure of certified areas is secure and codified before a certificate will be issued. However, particularly in Asia and Africa, land ownership is often undocumented or in State hands. Forest occupiers or users are consequently at a disadvantage when it comes to achieving certification.

**Resources to meet standards and ability to bear costs and risks.** Experiences of certifiers indicate that the level of natural forest management in developing countries is very low. In general, there is a lack of any silvicultural basis to management. Rather, timber production, by small, medium or large companies producing for the market, is often merely a question of log extraction. This trend is often reinforced by inadequate forest legislation and forest services which lack the necessary resources or incentives to act effectively as forest stewards. This means that in developing countries there remains a wide gap between the actual practice of logging and any minimum standard of forest management required by certification. Consequently, the management changes required to implement certification may be more challenging than for an enterprise in a developed country.

Certifiers indicate that, in developing countries, problems with compliance with the standards often relate to:

- lack of forest management planning, including such basic principles as sustained yield,
- lack of information systems and basic documentation,
- lack of training and expertise of the workforce,
- poor rights and conditions of the work-force,
- weak or unclear rights of local communities and indigenous people,
- land tenure problems and lack of legal documents regarding land tenure.

Consequently, there is often a high (indirect) cost to be met in order to reach a minimum acceptable performance standard (ITTO 1994). Direct costs may be higher due to the complexity of the system requiring more time for inspection visits, as well as higher travel costs for inspectors coming from the north. Many enterprises in developing countries do not have the financial or technical capacity to bear these costs. This is the case not only for small enterprises but for large ones, which in developing countries rarely have the advantage of vertical integration which could buffer the costs and keep hold of the end of chain market advantage. In developed countries, where regulation and forest management standards are generally higher, the additional indirect costs are likely to be lower and the risk of investment more acceptable. The result is also likely to be more certain, whilst the additional challenges in developing countries are more likely lead to failure to gain the certificate, despite the investments made. ISO systems of certification tackle this issue through using management process based systems rather than minimum performance standards, effectively lowering the starting points for enterprises.

**Markets.** Globally, market conditions vary widely, especially between developed and developing countries. Certification can only act as a “soft policy” to modify (or make use of) those markets which are responsive to environmental concerns. Such markets are in reality limited mainly to north-west Europe (Ghazali and Simula 1998). It is acknowledged that it will still take a long time before consumer demand for certified timber might arise in most developing countries. There are exceptions. In some cities in Latin America, a small demand is predicted in the mid-to-long run. In South Africa, certification has changed the face of forestry, having implications for markets across the region of southern Africa. In Asia, traditionally “untouched” by environmental values, buyers’ groups for certified products are being formed in Hong Kong and Japan, and are expected to change demand patterns there (J.Stead pers.comm. 1999). Buyers groups have been highly significant in engineering markets for certified products (but so far remain exclusively in developed countries). However, many expect that overall demand for certified timber within the developing countries will remain relatively insignificant. This lack of demand for certified products in developing countries provides no market incentive for investment in certification for producers supplying within or to those regions. Whilst in countries such as Brazil and India the domestic demands for timber are enormous, the process of certification focuses only on the export trade. This focus reduces the impact certification can have and raises further questions about equity amongst different areas of trade.

**Information.** Developing countries in general do not have the same access to information on certification as do countries in the North, in part because the concept, processes and systems are largely driven from the North, as noted earlier. This is reinforced by all certifiers and demand being from developed countries. Information exchange and

networking are less easy in developed countries due to poor communications. The location of the FSC headquarters in Mexico may have helped the flow of information into developing countries, particularly in Latin America. However, the limited interest shown by communities in the Oaxaca region in certification studies is attributed in part to a lack of information (Markopoulos 1999).

Similarly, as markets for certified timber are predominantly in developed countries, it is more difficult for producers in developing countries to get access to information on the requirements of these markets. Producers and industry in developed countries with “green markets” have gained a head start that might be difficult for others to make up, potentially reinforcing the inequities.

### **3.2 NATIONAL ISSUES – BIG BUSINESS, SMALL FARMERS**

Some types of enterprises will inevitably have better opportunities to access information, markets, and production resources, than others. The starting points towards certification are very different for different enterprises.

**Participation in certification systems, schemes and standards.** The interests and values of those driving certification are reflected in the standards. Current standards reflect the interests of enterprises that concentrate on production forestry, where fibre production is the main objective of management. Forest enterprises which are not familiar with formal, documented management systems and concepts of inspection, but which nevertheless produce sustainable results through less formal checks and balances, are clearly at a disadvantage. This may reflect the latter’s lack of representation in the processes of certification development. Community managed forests and farm forestry (estate woodlands and subsistence land-use which includes forestry) do not fit well in to current systems. In the former, current FSC P&Cs regard the local population as an element of the forest environment to be managed, rather than as the potential managers. For the latter, the forest in question may not be a clearly defined area, and the management of it may change depending on socio-economic priorities. In both cases, conventional management plans, documents or a market which demands certified products are probably not the norm. FSC certification was intended for producers within a market environment, rather than SRL producers outside the market.

Part of the problem, particularly for farm forestry, may largely be due to the assumptions which underpin certification or the way that certification schemes are currently organised and structured. The understanding and preconceptions of certifiers (assessors) are also an issue. Whilst the outcome of a particular forestry operation may be acceptable to local forest actors and perhaps the local forestry department, it may not be recognised as such by (outside) assessors. This may be exacerbated by the lack of appropriate documentation (no policy or management objectives, no management plan or maps or records of work undertaken). Being able to recognise and accept local management practices is particularly problematic for FSC approaches. In fact the lack of documentation presents problems for both FSC and ISO, as assessors simply cannot assess in the absence of documentation – a perennial problem encountered in the Pacific islands

with small scale forestry operations based on one man mobile sawmill operations (J.Sandom, pers.comm). This raises problems for all small enterprises, for whom documentation is frequently minimal.

