ANNEX 2: BRAZIL FOREST CERTIFICATION CASE STUDY

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FRAMEWORK DEVELOPMENT

Forest certification in Brazil started in the beginning of the 1990s, when the country was included in the surveys that led to the creation of the FSC in 1993 as well as the establishment of its Principles and Criteria. In the founding assembly of FSC in Toronto, Brazil was the country with the second highest number of delegates, second only to Canada, the host country.

In order to adapt FSC standards to the Brazilian reality, between 1994 and 1996 efforts were made to create a national initiative. This became a reality in 1997, with the creation of the Brazilian FSC Working Group (WG), an informal group with 18 organizations representing social, environmental and economic interests.

The working group was based in Brasilia and was mostly supported by WWF Brazil and, at a smaller scale, of GTZ. Its first task was to define the realities to which the FSC P&C were going to be adapted to. The group decided that standards would be developed according to the main types of ecosystems and forest management in the country and that it would start with those that are most important from a wood production perspective: Amazon dry land forests and plantations.

The process for developing these standards was a lengthy one. Two sub-groups with six members each, representing the three areas, were created to coordinate the standards development processes. These processes were conducted independently, but followed the same system.

Initially, working documents were developed by external consultants and then submitted to a process that involved two mail and internet consultations, two national discussion workshops and many sub-group and working group meetings. In total, the development process went through eight versions of the standards for each type of forest.

In order to endorse the standards developed under the responsibility of the WG, FSC International had to recognize it as an official National Initiative. To achieve this, the WG was formalized as a NGO: the Brazilian Council for Forest Management – CBMF/FSC Brasil. It accepted members, developed a statute and by-laws, and elected a Board of Directors. More than 60 participants, representing NGO's, forest corporations, social movements, universities, research institutions and trade associations, were the founding members of this new organization.

In September 2001, the CBMF was officially recognized as a National Initiative by the FSC and in June 2002, the standards for Amazon dry land forests had its pre-conditions complied with and became official. The pre-conditions for the endorsement of the plantation standards were presented in April 2003 and final approval was still pending in September of the same year.

In the last two years, the CBMF has continued to develop standards for non-timber forest products in the Atlantic Forest, Brazil nuts and standards for small producers. These standards are expected to be endorsed by the FSC in 2004 and the CBMF is now planning to develop certification standards for the management of Amazon floodplain forests.

ON THE GROUND

As in other places of the world, forest certification in the field started slow, only picking up speed from 2000 on. Besides that, FSC certification grew faster in forest plantations than in natural forests, although there are signs that this gap might start to close in the coming years. The main reasons for this are the higher level of organization of the plantation sector as an industrial sector, better access to information, resources and qualified personnel and fewer problems related to land tenure.

At present, there are over 1.3 million of ha of certified forests in Brazil. Approximately 2/3 of these are composed of forest plantations and almost all the remaining 1/3 of natural forests in the Amazon. This ratio also holds true for the number of forests certified: there are currently 31 certified sites, of which 21 are plantations and 10 natural forests.

Almost all of the certified plantations are concentrated in the South and Southeast regions of Brazil, where little natural forest is left. Meanwhile, certified natural forests are located almost entirely in the North of the country, the region with the larger area of remaining forests in Brazil.

The certified area in forest plantations in Brazil is close to 900,000 ha. Considering that the total plantation area in the country is around 5 million ha and that certified plantations include also conservation areas, almost 15% of the plantations in Brazil are already FSC-certified. Taking into account the plantations that are in the process of becoming certified and the ones expected to enter the process in the short term, it is possible that this number will be close to 25% by the end of 2004.

On the other hand, there are few data about the area under responsible forest management in the Amazon. As an estimate, more than 430 thousand ha of certified natural forests are probably responsible for around 1.5% of the wood volume produced in the region. According to the information available from companies in the certification process and operations planning to be assessed, the area of certified forests in the Amazon may be over one million hectares in a couple of years.

