

Report for AF&PA

**Trade and Environment
Program in Europe**

July-August-September 2001 Report

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“INFORMING THE SUSTAINABLE WOOD INDUSTRY”

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July to September 2001 - Highlights

Continuing debate over mutual recognition

Another international stakeholder meeting designed to build confidence and reach a consensus on forest certification has been held in Europe – this one supported by the European Commission. Industry and forest owners continued to push the case for mutual recognition, while the limited number of environmentalists present (who boycotted the second day of the Conference) continued to argue against rapid moves in this direction. The EC Environment Directorate argued in favour of an EU-wide trademarking scheme for imported wood products along the lines of the Dutch Keurhout scheme – but failed to garner wide support from industry.

Governments make potentially far reaching commitment to tackle illegal logging

An international meeting was held in East Asia to discuss illegal logging practices. The meeting was notable for the range of issues covered, the degree of consensus reached, and by the extent of the commitment expressed in the resulting Ministerial Declaration. This Declaration committed participating countries to intensify national efforts and strengthen bilateral, regional and multilateral collaboration to address illegal logging; and to the creation of a regional task force on forest law enforcement and governance to advance the Declaration's objectives. Even environmentalists were impressed.

PEFC gets bigger, but runs up against marketing problems

Two more national certification schemes in France and Latvia were endorsed by the PEFC Council in early August. Eight national schemes have now been endorsed with total certified area of 36.42 million hectares. Another five certification schemes, in Belgium, Portugal, Spain, the UK, and Switzerland are currently undergoing assessment. Meanwhile PEFC has run up against marketing problems as OBI, a German retailer, refuses to accept any wood products bearing the PEFC label.

FSC runs into problems in Indonesia

The SmartWood program, an FSC accredited certifier, has suspended Perum Perhutani's teak plantation certificates on the Indonesian Island of Java. The move will affect at least 36 companies that buy teak from Perum Perhutani for use in making FSC certified products such as garden furniture. Meanwhile environmental groups have been heavily critical of recent FSC certificates issued for areas of natural forest in Indonesia. By mid September 2001, the global area of FSC certified forest stood at 24.45 million hectares, a rise of 350,000 hectares since end June 2001.

Forest certification record of achievement in SFM mixed

A new study by London-based IIED suggests that forest certification's record of achievement is mixed. It has so far largely failed to accomplish its original aims – notably introducing market forces as an incentive to improve forestry practices - and not all its impacts have been positive. On the other hand, the process of developing forest certification has had positive and unforeseen side-effects – particularly for the development of forest policy. New roles for certification are also beginning to emerge.

1 Meetings

1.1 Recent meetings

1.1.1 European Forest Institute (EFI) and European Commission Environment Directorate, 6-7 September, Environment DG office, Brussels, “Forest Certification: Forging Novel Incentives for the Environment and Sustainable Forest Management”.

This meeting was another in the series of stakeholder meetings designed to build international consensus on the issue of forest certification. The meeting was convened with the support of the European Commission who wanted “*to further examine the scope and options for using forest certification and possible validation or endorsement of certification schemes as an effective and efficient policy tool for promoting globally sustainable forest management – the meeting will contribute to the on-going international process on exploring mutual recognition*”. It included presentations by WTO, IFIR, CEPI, WWF, the UK Forestry Commission, and EFI.

There were 68 participants including 15 official representatives from Member States or other governments, 15 EC representatives, 3 ENGO representatives as well as ITTO, FAO, CIFOR, ILO and WTO. As is too often the case, there seemed to be little representation from major market sectors. Retailers and publishers for example played little role in the conference.

Reports from the meeting indicate that industry and forest owners continued to push the case for mutual recognition, while the limited number of environmentalists present (who all left at the end of the first day) continued to argue against rapid moves in this direction. The Director of Keur Hout – a system to assess certification schemes designed for Dutch importers – was also pushing for an expansion of their scheme at a European level, an approach that seemed to have the support of some members of the EC’s Environment Directorate.

However, by the end of the second day, the moderator was able to conclude that “*A clear need was identified by the participants for an institutional arrangement to validate/evaluate forest certification schemes*” and that “*such a validation/evaluation system, applying agreed minimum requirements for forest certification schemes, should preferably be managed by an appropriate independent international body (existing or new) involving the participation of all stakeholder groups. The establishment of multilateral arrangements between existing certification schemes, possibly through a multilateral facilitating body, was also seen as a potentially useful option. One integrated single scheme to be applied globally using a common standard and a common label/trademark was not generally supported as an appropriate arrangement to cater for all situations.*” These proposals match closely the mutual recognition framework proposed by the International Forest Industry Roundtable (IFIR). However the significance of this “consensus” is lessened by the absence of environmentalists and major market representatives.

The first day of the seminar was moderated by *Markku Simula* (a consultant with Indufor). In opening the seminar he emphasised the need for stakeholders to develop a broadly shared view on the criteria constituting a credible or acceptable certification scheme. *Ewald Rametsteiner* (European Forest Institute) provided more detailed background information on the possible scope and content of these criteria. He also emphasised the need to draw on abundant international reference material outside forest certification.