**Resources to meet standards.** Not all enterprises have a similar capacity (financial or managerial) for change. Large and multi-national companies are more likely to have technical capacity and skills to effect the changes required to meet standards. Management structures will be in place, with documentation and planning more common-place. Larger companies, especially multinationals, are likely to be more open to change, having change built into their management and marketing strategies. Small enterprises, however, may have embryonic management structures, or, where management is good, have less technical and financial flexibility to implement any changes in relation to products demanded by the market. They may be very well managed by experienced individuals, but rarely have the scope to obtain or appoint specialist services for new initiatives when necessary. Community enterprises might have more flexibility of production than a large and well capitalised enterprise, but industrial enterprises can more easily invest in new technology, and the flexibility may be compromised by the small enterprise's need to grow in order to compete (Markopoulos 1999). For an SRL system where forest management is only one element of a wider subsistence system, considerable short-term, informal flexibility must be maintained, making planning and documentation difficult.

**Ability to bear costs and risk.** As noted earlier, direct and indirect costs of certification can be high, particularly where large changes in management are needed. Enterprises with larger profit margins and financial buffers will find these costs easier to bear than those with other (particularly livelihood) objectives to meet, and might see certification as a means of market risk avoidance (SGS 1999). Small enterprises or rural land-users may be unable to take on such additional costs and risk without support<sup>8</sup>. The incremental costs of certification for large enterprises are likely to be small, if they are already well managed. Through simple economies of scale, the costs of certification in proportion to income are relatively lower for large producers than for small ones. Larger and multinational enterprises are more likely to have access to credit and capital. In contrast, an SRL system, a subsistence or non-cash enterprise operating outside the market environment, has fewer funds for investment. Costs will be relatively lower still if the enterprise controls much of the processing chain too. Thus, large and integrated enterprises are at an advantage compared to small ones.

**Markets.** It has been noted that the potential financial benefits of certification are unlikely to be realised if the supply chain from the enterprise cannot enter North American or European markets. Many stakeholders have realised that without a market for certified produce certification will be unviable, unless some other benefit is gained – this stimulated the development of the highly effective buyers groups in Europe and the US. Buyers groups have been dominated by larger companies, who have more power to influence their

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<sup>8</sup> Increasingly, donors and NGOs have supported certification of community enterprises to demonstrate achievement of SFM (section 6.1.).

suppliers than smaller companies. Debate in PNG and in Costa Rica has centred around the issue of market benefits, with some organisations promoting certification for the sake of better management, whilst others question who pays and who benefits if there is no market (pers.comm. S.Zibe, M.Sanchez 1999). Even where there is a market, many small enterprises may experience difficulties with (1) marketing their produce in competition with larger companies, and (2) achieving the quality and consistency of supply demanded by the market, so adding further costs<sup>9</sup>. Even the most well-developed community enterprises in Mexico struggle to compete with larger companies in the market for certified produce, due to inadequate industrial capacity and business skills (Markopoulos 1999)<sup>10</sup>. This reflects the fact that access to certified markets depends on capacities to access conventional international markets – and the product quality and consistency demanded – in general.

**Information.** Availability of information about certification and markets probably depends more on an enterprise's international location than its size. However, larger enterprises have been more closely involved in the development of certification processes and are more likely to be accustomed to the concept of inspection and audit than small enterprises. Larger enterprises, especially integrated and multi-national ones, are more likely to be better networked to information from both the forest management and the marketing point of view. Enterprises not operating within a global environment will find it more difficult to spend time and effort finding out about certification or related markets.

### 3.3 FOREST TYPE

When looking at differences between plantation forest and natural forest the issue of opportunities to access the benefits of certification relate largely to the gap between actual management and standards required. The main question is whether the enterprise has the incentive or capacity to apply resources to meet the standards.

In developed countries the distinction between natural forests and plantations is not always so clear. Especially in Europe, parts of Asia and even the US most of the natural forests have been logged and regenerated using various techniques. This has led to a variety of semi-natural forests, which are generally classified as natural forests in the FSC-classification.

In the developing countries the distinction between plantations and natural forest is much clearer. Plantations are less complex to manage than natural forests in developing countries and, as such, more easily certified. Whilst in the establishment of plantations a silvicultural management approach is needed from the start, and the work-force is generally better trained, logging in natural forests is often little more than the extraction of

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<sup>9</sup> This was one of the reasons why UK retailers decided against sourcing tropical timber direct from certified community producers, and instead favoured larger and more reliable producers.

<sup>10</sup> Poor market accessibility is not completely limited to small companies. The Collins Pine Company in the USA has holdings of over 120 000 ha, but has encountered numerous barriers to marketing certified products, despite adequate marketing skills (Markopoulos 1999).



the best logs with little forest management of any kind or concern for future harvests. The indirect cost of certification to upgrade these kinds of operation to meet a minimum standard is thus much higher in natural forests in developing countries, making the likelihood of certification lower than for plantations. This may be exacerbated by the trend for plantations to be financed internationally, and therefore likely to have management which is more aware of the issues, as well as more likely to tap into the markets. Consequently certification may unconsciously favour plantations – as emerging trends in FSC certification are beginning to show.



