

## Combatting Forest Degradation – Certification as a driving force for amelioration

– Challenges for small forest enterprises –

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The natural forests of many Asia-Pacific countries are rapidly degrading or disappearing, threatened by a complex array of forces that undermine their ability to fulfil vital ecological and societal functions. The Food and Agriculture Organisation of the United Nations (FAO) estimates that net forest cover in the region declined by over one million hectares per year during the 1990s. Much of this forest loss is uncontrolled or ill-considered. Recognising that as a major importer of tropical timber Japan has a responsibility to contribute to the sound management of forests in timber exporting countries, the Japanese government is planning to revise the items and their criteria specified according to the “basic principle for promoting eco-friendly products in public procurement” under the Green Purchasing Law. The amendments that will come into effect in April 2006 after cabinet approval, will encourage government agencies to promote timber and wood products from legal sources and well-managed forests in public procurement.

Forest certification provides a credible means of verifying the legality of timber/wood products and ensures that forests are managed according to the recognised principles of sustainable forest management. However, present supplies of certified timber, especially from tropical countries, are well short of the future demand envisioned by Japan. Small forest enterprises are a feature of forestry in many tropical countries and could play an important role in supplying certified timber to Japan and other importer countries, particularly to niche markets. This policy brief introduces four



Wood in a certified timber yard, cut to  
specification and ready for export (PNG)

measures to improve the accessibility of forest certification to small forest enterprises: 1) Reducing the auditing costs of certification; 2) Engaging governments, especially their forestry departments, in promoting certification; 3) Introducing stepwise approaches for small forest enterprises; and 4) Developing national services to support certification.

### What is forest certification?

During the 1980s, prominent international NGOs that were concerned with the rapid disappearance and degradation of tropical forests campaigned for total bans on the import of tropical timber. Some began to reconsider their position on the basis that such bans would unfairly disadvantage forest enterprises in tropical countries that were implementing sound forest management strategies and destroy local livelihoods. Forest certification

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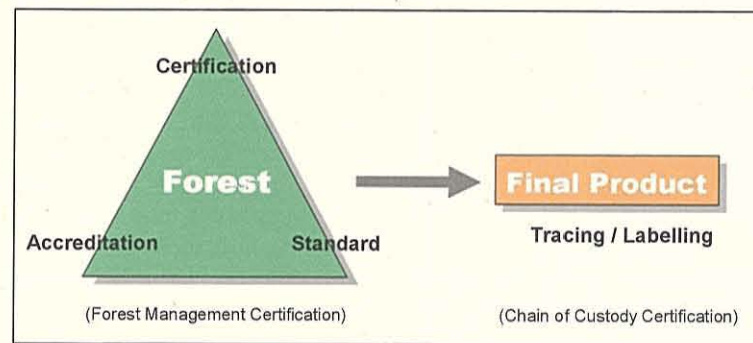
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*“Forest certification is unusual and appealing for its ambitious nature . . . certification schemes can require forest management to account for the rights of indigenous people, the optimal use of forest resources, the environmental and ecological impacts of logging operations, benefits to local communities and working conditions.”*

evolved in this setting as an instrument to identify products that had been sourced from forests managed according to a set of principles of sustainable forest management.

A forest certification scheme consists of: a **standard** – a set of requirements that must be met; **certification** – the process of verifying whether the standard has been met, and; **accreditation** – the process of accrediting the organisations responsible for undertaking certification. In addition, a tracking system is required to verify that no illegal activities are associated with the transport and processing of timber into wood products. Labelling is used so that consumers can distinguish between certified and non-certified wood products. Thus, forest certification schemes include “forest management certificates,” which indicate that forests are well-managed, and “chain of custody certificates,” which indicate that certified and non-certified materials are managed separately.

Figure 1: Elements of forest certification schemes



Source: Modified from Nussbaum, R. and Simula, M. (2005). The Forest Certification Handbook, Earthscan.