These introductory technical presentations were followed by a series of stakeholder presentations. *Saskia Ozinga* (FERN) provided a view from the environmental movement – although she stressed it was not the only view. Ozinga suggested that lack of trust and absence of comprehensive comparisons between schemes were the main reasons slowing the process of forest certification. She emphasised the lack of a common set of definitions; the need to take account of the different “values” of various interest groups; and the importance of balance and equality in standards setting. She believed it was not possible to move quickly towards the development of a single set of criteria since the views of interest

groups were too disparate. She called for the initiation of a dialogue that was truly owned by all.

Joseph Crochet (CEPF) provided a view from the European forest owners. He began by stressing the contents of the Rio Declaration and the aims of Agenda 21. He emphasised that these international policy initiatives were designed to promote sustainable development based on the sovereign rights of nations and also with respect to the principle of subsidiarity. He stressed that while NGO representatives should share in reaching sustainable development, they cannot behave as if they have been invited to dominate the scene. He therefore argued that, in the context of European forests, the nearest thing to a true definition of sustainable forestry is provided by the Pan European (formerly Helsinki) criteria. Crochet then stressed key elements of credible certification from a forest owner perspective: no self-appointed policy makers; accreditation bodies should operate according to internationally accepted procedures; there should be equality of access for private owners and public owners; certification should not act as a trade barrier; and certification should be linked to inter-governmental processes. He concluded that basic democratic rights would be hindered by a monopoly in forest certification.

Hannu Valtanen (IFIR) presented the IFIR proposal for a MR Framework. *M. von Abendroth* of the German aid agency VDZ gave a view from a European government, highlighting the strong public pressure for an effective solution to the problems of forest certification from the public.

The second day of the Conference was moderated by *Ewald Rametsteiner*. There was a report in the morning on group work from the previous day on minimum criteria for certification standards and systems. As in previous international meetings there was evidence of considerable divergence between industry and forest owners on the one hand, and environmentalists on the other, of the “right” minimum criteria.

Kees Bosdijk (Keurhout) then described the Dutch Keurhout scheme, which assesses forest certification schemes in supplier countries against minimum requirements for SFM established by the Dutch government. He also gave a view on market conditions for certified wood products in the Netherlands and other European countries. He said that in the Dutch DIY sector, no green premium is available, however there is a premium paid in the public sector joinery market. He also suggested ENGO pressure is increasing demand. Keurhout had an edge over FSC by being able to supply certified products in greater quantity. He used the meeting as an opportunity to press for the expansion of Keurhout to European level, indicating that Belgium might be interested in making it a Benelux based institution.

During the Working Group discussions which followed, representatives of the EC Environment Directorate (Christopher Bail, Head of Unit) agreed that there is a need to establish some kind of arrangement to validate or evaluate certification systems. They also confirmed that the Keurhout approach remains of interest to the European Commission, particularly as they feel it could be linked with procedures for carbon trading. Nevertheless the Keurhout approach did not gain wide support from EU industry representatives, who stressed that it would be of limited value in a global economy. Other participants from exporting countries (Malaysia and Canada) stressed that while this option may be helpful for consuming countries, it did little to solve the problems of exporting countries. Furthermore, the EC's adoption of a Keurhout approach might well lead to a number of different validation standards and systems.

A copy of the moderator's summary of the meeting is attached. Participants identified the need for immediate follow-up action to continue the stakeholder dialogue at international level. They also recognised an urgent requirement to develop evaluation criteria to assess certification systems and to find out how these criteria could best be put into practice.

1.1.2 Forest Law Enforcement and Governance (FLEG) East Asia Ministerial Conference, Bali, Indonesia, 11-13 September 2001.

The FLEG Conference set out to tackle one of the most intractable problems currently facing the international forest industry – that of illegal logging. Press reports suggest the

Conference was notable for the range of issues covered, the degree of consensus reached by the various parties, and by the extent of the commitment expressed in the resulting Ministerial Declaration. This Declaration, a summary of which is appended at the end of this report, committed participating countries to intensify national efforts and strengthen bilateral, regional and multilateral collaboration to address illegal logging; and to the creation of a regional task force on forest law enforcement and governance to advance the Declaration's objectives.

About 150 participants - including representatives of nongovernmental organizations, the private sector, and government institutions - contributed to the three day conference, exploring the best current thinking on forest law enforcement. Representatives of a number of African and Latin American countries as well as G-8 and European Union member countries also attended as observers and resource persons. The three day meeting consisted of two days of technical discussions and a ministerial segment on the last day. The meeting was co-hosted by the World Bank and the government of Indonesia. The United States and the United Kingdom provided financial support and other contributions.

The Ministerial Conference set out to exchange views, disseminate technical knowledge and foster strong political support at all levels. The Conference's primary aims were to:

- share and explore the best current thinking on forest law enforcement;
- to conduct further deliberations on the previously identified priority issue of forest law enforcement, including illegal logging in the East Asia region, amongst representatives of government, NGOs and industry;
- and to agree a statement expressing political commitment for action.