## 4 EQUITY IMPLICATIONS: WHO CAN ACCESS THE BENEFIT FROM CERTIFICATION?

Forest certification remains a relatively new concept, with few long-standing examples to generate a picture of its actual impacts on livelihoods, capacities and revenues in and around the certified enterprises. It is too early to be definitive about all the impacts of forest certification; some will take time to evolve or emerge, and some will be indirect or possibly difficult to distinguish from other roots of change. However, the figures relating to the current distribution of FSC certificates, shown earlier, demonstrate emerging trends in regions and enterprise types, which the previous section has in part explained. Some case studies are bringing real evidence to light. In this section we turn to what this experience is beginning to show us – who benefits most from certification and where do the barriers to accessing the benefits lie?

### 4.1 WHICH ENTERPRISES CAN ENTER THE GAME?

As a market-based instrument, certification assumes a normal, undistorted market, based on competition. Competition inevitably produces winners and losers. For any enterprise, decisions about whether to certify are about the trade-offs between (direct and indirect) costs and (direct and indirect) benefits, and the consequent chance of remaining a winner. The previous section has outlined these issues. These relate mainly to:

**Who drives the processes** – and, consequently, which enterprises are certification systems most appropriate for? Many certification systems remain more appropriate for the larger, industrial enterprise, which have driven their development, than for other enterprises, and the majority of certified forests remain in the hands of larger operations. At least 43% of FSC certified enterprises are of forests over 10 000 ha, and the trend for larger enterprises to be certified is continuing. Whilst preferential favouring of smaller and community enterprises is not what the FSC system was predicated on, there is much interest in avoiding excluding them. Yet the participation, interests and understanding of smaller enterprises have been less evident in the initial development of certification processes and standards. The case of the development of certification processes in Sweden provides a useful example of winners and losers with respect to who drove the process, as described in Box 2.

Who has most chance of being *able to meet the standards*? Equity in accessing certification also clearly relates to an enterprise's capacity to change. Recent work focusing on the problems for small businesses shows that small forest managers have identified cost, excessive documentation and difficulties in meeting the standards as major

### **BOX 2: SWEDEN: GROUNDBREAKERS IN NATIONAL FSC PROCESSES?**

The Swedish national standards (the first FSC *national* standards) were developed *with* FSC, and with large industry, such as AssiDomän, being a strong promoter and driving force in the process. Thus the standards developed are very appropriate for large-scale Swedish industry. There has been a spectacular uptake of certification amongst large industry players in Sweden, which leads the world in terms of area of forest certified by FSC.

AssiDomän, for example, advertise that their benefits have been an increased market share from existing customers and attraction of new customers.

However, small enterprises found it difficult to participate in the development of the FSC system in Sweden, because of unacceptable demands on their management systems. They have not felt benefits from it, and there has been very limited uptake of FSC certification amongst them. Instead, they recently created their own certification system.

*Source: Assi Domän 1999, T. Klingberg (pers.comm. 1999)*

problems (Scrase 1999). The implications are that smaller enterprises, with less well-developed management systems have more changes to make in order to meet standards, will be disadvantaged. Those who could make the necessary changes easily have been the first to see certification as an acceptable option, and retain “first-mover” advantage. The consequence of this is that, rather than turning bad producers into good producers, certification tends more to simply reward the good producers who have defined a precedent. The relatively low numbers of certificates in Africa and Asia (only 12% of the total), where regulation, awareness, and management levels are generally lower, reflect this. It also reflects that small-scale and community forestry is not necessarily *good* forestry, and should not be expected to be inherently certifiable.

Who can *enter the markets* for certified produce? Certification cannot *guarantee* market access or market share, only enhance them *if* products already meet existing certified market requirements (Markopoulos 1999). Certification can only effectively help those who are already fit enough to reach the standards, access a market for certified produce, and market their produce in order to recoup the costs and reap benefits. As noted earlier, these markets remain limited, though market size has been increased by retailers and NGO campaigns. Stronger enterprises in the right market-places, and those already active in the conventional international market, will benefit more from certification. Box 3 shows examples of poor rewards from certification to the producer due to inadequate marketing capacities.

## **4.2 WIDER IMPACTS: THE GROUND TRUTH OF CERTIFICATION**

Equity implications of who wins and who loses through certification go beyond which enterprises can most effectively use it. It is also about what changes it brings about and who gains the secondary benefits – certification can affect stakeholders beyond the

**BOX 3: WINNERS AND LOSERS IN THE MARKET FOR CERTIFICATION**

Unequal benefits from green-market access are evident in Honduras, where the *campesino* groups have had their forests certified. They can only supply at the prevailing market rate to larger companies, who have better developed processing and marketing skills and links to an export market. The *campesino* groups win no financial gain, whilst the exporting companies reap the profits of selling to the green markets of North America.

Certification is seen by many to be unviable for “wokabout” (portable) sawmill operators in PNG, as they cannot access green export markets for the round logs or sawn timber produced. Most is currently exported mainly to Japan, where there is yet no market for certified timber, and usually via intermediary traders.

*Source: Markopoulos (1998ii), S. Zibe, pers.comm.1999*

**BOX 4: CERTIFICATION – CHANGING THE FACE OF SOUTH AFRICAN FORESTRY**

Pressures from UK market demand for certified products, and competition with already certified producers in Poland, have led to all the major companies in RSA becoming certified (ISO and/or FSC).

The companies have made a high level of inputs to reach and maintain good environmental standards – SAPPI now has 12 members in its “Green Team”. This is leading to much higher awareness and capacities amongst its own staff and contractors.

The strong pressure for SAFCOL to resolve social issues and problems has led to the government making certification a requirement in the company’s privatisation.

Social aspects of certification have been the most difficult for each company to deal with and they would like more guidance.

*Source: Roberts 1999.*

certified enterprises. One of the aims of certification is that forest management ensures benefits not only to the producer but to other stakeholders. At this stage in the evolution of certification systems, it is difficult to be definitive about such impacts. Clearly, in some cases, revenues have been increased (for example, in Sweden, as described above). Standards relating to social issues have proved both challenging and critical for many companies, as described in Box 4 for the example of South Africa. South Africa also provides a useful example of where certification has influenced government forest policy.

