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Forest Certification – The Debate About Standards

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SUMMARY

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

PART I – AN INTRODUCTION TO FOREST CERTIFICATION

WHAT ARE THE ORIGINS OF FOREST CERTIFICATION?

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

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

WHY IS CERTIFICATION SO TOPICAL?

In the last twenty years, forest problems worldwide have been on the increase. Forest area and quality have both declined, especially in the tropics and boreal areas. Stakeholders are in conflict over increasingly scarce forest goods and services. It is generally acknowledged that the root causes of forest

problems are policy, market and institutional failures. In recent years, four basic responses have been made to address these failures:

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

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

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

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

WHAT DOES CERTIFICATION AIM TO ACHIEVE?

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

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

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

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

HOW DOES CERTIFICATION WORK IN PRACTICE?

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

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

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

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

WHAT STANDARDS ARE USED?

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

participation. There are two complementary types:

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

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

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

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

HOW IS THE QUALITY OF CERTIFIERS ENSURED?

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

THREE APPROACHES TO CERTIFICATION

The Forest Stewardship Council (FSC)

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

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

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

The International Organisation for Standardization (ISO)

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

National certification programmes

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

IF CERTIFICATION IS MARKET-LED, WHO IS DEMANDING IT?

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

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

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

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

WHAT ARE THE COSTS OF CERTIFICATION?

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

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

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

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

THE FRAMEWORK FOR EFFECTIVE CERTIFICATION

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

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

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

HOW CAN WE JUDGE WHETHER CERTIFICATION PROGRAMMES ARE EFFECTIVE AND EFFICIENT?

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

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

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

Box 1 Certification should contribute to sustainable forest management

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

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

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

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

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

To ensure that it inspires marketplace confidence, certification requires:

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

Box 3 Certification should minimise trade distortions

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

- be non-discriminatory (against country or forest type);
- avoid unnecessary obstacles to trade or distortions of trade (i.e. certification should meet environmental objectives and go no further);
- encourage harmonisation, or acceptance of equivalence, amongst similar approaches to standards/conformity assessment;
- use international standards where these exist;
- be verifiable and transparent; and
- allow for special/favourable treatment of developing countries.

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

PART II – A COMPARISON OF FSC AND ISO APPROACHES TO FOREST CERTIFICATION

THE FSC AND ISO APPROACHES

As outlined in Part I, only FSC was specifically designed for forest management certification, but the ISO 14000 Series includes many relevant elements and is in the process of being applied to forestry. Furthermore, both ISO and FSC have become loaded with expectations for achieving many possible purposes (either directly or indirectly) through certification. While both FSC and ISO 14000 aim to improve environmental performance, they are otherwise very different in structure and operation. The FSC and ISO approaches have two distinct philosophies with respect to forest verification – the former emphasising forest performance standards and the latter management system standards. Because they are different 'animals', with different purposes, and because of the lack of documented experience in the field, a full comparison of all aspects of FSC and ISO is invalid. What is possible, however, is a comparative description of the different origins of the two approaches (as summarised in Table 1), and then a commentary on how they might meet the likely requirements of effective certification which were outlined in Boxes 1 to 3 in Part I of this paper.

COMPARATIVE PROFILES OF ISO-EMS AND FSC APPROACHES

The Protagonists

ISO approaches are understood by producers, some large corporate buyers and most government bodies, who have used them in many aspects of their work. ISO has been in business since 1947, originally focusing on technical standards for products. More recently it has moved to production processes, notably quality/environmental management systems. Its agenda is very much driven by its government agency members, and industry. Both the WTO and governments recognise ISO as the competent body for developing international standards, which may then be reflected in legislation.

Many producers may be favouring an ISO-EMS approach either as a defensive measure against possible pressure to meet what they see as the unknown, but expensive, quantity of FSC or because they see it as an internationally-recognised alternative to multiple competing labels. The potential difficulty with the dominance of these groups in the ISO process is that those forest problems which are created by large producers and buyers (local social impacts, inability for local forest concerns to surface, wasteful consumption patterns, etc.) are 'swept under the carpet'. In responding to pressure from NGOs to help producers follow meaningful performance standards, an ISO working group is establishing an information document on the various performance standards that might be selected (see below).

