

# **FOREST CERTIFICATION AND COMMUNITIES: LOOKING FORWARD TO THE NEXT DECADE**

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*with contributions from*

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## **PREFACE**

Forest certification marks a critical turning point for the forest products industry. It signals the beginning of an era defined by the realization that forest resources will be increasingly limited in the future—both physically and politically. While the forest certification phenomenon is still quite young (the FSC was created in 1993 and other certification schemes followed) the progress has been staggering. Over 100 million hectares of forest have been certified under all schemes—including FSC, SFI, PEFC, as well as national schemes and initiatives.

Thus far, 50 communities worldwide have received forest management certificates or chain of custody certification, and many other forest communities have been brought into the decision-making process in the certification of public and private forests as stakeholders. This small but diverse sample provides a rich set of lessons to help guide all certification schemes that have an interest in community forest management. There are important issues for communities becoming and remaining certified, for benefiting communities through industrial certification and certified markets, and for expanding the number of communities certified over the next decade.

This linkage between certification and communities is important because forest communities are increasingly major stewards of the world's forests, especially in tropical countries. Our recent research estimates  $\frac{1}{4}$  of the forests in the developing world are community-owned or -managed. This figure has doubled in the last 15 years and is likely to double again in the next 15 years. This is based on the continued devolution to communities, which may easily include 700-800 million hectares of the total global 3.6 billion hectares. Until now, certification has reached less than one percent of community forests. With no changes to certification systems, it is unlikely to reach more than two percent of all community forests in the next decade. This is worrisome because of the very significant contribution that forest communities can make to sustainable forestry.

To understand the impact of certification on communities and suggest actions for the future, we carried out a comprehensive evaluation of the existing studies and case material, interviewed and organized discussions with more than 60 individuals involved in forest certification as certifiers, accreditors, clients, researchers, or promoters, assembled detailed case studies for Brazil, Mexico, Guatemala, and Bolivia, and presented the hypotheses and conclusions in a June seminar in Vancouver, Canada, and the November meetings of the FSC General Assembly in Oaxaca. Comments by experts on a draft circulated in late 2002 have been incorporated.

There have been some important benefits to forest dwellers and forest communities from forest certification, both for those directly certified as forest management units and for those who live in or work in public and private forests and private and public forest enterprises. Certification has brought improved labor conditions and employment, has helped legitimate local land tenure rights, and has provided continued access to forests for non-industrial uses. Forest communities have been able to leverage donor and government financial and technical support. They have expectations that

certification will help them access new markets and get a premium price for their products. A few communities are already getting a premium.

The various schemes have involved communities differently. SFI and PEFC have had more impact on smallholders, either as part of chain of custody certification, as part of the linkage between SFI and Tree Farmers, or through forest management certifications of northern European forest cooperative members. FSC certifiers have had a special interest in community certification, pursuing opportunities actively in Latin America that are linked to community forestry support programs in various countries.

However, much fewer communities have qualified for certification than expected, and to date the experience has been confined geographically to the new world (mainly Mexico, Canada, U.S., Guatemala), with a few examples elsewhere (Philippines). While a number of new communities are in the process of scoping or assessment for new certification, a number of issues have emerged that create barriers. Many communities face policy and regulatory barriers to extract and process forest products, or control rights to environmental services generated. The cost of the assessment and auditing process is high for small operations. Given the fact that most community enterprises are incipient, there have been numerous pre-conditions or conditions for them to qualify for certification, requiring them to seek donor financing to pay for them or substantially increase costs relative to their returns. Communities are found in more remote areas where markets are not developed for certified products and do not pay a premium, making the additional cost impractical.

The small scale and incipient nature of community operations has made it difficult for communities to generate the quantity and quality of products that a certified market would demand. Communities are too risky an investment to attract needed finance and face internal constraints to make organizational changes towards a more profitable business model. Where cultural differences are large between certifiers and communities, the process of certification can also come into conflict with the natural path of evolution of the community enterprise and its natural resource management models.

Some recent innovations introduced by certifiers address a number of these issues. Recently, the application of rules for Small and Low-Intensity Managed Forests (SLIMFs) was approved by the FSC General Assembly with provisions for group certification within them, and there are proposals for introducing a step-wise or modular certification to provide more time to achieve best practices.

More adjustments are still needed. To move beyond the more traditional wood-based enterprises where wood extraction and processing are the major source of jobs and income, certification schemes need to recognize the larger set of client communities dependent on multiple income streams or just starting up enterprises. Communities with multiple income streams face the dilemma of which products to certify: wood, non-wood, conservation practices, environmental services, or ecoagriculture. As of yet, we have no answer for these communities, either in helping them evolve into enterprises, in helping them bear the cost of more sustainable management by linking them to markets, or by helping them to fight the battle for greater resource rights and access.

We recommend two related sets of actions, both of which require more active collaboration among the various stakeholders—donors, governments, accreditation bodies, certifiers, investors, the forest industry, and technical assistant agencies/environmental non-profits. The first set of actions is to revisit the objectives of certification and to modify the criteria and indicators and process of certification to reach a wider range of forest communities. Currently, standards are set up to apply best to enterprises in the formal sector. Certification is not taking advantage of long-standing practices of communities that achieve the same set of goals but in a different way. The second set of actions is targeted to those forest communities for which forest certification is not a currently viable option. Here, efforts are needed to foster and expand coverage of alternative SFM instruments (fair trade, ethnical collection standards, deregulation of market barriers, devolution of rights and responsibilities, and business support). Alternatives must address the multiple income streams that many forest communities derive from the forest so that SFM instrument is not too expensive.

The improvement of global forest sustainability through the forest certification tool and the political process of devolution of the world's forests to local people are both in critical stages of evolution. There would be a very high payoff in forest management and improved local livelihoods if convergence between these two processes could be achieved. Industry is restructuring to adapt to reduced availability of inexpensive timber from natural forests, increased supplies from plantation wood, and new technologies and cost structures. The supply of donor and subsidized finance is declining relative to private sector investment in the environment. Governments are poised to set policies based upon the perceived success or failure of communities to serve as forest stewards.

Now is the moment to take action to expand the available instruments and their effectiveness to take advantage of the promise that forest communities have to contribute to forest sustainability and to the improved livelihoods of the many poor families who are forest-dependent. The first phase of forest certification is complete. A set of schemes are in operation for a significant area of forest and the schemes have credibility in the marketplace and among policy-makers. The second phase should revise the certification tool and make necessary adjustments in the instrument for including other forests and clients that are key to sustainable global forestry. Communities are important forest managers of the global forest estate and future certification efforts need to respond to them in ways that build upon their interests and comparative advantage.