Earlier discussion has noted that smaller enterprises may not be able to directly enter the retail market for certified products, and thus financial benefits may be felt higher up the supply chain rather than at producer level. Alternative market applications of certification are discussed by Markopoulos (1999) and include: accessing international finance markets; and attracting corporate partners. These may be especially useful to small enterprises in unstable regions, for whom access to credit and capital for growth are otherwise limited.

### **BOX 5: ALTERNATIVE USES AND IMPACTS OF CERTIFICATION**

For the Lomerio community forest in Bolivia, gaining certification gave few of the market or financial benefits expected. However, the recognition of high level management standards helped to lead to tenure over the land being given back to the communities.

In the battle to rid PNG of large-scale foreign-owned exploitative logging, NGOs have been variably supporting certification, despite the lack of a clearly accessible market. This appears to be in order to prove that small-scale forestry is good management, and that if small-producers can do it, why cannot the large ones?

*Source: Markopoulos 1998i, Thornber forthcoming.*

Other, non-market benefits for smaller enterprises have been observed, as described in Box 5. Additional benefits may include local participation in land-use decisions; environmental improvement and thus better water quality/quantities locally. Community forestry stakeholders in Asia and elsewhere are increasingly looking to some form of certification for recognition of local management (K. Edwards pers.comm. 1999), though they frequently do not see current market-based initiatives as appropriate.

## **4.3 SUCCESSES AND CHALLENGES**

Certification has been highly successful in raising the debate about sustainable forest management, in defining SFM, and in creating standards, principles and criteria against which to measure it. It has increased stakeholder involvement in all of these areas, creating wider understanding, if not trust, and contributed to changing policy in places. It has extensively recognised existing good practice, and a large number of forest companies are now certified by one system or another, largely in response to market pressures. Many more are currently in the process of audit, including through non-FSC systems. As seen in the example of South Africa, certification has provided useful influence and guidelines in the development of new forest policies, and has helped to develop capacities for SFM. In time it may demonstrate that SFM is viable and that companies do not need to strip forest assets.

The next equity challenges are in:

- ensuring consistency of interpretation of those P, C&I in the field,
- making progress outside of those areas with good policy already in place,
- getting certification of small enterprises into the market and out of donor support,
- making certification appeal to companies which behave in asset stripping ways – the biggest cause of forest problems – turning “bad” producers into good ones.

Cost is critical in the latter two points. As we have noted already, in performance-based certification systems (such as the FSC) the costs for enterprises working in natural forests in the tropics generally remain too high to invest in certification, especially when benefits are doubtful and a green premium is unclear or insecure.

The distribution of costs and benefits of certification are also as yet far from even. Those who can reap the most appear in general to be those to whom it costs the least. Whilst benefits, such as improved environmental management and documentation, have been clearly seen in all enterprises gaining certification, the incremental changes remain limited.

Certification has so far made little difference to the critical regions where deforestation and bad management predominates, as enterprises in those areas often have too high a step to make to reach the minimum standards demanded in one attempt, and as traditional markets continue to reward them. A potentially perverse impact of high minimum forest management standards and costs of certification is that producers unable to meet the standards may choose to supply to or operate in areas where certification is not demanded, rather than drastically change their management. In the extreme, they may turn their forest land over to another use<sup>11</sup>. This is where systems based on lower starting points, such as ISO, may hold useful lessons.

The emergence of the FSC, and the controversies surrounding it, has been particularly useful in dealing with forest level issues. It has gone beyond certification of management *systems* and has reached actual forest level impacts. However, one of FSC's problems is the imbalance of members in each chamber – the social chamber is severely under-represented, giving more influence to the interests of industry and environmental groups whilst potentially neglecting issues of social equity in its focus and standards. This is highlighted by the difficulty experienced with social P&Cs (eg. in the South African enterprises), which certifiers have observed are rarely or poorly applied.

This level of imbalance is perhaps unsurprising – those who are not players in the game are unlikely to influence the rules, nor be aware that they can. Box 6 indicates how SRL

#### **BOX 6: SUSTAINABLE RURAL LIVELIHOOD SYSTEMS (SRLS) AND CERTIFICATION**

SRLs often include forest land, but rarely as the main or constant priority in land use. The same can often be said for community forestry. Forest in this case, as in a European farm or estate land, is like a savings bank, to be used in times of need. It is unlikely to be cleared or removed as it is seen as a very valuable asset.

Certification demands management systems, a defined area of forest, and long term plans.

Few SRLs or farm woodlands have this level of planning and commitment, and cannot easily fit into the certification model. Other systems are required if timber from such systems is to reach certified green markets or if proof of SFM is to be demonstrated.

<sup>11</sup> UK landowners fear that if the markets come to demand certification, rather than suffer losses to produce timber, their woodland areas will be left unmanaged or turned over to agriculture where legally possible.

systems are currently effectively excluded from certification systems. Certification has yet to recognise the value of forests in complex land-use systems.

But the question remains whether certification is the right tool to use on problems outside of the market? Livelihoods are only likely to be improved with support, and are more likely to be a consequence of improved capacities for a variety of aspects of sustainable land use, rather than through uncertain forest product market gains. Donors and NGOs are increasingly using certification to demonstrate good management of their own forestry projects, but this could potentially lead to a distortion of the market within which certification operates. If it is the market which is to reward good management, externally financing certification is a misuse of it. Over-use of certification will not help its credibility in the long-run, and other options may do the same job more efficiently anyway. Lessons from systems other than FSC certification may prove useful.