In contrast to ISO, FSC is new. It was designed specifically to deal with contemporary forest problems, and with environmental problems in particular. The original protagonists were NGOs concerned about weak government and uncontrolled business, and their environmental and social impacts on forests and people. FSC's agenda was strongly influenced by WWF, which made staff available to help

Table 1 Summary comparison of FSC and ISO

Issue	FSC	ISO 14001
Main protagonists	Environmental and some social NGOs; Buyers' groups	Industry, especially large producers; Governments; WTO
Inherent values	'Value-laden'; Sustainable development; Equity; Aspirations; No 'lead-in' time	'Value neutral'; Modernist; Enterprise-focused; Continuous improvement
Purpose	Define good forest stewardship and accredit certifiers; 3rd party certification essential; Labels and chain-of-custody can be provided to market	Specify elements of management system to improve performance; 3rd party certification optional; Certification permits general publicity, but no labels
Standards	Performance standards based on global P&C, encouraging compatible national standards; Normative	Management system standard; No performance standards specified – but Information Document suggests options
Governance	NGO status; Members from NGO and private sectors; Equal economic, social, environmental chambers, with North/South balance	NGO status ; Members are national standards bodies
Accreditation	An international accreditation body itself	National accreditation bodies
SFM compatibility	Stresses high environmental and social performance – challenges the manager	Stresses management capacity and continuous improvement; Enterprise chooses performance standards; Social standards difficult to integrate
Credibility with stakeholders	High with NGOs / buyers; Lower with some governments; Mandate problems; Risks of 'monopoly'	High with intergovernment bodies bodies and industry; Low with NGOs/others; Narrow participation; No chain-of-custody reduces market potential
Trade distortions	Standards may be considered too high; Social standards may be considered unwarranted	TBT recognises ISO; ISO standards not considered unnecessary trade restrictions

set it up. Many NGOs had experimented with boycotts and advocated bans but, through their interaction with retailers, came to see that positive discrimination might be more effective. Although they recognise the power of the market, there are varying degrees to which NGO members of FSC are willing to compromise their position on forest standards to meet the market needs of retailers (see below); FSC's standards cannot be revised too far or too fast.

Certain key retailers (organised into buyers' groups in Europe) are now playing an important role in determining FSC's evolution. They like the lofty values promoted by FSC as these can help a retailer achieve a public image as a caring corporation. Retailers can promote FSC's values by developing, in many product and geographic markets, a new brand of FSC-certified products. Taking the UK as an example, 77 companies in the WWF-1995 Plus Group have rallied around FSC whilst none have officially promoted the ISO approach.

The potential difficulty with the dominance of buyers' groups is that their practical demands for forest products are inextricably linked to the way in which producers will interpret FSC's standards. There is a danger that the standards end up applying only to forests that can produce the particular goods which the buyers want, in the quantity they want. If forest producers cannot meet high FSC standards, producers may pressure FSC to revise the standards to enable more producers to meet them. As noted above, some NGO members of FSC will resist this trade-off between standards and volumes of production.

Philosophy/Values

The ISO 14001 standard (for Environmental Management Systems) embodies a modernist paradigm. While it appears to be value-neutral, by not requiring precise performance standards, it was developed for commercial and government bodies that are capable of, and have a need for, standardised products and processes, rather than community approaches. Since it prescribes a tool (EMS) to be used by the enterprise, it is enterprise-focused. ISO 14001 is very much in favour of the enterprise making decisions appropriate to local circumstances and to its own capacity and orientation (rather than the public making the decisions). The concept of continuous improvement is central: an enterprise sets targets incrementally, in order to meet them, learn from them, and set increasingly more ambitious goals. In this way, it encourages a learning organisation and a realistic and pragmatic approach to dealing with evolving environmental issues. Although highly compatible with large companies, its focus on management capacity could also help to encourage capacity-building in small and community enterprises.