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## List of Acronyms

CATIE	Center for Tropical Agriculture Research and Extension
CSA SFM	Canadian Standards Association SFM
COC	Chain of Custody Certificate
FM	Forest Management Certificate
FSC	Forest Stewardship Council
IMAFLORA	Instituto de Manejo e Certificação Florestal e Agrícola
LEI	Indonesian National Certification Standards
NPPFRDC	Ngan Panansalan Pagsabangan Forest Resource Development Cooperative, Mindanao, Philippines
NTFP	Non Timber Forest Products
PEFC	Pan European Forest Certification
SFI	Sustainable Forestry Initiative
SFM	Sustainable Forest Management
TA	Technical Assistance

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## INTRODUCTION

This review looks at the experience with communities and certification as the first in a series of systematic reviews of certification. The analysis titled “A Decade of Certification: Reflecting on the Way Forward” includes an assessment of community experiences with certification to date, an evaluation of the range of direct and indirect impacts on communities in different geographic regions, and an examination of the strategic issues that certification will likely face in the future, suggesting refinements to increase the effectiveness of this instrument for communities. The evaluation is divided into three set of issues: (a) the impacts and issues for those communities whose forests or enterprises are being or have the potential of being certified; (b) the impacts and issues for those communities who live in or depend upon forests that are being certified to a third party; and (c) the impact and relevance of the certification instrument for the broader set of forest communities and forest dwellers not yet involved in the process.

For the purposes of this review, community enterprises are defined as any form of community-based forest management where communities are involved in the planning, management or overall control of the operation. Community-company ventures where communities provide services or share tasks, investment, and benefits are a subset of these. Community-owned forest enterprises harvesting collectively-owned or administered resources make up the majority of the existing examples, although Brazil cases include groups of smallholders who manage their enterprise collectively but have individual, family landholdings. Non-industrial individual forest owners and participants in plantation out grower schemes have not been included in the scope of this review, and are the subject of a future chapter in this initiative.

Forest certification is a market-based, voluntary instrument created in the 1990s. It was designed as a means of identifying forest products as sourced from a forest or forestry operation that follows a minimum standard of good practices, including responsible processing of wood harvested from a sustainably-managed forest resource. Certification was created as an alternative to the failure of public policies and government actions to control illegal logging or check rates of deforestation and forest degradation. Forest certification has had an extremely successful history in the short decade since the Forest Stewardship Council (FSC) was established in 1993 in Oaxaca, Mexico. Currently, more than 100 million hectares are certified under all schemes worldwide--29.6 million hectares of these under FSC comprise 453 forest management areas in 56 countries (as of August 2002). There are more than 10,000 certified wood product lines in the market, and more than 600 companies have joined the Global Forest and Trade Network, buyers groups promoted by World Wildlife Fund, concentrated initially in the UK, but gradually expanded to North America and elsewhere.

At this preliminary stage in the evolution of forest certification, the impact has been greatest in temperate, rather than tropical forests. While tropical forests make up 12% of the forests certified under FSC schemes, only 0.2% of the world's tropical area is certified under any scheme and only 3% of all FM certifications issued are in tropical and subtropical broadleaf forests (Simula 2002).



Plantations are an increasing percentage of all certifications, particularly for the PEFC and SFI schemes.

From its inception, forest certification aimed to address social as well as environmental goals. For that reason, the FSC and its certifiers and supporting donors have aggressively supported community certification. Smartwood along with its national affiliates has been the main certification body carrying out community certification, (98% of communal certificates to date) mostly with a donor subsidy, but also by charging a discounted rate. At present, about 50 community enterprises have been certified worldwide, and a number of others have a process of certification underway. In addition to direct certification, many communities living in or depending on forest resources have benefited from certification by gaining a “seat at the table” in the certification of public and private forests and enterprises.

Certification has had many effects that cannot be measured in hectares or premiums, but nonetheless are powerful. It has given greater voice to Indigenous groups who have historically been left out of the forest debate. Certification has made a large contribution to creating a space for broad participation and continuous adaptation in forest management and conservation efforts. Regional standards setting groups, and there are many of them around the world, have brought together industry, the environmental community, and local communities in an unprecedented way. Hundreds of companies, communities, and forest landowners have reinvented their businesses, enhanced their products and established new partnerships on the coattails of the certification movement.

Standard setting in forest certification has also led to an awareness of the need for and greater attention to forest tenure and livelihood rights, conditions of employment and worker health and safety, and forest sustainability. There have been significant benefits for communities in industrial concession areas and as partners in certified forestry operations on private company lands in community relations and workers' rights. In Brazil, Gethal provided compensation to communities in its timber areas for negative impacts on forest damage that affected their collection of rubber, Pau Rosa oil and Brazil nuts, as well as providing mapping and transportation facilities to gatherers to expand the areas they can reach. Klabin-Brazil established a series of indicators to improve the benefits and working conditions of subcontractors in its operations, so that there is currently very little difference between the working conditions of permanent staff and subcontractors. Precious Woods and Gethal-Brazil have instituted a bank of hours policy with labor unions that enables workers to provide additional hours during the harvesting season and store up employment credits, enabling them to receive a salary during the off-season months when they need a stream of income. Brazil also has positive gains in worker safety. Since the certification of Madeireira Itacoatiara Ltda. in 1997, the company has had just one fatal logging accident, compared to the pre-certification average of 2 or 3 deaths per year.

The literature and the certifying bodies document a growing paradox between expanding the area of community certification and expanding third-party forest certification for industry, private individual, and government forests (de Azevedo and de Freitas 2002; Irvine 2000; Bass et al. 2001; van Dam

2002; Carrere 2001). On one hand, there is a strong demand for simplification of procedures and minimization of costs for small-scale enterprises including community-based enterprises, and on the other, the demand for a longer and more detailed assessment with a rising bar for social and environmental criteria. NGOs are particularly concerned about the certification of industrial and state enterprises where land tenure rights of Indigenous Peoples and other local residents are not established. Recent debates in Indonesia over the potential certification of state-owned forests –both state-owned and private operations–include unresolved dilemmas over the treatment of high-value conservation forest, treatment of local property rights, corruption among authorities and companies, and issues of labor conditions and local benefit sharing. There is also a growing tension between increasing the amount of certified timber and wood products so that the certified markets can grow and increase market share, and establishing and applying sufficiently rigorous standards to maintain the credibility of the forest certification instrument.

