CERTIFICATION: A DISCUSSION OF EQUITY ISSUES

Kirsti Thornber
Senior Consultant
LTS International; Pentlands Science Park, Bush Loan, Penicuik
Near Edinburgh, Scotland, UK

1 INTRODUCTION

1.1 Background

The basis of this paper emerges from 3 key areas of the author's experience:

- A background of community certification - working with community groups to build capacity to manage their own forests for sustainable community development;
- Involvement in analysis of the impacts of certification - working with IIED on a series of case studies and publications;
- Discussion at the Freiburg conference June 20-22, 2001.

The paper draws heavily on a publication produced during the author's work with IIED (Thornber, Plouvier and Bass 1999), incorporating updates and new thoughts.

The focus of the paper is largely on the Forest Stewardship Council (FSC) system of certification, due to the relatively long history of that system. Other schemes are still rather "young" for analysis, but are referred to as appropriate.

1.2 Key concepts

Forest certification was initiated as a tool to promote sustainable forest management (SFM) through communicating to consumers that wood products were verified as originating from well-managed forests. It is essentially a communication tool to link "good producers" with market demand. This has remained the underlying goal, even if many of the drivers of certification have been primarily concerned about their market access.

Many of the original proponents of it believed that, whilst small producers would be easily certified, it would be more challenging to bring big business on board. FSC certification was the first international forest certification scheme, and it was very much designed with communities in mind. It was implicitly expected that it would work well for and benefit community level enterprises and improve equity in the forest industry. However, only a few of the actors in certification have made improved equity an overt goal - notably, the social "chamber" members of the FSC, and some of the development assistance support to certification. The expectation that certification can address equitable sharing of powers over forests, and benefits from forest management, continues - with development agencies and NGOs often seeing certification as a tool to improve livelihoods.

But the history to date of FSC in particular shows that big business has been keen to be involved in certification, and trends (see below) show them at the forefront of the application of certification. This shows the strength and success of certification as a market-based instrument (MBI), but also raises concerns about equity, in terms of who can achieve it and who can benefit from it.

This paper discusses these 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. It aims to highlight areas for improvement - an approach consistent with the philosophy of certification itself - and considers what the limitations of certification might be as a tool to address equity and livelihoods.

2 TRENDS - WHO'S BEEN GETTING CERTIFIED

Analysis (Thornber 1999a) of a database of all FSC certificates showed the following:

- The USA has the highest number of certificates (43) covering around 10% of the total area.
- Sweden has the 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 (116,371ha) as those 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 10,000ha. Community enterprises have 25% of certificates, but only 3% of the area.
- 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 trends have changed little in the interim, with certification remaining predominantly in the north. Commercial plantations account for an increasing proportion of certified forest, especially in developing countries.

Conditions placed on certificates are predominantly 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).

It has become clear that the original expectations about who would take up and benefit from certification have not been realised, and there are clear patterns emerging - some enterprises in some regions are less likely to achieve certification than others. Industrial operations in developed countries clearly predominate. As expectations that certification can contribute to broader livelihood goals also remain, the reasons behind these emerging patterns need to be understood to ensure a more balanced future.

3 WHAT IS "EQUITY"?

Discussions at the conference highlighted differing interpretations "equity". For this paper, the following issues are the focus.

3.1 Inequities between who?

Inequities may be faced at different levels:

- *International* (the north-south divide) - concerns relate not just to differences between developed and developing country enterprises, but also to the variable market conditions, and the needs to harmonise different schemes. All schemes should be comparable if the credibility of certification as a whole is to be maintained.
- *National* (enterprises of different sizes and types) - there are differences between enterprises (table 1) and land-use types (table 2).

Table 1: Generalised forest enterprise categorisations

Integrated companies	or	Single-stage companies
May own/manage forest, harvest and process and produce end-product.		Specialise in one aspect; e.g. harvesting, processing, paper, trade.
Large companies	or	SMEs or community enterprises
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.[1] Risk averse. Poor external communications and access to information. Low capitalisation allows flexibility to adapt.
Multi-national company	or	National/local company
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.
Private companies	or	State enterprises
Profit motive dominates, individual or corporate ownership.		Restricted to state funding and policy, often subsidised.

Source: Thornber et al. 1999.