## 5 OPTIONS FOR IMPROVEMENT

Whilst certification holds many potential benefits, it is not a panacea solution to the problem of promoting SFM for all forest stakeholders. Benefits are largely to be gained by those who are already successful, already doing the right thing. How certification can tackle the “real” forest problems and distribute benefits equitably is a challenge for all involved in it. As noted in the introduction, some inequities of certification inevitably lie with the market itself and the nature of competition. Others lie within the processes of certification systems themselves. This section looks at what the “certification community” has done, and can do, to resolve some of the current challenges.

Given the evolutionary nature of certification, and the response of both accreditors and certifiers to constant developments, it is difficult to generalise about their approaches to the various equity issues. This discussion attempts to explore whether equity was originally seen as an issue, and how both accreditors and certifiers have approached and dealt with emerging equity challenges. The focus is largely on FSC certification purely due to information availability, and its usefulness as an example for other systems to learn from.

### 5.1 DEVELOPING THE SYSTEMS – CHALLENGES FOR ACCREDITATION BODIES

From the very start the Forest Stewardship Council accorded significance to equity issues between North and South and between different interest-groups. This was reflected in the structure of the organisation, its Statutes, and the Principles and Criteria. Democratic participation and non-discrimination were inscribed in the statutes and spirit of the organisation. But how has this attention towards equity issues been translated in the development of the FSC system and in certification practices?

**Developing the FSC structure.** The FSC was established in Toronto in 1993 as a membership organisation, with decision-making effected through meetings of the General Assembly (June 1996, June 1999) and postal ballot. The voting power was initially divided between 2 chambers: economic (25%) and social/environmental (75%). By 1996, strong criticisms were accumulating from trade and industry players, who felt under-represented. FSC’s response was to modify the structure into three chambers: economic (1/3), environmental (1/3) and social (1/3). The three chambers have Northern and Southern sub-chambers, with 50% of the total chamber votes each. The complex structure of chambers and sub-chambers is aimed at equality and balanced power between interest groups.

### BOX 7: CURRENT MEMBERSHIP OF FSC

The 313 FSC members (July 1999) are distributed as follows:

Economic chamber:	124 total (40% of all), 30 from the south <sup>12</sup> (24% of chamber)
Environmental chamber:	137 total (43%), 41 from the south (30%)
Social chamber:	52 total (17%), 14 from the south (27%)

A total of only 85 members (27%) are from the south, though this is an improvement on the 22% in 1998. Almost half of them are in the environmental chamber.

About one third of the economic chamber membership is in the hands of large companies and individuals associated with those companies. Most of these are from North America, northern Europe or Brazil.

*Source: FSC website, 20 Sept 1999*

However, after 5 years of operation the current membership of the FSC does not provide the intended balanced representation for each chamber and sub-chamber. Box 7 describes the current membership of FSC.

Developing countries are currently under-represented, particularly in the economic chamber and the social chamber. As FSC members help set the agenda of the organisation, this could have affected the level of attention paid to social and economic issues in developing countries. Although the membership of the social and economic sub-chambers in the South are not well developed, their interests are represented, as there is at least one southern individual from each of the three chambers on the FSC-Board of 9 members.

Governments – often large forest owners, especially in developing countries – are not entitled to participate in the FSC, even as observers. This has been the cause of some friction between proponents of FSC and some countries whose governments are not interested in submitting themselves to scrutiny by FSC if they are not allowed to participate in its activities (Ghazali and Simula 1998).

Clearly, whilst the principle of balanced interests is built in to the structure of the organisation, the development of membership and processes in developing countries, particularly in Africa and Asia, has been very slow. This imbalance has the potential to lead to a neglect of forest management and certification issues in developing countries within the FSC, especially if targets to increase the areas certified focus on developed countries. The fact that all certifying bodies are based in the north does little to help this. The lack of members in the social chamber is also worrying, especially given the confusions over social P&Cs noted in section 4.3.

**The FSC Statutes.** FSC's mission statement is: "to promote environmentally appropriate,

<sup>12</sup> 18 of the economic chamber members from the south are from Brazil or Bolivia alone

socially beneficial and economically viable management of the world's forests". Whilst there are no specific references to equity issues between developing and developed countries, the FSC Statutes indicate in several paragraphs the importance of non-discrimination between regions, enterprises or forest types, for example:

- “8. The P&C are intended to apply without discrimination to tropical, temperate and boreal forests worldwide which are managed for production of forests.  
9. The FSC shall promote equitable access to accreditation and certification, and shall avoid discrimination against small-scale certifiers or forest operations”.

The issue of cost for small enterprises is also covered in the statutes. Appendix A of the Statutes (Guidelines for Certifiers) indicates that one of the criteria in evaluating a certifier for potential accreditation is equity of access: “certifiers must design evaluation procedures so as to maintain a fair and non-discriminatory cost-structure for large and small forest management entities, while maintaining analytical credibility”.

**The FSC Principles and Criteria (P&C).** These apply to all tropical, temperate and boreal forests, both natural forests and plantations. The P&C suggest that FSC and FSC-accredited certifiers will not insist on perfection in satisfying the P&C, but that major failures in any individual Principle will normally disqualify a candidate from certification. Some flexibility of interpretation is allowed to respond to local circumstances, and certifiers have recognised this as useful. However, this does not extend to allow for situations where the knowledge, training and level of forest management is far below the standards generally assumed, for example in small natural forest enterprises in developing countries. FSC remains a system based on minimum performance, and there is no scope for this uneven playing field to be addressed. There is no recognition that in natural forests in developing countries it might be more appropriate for acceptable performance levels to be lower initially. Instead NGOs within FSC have worked to make standards more rigorous rather than have different standards for different types of enterprise. This effectively means that natural forest management, particularly in developing countries, is precluded from certification. A step-by-step process might be more important for certification to be workable as an incentive for improving forest management in developing countries and smaller enterprises.