Forest certification is unusual and appealing for its ambitious nature. Drawing on the concept of sustainable development, forest certification embraces social, economic, environmental and ecological concerns. In addition to requiring adherence to national legislation and forestry regulations, certification schemes can require forest management to account for the rights of indigenous people, the optimal use of forest resources, the environmental and ecological impacts of logging operations, benefits to local communities and working conditions. Because certification schemes require a third party to certify the forests, and as they can require the participation of a wide range of interest groups in formulating standards, certification is viewed as one of the more credible instruments for improving forest management.

Over the past decade and a half, global, regional and national forest certification schemes have emerged. There are two global schemes: the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC). The FSC was established in 1993 by foresters, environmentalists, NGOs and loggers who were concerned with the destruction of tropical forests. The FSC established a generic certification standard and applies this through accredited independent bodies that assess whether forest managers are meeting the standard.

The PEFC was launched in 1999 as a framework for the mutual recognition of national certification schemes. Its promoters were Finnish, German, French, Norwegian, Austrian and Swedish forest owners and the supporters of existing national forest certification schemes in Europe. From its European origins it has become global in scope. In contrast to the FSC, the PEFC has not developed its own standard that it expects forest managers to apply. Instead, the PEFC endorses independently developed certification schemes and provides for their mutual recognition.

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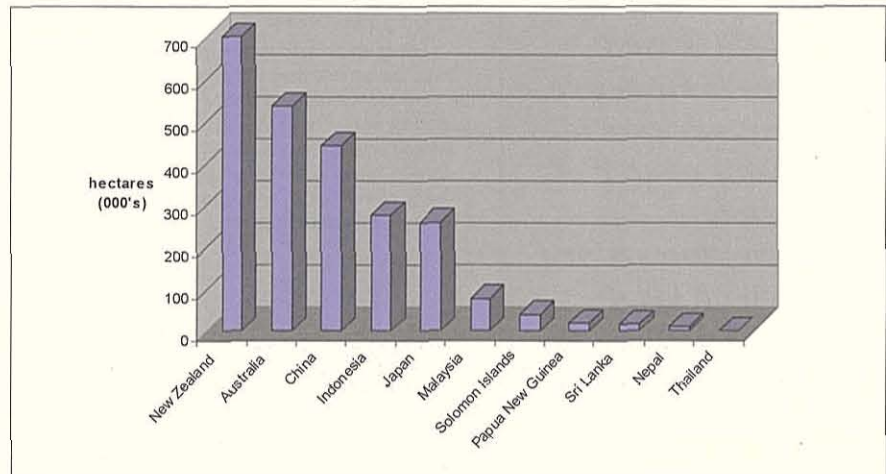
Of the two global certification schemes, only the FSC scheme has been applied to the certification of small forest enterprises in developing countries of the Asia-Pacific region. Of the national schemes in the region, only the Lembaga Ekolabel Indonesia (LEI) scheme has been elaborated to accommodate the needs of small-scale timber producers and processors. The FSC standard was evaluated highly in two recent studies as providing assurance that timber and wood-based products are both legal and sustainable.<sup>1</sup> The LEI scheme has yet to be independently evaluated, but will be assessed as part of IGES research on forest certification.

## Why promote forest certification for small forest enterprises?

Although forest certification only commenced in the early 1990s, remarkable progress has been made. Over 176 million hectares of forests have been certified globally under all certification schemes.<sup>2</sup> Donor support for forest certification is growing and markets for certified high-value tropical timber appear to be strong; two suppliers of certified tropical timber have recently reported that demand far outstrips supply. The support from industry associations has also been growing. At the first Global Forest and Paper Summit, held in June 2005 in Vancouver, members of the International Council of Forest and Paper Association called for forest certification to be made a global priority.