[1] It is important to note that some small companies are very well managed, with a great deal of skill and experience.

Table 2: Differing forest land-use priorities.

Timber production	or	Mixed land-use	or	Management for environmental benefits
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.

Source: Thornber et al. 1999.

Certification is based on generalised conditions and a commercial focus of land-use. With such a diversity of socio-economic situations, enterprise types and land-use norms, can we expect a single approach to certification to serve all equally?

3.2 Equity over what?

The main kinds of concerns 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. In essence, these introduce a set of preconditions for certification to happen and be useful.

- Participation in the development of certification schemes and standards.
- Standards against which forest management is measured.
- Availability of resources to meet standards.
- Ability of the enterprise to bear costs and risk.
- Markets accessible to the enterprise.
- Access to information.

Thus potential inequities relate to the differing abilities of different enterprise types and regions to reap the benefits and enter the process of certification (section 4). This is influenced by the driving forces in the development of schemes and which players' interests dominate[2] (section 5).

4 EQUITY IN ACCESSING CERTIFICATION

Global or generalised certification systems are inevitably based on assumptions about the range of countries and enterprises to be involved. Most equity concerns relate to

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[2] Promotional targets will also be influential: for example the WB-WWF alliance 200 Mha target has the potential to favour only large companies with large areas to certify.

assumptions about opportunity and access to certification - the "preconditions" noted above. The debatable reality is that not all countries or enterprises have an equal opportunity of accessing certification and reaping its potential benefits. There are differing levels of inequities emerging between developed and developing countries (international) and between large and small enterprises (national).

4.1 Participation

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. 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.[3]

Equity between developed and developing countries. 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 (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 but this is unlikely to be done effectively by international consultants on a tight schedule, and knowledge is more likely to remain within the institutions and countries where the certifiers are based.[4]

This northern predominance in certification processes has led to an increase in the development of regional- and country-specific 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 in 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.

Equity between large and small enterprises. Despite original ambitions of FSC, community managed forests and farm forestry (estate woodlands and SRLs) haven't been able to fit well in to current systems. FSC's systems have tended not to regard the local population as potential managers, and don't recognise undefined forest areas and flexible management approaches. For both community forests and farm forestry, conventional management plans, documents and access to a market which demands certified products are likely to be unusual. FSC caters better for producers operating within a market environment than those managing woodland in a SRL context. Box 1 indicates how SRL systems are

[3] For example, those for whom forestry (as opposed to other land-use systems) is not a main management objective.
[4] Increasingly, certifiers are using local assessors where possible to combat this problem.

currently effectively excluded from certification systems. Certification has yet to recognise the value of forests in complex land-use systems. Recognition of local, often undocumented management practices has been particularly problematic.

Box 1: 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 can't 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.

4.2 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.

Equity between developed and developing countries. Until recently, the most active players in developing standards have been in the north. There is then the risk 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 SRLs, in contrast to developed countries, where the forest is a separate unit of production. SFM is only one means of supporting sustainable development, and sometimes other land uses may be preferable and more appropriate in a livelihood perspective.

Equity between large and small enterprises. Current certification standards tend to reflect the interests and values 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 likely to be at a disadvantage.

4.3 Resources

Certification often means changes in management at the forest level, improving documentation and drawing up management plans. The enterprise must have the ability to apply capital, skills and other resources to make these changes, and/or meet certification standards in other ways.

Equity between developed and developing countries. Experiences of certifiers indicate that the level of forest management in natural forests in developing countries is very low. Rather, timber production, by small, medium or large companies producing for the market, often means simply log extraction. This trend often reflects inadequate forest legislation and forest services lacking the necessary resources or incentives to act as forest stewards. This means that in developing countries there appears to remain 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.

Equity between large and small enterprises. Not all enterprises have a similar capacity (financial or managerial) for change. Large and multi-national companies are more likely to have technical capacity, management structures and skills to effect the changes required to meet standards. Small enterprises 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 rarely have the scope to obtain or appoint specialist services for new initiatives when necessary. 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.

4.4 Costs and Risks

The direct cost of certification itself can be high,[5] 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,[6] the enterprise is at risk of losing money. The enterprise must have the financial robustness to bear the costs and risks.