In the final Ministerial session, Untung Iskandar, Director General, Forest Planning Agency, Indonesia, summarized the outcomes of the technical segment of the Conference, highlighting achievements, lessons learned and potential next steps. He noted:

- that participants acknowledged that forest crimes affect all countries and are taking place in the South East Asian region at a level that threatens livelihoods;
- the value of experiences shared regarding the coordination of enforcement efforts by police, government, civil society and other agencies;
- that trends to decentralisation and increased local involvement were generally viewed as positive for improving law enforcement;
- there was much support for simple laws that are targeted and enforceable;
- participatory approaches to forest management, RIL and chain of custody monitoring and certification could replace illegal logging and improve legitimate logging;
- the Conference had supported a prevention, detection and suppression approach to law enforcement through the use of regular patrols and investigations using a wide range of techniques and approaches, including GIS and partnerships between government, NGOs and local communities in gathering evidence;
- that attention had been drawn to the possible need for harsh measures, such as arresting illegal loggers, to enforce laws where prevention measures are inadequate,
- the need for effective prosecution, fines and penalties;
- the enormity of the task at hand and the importance of government commitment to the agenda of forest law enforcement.

The Conference drew attention to the scale and complexity of the problem of illegal logging. For example, Christopher Barr, Policy Scientist, CIFOR, in a presentation on illegal practices in Indonesia suggested that there is reason to believe 40 percent of natural forest wood input may be illegal. The problem was not the result only of weak law enforcement, but reflected major failings in the whole fabric of Indonesian forest policy. He noted the rapid expansion in the pulp and paper sector in Indonesia since the late 1980s and the accompanying growth in demand for roundwood. Demand however is likely to far reach raw material supply, encouraging a reliance on illegally felled logs. He pointed to cheap wood, favorable tax structures, benefit from weak financial regulations, "mark-up" schemes enabling profit before operation, and easy access to international finance as reasons why such a risky business with no sustainable supply is burgeoning. Another serious problem in Indonesia, which is common to many other nations, is the continuing conflict between customary and formal legislation. The Indonesian government is seeking to apply laws not recognised by local communities.

While the scale of the problems associated with illegal logging and forest law enforcement is huge, the outcome of the meeting was encouraging. The Ministerial Declaration was far-reaching, suggesting that there is growing political will to begin to tackle these problems. Even environmental groups seemed impressed by the level of commitment implied by the Declaration. According to press reports following the meeting, Nigel Sizer of The Nature Conservancy said the declaration “*far surpasses what NGOs expected*”. Dave Currey, Environmental Investigation Agency, congratulated participants and the Indonesian Government for their courage in addressing these issues, and said he was encouraged by the language used in the Declaration, particularly the commitment to improve cooperation between consumer and producer countries.

1.2 Future Meetings

The International Technical Association for Tropical Wood (ATIBT), 50th Anniversary Forum, 4-5 October, FAO Headquarters, Rome – will be looking at current issues affecting the management of tropical forests and marketing of tropical timber, including forest certification, illegal logging, and financing sustainable tropical forestry.

2 Forest certification developments

2.1 Pan European Forest Certification Scheme (PEFC)

2.1.1 PEFC endorses French and Latvian schemes

Two more national certification in France and Latvia were endorsed by the PEFC Council in early August. Eight national schemes have now been endorsed with total certified area of 36.42 million hectares. Another five certification schemes, in Belgium, Portugal, Spain, the UK, and Switzerland are currently undergoing assessment.

Schemes Endorsed by PEFC	Hectares Certified (millions)
Austrian Forest Certification Scheme	0,55
Czech Forest Certification Scheme	0,00
Finnish Forest Certification Scheme	21,90
French Forest Certification Scheme	0,00
German Forest Certification Scheme	4,24
Latvian Forest Certification Scheme	0,00
Norwegian Living Forest Standards and Certification Scheme	8,40
Swedish Forest Certification Scheme	1,33
Total	36,42

2.1.2 PEFC Germany

Since May 2001, 249,000 hectares of state forests in Brandenburg have been certified as in compliance with the PEFC Germany standards. The certificates were issued by accredited certifier TUV Nord.

The Forest Administration of the German region of Mecklenburg-Western Pommern plans to undertake a model forest certification exercise to compare PEFC and FSC certification under German conditions with a particular emphasis on the economic implications of each scheme.

In late July, in the German state of Rhineland-Palatinate, 25 representatives of municipalities, district forest farmer associations, and individual forest owners were issued with PEFC certificates. The total area of PEFC certified forests in Rhineland Palatinate now exceeds 50,000 hectares.

2.1.3 PEFC Austria

In early August 2001, legal experts confirmed that PEFC Austria was fully in keeping with Austrian law. PEFC Austria had sought legal advice following accusations by WWF Austria that the scheme was illegal. WWF Austria had argued that the scheme's group certification procedures – which identified owners not wishing to participate - amounted to denigration and violated the Austrian Act against unfair competition.