FSC is very much a product of the 1990s – the era in which sustainable development is the main paradigm, i.e. aiming to achieve environmental sustainability and poverty alleviation together. It is based on a sound analysis of sustainability in the forest sector. Indeed, the difficulty of verifying sustainability in the short term has led it to focus on 'stewardship', as comprising activities compatible with sustainability. Although they do not ask for sustainability, the Principles and Criteria (P&C) developed by FSC (see Box 4) are none the less highly

BOX 4 FSC Principles and Criteria

The FSC's Principles and Criteria (P&C) apply to all tropical, temperate and boreal forests. Many of these P&C apply also to plantations and partially replanted forests. More detailed standards for these and other vegetation types may be prepared at national and local levels. The P&C are a complete package to be considered as a whole, and their sequence does not represent an ordering of priority. Each principle is accompanied by several criteria.

Principle 1: Compliance with Laws and FSC Principles

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is signatory, and comply with all FSC P&C.

Principle 2: Tenure and Use Rights and Responsibilities

Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.

Principle 3: Indigenous Peoples' Rights

The legal and customary rights of indigenous peoples to own, use and manage their lands, territories and resources shall be recognized and respected.

Principle 4: Community Relations and Workers' Rights

Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.

Principle 5: Benefits from the Forest

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

Principle 6: Environmental Impact

Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.

Principle 7: Management Plan

A management plan – appropriate to the scale and intensity of the operations – shall be written, implemented and kept up to date. The long term objectives of management, and the means of achieving them, shall be clearly stated.

Principle 8: Monitoring and Assessment

Monitoring shall be conducted – appropriate to the scale and intensity of forest management – to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

Principle 9: Maintenance of Natural Forests

Primary forests, well-developed secondary forests and sites of major environmental, social or cultural significance shall be conserved. Such areas shall not be replaced by tree plantations or other land uses.

Principle 10: Plantations

Plantations should be designed and managed consistent with Principles 1-8 and certain stated criteria. Such plantations can and should complement overall ecosystem health, provide community benefits, and provide a valuable contribution to the world's demands for forest products.

Source: Upton and Bass (1995)

value-laden in prescribing and requiring high standards, in embodying notions of equity, and in the (tacit) philosophy of challenging the monolithic institutions that define forestry rules and activities today. Unlike ISO, which is focused on the enterprise, FSC's P&C prescribe an approach which stresses the impact of the enterprise on outside groups and the forest. Applicability is designed to be broad – to community enterprises, state enterprises, and large corporations. Precise accountability for actual forest management is called for.

Purpose

The ostensible main purpose of ISO 14001 is to specify the elements of an enterprise's management system that create the capability to deliver stated objectives for improving environmental performance. ISO process standards encourage the use of the standard as an internal management tool, with first-party assessment – but this cannot be used as a claim for marketing purposes. Third-party certification ISO 14001 is optional; what it does is to demonstrate that the enterprise (rather than their individual forests) is up to the task. This third-party certification cannot currently be used for making specific environmental claims and for labelling products, but can be used for general publicity. An ISO standard is in preparation for the use of claims. However, there is a problem in defining how such 'general publicity' can be conducted. There is certainly a risk that enterprises will want to use their adoption of ISO 14000 standards as a kind of label for retailing purposes.

The main purpose of FSC is to define good forest stewardship through comprehensive national standards, based on global P&C; to accredit certifiers that certify forest management performance according to such standards; and to improve accountability. This purpose, however, can only be achieved by a market mechanism, which works by linking up producers and buyers who have the wherewithal to aspire to and (in the case of producers) to meet such standards. In contrast to ISO, third-party assessment is considered crucial, since FSC was in part born out of market mistrust of multiple self-proclaimed labels. The ability to verify chains of custody will be required in most instances.