**Box 1 – Goals of the Environmental Movement for the Forest Certification Mechanism – Indonesia**

“If forest certification is to achieve its aims for consumers, producers and forest peoples, it must set comprehensive standards against which the timber industry’s performance can be measured. The process of setting standards and evaluating company performance must be transparent and not controlled by vested economic interests. All stakeholders must have an equal say. These standards must be sufficiently high and protect the rights of forest communities. Certification should only be granted where these standards are met, not on the basis of hoped-for improvements in companies’ forest management practices. Furthermore, wood products need to be labeled to assure consumers that their purchases come from forests where companies are adhering to certification standards. Labeling requires tracing the wood product from the forest to the customer and therefore requires a secure, reliable “chain of custody” system.

Certification alone cannot solve all the problems currently facing the world’s forests and the people who live in and around them: problems such as the over-consumption of timber, vanishing forest resources, socially and environmentally destructive logging practices and Indigenous Peoples’ rights. At best, it can complement other measures such as conventions, laws and regulations and their effective enforcement and provide an incentive for change. At worst, it can validate existing bad practice and remove incentives for political change and legislative reform in the forestry sector.”

*Source: Certification in Indonesia: A Briefing.*

Communities have divergent interests in this debate which divergence is most apparent in standard setting. The standards that benefit one set of communities undermine the interests of others. Those with forest enterprises and secure tenure do not want to be left out if certification gains ground as a condition of market participation or tenure access. Those living in or dependent on public or private forest resources undergoing certification do not want to lose their rights or share of benefits, either from traditional uses or from participation in new employment and partnership opportunities. Communities with planned or emerging enterprises, but no long-term tenure security, want legitimacy and access to needed technical assistance and financial resources. Enterprises want to control operating costs while gaining legitimacy in certified markets.

A systematic evaluation of the impacts and issues for communities is timely. The myriad tasks entailed in creating and implementing forest certification over the first decade have captured the full attention of the accreditation bodies, certification bodies, donors, committed buyer's groups, and interested suppliers. Few of those involved in the process have had adequate time or resources to reflect. For certification to work, there must be qualified certifiers and a consistent application of standards and criteria. Recognizing geographic and ecological variation, there need to be tailored national and regional standards. There must be buyers for certified products. All of this has required major effort. The rich experience of the first decade provides some important lessons and indications of future trends. There are some important challenges emerging for which the direction taken will have a defining impact on how forest certification is perceived by communities and by those advocating for them. The timing is good, because certification is just beginning a period of consolidating and scaling up. FSC and other accreditation schemes are still actively refining standards and criteria in response to the growing experience and are therefore geared to better respond to emerging issues.

## I. CURRENT EXPERIENCE

Over 50 communal forest management certificates have been awarded to community forest enterprises and hundreds of other communities around the world have been affected by the certification of public and private forestlands and forestry operations. The range of communities that have been involved in certification are the following:

- **community-based forest enterprises** on community-owned or legally administered lands considering certification or being certified, such as the 29 communities in Mexico and Guatemala who are currently certified under FSC and the 40 other communities in Mexico involved in some phase of the process of initial certification; this also includes the Native American tribes in the United States who seek to become 100% certified but find both schemes available to them (FSC and SFI) still out of reach,
- **community players in company-community ventures** to manage, harvest or process forest products, including communities involved in harvesting, collecting or processing enterprises, such as the more than 200 joint ventures involving Indigenous Peoples in Canada,
- **community partners in company-community ventures**, such as the Isaak enterprise in Clayoquot Sound, Canada, with majority First Nations ownership, or the Global Forest Products operation in South Africa,
- **community stakeholders in public consultations** regarding chain-of-custody (COC) or specific forest management certification in public forest concessions or forestry operations on private lands, including non-timber forest product collectors in traditional collection forests; Sami reindeer herders concerned with certification of private lands in Scandinavia, Indonesian villages in government plantation areas of Java and the outer islands, or new and traditional mushroom and herb collectors in public forests in the United States,
- **communities employed as laborers in industrial forestry operations** and forest management, including Indigenous communities in Malaysian or Indonesian concessions, in forest communities in the Amazon, and in plantation schemes in the Philippines, and
- **communities of Indigenous Peoples seeking recognition of land and resource rights** in forests in a process of certification. This is most relevant in countries where Indigenous or treaty rights are not clearly understood or upheld by governments in the allocation and management of public forest lands for protected areas, commercial concessions or multiple-use areas, including Canadian Indigenous Peoples, Indigenous Peoples in the Russian far east, and south-east Asian ethnic populations in public forest areas.

The benefits and impact of forest certification have been quite different for each different category of community. These impacts are also different when this typology can be further subdivided geographically, by tenure regime, by characteristics of the community enterprise, and level of outside influence. Most of the existing research has been carried out for those communities who are direct clients of forest certification—community forest-based enterprises seeking to be certified or companies with community partnerships undergoing certification. The other categories have been the subject of continued analysis in the social chamber of FSC and increasingly of studies by NGOs, ITTO and trade associations, and donors.

There has been tremendous confusion when talking about communities and certification because of the lack of a clear typology to differentiate communities by key characteristics. The experience varies for the range of community-based forest enterprises that have been the subject of the most study depending upon a number of factors: their historical and socio-political status, the quality and size of the resource base, the nature of their forest enterprise, and the structure of the domestic market and the production chain. Certification has been a different experience for communities in the first category, depending upon the following characteristics:

- (i) tenure rights to the forest—is it community-owned as in Mexico or a forest concession as in Guatemala,
- (ii) Indigenous versus non-Indigenous and whether certification is an element in an Indigenous rights movement or affects cultural practices,
- (iii) the mix of timber, wood, and non-wood products for which the forest is being managed, and links to agriculture or tourism,
- (iv) the degree of vertical integration between harvesting and processing and linkages to domestic and international markets,
- (v) the participation of private sector or government partners in the enterprise as investors, co-owners, or decision-makers, and
- (vi) the size and quality of the forest resource and how this affects the scale of operations and the cost of becoming and remaining certified.

Since there is only limited experience with certification of communities, there are not many cases to compare, or to use as an indicator of future trends. All community certification has been done to FSC standards, since this is the certification scheme which has shown particular interest in social concerns and has been supported by donors with on-going community forestry programs and initiatives to which certification has been linked. While the other schemes—SFI, PEFC, and CSA SFM—have not avoided communities, the greater emphasis on management standards has given them a better fit with traditional industry or suppliers that are structured to generate the expected level of documentation and procedures that demonstrate a particular standard.