2.1.4 ENGO's withdraw from PEFC Norway

In August all environmental NGOs withdrew from Norway's Living Forest project, a scheme to develop national forestry standards used as the basis for the Norwegian PEFC scheme. The ENGOs have withdrawn despite reaching a consensus on the standards in 1998. They claim that their withdrawal reflects the failure of Living Forests to improve the standards over the last 3 years and continuing disagreements over issues such as the definition, mapping and preservation of "old-growth forest". However the move is perceived by industry as a political move designed to undermine the market credibility of PEFC.

2.2 Forest Stewardship Council (FSC)

2.2.1 FSC certified forest area

In mid September 2001, the area of FSC certified forest stood at 24.45 million hectares, a rise of 350,000 hectares since end June 2001.

2.2.2 Suspension of Indonesian teak certificates

The SmartWood program, accredited by the FSC to conduct forest certification, has suspended Perum Perhutani's teak plantation certificates. The suspension affects the forest districts of Cepu, Kebonharjo, Kendal and Madiun on the island of Java, Indonesia. Perum Perhutani, first certified by SmartWood in November 1990, is the principal plantation forestry operation on Java. The suspension is based on the company's non-compliance with the FSC principles and criteria and the SmartWood standards. The suspension will become effective on October 20. It will affect at least 36 companies that buy teak from Perum Perhutani for use in making FSC certified products such as garden furniture. Perhutani manages about two million hectares of plantations in 54 forest management districts (KPH), mostly in teak. At the time of the certification suspension, the FSC certified districts comprised about five percent of the total area owned by the company.

2.2.3 Criticism of Indonesian natural forest certificate

Environmental groups have been heavily critical of recent FSC certifications of natural forests in Indonesia. In April 2001, FSC-accredited certifier SGS Qualifor awarded the company "PT Diamond Raya" certification for a 90,240 hectare concession on the island of Sumatra. However green groups, notably the UK-based Rainforest Foundation, are "*demanding that the certificate should be immediately withdrawn*" because PT Diamond Raya "*failed to take specific measures to protect endangered tigers in the region and has failed to carry out an environmental impact assessment of its activities*". According to the Rainforest Foundation, in March of this year, a coalition of than 140 Indonesian environmental and human rights organizations called on FSC to suspend the certification of logging operations in Indonesia, "*until such time as certifications could be carried out reliably.*"

2.2.4 FSC to increase focus on Europe

FSC is planning a reorganization to beef up its presence in Europe, according to Asa Tham, Vice-Chair of the Board of the FSC. Tham said in early July that the organization "needs to cooperate with many other players in Europe" and that it will open an office in a European city to facilitate that end. She said that several candidate locations were being considered, but declined to disclose them at this time. The move may partly reflect the emergence of the rival Pan European Forest Certification (PEFC) which has put FSC on alert.

2.2.5 First Lithuanian FSC certificate

At the end of July, the Lithuanian company Apvalus Medzio Gaminiai (AMG) became the first Lithuanian company to qualify for an FSC Chain of Custody certificate. The certificate was issued by Smartwood based in Richmond, Virginia.

2.2.6 First Columbian FSC certificate

Bogata-based Pizano S. has become the first Columbian company to be issued with an FSC certificate. The company has achieved both forest management and chain of custody certification.

2.2.7 More money for FSC

In late August, FSC received a grant of US\$210,000 from The Summit Foundation, based in Washington, DC. A significant part of this grant award will be used in support of general operations

Also in August, FSC were named as a co-recipient of The City of Göteborg (Sweden) International Environment Prize. The annual award is granted to organizations deemed by the City to be making a significant contribution to the betterment of the environment. FSC shared the approximately US \$95,000 cash award with KREV, the Swedish organization for labeling organic foods. FSC suggest that the award *“will serve as a powerful, positive message throughout the Nordic region and the rest of the world about FSC credibility and effectiveness in advancing responsible forest management.”*

2.2.8 FSC and Indigenous People’s rights

In mid-August, FSC held a conference on the Indigenous Peoples & FSC Certification in Ottawa, Ontario, Canada. The conference, which drew more than 200 participants, aimed to explore the application of Principle 3 (Indigenous Peoples’ Rights), and to act as a first step toward engaging Indigenous Peoples and organizations in the design of a National Boreal Standards process.

2.2.9 Skal reinstated for forest management certification

At the end of July 27, 2001, FSC reinstated SKAL as an accredited certification body for forest management assessments. FSC suspended SKAL’s ability to conduct forest management and chain-of-custody assessments under the FSC system on March 30, 2001, after an annual office audit revealed that the company’s operating practices did not fully comply with FSC procedures. SKAL’s ability to conduct chain-of-custody assessments was reinstated in May 2001.