Standards

The ISO 14001-EMS is a management system standard. Performance standards are not specified (although the enterprise has to define its own performance objectives and targets, based on its own environmental policy commitments, the environmental aspects of their activities, regulatory requirements, and the views of interested parties; and the enterprise must be committed to continual improvement). The ISO TC207 technical committee is producing an information document that sets out the various forestry performance standards that an enterprise might wish to consider in setting its own standards. This includes the FSC P&C, as well as the various intergovernmental P&C. The approach is, therefore, not normative.

In contrast, the FSC performance standards are based on a normative set of 10 global Principles (see Box 4) with associated Criteria of good forest stewardship, which are both qualitative and quantitative. Some of these refer to the performance of the management system. Forest managers and certifiers either

interpret the global P&C directly or use national standards where these have been defined by national working groups (as is called for by FSC). Some observers find it problematic that certifiers in some countries without national FSC standards are both interpreting the global P&C and certifying individual operations.

Another concern is that it is relatively difficult for intensively-managed forests and plantations to meet FSC's P&C, even if they are located within a balanced landscape where environmental goods and services (such as biodiversity conservation) are being produced by neighbouring land uses.

Institutional mechanics – governance and accreditation

Governance of ISO is through its 120 members, which are the national bodies responsible for standards. About 90 are full members – the rest have fewer rights (these tend to be from smaller or poorer countries). Only one such body is accepted from each country. ISO itself is a non-governmental body. The need for new standards can be proposed through a member national body; a working group may then be set up to negotiate the standard, and 75 per cent of voting members must agree to it before it is published.

Accreditation, i.e. verification of the competence, reliability and independence of certification bodies, has always been critical to ISO. It has a whole raft of tested rules on accreditation, and tends to rely on national accreditation bodies which deal with many sectors. There is nothing specific to forestry.

In the case of FSC, governance is through a board of directors elected from fee-paying members, which tend to be a mix of private sector and NGO groups. The members are divided into three equally-weighted chambers, representing economic (producer), environmental, and social (peoples' and workers' organisations) interests. Each chamber operates on the principle of an equal balance between Northern and Southern countries.

FSC was specifically set up as an international accreditation body for forest management certification and labelling, and remains the only one. Its rules are based on those pioneered by ISO. With the number of certification bodies accredited to FSC increasing, the organisation plans to decentralise from its base in Mexico.

COMMENTARY ON THE POSSIBLE EFFECTIVENESS OF FSC AND ISO-14001 IN FOREST MANAGEMENT CERTIFICATION

Bearing in mind the above caveats on the lack of experience, and the differences in purpose, some observations can still be offered on how FSC and ISO 14001 approaches might meet requirements for effective forest management certification (i.e. helping both forest management and market access). These observations relate to the requirements suggested in Boxes 1 to 3.

How compatible are FSC and ISO approaches with SFM?

ISO 14001 emphasises capacity and continuous improvement towards the goal of sustainability, and allows a 'conversion period' rather than requiring excellent performance today; a tactic that has been shown to help broaden the uptake of organic agriculture. ISO allows performance standards to be defined by the enterprise, which is good if this is used genuinely to ensure performance matches local needs, but not so if it allows below-best-practice approaches. ISO emphasises the building of management capacity.

FSC challenges the enterprise to meet high performance standards on all fronts (including social issues). However, the emphasis is on the interpretation of standards by external stakeholders and certifiers, which can result in a mismatch with what the forest manager really knows is going on in the forest. There have been some complaints by forest managers that FSC-accredited certifiers do not understand the local ecological or silvicultural importance of certain issues. On the other hand, the standards and the conformity assessment act as a counterbalance to areas which the forest managers really do know about by focusing attention on weak or neglected issues.

The big issue that neither FSC nor ISO approaches have been able to grapple with yet is the possible weak or negative impacts of certification on forests. These include, for example, the fact that certification will not be able to control companies which are only interested in short-term extractive investment (i.e. asset-stripping) rather than long-term productive investment. Furthermore, certification may even (accidentally) create asset-strippers by causing companies which cannot meet standards to divert trade to less discriminating (domestic/Asian) markets.