Although forest certification was conceived with the intention of conserving tropical forests in developing countries, it has favoured developed over developing countries and temperate over tropical forests. Only eight per cent of the total certified area of forests lies in developing countries,<sup>3</sup> and only three per cent of all forest management certificates were issued for tropical and subtropical broadleaf forests.<sup>4</sup>

Figure 2: Coverage of FSC certified forests in the Asia-Pacific region (October 2005)



Source: Data from [http://www.certified-forests.org/pp\\_slides/](http://www.certified-forests.org/pp_slides/).

<sup>1</sup> FERN (2001). Behind the logo: An environmental and social assessment of forest certification schemes. Moreton-in-Marsh, UK: Fern. [[http://www.dontbuysfi.com/reports/Behind\\_the\\_Logo.pdf](http://www.dontbuysfi.com/reports/Behind_the_Logo.pdf)] (7/21/2005); DEFRA (2004). UK government timber procurement policy: Assessment of five forest certification schemes, CPET Phase 1 Final Report, November 2004.

<sup>2</sup> Kaimowitz, D. (2005). Presentation to the Japan Forestry Agency, June 14, 2005.

<sup>3</sup> Fischer, C. Aguilar, F., Jawahar, P., and R. Sedjo (2005). Forest certification: Towards common standards. Washington D.C.: Resources for the Future

<sup>4</sup> Simula, M. and R.E. Atyil (2002). Forest certification: Pending challenges for tropical timber. ITTO newsletter, 12.3.

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Because forests are most easily noticed when they cover large expanses of land, it may be wrongly assumed that forests must be owned/managed in large parcels, either by the state or by corporations. To the contrary, smallholdings are a feature of forestry in many developing and developed countries, including Japan and the US. In other countries, community-based forest management is a central component of the national forest policy, potentially opening up avenues for small forest enterprises established by communities to supply international markets with certified timber. Thus far, certification has reached only one per cent of community forests.<sup>5</sup>

Sustainable forest management is critical to the livelihoods of many rural people in developing countries of the region. When wage-labour opportunities are very limited, however, rural dwellers may be forced to harvest forests at unsustainable rates or tempted to accept once-off royalty payments allowing corporations to log their forests. These short term gains are often at the expense of long-term economic security. Forest certification for small, locally-based enterprises is attractive as it potentially provides a sustainable source of income while maintaining forests in a state in which local people can continue to source timber and non-timber forest products.

#### **From case studies in Papua New Guinea (PNG)**

In PNG, 97% of land is owned by the indigenous population under communal systems of tenure. The communities are thus in an advantageous position to establish and manage their own small forest enterprises. In PNG, certification has been melded with the concept of “ecoforestry” to provide an alternative to large-scale, industrial logging, which is dominated by foreign companies. Ecoforestry is based on landowners (the indigenous population) harvesting and processing timber from their forests under a sustainable management plan using portable sawmills. Local and international NGOs have supported ecoforestry as a means of conserving forests, while enabling local people to earn a sufficient cash income. They see certification as a natural progression for ecoforestry that will further raise forest management standards and bring greater financial benefits to the indigenous population.

IGES research is assessing the effectiveness, accessibility and sustainability of these programmes. The research has found that the support organisations have been successful in developing strategies to build the capacity of local people to manage their forests as required by the certification schemes and to produce timber according to the specifications demanded by international buyers. By harvesting and processing their own timber, local people retain a much higher proportion of the final sale price than if they were to accept royalty payments from logging companies.

Local people who are participating in certification programmes report that they are pleased with the prices that they have secured on the international market and that their forests remain intact for the use of their future generations. In contrast, landowners whose forests have been logged under concessions are in a much weaker position. Gains in terms of cash payments and infrastructure development tend to be short-lived, social disintegration may occur as communities are not prepared for the sudden influx of cash, and the only resource many of them have that they could use to significantly improve their livelihoods – timber of commercial value – has disappeared.