Currently, there are approximately 140 chain of custody certificates in Brazil, resulting in more than 300 FSC certified products. Most of these operations are located in the South and the Southeast of the country, although there has been some increase in the North in the last two years.

Table 1: Type and area of certified forests in Brazil

	Certified Forests	Area (ha)
Plantations	21	895,706
Natural Forests	10	437,164

Interest in certification can be credited mainly to market benefits, either potential or real. The most common incentives include gaining access to new markets, keeping current markets, increasing market participation, achieving a price premium and reaping image benefits.

The main driver for FSC certification in Brazil has been access to or maintenance of export markets. Besides that, some operations have been able to receive a price premium for their FSC products, but that does not seem to be a widespread trend.

On the other hand, although there are signs of demand for certified products, there seems to be a growing perception that this is not always translated into sales. This has been mentioned by many COC certified operations and some of them are asking for the suspension of their certificates. It is still too early to draw any conclusions from this, but it can be considered as a yellow flag that needs to be looked at in more detail.

As a recent benefit, some banks are considering FSC certification as an important variable for lending money to forest management operations in the Amazon. The first loans for forest management of natural forests in the region, one from a public bank and another one from a private one, have been for a FSC certified forest operation.

In order to give clearer signs about the demand in Brazil for certified products, in April 2000 the Brazilian Buyers Group (BG) was created, coordinated by Friends of the Earth – Amazon Program. Today, the BG has close to 70 members, representing a demand for a variety of certified products, including solid wood, plywood, pulp and paper, charcoal, fuelwood and non-timber forest products (NTFPS).

Although the BG has been very good in signalizing a demand for certified products, its effectiveness cannot yet be determines and members' commitment to targets has not been well monitored up to now. In August 2003, the BG redefined its targets, making them more realistic in terms of volume consumed and timeframe. It is expected that this will enable the group to have a stronger monitoring of members compliance, which is key for its credibility.

Recently, some companies are starting to become interested in FSC certification in Brazil as a way to demonstrate corporate responsibility. This seems to be a growing trend for larger companies and corporations, such as Natura, the largest Brazilian cosmetic company, Souza Cruz, a cigarette producer that uses wood for drying its tobacco, and pulp and paper industries in general.

FSC certification has also impacted community forestry in Brazil. There are currently three certified community operations, all in the north of the country, and several others are in process of becoming

certified. These first operations are focused on wood, but there is an increasing interest in FSC certification for NTFPS under community forest management.

Up until now, market benefits from certification for communities have been related to the use of lesser-known species, accessing new markets and achieving higher prices for their wood products. Although the market for certified NTFPS is still not well-defined, it has been partially driven by the interest of the cosmetic industry in certified NTFPS.

In most cases, an external party has subsidized the certification of these communities and there is some concern about how they will face monitoring and maintenance costs in the future.

OBSTACLES FOR FOREST MANAGEMENT AND CERTIFICATION

In many cases it is hard to draw a clear line between the obstacles to forest management and the obstacles to forest certification. This work does not intend to address this.

The main obstacles for the widespread implementation of sustainable forest management proposals in the Amazon and certification are presented below. I also offer comments on what is being done or could be done to address them.

- **Overall lack of clear land tenure** – land tenure in the Amazon is a very complex issue and crucial for managing forest resources in the long term. The absence of clear land tenure provides incentives for illegal logging and prevents operations from investing in forest management. Since a large portion of the land in the region is owned by the government, one option to deal with this is to establish a concession system that allows use rights for forest management, provided adequate control measures exist. The government is discussing initiatives along this line, especially in relation to the use and establishment of National Forests.

- **Lack of qualified personnel, both at field and management levels** – this is partially being dealt with by initiatives such as the training center of the Tropical Forest Foundation. Initiatives like this should be strengthened and replicated and the Ministry for the Environment has a plan to establish training centers for forest management in the Amazon. Their role could be further enhanced through partnerships with universities and training at the management level.