2.2.10 Former WWF employee appointed Interim Executive Director

In July 2001, the Board of Directors of FSC announced the appointment of Heiko Liedeker as Interim Executive Director, effective August 1, 2001. Based at FSC’s headquarters in Oaxaca, Mexico, Liedeker assumes the post of Executive Director following the July 1 resignation of Dr. Maharaj Muthoo. Liedeker is a native of Germany and formerly served as Chairman of WWF’s European Forest Team. He can be contacted via e-mail at: liedeker@fscoax.org

2.3 New Zealand

Inwood magazine (formerly Pine International) reports that in New Zealand (NZ), the Forest Industries Council and other interest groups are continuing negotiations with ENGOs and representatives of the FSC with the aim of establishing a single national certification standard in line both with NZ national forestry regulations and international policy commitments and with the FSC certification standards.

These negotiations are proving difficult as a number of thorny issues remain unresolved, particularly the NZ industry's heavy reliance on genetically modified radiata pine strains, something which FSC specifically bans. There is also concern that FSC decrees relating to respect for indigenous rights and maintenance of community well being will be used as a licence by some groups to dictate hiring practices.

Meanwhile, many forest owners are breaking ranks and pursuing their own initiatives. Fletcher Challenge Forests, a large supplier to Home Depot and Lowe's in the US, has already certified large tracts of forest land under FSC. A forest consultancy, PF Olsen and Co is also promoting a group FSC certification scheme and have claimed that present applications may lead to 25% of the New Zealand plantation estate being FSC certified by early 2002. Areas under application are apparently dominated by more mature stands so a far larger proportion of NZ's log supply may be certified fairly quickly.

At present NZ's largest single forest owner, Carter Holt Harvey (CHH) is holding itself ready for certification under the anticipated national forest certification (referred to as VEP - Verifying Environmental Performance). But Inwood magazine comments "*with no immediate sign of a commercial VEP emerging, it must only be a matter of time before CHH joins the FSC or some other party.*"

NZ's third biggest plantation owner – US owned Rayonier NZ, announced in 1999 that it had quit FSC certification in favour of AF&PA's Sustainable Forestry Initiative, a move dictated by Rayonier in the States.

2.4. Australia

Inwood magazine reports that in Australia the priority has been certification of native hardwood forests, with most states using ISO14001 linked with the Montreal criteria for sustainable forest management. More than 90% of softwood produced in Australia is marketed and consumed on the domestic market where demand for internationally certified forest products is still restricted. Led by the Plantation Timber Association of Australia, the softwood industry is working on voluntary certification systems.

2.5 Brazil

According to a recent article in *Silvicultura*, magazine of the SBS – Sociedade Brasileira de Silvicultura - Brazil is taking strides towards the development of a national certification framework. The Brazilian Certification System (SBC) is being developed through the Brazilian Association for Technical Standards (ABNT: Associação Brasileira de Normas Técnicas). ABNT is looking to enhance international marketing opportunities for the scheme by supporting the development of mutual recognition procedures which draw on the ISO certification framework.

SBC has evolved out of CERFLOR, an earlier voluntary program for forest certification in Brazil. CERFLOR were convinced by ABNT of the need to enter a formal standardization process within the National Forum for Standardization that ABNT maintains. This forum operates according to the WTO Code of Practice for Standardization and, for this reason, international acceptance of CERFLOR would be made easier.

The SBC standardization process started on March 29 of this year, with the creation of a Temporary Special Study Committee – CEET that is made up of representatives of all stakeholders: producers, consumers, research institutions, government organizations, and NGO's. The Certification Director of ABNT, Frederico Cabral, comments that "The committee is working at a fast pace and is now discussing the basic text developed by ABNT Technical Committee on Certification." A complementary document is also being prepared for the assessment of the chain of custody in Brazil.

A Forest Technical Subcommittee was also established in April within ABNT to define the Accreditation Rules for Forest Certification Organizations. Accreditation will be carried out by INMETRO. The International Accreditation Forum – IAF, which is comprised of 20 countries,

has recognized INMETRO as the accreditation organization of the SBC. INMETRO operates according to the relevant international guidelines for accreditation (ISO Guides 61 and 66).

Cabral is enthusiastic about the prospects for forest certification and mutual recognition. He comments that *“For Brazil it will be a great step forward with the creation of business opportunities, both for the domestic market and for export.”* In the first case he mentions that the certificates could form part of government incentive schemes. In the international scene, SBC linked to mutual recognition would *“promote the acceptance of Brazilian products by foreign markets and could even be adopted as a model for Mercosur”*.

3. Market developments

3.1 German retailer boycotts PEFC system

The German DIY retailer OBI has announced that it will boycott PEFC certified products. In a letter to suppliers the DIY chain announced that it would return products bearing the PEFC label to suppliers.