How acceptable are ISO and FSC to stakeholders?

ISO has developed quite rigorous procedures to ensure that development of standards is reasonably participatory, that standards are cost-effective and reflect consensus, are revised regularly to meet changing understanding and needs, and conformity assessment is separate from consultancy advice (therefore avoiding conflicts of interest). Users of ISO 14001 are free to put in place the performance standards which are most credible locally.

However, the efficacy and equity of these processes are being challenged for complex systems such as forests. There are certain observers who claim that ISO standards do not reflect the cultural, social and economic business environments of many developing countries; and that – for an institution now concerned with process standards such as ISO 14001 – too little attention is paid to process in ISO standard developments. ISO's participatory process is certainly narrower than has become normal in sustainable forestry today; developing countries, environmental/social NGOs, unions, and indigenous peoples' groups do not have good access to the processes. Furthermore, less effort is used to reach consensus than many desire. Voting, for example, is often used. Some observers contend that the 'democratic deficit' and/or the lack of performance standards will enable large companies and powerful countries to control the agenda – undermining the substance of debate on environmental standards and slowing progress. Clearly, ISO, through its governance and procedures, needs to ensure that this does not materialise.

For FSC, the creation of three equal chambers and parity between Northern and Southern countries appears to have increased credibility and overcome the early problems of the lack of industry participation. Those who still challenge FSC often do so on the basis of its authority – whom does it represent? and who gave it its mandate? Such challengers are those who tend to have a problem with civil society initiatives in general, and who prefer to support the established (inter)governmental 'monoliths', in spite of their all-too-evident failure to foster SFM. The lack of government involvement further reduces credibility in their eyes.

Rigorous FSC accreditation and business procedures, borrowed from ISO, aim to help maintain credibility. However, the 'monopolistic' position of FSC, as the only international forest management accreditation body, presents the risk of a sudden lack of credibility were one of its accredited certifiers found to be involved in fraud or merely poor judgement. This may explain FSC's apparent tardiness in accrediting certifiers; it needs to be very sure of them.

How credible are ISO and FSC with the market?

The ISO 14001 approach may be adequate for business-to-business communication about an enterprise's processes of forest management, but it is not helpful in markets where the consumer needs to know about – or the retailer wants to promote – precise performance in the forest. The key problem is that no label, describing either the forest or the products, is permitted. Yet there is a suggestion that producers may be using ISO 14001 as a 'surrogate' label, which will confuse consumers. Even if the consumer were interested in the EMS of an enterprise, there is much potential confusion over first- and third-party claims, both of which are allowed under ISO 14001.

In the case of FSC, there appears to be high credibility in certain markets in NW Europe and (to a lesser extent) in North America, as evidenced by the buyers' groups all promoting FSC and demanding products accordingly. However, the lack of a consolidated position on chain-of-custody labelling is presenting difficulties in ensuring adequate supplies of labelled products, especially those that are derived from multiple forest sources (such as paper).

Do ISO and FSC minimise trade distortions?

ISO stands in good stead here, at least in international legal terms. The TBT Agreement recognises ISO as the competent body for developing international standards, and such standards are considered not to present unnecessary trade restrictions. ISO is closely associated with TBT committees. ISO 14001 is not prejudiced against any particular country or type of forest.

As a voluntary, non-governmental body, the FSC is not strictly bound by TBT rules, although in the countries where FSC certification takes place, the governments are supposed to ensure TBT provisions are followed. There are three potential worries regarding FSC:

- FSC standards could be construed as being higher than is needed to meet domestic environmental objectives;
- whilst environmental standards are permissible under TBT, FSC's social standards may be considered to result in unwarranted discrimination, e.g. by not allowing enterprises to make use of comparative advantages presented by low labour costs in a country; and
- the TBT Code obliges the use of any international standard if it exists and is locally feasible – which could favour ISO as the industry standard.