Equity between developed and developing countries. The lower level of management standards typically seen in developing countries means that 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

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5 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, personal communication, 1999). However, certifiers have observed costs of certification doubling since 1996 through tightening of FSC regulations and demands (J. Sandom, personal communication, 1998).

6 A valuable role for buyers groups.

north. Many enterprises in developing countries do not have the financial or technical capacity to bear these costs.

Equity between large and small enterprises. Enterprises with larger profit margins and financial buffers will find the costs easier to bear than those with other, livelihood objectives to cover, 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 additional costs and risk without support.[7] 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.

4.5 Markets

For the costs and associated risks of certification to be acceptable, the enterprise must be selling products into a market which demands certified products, and thus gaining market advantage or premium prices. Market conditions vary globally, and between enterprises and their location and capacity. If the supply chain from the enterprise cannot enter such environmentally sensitive markets the benefits are unlikely to be realised. Certification will be an unviable 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 gained (Markopoulos 1998a, 1998b, 1999).

Equity between developed and developing countries. Certification can only act as "soft policy" to modify those markets which are responsive to environmental concerns. 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 Brazil a buyers group has been formed. In South Africa, certification has changed the face of forestry (Roberts 1999). In Asia, traditionally "untouched" by environmental values, buyers' groups for certified products are being formed in Hong Kong and Japan (J. Stead, personal communication, 1999). However, many expect that overall demand for certified timber within the developing countries will remain relatively insignificant.

Equity between large and small enterprises. Many stakeholders are increasingly realising that without a market for certified produce certification will not be viable, unless some other benefit is gained. Debate in PNG and in Costa Rica has centred around this issue, with some organisations promoting certification for the sake of better management, whilst others question who pays and who benefits if there is no market (S. Zibe, personal communication). 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.[8] Even the most well-developed community enterprises in Mexico struggle to compete

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[7] Increasingly, donors and NGOs have supported certification of community enterprises to demonstrate achievement of SFM.

[8] This was one of the reasons for UK retailers deciding against sourcing tropical timber direct from certified community producers, and instead favouring larger and more reliable producers.

with larger companies in the market for certified produce, due to inadequate industrial capacity and business skills (Markopoulos 1999).[9]

4.6 Information

Critically, enterprises must have good access to information, both about *certification* and the *markets* of certified products. Information is needed to help an enterprise understand certification, 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. Where there is no local market to stimulate information flow and no local participation in any certification schemes, availability of information will be limited.

Equity between developed and developing countries. 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 were largely driven from the North, as noted earlier. Information networking and exchange is usually more difficult in developing countries due to poor communications.

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.

Equity between large and small enterprises. 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.

5 EQUITY IN GAINING BENEFITS

Whilst forest certification remains a relatively new concept, some case studies are bringing real evidence to light (e.g. Bass et al. forthcoming). This experience is beginning to show us who benefits most from certification and where the barriers to accessing the benefits lie.

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[9] 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).

5.1 Which enterprises can certification work for?

As a market-based instrument, certification means entering into competition. Competition inevitably produces winners and losers. For any enterprise, decisions about whether to certify are about the trade-offs between costs and benefits, and the consequent chance of remaining a winner. These chances relate mainly to:

- **Who drives the processes** and thus for which enterprises are certification systems most appropriate?
- Who has most chance of being **able to meet the standards**?
- Who can **enter the markets** for certified produce?

Who drives the processes and thus for which enterprises are certification systems most appropriate? Many certification systems remain more appropriate for the larger, industrial enterprise, which have driven their development, than for other enterprises. 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. The participation, interests and understanding of smaller enterprises have been less evident in the initial development of certification processes and standards.[10] 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.

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 AssiDoman, 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.

AssiDoman, 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 Doman 1999; T. Klingberg, (personal communication, 1999).

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,

[10] Alternative certification schemes such as the Pan European Forest Certification scheme (PEFC) has emerged to offer an approach manageable for forest smallholders in the face of more challenging FSC demands.

excessive documentation and difficulties in meeting the standards as major problems (Scrase 1999). The implications are that smaller, weaker, enterprises which have more changes to make in order to meet standards, will be at a disadvantage. Rather than turning bad producers into good producers, certification tends more to simply reward the good producers. 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.