3.2 IKEA’s Purchasing Policy

At the Forest Law Enforcement and Governance Conference held in Bali in mid September, Ulf Johansson, Forestry Manager, IKEA Trading South East Asia, overviewed IKEA's forestry policy. Noting IKEA's long-term goal of sourcing all wood from forests certified according to an IKEA-recognized management standard, he said wood suppliers must meet progressively higher standards within set time periods to continue doing business with IKEA. The first level requires that no wood come from intact natural forests, and to continue as an IKEA supplier after three months, a supplier must meet the second level of standards, which include: certainty of origin, compliance with national and regional forest legislation, no plantation wood planted after November 1994, and certification of high value tropical trees. The third level requires meeting IKEA's "4Wood" standard, and the fourth level requires that forests are managed in accordance with an official standard; FSC is currently the only recognized standard for this level. Suppliers are also requested to supply the names of all those in the chain of custody, and 80 percent of the supply is audited.

4. Environmental issues

4.1 Mixed results for SFM from forest certification

The International Institute for Environment and Development (IIED) based in London have published a new study on forest certification. The study is notable for its objectivity, cutting through the hype and publicity to undertake a cool appraisal of the impact of forest certification on sustainable development. The study assesses the extent to which forest certification has achieved its original objectives, and comments on its future role.

The study shows that forest certification’s record of achievement is mixed. It has so far largely failed to accomplish some of its original aims – notably introducing market forces as an incentive to improve forestry practices - and not all its impacts have been positive. On the other hand, the process of developing forest certification has had positive side-effects – particularly for the development of forest policy - and new roles for certification are beginning to emerge.

The study concentrates on three fields of enquiry:

- How has certification impacted on community forestry and community forest enterprise?
- How has certification helped to improve responsible business practice in industrial forest product supply chains?
- How has certification contributed to the kinds of policy processes that lead to sustainable forest management?

With regard to forest certification’s impact on community forestry, the study suggests that forest certification schemes have contributed, in some areas, to a shift towards more

scientifically rigorous models of forest management and strengthened internal mechanisms of monitoring, evaluation and reporting. When introduced, forest certification has also tended to lead to a change in emphasis from local or national markets to international markets for part or all of production. On the downside, certification has tended to increase the administrative costs of forestry without providing a significant increase in community incomes. The study reveals that certification has invariably been driven from outside, and often by donors, that have enabled communities to meet these challenges with significant subsidies. These subsidies can undermine sustainable commercial decision-making by community enterprises.

Forest certification's record in improving business practices in industrial forest product supply chains is also very patchy. Its impact has been largely restricted to the DIY (do-it-yourself) home improvement sector. Their demand for certified products has been transmitted along the various stages of the supply chain, giving the forest producers and wood processors in these chains strong motivations to certify, as they would otherwise face loss of their markets. It has also created the opportunity for new suppliers who can offer certified products to access these retail markets. This effect has been more marked for softwood products. Retailers still report difficulties in accessing sufficient volumes of certified tropical hardwood. Forest certification has contributed in the DIY retailer sector to improvements in transparency – increasingly wood-users are keen to prove their claims of sustainability by being able to trace products back to their specific source, information which is made public.

However outside the DIY retailer sector, and notably in construction timber and paper markets, supply chain pressure has not worked so effectively and it has been more difficult to coordinate demand and supply. Intermediate or end users are less committed to certification or, where they are committed, the volumes of wood they deal in tend to be too small to enable them to exert much pressure on their suppliers. IIED conclude *“If certification is part of the picture for the international wood products industry, so far it has proven successful in only a small segment of it. Whether it leads to more widespread improvements in global forest management depends entirely on creating broader incentives for the supply chain to place pressure on producers.”*

So, IIED suggest that certification has not yet contributed to major improvements in business practices or in the marketing of wood products. Nor has it yet been particularly effective in bringing market forces directly to bear in the promotion of good management by creating demand for products from sustainable sources. However IIED go on to suggest that other indirect and unforeseen benefits of forest certification are beginning to emerge. In the long run these may be more important and include:

- Forest certification will contribute to the commercialisation forest services, such as carbon storage;
- It will help to lever finance for SFM/forest business;
- It will contribute to lowering insurance premiums by dealing transparently with risk;
- Companies implementing forest certification are benefiting directly from improved business management;
- There is potential to use forest certification as a regulatory tool, effectively 'privatising' law enforcement; encouraging self-regulation as a complement to law enforcement;
- Forest certification may be used to support and validate aid interventions;
- The development of forest certification procedures is helping to resolve conflicts, through processes involving dialogue and negotiation with other stakeholders;
- Forest certification has been helping to change forest policy towards SFM by decentralising and democratising the policy processes (by national working group debates on certification standards and procedures; by raising the profile of some previously marginalized stakeholders and by forging new relationships between stakeholders as a result of the certification and audit processes)

IIED's report concludes that forest certification is a useful policy tool, but that it is not an appropriate response to all forest problems and in all circumstances. *“There is no a priori reason to select certification unless it is more effective, efficient, equitable and credible than other means, and if it can fit within an integrated set of instruments for SFM that works well in local contexts.”*

4.2 Swedish FSC companies remain target for environmentalists

Despite their adoption of FSC certification, Swedish companies remain a target for environmental activism. For example, the Taiga Rescue Network (TRN) reports that Assi Domän is being heavily criticized by local NGOs in the municipality of Arvidsjaur in Sweden where the company holds 76% of forest land. TRN reports that the local branch of the Swedish Society for Nature Conservation (SSNC) has accused Assi Doman of extensive clearcutting and soil damage, and of logging protected habitats in the region. In another story, TRN reports that Sveaskog, a newly formed FSC-certified state-owned forest company managing 900 000 ha of forest land, has also been a target of ENGO criticism. Based on “field research”, the Swedish NGO Fältbiologerna claims that 20 out of 34 areas due to be logged by the company should not be logged because they are of high conservation value.