#### **What measures can be taken to make forest certification more accessible to small forest enterprises?**

The problem for certification in the region is not one of demand but of supply. To increase the number of suppliers and the volumes of certified timber will require funding agencies, governments, industry and NGOs to explore significantly new approaches. Four strategies to increase the accessibility of certification to small forest enterprises are to: 1) reduce auditing

<sup>5</sup> Molnar, A. (2003). Forest certification and communities: Looking forward to the next decade, Washington, D.C.: Forest Trends.

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*“The premise that certification must operate outside of government needs to be reconsidered. NGOs are severely limited in their capacity to generate capital, to provide technical assistance and to engage the private sector.”*

costs, 2) engage governments, especially their forestry departments, 3) introduce stepwise approaches, and 4) develop national support services.

### **Reduce auditing costs**

The high financial costs of achieving and maintaining certification are foremost amongst the reasons for why certification has spread so slowly in developing countries. Small forest enterprises are particularly disadvantaged by high costs due to the small scale of their timber harvesting operations. Certification usually involves a pre-assessment, an evaluation and, once the forest has been certified, yearly audits. To this must be added the costs of meeting and maintaining the pre-conditions/conditions identified in the assessments. Under the global FSC system, the accreditation bodies dispatch experts to undertake the assessments, which usually requires flying in people from the US or western European countries. In its present form, certification requires significant donor assistance to be a viable option for small forest enterprises. Under these conditions, forest certification will remain unavailable to the vast majority of small-scale timber producers and processors.

Certification schemes are aware of the need to reduce the costs of certification for small forest enterprises. For example, the FSC has introduced a group certification model designed to reduce costs by certifying an intermediary organisation, which is then responsible for ensuring forest managers maintain their forests according to the standard. FSC group certification has proved the most popular certification model for small forest enterprises in developing countries, but costs continue to remain prohibitive. Recognising this problem, the FSC has sought to reduce costs further by introducing the Small and Low Intensity Managed Forests (SLIMF) scheme. Under the SLIMF, auditing, monitoring and methodologies have been streamlined.

Assessment and monitoring costs remain high, however, as the accreditation bodies are located outside Asia. For the FSC to be more accessible to small forest enterprises in the region, it should consider promoting regional and, if feasible, national-based certification bodies. This would eliminate expensive overseas air travel and the high salaries that are paid to overseas consultants. Instruction could be taken from the certification scheme for community-based forest management developed by the LEI. Local organisations in Indonesia have been accredited by the LEI, which will help considerably to minimise the assessment and periodic auditing expenses.

### **Engaging governments, especially their forestry departments**

Forest certification was developed as a response to the failure of governments in tropical countries to reduce the high rates of forest loss and forest degradation. The early proponents of certification felt that the marketplace might succeed in conserving forest resources where governments had failed.

In developing countries of the Asia-Pacific region, certification has been driven by local and international NGOs through partnerships with industry. After over a decade of certification, the extent of forests certified in these countries remains very small. The premise that certification must operate



Portable sawmill set up to produce certified timber - PNG

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*“... stepwise approaches have targeted large-scale concession holders and plantations. One model that was developed in Melanesia, however, could point the way forward for small forest enterprises.”*

outside of government needs to be reconsidered. NGOs are severely limited in their capacity to generate capital, to provide technical assistance and to engage the private sector. The limits of domestic markets in developing countries to distinguish between certified and non-certified products also constrain forest certification. For certification to succeed as an instrument of sustainable forest management, governments in the region must play a strong supportive role.

Governments could provide financial support to accelerate the further testing and development of the certification models that are currently being trialled. In those countries in which forest certification has proved a viable forest management option, governments should insert forest certification into their national forest management policy. A certification division within the forestry department could be established to translate this policy into on-the-ground support services. The provincial/district offices through their extension agents could provide technical and managerial training to forest enterprises to build their capacity to supply certified timber. Foresters will require forest certification training; the expertise of the existing support organisations is invaluable and should be drawn upon.