- **Poor access to information** – in general wood producers in the region do not have good access to information on forestry related topics and there are no support centers for forest management.

- **Unclear and unstable regulatory framework** – there is no clear long-term legal framework to regulate forest management. Aside from that, regulatory measures regarding legal deforestation and control mechanisms for illegal logging are perceived as less stringent than the ones for forest management. This does not further forest management and it is a common belief that it is easier

to get legal authorization for deforestation than to get the approval for a forest management plan.

- **Lack of credit mechanisms** – until recently, it was virtually impossible to get banks to lend money to forest management activities. It was seen as a highly risky activity and there were no systems in place to adequately analyze these cases. Fortunately, this seems to be changing in some banks for which certification is playing a key role in the analysis of forest projects.

- **Unfair competition in the market from illegal wood and deforestation** – in 2001, more than 2/3 of the wood produced in the region was illegally-logged wood or came from legal deforestation. This wood reaches the market at a lower price and makes competition unfair for products from forest management operations. The government should improve control mechanisms to minimize the production of illegally-logged wood and make buying wood from legal deforestation a less attractive option, perhaps through a tax.

For natural forest management, some actors perceive certification as doing just a little more than what is already required by the Brazilian law. For them, if an operation complies with the law, it is a good way already towards certification. This might be considered an indicator that the standards for dry land forests in the Amazon are not unrealistically high.

There are no outstanding obstacles related specifically to the certification of plantations in Brazil. In general, one could consider the saying *"if there is a will, there is a way"* to holds true for the certification of these operations.

Nonetheless, there are also some general obstacles related to the adoption of certification by forest management operations and processing industries:

- they do not see a need for it – no *pull* from the market
- they have concerns about achieving market benefits
- they have unrealistically high perceptions about the costs or requirements of certification

There are currently no perceivable trends towards regulatory certification of forests in Brazil. Overall, it can be said that forest certification has had little impact on the performance of its regulatory agency, the Brazilian Institute for Environment and Renewable Natural Resources - IBAMA. If anything, certified operations seem to be subject to a more intense monitoring from IBAMA than other operations. This might be credited to a concern that certifiers will find problems and give IBAMA bad publicity.

Due to their solid tracking mechanisms, some certified forest management operations in the Amazon are presently collaborating with IBAMA to test a new system for monitoring the transport of forest products. If proved successful, this new system, based on satellite tracking, will eliminate the use of paper authorizations, which has turned out not to be reliable

CONCLUSIONS

Certification in Brazil has grown steadily in Brazil in the last years and is expected to continue for some years. This growth has been faster for plantations than for natural forests, and although there are signs that this difference might be diminishing, it will probably continue for a while.

The existence of a national initiative, the involvement of society in the process and certifiers based in the country are some of the reasons that contributed to the development of FSC certification in Brazil.

Integrated forest operations seem to be more interested in forest certification than producers of timber only. This might be related to the perception of certification as a corporate responsibility tool, which can also have market benefits. This has impacts on processing industries, which sometimes face difficulties in buying certified wood.

On the other hand, the demand for certified products seems to be instable, even in export markets. While some operations are able to sell their certified products as such, some operations are not, which has led to an increase in requests for the suspension of COC certificates? There is even the perception, in some cases, that certification is superfluous. If an operation has it, that is great, if it does not, business will continue as usual.

Therefore, there is a need to strengthen actions that increase market pull for certified products, both at the corporate and final consumer levels. This is an area where donor support can be very useful.

Donors have also played an important role in community forest management and its certification. This needs to continue for some time in order to consolidate these advances. The support for training and capacity building initiatives can also contribute to increasing forest management and certification.

A potential role for the government would be to support forest certification as a means of qualifying Brazilian forest products for export markets. Any actions that promote forest management in the Amazon will also contribute for the expansion of certification.