Rupert Oliver
AF&PA Technical Consultant
25 September 2001

**INTERNATIONAL WORKSHOP ON FOREST CERTIFICATION:
FORGING NOVEL INCENTIVES FOR ENVIRONMENT
AND SUSTAINABLE FOREST MANAGEMENT**

**Brussels, 6-7 September, 2001
Draft Version 2.0**

MODERATORS' SUMMARY

Background

The European Commission hosted an international workshop arranged by Indufor and the European Forest Institute in Brussels on 6-7 September, 2001, to examine the scope and options for possible validation or endorsement of certification schemes to enhance the effectiveness and efficiency of forest certification as a tool to promote sustainable forest management globally. The option of taking no action was also considered.

The purpose of the Workshop was to inform certification experts of Member States and the Commission personnel on the current state of forest certification and its novel applications. In addition, the Workshop offered an opportunity for stakeholders to exchange views and share experiences on the implementation of forest certification.

The Workshop was also a contribution to the on-going international dialogue on exploring the need for, and possible mechanisms of, mutual recognition between certification schemes. The Workshop built on the results of the FAO-GTZ-ITTO Seminar on 'Building Confidence among Forest Certification Schemes and their Supporters' (Rome, February 2001), the CEPI Seminar on Mutual Recognition of Credible Forest Certification Systems (Brussels, November 2000) and the PEFC/EU Technical Seminar on the Requirements of Mutual Recognition between Sustainable Forest Management Certification Schemes (Brussels, June 2000).

The specific issues raised during the workshop were:

- What new applications are emerging for forest certification
- Whether there is a need for action at international level to address the issue of several parallel market-based certification schemes
- What needs and opportunities does forest certification create for governments and how to link it with other instruments
- How far could existing elements serve for validation or evaluation of forest management standards and certification systems
- What minimum requirements could or should be set for forest certification systems
- What lessons can be learned from assessment of forest certification systems
- What needs and options exist for international institutional arrangements for validation of certification standards and systems

The Workshop had a total of 68 participants representing governments, international organisations, and various stakeholder groups including forest owners, forest industry and trade, buyers of forest products, and non-governmental organisations. Four participants came from developing countries.

The following Moderators' Closing Remarks provide an overview of some of the main points raised in the Workshop. While the participants discussed and commented on the draft summary and their comments have been taken into account, the text still remains the Closing Remarks of the Moderators. It should not be seen as expression of a consensus view of the participants and it should be read in conjunction with the summaries of the reports of the Working Groups.

Moderators' Closing Remarks

1. In mid-2001 close to 82 mill. ha of forests have been certified to be well or sustainably managed. About 60% of the certified area is located in Europe, and only about 10% is located in developing countries. The area is growing fast under different certification schemes.
2. There is a potential to enhance the role of forest certification in promoting sustainable forest management (SFM) and to broaden the range of application, but proactive action is required to tap this potential. Forest certification may be used together with other instruments such as public procurement, eco-labelling, verification of carbon sinks and other environmental services of forests, enforcement of government regulation, implementation of tariff preferences, and development cooperation. Operational links with these instruments would require definition of what 'credible' or 'acceptable' forest certification means in practice.
3. Certification offers governments opportunities to promote SFM and the use of timber, and to gain public support for forestry. Experience points to the importance to involve stakeholders and try to reach consensus before making decisions. Governments can act as a facilitator in this process.
4. Voluntary certification schemes are likely to raise less concerns than mandatory ones if used as a means to promote trade of products from sustainably managed forests. This would render that certification schemes are less likely seen as a non-acceptable non-tariff barrier to trade. The voluntary nature of forest certification also concerns bodies which specify that products purchased must be certified. There are different interpretations between WTO members on how one would apply trade rules for voluntary certification schemes based on standards for non-product related processes and production methods (PPMs) and operated by non-governmental bodies. Further guidance on this issue may be required which could also benefit the design of forest certification schemes. There are also different views on the central government's responsibility to influence local governments and non-governmental bodies as regards certification.
5. There has been insufficient, but increasing awareness on social problems in forestry and how they should be addressed in certification. Human input into forest management, sharing of benefits, participation and conflict resolution were singled out as the three most important components of the social dimension of forest management. A number of ILO Conventions and other ILO texts offer a useful common basis for minimum social criteria for SFM and they are already included in some certification standards.
6. There is a strong demand for information about the different certification schemes and their characteristics. In spite of several efforts to benchmark or compare forest certification schemes, there is still insufficient information on their substantive differences. Further research on this subject was encouraged. There is also lack of clarity of definitions for which the internationally accepted terminology should be used as far as possible.
7. Stakeholders have different views on minimum requirements of certification standards and schemes but they also share many common elements. As forests are valued differently by stakeholders, there are difficulties and controversies in determining a globally acceptable definition for SFM and forest certification standards. Further open dialogue involving balanced participation of all stakeholder groups was called for to build confidence and to clarify why some stakeholders cannot accept some systems.
8. Some of the key concerns of stakeholders on certification schemes are related to environmental and social performance, lack of trust between actors, participation, transparency, subsidiarity, conflict between property rights and demand for forest services by society, ownership of schemes, legitimacy, possible monopoly, lack of net economic benefits for forest owners, and mutual recognition between schemes.
9. Participants expressed a need or desire to have an agreed set of clearly defined evaluation criteria to assess forest certification standards and systems. The main users of such criteria would be developers of certification schemes, buyers and consumers, forest owners, industry, other stakeholders, and governments in order to make informed