**Table 1: Progress in the FSC Certification of Communities (as of August 2002)**

Country	Number	Area in Hectares	Extent
Mexico	21	517,208	300,000 ha more than the originally reported area since new data counts only forested areas, not all the area covered by a forest community
Guatemala	9	245,353	
Germany & Austria	7	22,594	Mainly city-/town forests
USA	5	220,185	Three Indigenous, although Menominee are listed as a private business by FSC data
Canada	2	88,084	Includes the Iisaak enterprise listed as a private business by FSC data
South Africa	1	1,740	
Zimbabwe	1	24,850	
Sweden	1	1,450	
Brazil	1	900	
Bolivia	(1)	(53,000)	0 (expected to re-certify after initial five-year period but not yet)
Honduras	2	13,868	
Philippines	1	14,800	Cooperative of upland villages
Papua New Guinea	1	4,310	

Source: FSC Information Site, [www.fsc-info.org](http://www.fsc-info.org), 30 August 2002.

There are 49 communal forest management (FM) certificates that are current under the FSC standards worldwide. Two of the communities that originally were certified under FSC no longer appear on the list. Two additional communal enterprises are listed as private businesses in the FSC database, rather than as communal enterprises (Iisaak in Canada and the Menominee in the United States). What are the characteristics of these 49 communal FM certification examples and additional three community-based but private business-listed FM certificates?

Mexico and Guatemala have the clear majority of certification examples. Mexico's land reform recognized the tenure of some Indigenous communities to forest lands, and allocated tenure to collective forest and pasture areas within the boundaries of non-Indigenous farmer *ejidos* (land reform collectives) in at least 80% of Mexico's total forest area. Mexico is a likely candidate for community certification initiatives (See Box 2). It is likely that the number of certified communities in Mexico could double or triple in a near future, due to initiatives by buyers/processors who are seeking certified wood products (including companies like Puertas Montealban; Forestal Alfa; or NORAM) and new government financial and technical support for certification (in the PRODEFOR program of the National Forestry Commission). Smartwood reports that 60 communities are in some process of certification with the national affiliate, CCMSS, while 22 more communities have approached CCMSS for services.

### **Box 2 – Certification’s Fit in Mexico**

Mexico is unique in having the bulk of the certified communal forests worldwide--21 certified, 60 in some stage of the evaluation process, and 22 interested in being evaluated by Smartwood’s national affiliate, Consejo Civil Mexicano para la Silvicultura Sostenible. Mexico is also unique in that 9000 Indigenous communities and peasant ejidos (land reform blocks) have communal tenure over about 80% of the country’s forest estate. About 140 of these have active forest enterprises, and a very small subset is vertically integrated with finished product processing capacity and diversification to non-timber forest products. Certification is of interest to these communities because it provides tenure security in a neo-liberal policy environment, publicly recognizes that community forest management practices are viable in the face of concerns from environmental groups that too little high conservation value forest is under strict protection, provides them the promise of a price premium or access to a specialized market niche (as in Durango in the north where there is a limited or no premium, or for a certified door manufacturer in Oaxaca who pays a 10% premium), and may facilitate the process of getting approvals for extension on forest management plans or approval of new harvesting plans with federal officials. Communities also hope certification will serve as documented evidence of their sustainable ecosystem management for entering future markets for ecosystem services, such as water, biodiversity conservation, or carbon sequestration.

*Source: Chapela and Madrid (2002).*

In Guatemala, the certification has been mainly in the Petén, where certification of FM enterprises is a pre-requisite for communities seeking rights to manage forest areas in the buffer zone of the Maya Biosphere Reserve and where donors are the main financiers of this certification process. In Bolivia, Brazil and Ecuador, there are a number of communities involved in NGO and donor natural resource management or biodiversity conservation programs which have community enterprise or forest management certification as one of the desired outcomes. IMAFLORA, the certification body in Brazil, has a strong community certification interest and has developed some creative mechanisms to mitigate the costs to communities. Twenty community forestry projects in the Brazilian Amazon are planning to seek certification. The Bolivian forest sector reforms have paved the way for more communities to manage public and indigenous forests, but this has not yet resulted in new communal certifications. Many of the donor-supported community forestry programs are quite new and in very early stages of enterprise organization. An Indigenous cooperative, CICOL, was certified in 1996 for a new timber harvesting enterprise, Lomerío, but has not yet been re-certified since the lapse of the certificate in 2001. At a minimum, the time frame for a successful subset of enterprises to emerge could be 5-20 more years.

In the United States, only three Native American enterprises within the Inter-Tribal Timber Council have so far been certified (Menominee, Stockbridge Munsee, and the Hoopa Valley tribes), with most tribes not yet meeting the requisite management standards, organizational efficiency, or records documentation. Perceived barriers to tribal enterprise certification are:

- the high costs of environmental assessments and monitoring required by federal forest and environmental regulation,
- the fact that certification standards take these as a minimum,

- the lack of organizational capacity of most tribal enterprises,
- the complexity of forest tenure and forest management requirements on the tribal reservations with the interspersing of trust, fee, and allotted lands, and
- the lack of competitiveness of tribal timber and wood products with large-scale plantation or natural forest-supplied operations

A recent multi-institutional review of certification prospects for 30 sampled Native American enterprises in the United States (see Box 4) indicated that no tribal enterprise qualified for SFI certification and that only 12 of the 30 sampled was considered ready to enter into an FSC certification process. The Inter-Tribal Timber Council has formally requested support from the Department of the Interior to help all tribes reach certification, as part of the government's "trust" responsibility to these nations. Of the 12, six are pursuing full assessment for FSC certification.

### **Box 3 – Forestry Sector Reforms in Bolivia and Certification**

Bolivian forests cover some 53 million hectares - or almost half of the total area of the country – mainly in the departments of Santa Cruz, Beni, La Paz, Pando and Cochabamba. In 1996, Bolivia passed a new forestry law that transformed the structure of the forest sector. The law made five key changes: (a) rules governing concessions revalued the fees against timber extracted, causing large concessionaires to give up forests that they could not economically maintain, and promoting the modernization of the processing industries; (b) a transparent system for allocating concessions was established to reduce political influence on the process; (c) government oversight decentralized to local governments, creating incentives to enforce regulations and collect taxes; (d) land reform laws were modified so that clearing of forest was not a prerequisite or means to acquire land; (e) land administration programs began to adjudicate boundaries of public and private lands, to establish clear tenure over forests; (f) Indigenous territories were recognized on traditional communal lands (TCOs); and (g) local community associations were given a mandate to participate in forest planning at the local level.

Forest certification was promoted actively during this reform period, with the result that by mid 2001, there were three certification bodies operating under national guidelines and a certified area of approximately 985,000 hectares. The 985,000 hectares includes 19 certified operations, 10 for forest management and 9 involving chain of custody. Certification was popular because the standards and criteria of the FSC mirror those in the national legislation, and some law-abiding firms that agree to implement sustainable forest management plans find it an easier system, as well as providing a potential for getting an advantage in international markets. Certification is also desirable for entrepreneurs because certified forests are exempt from the government forest audit. Some concessionaires and entrepreneurs have indicated that they prefer to deal with an independent certifying firm rather than with the government bureaucracy. Plus, given the negative reputation of Bolivia's timber entrepreneurs, it is argued that certification was essential for Bolivia to continue to find buyers for its tropical timber in an increasingly discerning market.