Governments could also establish banking services specifically for small forest enterprises. For example, in PNG the Rural Development Bank could provide loans for the purchase of portable sawmills that would be used to produce the certified timber. Each sawmill costs roughly USD 20,000, a figure that is well beyond the means of most landowners who typically have a very low cash income.

In countries in which private forest ownership is not recognised and governments are reluctant to surrender their control over forests, forest certification might still succeed. An original model of forest management is presently being tested in Laos, under which the forestry department is co-operating with village associations to act as managers for certification in two provinces. If successful, the direct involvement of government agencies as forest managers in certification, in collaboration with local communities, could be trialled in other countries experiencing similar conditions.

### **Introduce stepwise approaches for small forest enterprises**

Stepwise certification has been proposed as a means of inducing producers to make gradual improvements in their harvesting practices. Stepwise approaches involve an assessment of how present practices differ from certification standards, the creation of a step-by-step system to improve forest management and an independent means of verifying progress.

Thus far, stepwise approaches have targeted large-scale concession holders and plantations. One model that was developed in Melanesia, however, could point the way forward for small forest enterprises. The Solomon Islands

Development Trust and Greenpeace New Zealand developed a timber eco-labelling scheme employing Greenpeace's Responsible Forestry Standards and criteria and indicators that were developed by the New Zealand Imported Tropical Timber Group. The scheme is being applied in both the Solomon Islands and PNG. The



**Model house constructed of certified timber - PNG**

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organisations that established the scheme had found that FSC certification was too expensive and demanding for landowners in Melanesia.

The scheme is being implemented by a local NGO, the Foundation for People and Community Development (FPCD), in PNG. The first step in FPCD’s approach is to have local people process trees that they have felled while clearing forest to establish gardens. Felled trees left in concession areas can also be utilised. FPCD supports the producers by transporting and marketing the timber. FPCD’s next step is to provide producers with training on forest management, sawmill operation and small business management. While undertaking the training, FPCD foresters assist the producers in surveying their forests and conducting an inventory of trees in order to establish a forest management plan. The landowners harvest standing trees from their forests under the forest management plan and the timber is marked with the ecolabel before being exported to New Zealand. The third step is to have the forests certified, which will raise management standards further and give access to new and more lucrative markets.

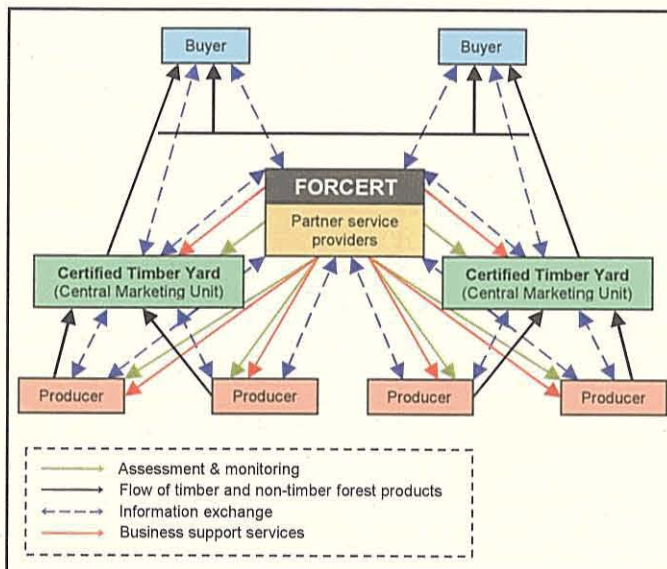
Taking encouragement from the experience of the Greenpeace ecolabel, certification schemes could develop a pre-certification standard specifically for small forest enterprises as part of a stepwise approach. The standard could include a transitional label to indicate to buyers that the timber producers have improved their forest management practices and have committed themselves to achieving full certification in the near future.

### Develop a national support service

In addition to engaging governments through their forestry departments to promote certification, independent national support services could be developed. An innovative model is being tested in PNG that could provide instruction for other countries.