In addition, it is interesting to note that the driving forces for certification, as well as the majority of certificates to date, arise in North America and Europe – giving rise to some assertions that certification is a 'rich man's club'.

PART III – CONCLUSIONS

OUTSTANDING DILEMMAS

Certification of forest management is a relatively recent process and, inevitably, there are a large number of contentious issues still to be resolved.

Forest producer dilemmas

Some enterprises are saying such things as:

"Certification is a rich man's club". At present, certification favours those who are exporting large quantities, who operate large forest operations and who can pay the costs. A number of certifiers are developing ways to help small groups, e.g. by forming self-policing associations which are certified as a single management unit. However, many smallholders' forest management systems are akin to agroforestry, which presents problems with current certification standards.

"Should we really be holding small family forests as accountable for their actions as major transnational companies?" The answer must be negative, and taken into account in developing group schemes.

"Why add to (good) government laws, and create a parallel system of accountability?" This is a legitimate complaint; perhaps some markets should be educated to accept government audits if the regulatory environment is indeed good.

"Certification has not helped my marketing". It is taking time to link up the buyers with certified forests, and to get the buyers placing regular orders – many of them do not want to drop their current suppliers and are paying more attention to helping them become certified than to finding new sources.

"We can't afford to get certified, but we see certification becoming almost a mandatory requirement. So we will sell off our standing stocks quickly to less discriminating buyers". There is some evidence of this occurring in Central Africa, where hardwood is being increasingly sold to the Japanese. In this way, certification may be having an unintended negative influence on forest management.

Standards and assessment dilemmas

Key dilemmas being faced by FSC – and by any group setting performance standards within an ISO 14000 approach – include the definition and agreement of standards for:

- forest conversion – from what type of forest to what kind of land use is permissible?
- landscapes – e.g. if plantations can be planned and managed in close relation to surrounding land uses, why ask plantations

to produce all the non-timber benefits? How can production in sustainable agroforestry/ shifting cultivation systems be certified?
- salvage logging.
- use of genetically-modified organisms (as opposed to clones).
- participation standards – how rigorous and binding should participation processes be?
- group certification (of small producers).
- social aspects – who is a stakeholder and what should standards cover? How far should forest management tackle inequalities, and how far beyond the forest should its influence count?
- chain-of-custody certification (where labelling is required): recognising that comprehensive tracking of all products is very expensive, and that many products are sourced from multiple forests/countries, how to generate input/output averaging, or percentage based schemes?

Once standards have been defined, there is also a need to develop the means to ensure mutual recognition between standards, as well as cost-effective forest assessment methods, especially for biodiversity and social criteria.

Institutional dilemmas

At the institutional level, the main debate concerns whether or not we should be encouraging harmonisation between the main standards and certification initiatives. The main intergovernmental standards initiatives apply principally to the national level (rather than to the specific forest) and they are in the process of being harmonised. The FSC presents its own system for harmonisation. The independent national certification initiatives probably need some form of mutual recognition – that will allow them to keep their identity and to evolve – more than they need harmonisation (which might fossilise approaches and reduce the possibility for making standards really relevant locally).

Extent of eventual impact

By June 1998, 124 forests under varied types of management (corporate, smallholding, community and state-run operations) had been certified (all through FSC-accredited bodies). These covered 10.3 million hectares in 25 countries. Altogether, they produce volumes amounting to less than one per cent of global trade, most of which is sold in highly processed forms (e.g. as certified doors, kitchen equipment, furniture, charcoal). Certification has also not yet affected the paper industry, mainly because many of the producers are undecided about it and also because of the practical difficulties of tracing chains of custody for multiple pulpwood sources. There remain, therefore, questions as to the long-term impact of certification:
- What is the size/longevity of environmental and social markets? WWF is working hard to develop buyers' groups outside north-west Europe and North America.
- What is the total area of certifiable forests? This would appear to be a significant proportion of all forests currently under commercial management long-term (but not of those which are being logged short-term).
- Can certification stop bad forestry/rent-seekers? The answer to this appears to be negative at present. However, if certification is applied to the conditions for investment imposed by the stock market and finance houses, this would affect the many large companies which are raising money on the stock market to finance unsustainable logging.