Who can **enter the markets** for certified produce? Certification cannot *guarantee* market access or share, only enhance them *if* products already meet all other certified market requirements (Markopoulos 1999). Even if enterprises can reach the standards, certification can only effectively help those who are already able to produce the right products and market them well enough to recoup the costs and reap benefits. Stronger enterprises in the right market-places will benefit more from certification. Box 3 shows examples of poor rewards from certification to the producer due to inadequate marketing capacities.

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 "wokabaut" (portable) sawmill operators in PNG, as they cannot access green export markets for the round logs or sawn timber produced. Most is currently exported to Japan, where there is as yet no market for certified timber, and usually via intermediary traders.

A community-based enterprise in Zambia saw certification as a "ticket" to export markets, but despite certification, buyers have not found the product quality acceptable. Payments have been stopped and purchases cancelled - without attention to market needs, certification has not been useful.

Source: Markopoulos (1998b); S. Zibe, personal communication, 1999; Thornber 2000.

5.2 Alternative impacts of certification.

Equity implications of who wins and who loses through certification are also about what changes it brings about and who gains the secondary benefits - certification can affect stakeholders beyond the certified forest 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. However, key emerging points relate to:

Social issues: 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.)

The supply chain: 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.

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, has 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.

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, thus improving their ability to compete equitably.

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, personal communication, 1999), though do not see current market-based initiatives as appropriate.

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 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 1998a; Thornber 1999b.

5.3 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 in places to changing policy. 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. 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.

However, challenges regarding equity remain, and include:

- Getting consistency of interpretation of standards (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,
- Ensuring that certification is available and beneficial to all enterprises, rather than only rewarding the good.

The distribution of costs and benefits of certification are critical, but are also as yet far from even. In performance-based certification systems (such as the FSC) the costs for enterprises working in natural forests in the tropics generally remain higher than the perceived benefits. There remains little incentive to invest in certification, especially when benefits are doubtful and the green premium is unclear or insecure. Whilst benefits, such as improved environmental management and documentation, have been clearly seen in all enterprises gaining certification, the incremental changes remain limited. Those who can reap the most appear in general to be those to whom it costs the least.

The effective exclusion of SRL land-use from certification systems reflects imbalances amongst the driving forces of certification, which in turn reflects to a certain extent which enterprises are strongest in the market. *If* certification is to be available and beneficial to all, this issue needs to be addressed, but the issue itself raises the question of whether certification *should* spread itself so thinly or focus where it can be most effective.

6 ADAPTING THE SYSTEMS

As noted earlier (section 4.6), some inequities of certification inevitably lie with the market itself and the nature of competition. Others lie within the evolving 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 of the FSC system.

6.1 Certification systems

From the very start the Forest Stewardship Council accorded significance to equity issues between North and South and between different interest-groups. 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 into practice and in the development of the FSC system?

Developing the FSC structure. When the FSC was established in 1993 the voting power was divided between 2 chambers: economic (1/4) and social/environmental (3/4). 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.

The current membership of the FSC does not provide the intended balanced representation for each chamber and sub-chamber. Box 6 describes the current membership of FSC.

Box 6: Current membership of FSC.

The 488 FSC members (June 2001) are distributed as follows:

	North	South	Total
Economic chamber:	183	46	229
Environmental chamber:	113	61	174
Social chamber:	61	24	85

A total of only 131 members (27%) are from the south, though this is an improvement on the 22% in 1998. The majority of them are in the environmental chamber.

Source: FSC website, June 2001.

There is a clearly lower representation of members in the social chamber and of those from developing countries. Whilst each chamber is given an equal weight in voting, thus largely resolving the problem, efforts still need to be made to address representation. A more balanced membership (and therefore voting) should represent the full range of concerns and help combat the confusions over social P&Cs noted earlier.

Clearly, whilst the principle of balanced interests is inscribed in 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 misrepresentation of forest management and certification issues in developing countries within the FSC. The fact that all certifying bodies are based in the north does little to help this.

The FSC Principles and Criteria (P&C) 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 formal 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 a gradually increasing recognition that in natural forests in developing countries it might be more appropriate for acceptable performance levels to be lower initially. A step-by-step process might help ensure that certification is able 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, but its continuing evolution is clearly demonstrated by the relatively recent development of guidelines for developing regional standards, group certifications, NTFP certification, and percentage-based claims - as outlined in box 7 below. Ways forward for solving the problems for small enterprises have been highlighted recently by the certification community (Scrase, 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. FSC recognises many of its challenges, and the General Assembly of 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.