*Source: Contreras and Vargas Rios (2002).*

Outside of the Americas, there are isolated examples in Zimbabwe, Poland, Papua New Guinea, Philippines and South Africa, but none in those countries where community forestry has rapidly expanded with government decentralization of its authority over forestlands, such as India, Nepal, Tanzania, Ghana, Uganda, Vietnam, or China. Various reasons have been put forth for the lack of



cases, including the lack of involvement of the forest communities in international trade, the regulatory barriers to community harvesting or processing of timber and wood products, and the policy barriers for community enterprises. The issues related to this gap are discussed later in the review, as part of the impacts and relevance of certification for communities not currently involved in the process.

#### **Box 4 – The Comparative Experience with Certification in the United States**

The US Forest Service and a number of foundations have promoted forest certification initiatives among Native American tribes with significant forest holdings and forest-based enterprises. There are 16 million acres of tribally owned forest and woodlands found within 243 reservations, with timber enterprises that generate 9,000 jobs and annual revenue of \$464 million dollars. 30 tribes, the Intertribal Timber Council, FSC and SFI auditors, IFMAT-II (second US government study of Native American Forest Resource Management), and the Pinchot Institute have been carrying out an assessment of potential tribal certification as a follow-up to the IFMAT 1990 study by the US Government. They are looking at 30 tribal enterprises with forests comparing both FSC and SFI criteria with different certification teams. There have been a variety of initiatives to support the certification of Native American enterprises, including support from the Department of the Interior and the US Forest Service and from private foundations.

Ford Foundation has financed a grant facility through the First Nations Development Institute, which has invested nearly \$100,000 in matching grants to 14 tribes for helping them move towards certification. Forest certification has some positive advantages for tribal enterprises. FSC certification standards are consistent with tribal values for sustainable resource management and provide public recognition to the consumer that a tribal enterprise is working sustainably. Certification of tribal management practices indicates to non-tribal neighboring forest landowners that tribal practices are sustainable and worth emulating, helping tribal enterprises encourage these neighbors to adopt their resource management practices.

*Source: Price and Mater (2002); Jansen (2002) and personal communication.*

Canada presents an interesting juxtaposition to the United States, given the differences in the recognition of Indigenous peoples' forest tenure. The two current examples of community certification are Pictou Landing in Nova Scotia and the Iisaak enterprise in Clayoquot Sound, British Columbia. Pictou Landing First Nation is a very small community holding which was certified because of the desire of the community to have its sustainable practices publicly recognized.

### **Box 5 – Canadian Indigenous Peoples’ Certification Initiatives**

The Canadian experience has been quite unique because over 80% of Indigenous Peoples live within Canada’s extensive forest lands over 94% of which are publicly owned. Third party certification has involved communities in a unique way given that Indigenous Peoples have a major stake in the management of public forestland for their future and livelihoods. With most forest land licensed over 20-25 year periods to large multinational forest companies, and in the absence of extensive community holdings, Indigenous Peoples have had limited input in consultations on forest management on public lands. The area of forest land certified in Canada is still relatively small, although growing. Indigenous Peoples have participated in a few certifications of large companies and have been involved in the development of regional certification standards and chain of custody certification of the harvesting and processing industry. Many Indigenous groups have decided to pursue forest certification as part of a larger strategy to gain recognition of their tenure rights over these forests, and participate in the economic benefits from forestry activities related to them.

Since most forests in traditional territories are designated by the Government as under public ownership with underlying Indigenous rights, but only limited recognition of use areas set aside for Indigenous Peoples, Indigenous communities have not generally been in a position to seek certification of forests on their communal holdings (known as reserve lands). Instead they have promoted more participatory standards for consultation on forest management plans for industrial concessions on public forest land and Indigenous Peoples’ involvement in forest operations as subcontractors and employees. Indigenous Peoples have advocated the continuation of traditional uses within forest areas, protected in Aboriginal and Treaty rights. Forest certification initiatives provide Indigenous Peoples’ communities and forestry professionals with a forum for questioning decisions regarding public lands, adding Indigenous interests and values to the criteria and indicators of sustainable forest management, and creating better avenues for recognition of forest tenure rights. Certification has also promoted increased employment opportunities for Indigenous Peoples in the forest industry, and more equitable benefit sharing of earnings from forestry activities. The cost of community certification is only now becoming an issue for Indigenous Peoples as some are gaining long-term rights to particular resources through land claims and treaty land entitlements.

FSC has a strong national working group with a vision statement to guide national and regional standards development, and to influence national policy and other certification systems as follows: *"Respecting the diversity of Canada's forests, from the Acadian forest of the Maritimes, to the Boreal forest spanning the northern regions of our country, to the Carolinian forests of the south, to the Great Lakes-St. Lawrence region, to the west coast temperate rainforests, and recognizing that these forests support us physically and spiritually and define who we are as Canadians, that these forests support all living beings, and that these forests are the homeland of Aboriginal Peoples, the Vision of FSC-Canada is to promote the health of our forests and harmony of their inhabitants, by respecting natural forest processes and diversity and ensuring an equitable sharing of benefits from the sustainable use of forests"* (FSC Working Group, 2002). There are currently five Canadian regional standards development processes underway (Maritime, Great Lakes-St. Lawrence, British Columbia, a pilot project for the Boreal Forest in Ontario and a national boreal project).

*Source: Smith and Ross (2002); Bombay (2002); FSC Canada [www.fsccanada.org](http://www.fsccanada.org)*

Iisaak is a public-private joint venture which was certified as part of a process of establishing the Nuu-chah-nulth Nation’s co-tenure for a tree farm license area formerly leased to Weyerhaeuser, and publicly recognizing the environmental, social, and cultural sustainability of the Iisaak enterprise.

Indigenous Peoples are interested in forest certification because of its important role in defining the Indigenous tenure debate in a more balanced way, providing them greater decision-making power in public concession management and leading the way for greater tenure recognition of land and resource rights. Few Indigenous Peoples have forest concessions to the extensive territories that they recognize as their traditional homelands and traditional use areas. The few that participate in forest management licenses do so through mainly joint arrangements with government and the private sector on what are categorized as public forest lands. Most certification in Canada is related to communities through large forest companies with concessions on public lands applying for certification. Forest-dependent communities, both Indigenous and non-Indigenous, may be involved in the decision-making of these operations as contractors, concerned citizens, rights holders, or laborers, but do not pursue, finance or receive the certification. The recent model in British Columbia of community forest licenses has not yet led to any Indigenous Peoples' enterprises seeking certification. It can be predicted that increased certification of areas with Indigenous Peoples' populations and contracting enterprises will be substantial. It is not currently apparent how many community-based forest enterprises will be certified to Indigenous Peoples as forest managers. As in the case of Latin America, much of the cost of certification has been subsidized, or is borne by the private company concerned.