**System development.** The FSC is still at a developmental stage, and most of the relevant documentation is still in draft form. The ratified elements include the Statutes, the Principles and Criteria, guidelines for minimising conflicts of interest, guidelines for national initiatives and guidelines for developing regional certification standards. A manual for evaluation and accreditation of certification bodies is also available. Other key issues (Simula and Ghazali 1998) have only been addressed quite recently, including:

- verification of the chain of custody in the case of multiple sources which include both certified and non-certified forest,
- group certification of smallholders,
- certification of forests for NTFPs,

- treatment of wood coming from conversion forests,
- harmonisation of different national FSC standards covering similar ecological zones.

During the last two years FSC made significant progress on the first two issues (percentage-based claims and group certification), partly under pressure from the paper industry, small forest owners and other stakeholders within Europe. Ways forward for solving the problems for small enterprises have been highlighted recently by the certification community (Scrase et al. 1999). Other issues, particularly those of more relevance to developing countries, have not been fully addressed, partly because of lack of pressure from developing country stakeholders. While FSC's primary concern in the near future may be a faster introduction and wider application of certification, it will be important to also consider equity issues and social concerns in general.

## **5.2 RESPONSIVE ACTION**

Many of the problems the FSC has faced relate to its early stage of development – it remains a young and inadequately funded organisation. The proportion of effort it can spend addressing impact assessments or needs of marginal stakeholders is minimalised by its need to certify enough forests to establish itself firmly. However, the FSC's continuing evolution is clearly demonstrated by the emergence of guidelines for developing regional standards, group certifications, NTFP certification, and percentage-based claims – as outlined in Box 8. FSC recognises many of the problems outlined, and the recent General Assembly (June 1999) brought about moves to address several other issues relating to equity (Dixon 1999), including:

- An examination of the implications of participation of government bodies as FSC members, a study commissioned by the General Assembly.
- Establishment of a technical committee for improving access to certification for small-scale enterprises. It may look at simpler, more cost-effective processes for small operations.
- Support from the board to social chamber meetings and work with the social working group on fund-raising.

Scrase (1999) has addressed some of the problems facing small enterprises and recommends potential solutions<sup>13</sup>. Further issues have been raised in debate and need to be addressed by accreditation bodies:

Certification should address the north-south imbalances and inequities, in order to:

- maintain its own credibility as an equitable mechanism to promote SFM,
- avoid further friction between north and south,
- promote better forest use in the areas which most need it.

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<sup>13</sup> These include: developing certification systems for small forests; guides to marketing certified products; simplifying group certification; developing field manuals.

### **BOX 8: FSC: ADDRESSING THE INEQUITIES**

*Regional certification standards.* A risk of the systems being developed in the north is also that the standards may be perceived as representing predominantly northern, industrial values. FSC National Initiatives have started up globally to tailor the generic FSC P&Cs to local situations, whilst in other places nationally driven standard developments have been accepted by the FSC.

*Group certification policy.* This allows for several small enterprises to be covered by one certificate. Group managers hold the certificate and ensure that group members' management complies with the requirements of the group. This reduces the individual certification costs for each enterprise. Tillhill, a UK forest management company, is offering free certification to enterprises of less than 100ha under its forthcoming group certificate, whilst charging increasing amounts for larger enterprises.

*Percentage-based claims policy.* This allows paper and composite wood products to contain less than 100% of certified wood products (minimum 70% of the virgin wood fibres should be certified). It is important for processing companies sourcing from many producers and aims to prevent smaller producers being squeezed out of local markets as a result of *not* being certified.

*Source: FSC website September 1999, A. Jenkins, pers.comm. 1999*

Increased participation within the FSC could widen the scope of enterprises for which certification is or can be appropriate and reduce the tendency to support mainly northern industrial enterprises.

Assessment of the potential for systems based on lower starting points and step-by-step improvement within FSC, to allow poor producers to work towards becoming good producers rather than side-stepping certification altogether. Lessons from other certification systems will be useful. This should go hand in hand with support to capacity building efforts by donors and other organisations.

Assessment of the potential to develop certification systems which work for producers operating outside the international market place. Market-based forms of certification are currently being used to prove or recognise good local management in such situations, but with no market benefits. Is this realistic or should more appropriate mechanisms be worked out?

Cost reductions will remain important, as will the need to widen the market beyond northern Europe. Current moves to develop buyers' groups in Japan and Hong Kong will help, and their membership should be considered carefully – in the UK the buyers' group domination by DIY retailers has impacted on only a small section of the timber import market.

### 5.3 IMPLEMENTING THE STANDARDS – CERTIFIERS’ RESPONSES

This section is based on discussions with the two UK certification bodies (SGS-Qualifor and Soil Association-Responsible Forestry Programme/Woodmark) and represents their views on and approaches to equity issues in forest certification. Both certifiers (SGS as a private organisation and Soil Association as an NGO) are largely responding to the market demand for certification. The demand comes mainly from large enterprises, generally in the North.

The certifiers acknowledge problems of imbalance in the amount of certification of enterprises in developing countries and smaller groups. Certifiers commonly recognise that the flexibility which is built into FSC Principles and Criteria for local circumstances is useful in addressing some inequities, and Boxes 9 and 10 show how two UK certifiers have looked for other ways to resolve the problems.

Increasingly certifiers are using local assessors where possible to make certification cheaper and based more on local understanding and knowledge. The Rainforest Alliance (Smartwood) has developed a promising example of partnership between northern certifiers and southern organisations who implement the certification. This “Smartwood Network” is well developed in Latin America, but such networks hold clear implications for monitoring and standardising of certifiers.