The Eco-Forestry Forum, a not-for-profit incorporated association, initiated a study on the need for a national forest certification service in PNG in 2001. The study concluded that small-scale timber producers and timber yards were clearly interested in receiving support for forest certification. The Forest Management and Product Certification Service Ltd. (FORCERT) was subsequently founded as a not-for-profit company to assist community groups to achieve forest certification and to market their certified timber.

Figure 3: FORCERT Group Certification Model



Source: Modified from FORCERT Business Plan 2004-2008 (2004).

*“The FORCERT model is a rare illustration of the type of innovative thinking necessary to propel certification for small forest enterprises forward.”*

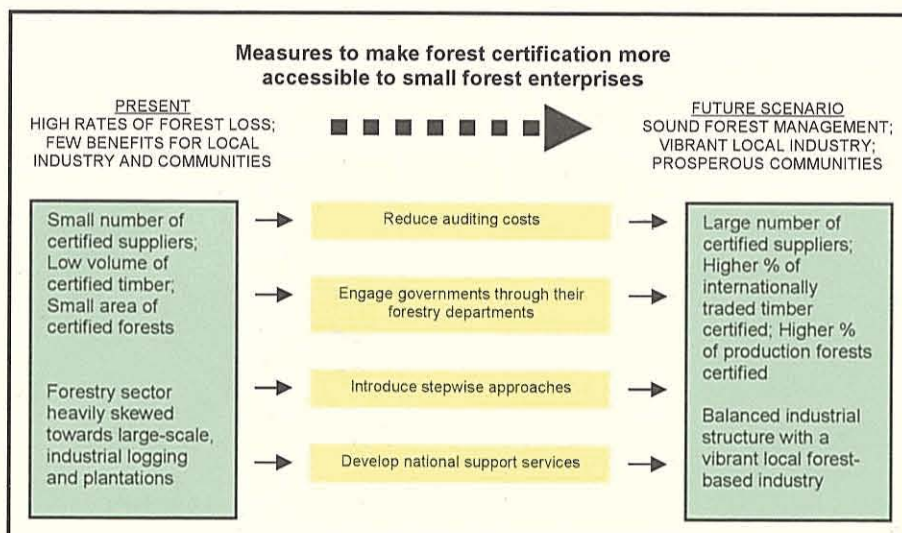
*“... new approaches and a rethinking of earlier assumptions are required for certification to have a significant impact on forest management in developing countries of the region.”*

FORCERT shares with other certification models for small forest enterprises in the region the use of a FSC group certificate, but differs markedly in how it applies the certificate. FORCERT aims to ultimately be national in reach and to provide timber in the large volumes requested by the international buyers that existing schemes are unable to supply. Under the FORCERT model, FORCERT foresters build the capacity of producers to supply certified timber through training programmes. The certified timber is transported to ‘central marketing units’ — specifically certified timber yards that can build up the volumes needed to meet large export orders. The timber yards are given the responsibility of transporting and marketing the timber, which removes much of the business side of certification from the NGOs and transfers it to the private sector.

Rather than sustaining itself on donor subsidies, FORCERT can be commended for setting a time frame (five years) in which it intends to be self-funding. Funds are generated by charging members annual fees and by placing a levy on the exported timber. The FORCERT model is a rare illustration of the type of innovative thinking necessary to propel certification for small forest enterprises forward. Governments, funding agencies, industry and NGOs in other developing countries that have the potential for small forest enterprises to supply the international market with certified timber could also consider developing a national support service.

## Conclusions

Support for certification continues to increase. Elements of the forest industry, NGOs and governments in some of the major timber importing countries have become major advocates. The benefits of carefully planned certification schemes for tropical forests and the people who depend upon them are becoming increasingly apparent. However, new approaches and a rethinking of earlier assumptions are required for certification to have a significant impact on forest management in developing countries of the region. As discussed in this brief, practical measures to increase the accessibility of certification for small forest enterprises are reducing auditing costs, engaging governments, introducing stepwise approaches and developing national support services.



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