WHAT DOES THE FUTURE HOLD?

In its present stage of development, certification is politically contentious. This is partly because it is the first strong policy instrument not to be implemented by governments and hence appears to contest their authority. It is also because certification strongly contests the *status quo* amongst producers and producer countries. The *standards* of a certification programme, and the type of *institution* that operates that programme, are highly political issues. Lobbying has tended to focus on the relative merits of FSC *versus* ISO approaches. There is, however, considerable overlap between the two approaches on many matters, and some communication between them.

The irony is that FSC was really set up for improving forest management, and yet FSC's label is probably best placed to help marketing, with buyers' groups promoting it. In contrast, the ISO 14001 forestry initiative was set up to defend markets (although it doesn't even allow a label); yet ISO 14001 offers, in the long run, an excellent tool to improve forest management. Progress will be made if FSC thinks more about management systems, and if the ISO Working Group thinks more about performance standards.

ISO 14001 and FSC approaches are here to stay, at least for the next several years. Both will be valuable in assisting leading companies and perhaps some community enterprises to improve performance, and/or to gain access to (somewhat different) markets. Some certifiers already certify enterprises to both standards, as at present it appears that both are needed to maximise impact. When done together, the costs of FSC and ISO certification are proportionately much reduced.

It is tempting to conclude that the complementarity of FSC and ISO approaches presents a case for harmonisation of the two. Indeed, many actors, such as the European Community and the Intergovernmental Panel on Forests, have started to look at institutional and process options that could help harmonisation. However, they have not made a sound case that the lack of harmonisation is a significant constraint to effective certification. Premature harmonisation could result in a fossilisation of an imperfect approach, by cutting out diversity and experience.

Certification is a promising instrument that, like any new instrument, is inevitably faulty or too complex in its design. In the long term, simpler, cheaper and more equitable versions are needed. The development of these will be driven by competition, by allowing different groups to make choices, and by assessing the experience and impacts of the various certification programmes, and constraints to improving them. It will also be driven by real demands for mutual recognition, or for simplification, in one or two areas. In other words, since certification is a multi-stakeholder processes, stakeholders will gradually come to agree on areas that need harmonising. For example, key countries and trading groups need to get on with the business of trade, but also clearly want (sub)national forestry standards that are their own. Equivalence and informed mutual acceptance are therefore important needs.

Perhaps a useful way forward for individual countries is to set up national certification working groups with multi-stakeholder representation. These groups would consider the forest and trade problems and opportunities of the country, and would develop draft standards and procedures to suit. FSC and ISO principles could be considered as a basis. Once the working group agrees more or less what is right for the country, the question of compatibility with FSC and/or ISO can be considered for the issues for which it is relevant, notably for international trade. For example, it might be decided to adopt FSC-compatible standards and an ISO system to achieve them. This independent national-first approach has been adopted in a number of countries, such as Finland, Norway, Canada, and Ghana. It offers the opportunity to work out what is right for the country before building on the ISO and FSC frameworks.

Thus, even though the direct benefits (in terms of area of forest certified) of certification are still somewhat limited, it is now clear that the process has already resulted in many indirect benefits. For example, it has focused attention on such issues as: What is good forestry? How can it be assessed in the field? Who should be accountable for it? It has also spurred on the creation of multiple stakeholder groups that have the potential to act in other areas.

Finally, it is important to remember that certification cannot directly influence land use and policy decisions and is not the only answer to achieving sustainable forest management. Basic improvements are also needed to policy and law, to management systems and to regulatory capacity.

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ACRONYMS

EMS	Environmental Management System
FSC	Forest Stewardship Council
ISO	International Organisation for Standardization
NGO	Non-governmental organisation
SFM	Sustainable forest management
TBT	Technical Barriers to Trade
UN	United Nations
WTO	World Trade Organization
WWF	World Wide Fund for Nature

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