## **II. IMPACTS AND ISSUES FOR COMMUNITY-BASED FOREST ENTERPRISES WHO HAVE BEEN OR HAVE SOUGHT TO BE CERTIFIED**

### **IMPACTS: THE BENEFITS OF BECOMING CERTIFIED TO COMMUNITIES**

Communities with forest enterprises have benefited from certification in a number of direct and indirect ways. Some have gained a seat at the table in discussing regarding forest policies for communities and smallholders, gaining legitimacy as a serious player in the forestry sector. Some have consolidated or established their tenure rights over forests, as in Guatemala's Petén region or in Bolivia. Where their tenure rights were already secure, as in Mexico, they have gained legitimacy as forest managers vis-à-vis the state and environmental advocates in civil society.

In countries with stringent forest regulations for forest and environmental management plans, the process of certification can simplify the process of updating approvals of their management and harvesting plans and provide evidence of environmental sustainability under those regulations (for processing approvals of management plans with the environmental ministry in Mexico or approvals of forest harvesting by the state forestry agency in the Petén). The Bolivia 1996 Forest Law expressly recognizes third-party independent forest certification as a substitute for governmental audits of concessions on public forestland (Article 91 of law; in Markopoulos 1998).

Some communities receive a price premium for their products, but it is not clear whether this is due to their product being certified or being of a minimum quality standard. In Oaxaca, Mexico communities selling to a furniture manufacturer have received a 10% price premium on their logs, but not from their other buyers. The Bolivian Lomerío enterprise has an 85% price premium on its highest quality logs, although this seems to be a quality premium, not specifically for certified product markets. Most of the communities certified and in the process of certification are hopeful of price premiums, but not yet assured that this market will reach them.

**Table 2: Benefits of Certification to Communities**

<b>Examples of Advantages to Communities of Certification</b>	<b>FSC Examples</b>	<b>ISO 14001-Based Schemes</b>
Improvement in certified communities creates a new standard in an country with many problems of poor management and raises the standard of private as well as community enterprises overall—shows new possibility	Bolivia, Mexico, Brazil, Sweden, Finland, Indonesia	
Gives a legitimate vehicle to promote national dialogue on issues of forest tenure, worker equity, citizen participation in the allocation and management of public resources, community value systems, sustainability	Brazil, Canada, South Africa	Canada, Sweden, Poland, Latvia, Europe
Provides a measure of good management that communities need to protect their access to a resource and freedom to manage it	Guatemala, Mexico, Bolivia, Brazil, Iisaak, Canada	
Provides a measure that can be a proxy for loans, payment for ecosystem services, etc.	Yes	Yes
Attracts donor financing	Mexico, Bolivia, Guatemala,	
Can reduce the illegality and poor practice in private sector competing with community enterprises for market	Bolivia, Ecuador, Guatemala	
Creates a possibility of a specialized market niche for community products in a competitive environment	Naturally durable tropical timbers, natural long-fiber pine	Yes

Entering into the process of certification can gain communities access to donor support for technical assistance or investments, and provide them professional guidance on improving their forest enterprise and training community members. Some communities in Central America and Mexico seek forest certification as a certificate that they can use as evidence of good management and environmental values to negotiate payments for related ecosystem services with government or the private sector.

## **ISSUES FOR COMMUNITY-BASED FOREST ENTERPRISES**

There are a number of challenges for communities to become and remain certified, which have been documented in evaluations by the FSC, by members of the FSC social and economic chambers, and in case studies of particular communities. These can be summarized in the following lessons learned which are relevant to other communities who are in the process of or considering certification:

- a) The cost of initial certification evaluations and annual auditing are high due to the remoteness of the community forest and often dispersed location of forest blocks except when communities are exceptionally large in forest size (Bass 2001; Irvine 2000),
- b) The cost of implementing recommended actions, either studies or silvicultural, and of reaching documentation standards for the annual audits are high and may not be compensated in the near term by more efficient operations, or adequate benefits from access to a better market niche, higher prices, more secure tenure, or a needed public image (Irvine 2000; Bass 2001; Nussbaum et al. 2001),
- c) The donor projects that provided the initial subsidies to the first generation of communities are moving to new areas of operation or planning to phase out project financing, creating a pending financial crisis for existing and new certified operations (IMAFLOA 2002; Chapela and Madrid 2002; WWF Bolivia 2001),
- d) The fragility of the community institution, particularly when the forest enterprise is recent. Certification does not provide the needed timeline to implement improvements and some improvements are of questionable value at the specific stage of development: some communities have been socially engineered by the NGOs or certification bodies advising them to solve management problems in externally-determined ways that risk enterprise failure or undermine the capacity for self-help and future problem-solving (van Dam 2002; Bass et al. 2001; Robinson 2001),
- e) A number of communities have been encouraged to make capital investments (Petén) that are risky in current markets and also create tension in the community over this allocation of resources, risking a loss of commitment to the enterprise (Soza 2002; Aguilar 2000; Chapela and Madrid 2002; and Robins and Roberts 1998),
- f) A number of enterprises have been built around the promise of price premiums for certified products, but cannot deliver the quantity or quality of product; where this premium is needed to keep the enterprise viable, loss of certification for whatever reason is an unacceptable risk (WWF Bolivia 2001; Irvine 2000; Robinson 2001),
- g) Markets for community products are increasingly competing with the increased supply of cheaper plantation wood and the reductions in protective tariffs in countries undergoing macroeconomic reforms (Poschen 2001; Leslie 1999),
- h) Smaller communities with less productive forests or less dependence on the forest enterprise cannot comply with current procedures if they only harvest intermittently, leading to uncertain supply and a high cost per unit of material produced, reflected in a greater percentage of costs for maintaining their certification (Nussbaum et al. 2001; Irvine 2000), and

- i) Many communities have complex forest management objectives for commercial and subsistence products, including timber, wood, non-wood forest products, agriculture, farm forestry, and tourism or off-farm activities. In high biodiversity value forests, certifiers can require excessively expensive collection of ecological data or inventories and complicated management plans, especially where harvest volumes are low (Chapela and Madrid 2002).