Training is generally seen as critical. The funds needed for training are rarely huge sums of money but need to be flexible so that they can be used appropriately as needs arise. There is a general acknowledgement that in natural forests in developing countries considerable “upgrading” will be necessary before certification can take place; upgrading in general forest management, training, social issues, information on markets and certification in general. Recent discussion on the new definitions of “*primary*” and “*high conservation value*” forest in FSC’s Principle 9 have highlighted a lack of clarity and made the task of the certifier in primary forests in developing countries even more complex. As a result, certifiers are not keen to invest in developing mechanisms to certify primary forests, as direct and indirect costs make certification unaffordable for most enterprises.

#### BOX 9: ADDRESSING THE INEQUITIES: QUALIFOR

SGS has addressed the *information* problem by trying to make information available directly to clients in the South and through the SGS-affiliate network (SGS is a multi-national company with branches as far flung as Papua New Guinea and South Africa). This network is also useful in addressing the inequities in *sharing of experience and knowledge* of SFM as discussed in section 3.1. Information documents are provided on forest certification, the procedures, how to meet the standards, etc.

SGS see training and *building capacities* to meet the standards as a priority to be addressed, especially in developing countries. SGS also organises several training courses on forest certification, chain of custody and environmental management systems. SGS does not do training in upgrading forest management as this is not compatible within the FSC-system, where it is impermissible to operate both as consultant and certifier.

**BOX 10: ADDRESSING THE INEQUITIES: WOODMARK**

The Soil Association also acknowledges the problem of access to information, knowledge and capital for many clients in developing countries.

Recognising the difficulties and inequities for these enterprises, the Soil Association makes particular efforts on flexibility towards social issues in its certification assessments in developing countries.

Whilst the Soil Association is an NGO, and subsidies have in past been received for the operation of Woodmark, it is their aim that certification should pay for itself. This means that additional costs of improving these inequities cannot be freely borne by the certifier. As a consequence, a majority of their activities have been in countries such as Sweden, and they have expressed concern that international inequities can be reinforced, as less time and resources are left to be directed to developing countries, from whom they gain less revenue.

Capacity building in developing countries is thus important to Woodmark and they have run several training programmes, for example in the Solomons and Sri Lanka, and contributed to those run by other organisations. Their current emphasis overseas is to develop local certification capacity, as a way towards genuine sustainability through reducing costs and improving the local relevance of services.





## 6 IMPLICATIONS FOR DEVELOPMENT POLICY

### 6.1 CURRENT POLICY ON CERTIFICATION

During the last decade development agencies have limited technical support to commercial forest management activities, and focused forestry investments more on institutional development, conservation and protection, and social forestry projects. The investments in certification have generally been directed towards:

- Support for the definition of *criteria and indicators*, through collaborative projects.
- Definition and development of local standards through *national working groups* in developing countries. This has been achieved largely through supporting stakeholder participation in the processes, by funding and facilitating meetings and travel.
- *Demonstration* of the achievement of *SFM objectives* in their forestry projects, by funding the direct and/or indirect costs of certification them.

Box 11 shows how one donor agency has supported certification.

A DFID position paper on certification (DFID 1999) has identified interventions which it might make. Further challenges for donors to address are outlined in the following section.

### 6.2 EQUITABLE CERTIFICATION: CHALLENGES FOR DEVELOPMENT ASSISTANCE

**Improving stakeholder participation.** Development assistance agencies have viewed certification as a potential tool to help sustainable development of forest resources by gaining the involvement and consensus of a range different stakeholders. There remains, however, a long way to go both in the definition of local criteria, the reaching of consensus and the practical field-testing and assessing of certification systems, especially in developing countries.

Donors have *assumed* that certification would work as an incentive for improving forest management in developing countries. However, the emerging trends to date are for certification to predominantly benefit those who are already in an advantageous position, in particular large enterprises from developed countries. This is clearly not what development agencies intended or are willing to support. Their role may require some reassessment.

A particular focus for development agencies might increasingly be in combating the risk that certification could turn against developing countries as a whole, and against

### **BOX 11: THE UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT'S HISTORY OF SUPPORT TO CERTIFICATION**

The UK Department for International Development (DFID) has seen certification as a useful trade-related incentive to sustainable forest management. It has supported the Responsible Forestry Programme's (RFP) Woodmark certification scheme, including the preparation of certification standards and procedures for tropical forests, the production of inspection training materials, documentation of certification costs, and the definition and implementation of a certification strategy. An evaluation of this support revealed that some progress had been achieved in UK and European certification markets, whilst little business had been established in developing countries, partly because producers were unwilling to invest in certification due to uncertainty over its cost-effectiveness.

DFID has also funded several certification research projects, including studies on the impacts of certification on small-scale, community-based enterprises in tropical developing countries, and on aspects of small-scale enterprise certification.

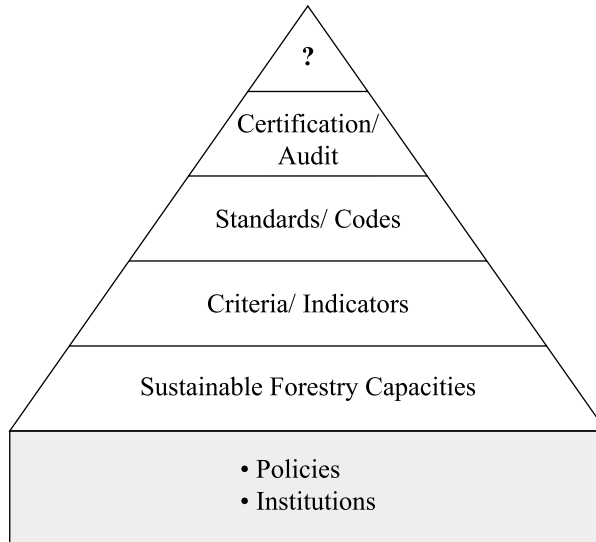
Within DFID's bilateral forestry programme a project is now underway to support participatory standards development in Mexico under the FSC model. The project also supports the costs of training in certification and accreditation procedures, and market promotion of certified products. Depending on demand, similar support for national standards initiatives may also be introduced through bilateral forestry projects in Ghana, Indonesia or Guyana.