Box 7: 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, personal communication, 1999.

6.2 Applying the standards[11]

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 8 and 9 show how two UK certifiers have looked for other ways to resolve the problems.

Box 8: 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 internationally, e.g. in 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 organizes several training courses on forest certification, chain of custody and environmental management systems.

[11] The source of this material is from interviews conducted for the EFI paper (Thornber et al. 1999).

Increasingly certifiers are using local assessors where possible to make certification cheaper and more based 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.

Box 9: 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 apparently important to Woodmark and they have run several certification 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.

Training is generally seen as critical and needed on two levels: training about certification; and training to raise management capacities. The funds needed for training are often not huge sums of money but need to be flexible so that they can be used appropriately as needs arise.

7 IMPLICATIONS FOR THE FUTURE

Whilst certification holds many potential benefits, it is not a panacea 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.

7.1 Support in the right place

Certification has been widely supported by NGOs and donors as an innovation in promoting good forest management. Past support has focused on direct support to developing certification initiatives and to demonstrate good management of their projects. Increasingly it is being recognised that support to management capacity is also required to enable more enterprises to respond to the certification incentive. This includes supporting both the forest management level and the certification system level - certification bodies with limited capacity are struggling to respond to emerging lessons. Support for the actual certification exercise is recognised as something that is unsustainable and potentially likely to distort the market with which certification operates. If it is the market which is to reward good management, externally financing certification is a misuse of it.

7.2 Expectations *vs* reality.

Certification is often broadly expected to provide solutions to poor forest management and livelihood problems, across a range of forest types and situations. But the question remains whether certification is the right tool to use on problems outside of the market? Certification - intentionally or otherwise - serves producers within a market environment, rather than those outside 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.

High minimum performance standards are an excellent ideal, but in reality will always be exclusive. Step-wise systems of improvement have a role in bridging the gap between current standards of management and fully certifiable standards. Non-market approaches to certification may be required for producers operating outside of a market environment but wanting management verification. Considering how different approaches to certification can complement each other may be key. Each approach needs to realistically define its objectives and boundaries - what can it help to achieve and for whom? Using certification inappropriately will only help serve to detract from its ambitions.

Certification needs to address the emerging equity concerns in order to:

- Maintain its own credibility as an equitable mechanism to promote SFM,
- Avoid further friction between north and south,
- Avoid inadvertent exclusion of some enterprises,
- Promote better forest use in the areas which most need it.

7.3 Concluding remarks.

To ensure a successful future for certification its limits of influence need to be recognised. As a market-based instrument, some inequities will be associated with market systems in general. Markets can and do inevitably result in winners and losers - requiring policy interventions to redress inherent equity problems. Some forest enterprises have clear advantages over others in terms of access to and ability to gain benefits from certification.

The original expectation amongst some interest groups was that certification could act as a "soft policy" to modify markets. But as a market mechanism it cannot be expected to address issues (for example livelihood improvement) which are outside the market. Defining the niche of any certification will be key to focusing efforts where it can most effectively improve forestry practices.

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Personal Communications

SGS Qualifor staff.
Soil Association Woodmark staff.
K. EDWARDS, Regional Community Forestry Training Centre (RECOFTC). Bangkok.
A. JENKINS, Coordinator, UK-FSC Working Group.
T. KLINGBERG, Swedish Forest Owners Association.
J. SANDOM, Soil Association, Woodmark.
J. STEAD, Manager, WWF 1995+ Group (UK Buyers' Group).
T. SYNNOTT, Director, FSC, Oaxaca.
S. ZIBE, Village Development Trust, PNG.

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Documents used in the fsc-website (www.fscoax.org):

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1.2. FSC Principles and Criteria for forest management
3.6.3. FSC Board-decision on percentage-based claims
5.2.2. Membership list
5.3.3. List of certified forests (31/12/97)
FSC draft paper: Group Certification: guidelines for certification bodies
FSC notes on proposed revision of Principle 9
Monthly reports of the FSC Secretariat