#### **Box 6 – The Case of Lomerío Enterprise in Bolivia**

One of the first blocks of communities successfully certified is Lomerío in the lowlands of Bolivia, a project consisting of 25 *Chiquitano* communities under an umbrella organization, CICOL, with an estimated population of 6,200 people, managing 53,000 hectares of forest. The communities initiated forestry activities in 1986 in parallel to seeking to secure legal recognition of their indigenous territorial land claims. They were certified in 1995, with the first three years devoted to carrying out a series of recommended actions identified in the initial evaluation, most of which were heavily subsidized by the donor financing the project. The enterprise sought certified markets and higher prices for their products. Due to the high value timber they were harvesting, they have been able to get a price premium of 83% on their highest grade of sawnwood, but it is not clear that certification is the reason for this premium. A study of the enterprise by IIED in 1998 revealed some challenging issues for enterprise growth. Certification had a positive impact of introducing more transparency into the CICOL operations and interactions with the community. However, producing for a higher value and certified market required heavy capitalization of their operations and mill, creating some serious internal conflicts with community members over this investment strategy and the limited profits that could be shared for other purposes. Marketing has been a serious problem for the cooperative. The processing chain links them to private sector transport facilities and processing facilities which are not interested in community wood supplies, and have therefore caused serious delays in getting Lomerío products to market and losses in quality that have lost them customers. The initial evaluation and annual audits cost the operation US\$ 47,525 or US\$ 1/ha., although all the cost was borne by donors.

Certification led to the community successfully receiving formal government recognition of their territorial claim in 1997. Their certification lapsed after the five-year period in mid 2001 and they are still not recertified, pending completion of some recommended actions. One current issue is over compensation of improvements that a neighboring cooperative, AMAISON made to land that was originally to be adjudicated to them, but turned out to be land within Lomerío territory. Even though the land in question is not part of the forest holding under management, the issue affects their recertification.

*Source: Martin (2002).*

## **HOW AFFORDABLE IS CERTIFICATION FOR COMMUNITIES?**

There is a wide range of variation in the cost of community certification, but there is general agreement that in most instances the cost will be unacceptably high without measures to simplify the process or to group individuals or communities to reduce costs (Nussbaum et al. 2001). The issue is complicated by the fact that many communities do not have well-managed enterprises and have fluctuating harvesting levels over time.

A review of community certification in southern Mexican communities and *ejidos* reveals a high cost of compliance with the recommended actions identified during evaluations and audits. The average cost in southern Mexico thus far is about \$12,000 per annum, over a 5-year period, including the evaluation, annual audits and the average cost of recommended actions in the more advanced community enterprises. While this appears to be a very reasonable figure for communities with 4000 hectares or more of forest, some communities have questioned the value of recommended studies and their returns for the enterprise. Communities are naturally conservative and historically cut less than their allowable cut. They also set aside cultural sites, further reducing the cut. A key question for certifying bodies is whether the identification of studies and silvicultural interventions is linked to revenue generation or assumed to be a long-term gain that requires implementation should subsidies be available. Given the natural conservatism of communities, and their significant development needs overall, more justification is needed on the timing of recommendations.

#### **Box 7 – The Cost of Becoming and Being Certified in Mexico**

An evaluation of the costs and benefits of certification for the 21 communities now certified shows a very significant cost relative to economic returns. On average, communities spend US\$12,000 from subsidies or their enterprises annually during the five-year validity of their certification, including the initial evaluation (\$7,500), annual audits (\$2,000 each), establishing the necessary documentation (\$2,500) and carrying out the actions recommended in the evaluation (about \$10,000 per year). Where road infrastructure is very weak, raising roads to minimum environmental standards can require a high investment for longer than the five years. In the north, industry is beginning to offer to cover the cost of certification for northern *ejidos* that would supply them with a source of certified wood. Elsewhere in Mexico, communities have expressed concern that studies aimed to improve their enterprise efficiency and access to markets have not consistently had the desired outcomes. A regional market study in Oaxaca was not able to help communities identify better markets, and communities have disagreed with certifiers over the optimal mix of species to maintain in pine-oak forests to preserve ecological systems while generating a positive income flow. While forest certification has an advantage over other product certifications, like organics or shade coffee and cacao, in that the standards are internationally consistent across north American and European markets, there are fundamental issues being raised in Mexico over the usefulness of forest certification for communities who, in many cases, sell primarily to a domestic market, have diversified livelihood streams and find FSC certification unable to make recommendations about the forest consistent with capturing the complexity of the integrated management systems of non-timber, timber and rotational agriculture, and helping communities make optimal choices for landscape management. Both Mexican and Guatemalan communities are concerned that they will be paying the cost of multiple systems validating their products, FSC for forests, organic certification for agriculture, and a separate certification for ecotourism and for ecosystem services.

*Source: Chapela and Madrid (2002).*



In Guatemala, the cost in communities over 5000 hectares in size in the Petén is between 5 and 10% of the total annual cost of operations, but this assumes a higher level of harvest than can be consistently maintained every year. For smaller communities, the combined cost of annual audits and implementing recommended actions without subsidy could equal a third of the total operational cost. In Brazil, certifiers have tried to mediate costs to communities, seeking support from voluntary certifiers and subsidizing certification costs from surcharges to industrial-scale clients. The high cost of certification and recommended actions is one reason that more Native American tribal enterprises do not pursue certification more actively, even with the availability of subsidies from foundations and government programs.

**Table 3: The Costs of Forest Certification**

Country/Community	Cost of Certification	Cost of Recommended Actions	Percent of Operations if Known
Mexico (5 year averages)	\$7,500/5 years	\$10,500 per year	
UZACHI, Mexico (Markopoulos 1999)	\$12,000 initial	\$10,000 per year	
Sample Forest of 750 hectares (de Camino and Alfaro 1998)	\$16,000 for 5 years		\$21.33 per hectare
Carmelita, Guatemala (Soza 2002)	\$5,000 initial	\$11,000/year	13.57%
AFISOP, Guatemala (Soza 2002)	\$5,000 initial	\$12,000/year	5.2%
Muzama Crafts, Zambia	\$12,000	\$320,000 for 3 years	
Lomerío, Bolivia (Robins and Roberts 1998)	\$47,425 initial		
Campeño groups AMI, Honduras (Markopoulos 1999)	\$12,000 initial		

*Source: The above figures are estimates for these cases based on case studies and average costs of the certification bodies. The cost of recommended actions are those studies, interventions, and trainings, which were conditions of being certified or maintaining certification to be implemented over a 1- to 5-year period. Some authors estimate the recommended actions to cost substantially more for newer community operations. In all cases, donors or certifiers themselves provided the bulk of the financial resources.*

### **ARE NEW MEASURES FOR SIMPLIFICATION ENOUGH?**

Recently, the FSC has approved the simplification of the procedures and some of the criteria and indicators for low-intensity small-scale forest management operations (SLIMFs) of smallholders and communities (FSC Oaxaca, [www.fscoax.org](http://www.fscoax.org); Higman and Nussbaum 2002). The SLIMFs package includes more flexible rules for group certification, less frequent audits for forests with intermittent harvesting, opting out of or relaxing requirements where low environmental or economic risk can be demonstrated, and modifying the intensity or methodology of field checks to reduce costs (Nussbaum et al. 2001). These proposals can have a very positive impact on the affordability of certification for those small land owners and communities who have relatively good management

practices, but do not have an economy of scale to enable them to pay for annual audits or provide detailed documentation and inventories. It would also make certification more affordable for small owners with high conservation value forest whose forest size makes it impractical to carry out studies for relatively small and remote forest areas of low risk that do not generate substantial, regular income.