*Source: DFID (1999)*

smaller enterprises. Development agencies might be willing to support improving or developing social standards or develop standards or schemes which better recognise constraints for small businesses and complex SRLs.

**Improving capacities, building foundations.** Development agencies have also assumed that the incremental costs to achieve SFM would be covered by the benefits that accrue from certification. This paper has suggested various reasons why this is often not the case, and especially for the small and community enterprises and sustainable livelihood systems which development assistance aims to support. But larger companies in developing countries face similar problems – their capacities to plan management and deal with environmental and social issues remain low – and have few incentives to do better forestry, gaining limited access to market benefits of certification or to donor support at present. The issue of building capacity of such entities to achieve sustainable forest management and the question of who bears responsibility for it and for paying for it, remains, particularly in natural forests in developing countries.

A sound foundation of policies and laws is fundamental to good forestry. So also is the capacity to conduct sound forestry operations. The process of certification is, to a large extent, dependent on these requirements, and demands agreed standards or codes against which practices can be verified. Figure 1 sets out this 'pyramid' of requirements for SFM.



**Figure 1.** The ‘pyramid’ of requirements for good forestry (Source: Bass 1999)

Community and small-scale forestry enterprises, particularly in developing countries, clearly need support to upgrade their forest management capacities. The basic pyramid of requirements must be addressed to build capacities for certification and close the gap between developed and developing countries. Otherwise certification may only add incrementally to standards of forestry where all the requirements are in place, though debates on standards may themselves inform better policy development, and thus better forestry.

Development agencies already allocate funds to policy work, C&I and standards – but the upgrading forest management capacity in developing countries are relatively neglected, partly due to previously negative experiences of technical assistance. Renewed attention to the key issues of sustainable forest management is needed in order for certification to be able to work. The conclusion to be drawn is that certification should be supported as a *part* of sector-wide assistance, rather than as an overt focus of it.

**Costs, prices, and sustainability.** In terms of future management and marketing capacities, support might be better directed at groups working towards certification (Markopoulos 1999). Group certification minimises costs for smaller enterprises, and supporting formation of groups also sets in place local and regional support networks for sharing of both technical capacity and marketing knowledge.

The development of more competitive markets for certification services has also been highlighted as an option for reducing costs (Markopoulos 1999). Encouraging more certifiers would potentially improve competitiveness, and would be particularly effective if a better regional spread than is currently available could be achieved.

Currently there are emerging indications that the financial benefits of certification remain at the end of the chain of custody and do not flow back to the forest to upgrade management – thus certification remains an extra cost for the forest managers. This inequity needs to be addressed through improvement of marketing capacities to improve

the forest managers' incentives to certify. Donor assistance might usefully support small business development in these areas, which would also improve the long-term stability of the enterprise. There are also useful marketing lessons to be learnt from Fair Trade and organic agricultural produce markets (Courville 1999).

The promotion of price incentives for tropical certified timber entering the EU-market could be considered. Without real financial incentives, producers willing to invest in extra costs of certification may remain limited to the few who are totally dependent on environmentally sensitive markets.

**Information provision, spreading knowledge.** Improving access to information on certification, markets and good forest management techniques may prove to be a critical role for development assistance. Certification was intended to be a demand-driven tool to encourage SFM, yet consumer awareness of it remains limited. Improving information availability for disadvantaged enterprises was discussed at a recent workshop<sup>14</sup>, where it was noted that care is needed by donors to avoid entering into market manipulation. However, improving general information networks for SFM and certification (such as the European Forest Institute's *Certification Information Service*<sup>15</sup>) remains valid.

Informing financial markets about certification may also be key to helping smaller enterprises in unstable countries gain access to finance more easily. This could provide an important incentive for these enterprises to invest in SFM and certification. This is a focus of an ongoing WWF Forests for Life project.

**Considering the benefits.** Finally, donors, and others involved in certification, need to carefully consider what the currently disadvantaged enterprises stand to gain from certification. Ongoing work funded by DFID and EC-DGVIII is looking at the impacts of certification. Care should be taken not to over-use market-based certification where other mechanisms might be more appropriate. Before investing in extensive support to certification, and especially to developing more effective ways of including small enterprises and those in developing countries, consideration must be given to deciding whether certification is the most appropriate and efficient tool to be used in promoting SFM and livelihoods for these enterprise types. Development of alternative certification systems for those currently "out of the loop" may be more desirable.

Most donors recognise that certification is only one of a number of means to achieve SFM, including trade agreements that incorporate environmental objectives, policy and legislative measures that strengthen forest sector regulation, and process innovations that increase the level of informed public participation in policy making. As noted by DFID (DFID 1999), there is no reason to favour, *a priori*, certification over these alternatives, unless it can be demonstrated that certification can achieve its purpose with greater efficiency (i.e. at lower cost and with higher reliability), equity, or legitimacy.

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14 "Researchable constraints on certification of small enterprises", EFRN/Soil Association, Hamburg, 30 September 1999.

15 EFI-CIS website: [www.efi.fi/cis/](http://www.efi.fi/cis/)

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