decisions on how to develop, evaluate and choose between schemes, and how to assess credibility of claims and labels.

10. Elements to be covered by such criteria could include contents of the standard, standard setting, conformity assessment bodies and procedures (certification and accreditation), chain-of-custody, and labelling. The latter two may be considered separately from forest certification. As regards conformity assessment bodies, the available international guidance should be used as much as possible. The most sensitive issues are related to the procedures of standard setting and certification as well as governance.
11. A clear need was identified by the participants for an institutional arrangement to validate/evaluate forest certification schemes and a number of options were considered. Such a validation/evaluation system, applying agreed minimum requirements for forest certification schemes, should preferably be managed by an appropriate independent international body (existing or new) involving the participation of all stakeholder groups.
12. The establishment of multilateral arrangements between existing certification schemes, possibly through a multilateral facilitating body, was also seen as a potentially useful option. One integrated single scheme to be applied globally using a common standard and a common label/trademark was not generally supported as an appropriate arrangement to cater for all situations. Further analytical work towards the development of tools for the assessment of individual certification schemes was seen as a useful complementary effort.
13. Several suggestions were made concerning a body that could facilitate the work towards international arrangements for a validation/evaluation system, including establishing a new body or forum, or using existing bodies. It was emphasised, however, that any such body or forum should be neutral and acceptable to all stakeholder groups.
14. A phased approach could be promoted to enable producers in developing countries to participate at an early stage in the certification process. Such an approach would involve specific milestones toward a full certification status, and external verification of their achievements. Further work is needed to define a suitable approach which could possibly be linked with concessionary financing and other support. Due to their prevailing constraints in human and financial resources and institutions, developing countries should be provided support to capacity building in order to implement certification.
15. The Workshop participants felt that there is a need for immediate follow-up action to continue the dialogue at international level involving balanced participation of stakeholder groups. This dialogue should be aimed at building confidence and addressing the open issues. There is also urgency to develop evaluation criteria to assess certification systems and to find out how these criteria could best be put into practice.

**BRIEF SUMMARY OF THE FINAL DECLARATION
OF THE FOREST LAW ENFORCEMENT AND GOVERNANCE
EAST ASIA MINISTERIAL CONFERENCE**

Bali, Indonesia, 11-13 September 2001.

The Ministerial Declaration states that participating countries from the East Asian and other regions recognise that illegal logging is a major problem that must be addressed. They also recognise that the problem has many complex social, economic, cultural and political causes and that all countries, exporting and importing, have a responsibility in combating forest crime. The participating countries therefore declared that they will take "immediate action" to intensify national efforts, and to strengthen bilateral, regional and multilateral collaboration to address violations of forest law and forest crime. They would develop mechanisms for the effective exchange of experience and information. They would seek to ensure cooperation among law enforcement authorities within and among countries and to prevent the movement of illegal timber. They would explore ways in which the export and import of illegally harvested timber can be eliminated. They would also help to raise awareness of forest crimes and the threats posed by forest destruction. Efforts would be made to improve forest-related governance, to enforce the law and property rights, and to promote the independence of the judiciary. There would be greater involvement of stakeholders, particularly local communities, in decision making in the forestry sector.

The Declaration also states that, in order to give full effect to its intentions and to proceed with urgency, countries would:

- undertake to create a regional task force on forest law enforcement and governance;
- invite representatives from NGOs, industry, civil society and other relevant stakeholders to consider forming an advisory group for the regional task force;
- decide to reconvene at the Ministerial level in 2003 to review progress on actions taken to implement commitments;
- request the ASEAN and APEC countries participating in the Conference to inform the next ASEAN and APEC Summits of the outcome of the Ministerial Conference and to invite their support;
- pledge to work to ensure that forest crime is given significant attention in future international fora, including the World Summit on Sustainable Development (WSSD), the UNFF, and the Collaborative Partnership on Forests;
- encourage other regions to consider creating similar regional initiatives to combat forest crime.

Finally the Declaration includes an Annex outlining in more detail an indicative set of actions to be undertaken.