While the SLIMFs make a substantial difference in lowering barriers for smallholders or communities with a collective economy of scale but without the individual harvest intensity or HCVF that require such detailed analysis, this does not provide a solution for small holders or communities who are new to good forest management or sophisticated administration or documentation. Compliance with all of the criteria is still daunting.

A parallel proposal has emerged for a form of step-wise or modular certification that elicits a commitment to good management and improvement and recognizes the areas in which compliance is good through specific certification modules. The Global Forest and Trade Network and its supporters have recommended that such smaller companies and smallholders or communities in the pipeline be recognized as emergent and that their forest products be given preferential treatment by buyers committed to purchasing certified products as the preferred purchase when there is no available supply of needed certified products. The stepwise approach assumes that participants should comply with full certification of their entire FM operation within a five-year period to be eligible to continue forward. The main concern of the critics of this approach is the danger of confusion in the marketplace and a dilution of the recognition of the certification label.

While the SLIMFs is a very positive development, and the attention to modular certification demonstrates increased sensitivity to the situation of communities, some issues remain unresolved. Smallholders and communities have raised concerns about the underlying model in the proposals for simplification and modular certification, because the basic principles and criteria that they are expected to meet remain the same. Smallholders with a long history of forest management who do not have the market niche to afford documentation or detailed inventories view the standards as regressive and in need of reform. Communities with long histories of struggle protecting the forest from encroachment or conversion find a predetermined eligibility date for stepwise certification to be unreasonable, given their historical disadvantage. Indigenous peoples who have a culturally distinct set of values shaping their forest management question a model in which forest professionals, mainly from the northern countries, determine the standards and criteria and limit flexibility. These clients question the logic of a scheme that excludes them from a market incentive supposedly for sustainable forest management and ensure at the very minimum that timber was being supplied from legal sources. They are increasingly questioning the logic of a scheme that derives criteria and standards from a specialized set of certifiers, separate from an analysis of the wealth of local practices that small, legal, committed forest landowners have developed for their forests over time. Non-industrial private forest owners (NIPF) in the United States who have management plans and practice forestry actively have been more attracted to the SFI-endorsed Tree Farm stewardship program than to FSC certification because it is easier to comply with the standards, it is linked to buyers and processors

who require SFI certification, and has more subsidies available for mitigating the cost of the process. On a philosophical level, these NIPF are also resentful of a certification scheme like FSC, which does not simply recognize the multi-generational management practices of many forest owners, but instead must charge a fee for forest management evaluation.

On their part, communities are concerned about the standards and criteria, particularly as they shape recommendations on their pace of forestry investment and standards for business administration and community decision-making. While communities are in agreement that a certification standard must reflect good management practices, there is concern that the recommendations by certifiers will not help them to pace their forest development to their capacity or to acknowledge and build upon local, cultural strengths in organizational choices or business models. Group certification in high conservation value forests is a viable cost reduction strategy if there is a minimum harvesting intensity to mitigate costs, and then only if the group collaboration is positive. There is no cost savings to grouping tropical forest communities with large community forests that have low annual allowable cuts (Rebecca Butterfield, personal communication).

While outdated, the study of global trends in FSC certificates by Thornber documents the high percentage of community enterprises which have entered the process that could not meet the majority of FSC conditions. A large number of these are related to lack of monitoring or documentation of information, not necessarily lack of performance in the field.

**Table 4 – Community Compliance with Certification Conditions**

<b>Enterprise Type</b>	<b>No. of conditions per enterprise</b>	<b>Problematic conditions (FSC item no.) for &gt; 30% of enterprises</b>
Community	7.3	5.6, 6.2, 6.3, 6.4, 6.5, 7.1, 7.3, 8.2, 8.3
Industrial	6.9	6.1, 6.2, 6.4, 6.5, 7.3, 8.2
Non-Industrial	5.1	5.5, 5.6, 6.5, 7.1, 8.2
State	4.8	6.2, 7.1, 7.2

*Source: Thornber 1999, pg. 9.*

## **WHAT MARKETS EXIST FOR CERTIFIED PRODUCTS AND COMMUNITY PRODUCTS?**

A growing number of companies are entering certified wood markets. Innovative forest enterprises, until now led by the do-it-yourself home improvement retailers, are restructuring their enterprises. In parallel, investors are restructuring their portfolios to better position themselves to supply certified wood products to a growing number of consumers willing to seek out forest products from sustainable and socially-responsible sources (Bass et al 2001). Communities will find it challenging to enter and participate in certified wood markets for similar reasons that they find it difficult to compete in other wood markets. They are unable to keep their costs of production low because of low volume, poor road infrastructure, lack of enterprise efficiency, and distance from markets. Except where they have associated, few communities can deliver a consistent volume of a similar quality to attract buyers. The situation will be more challenging when the commercial plantations recently established in developing countries begin to contribute a large share of the wood supply. Countries like Brazil have established plantations to supply national industries and reduce pressures on natural forests, but run the risk of undermining natural forest producers who cannot compete with the plantations. The northern Mexican industry is already buying certified plantation wood from Chile at a more consistent quality and quantity and lower price than they can supply wood.

The communities face the double challenge of having a number of steps to complete to develop an efficient enterprise, which can be certified at a reasonable cost of audits and investments, and having to look to a future where their natural timber and commodity wood cannot compete with plantation wood. Forest certification has not developed the expertise to advise or guide communities on these real market issues.

World Wildlife Fund in its Global Forest and Trade Network initiative is promoting regional buyers and producers groups which would help to establish better market opportunities for certified products. This includes the concept of stepwise certification commitments, but again, communities are disadvantaged even in this Network by their inability to deliver the volumes or quality that buyers and importers seek. There are not as yet sub-groups of smaller producers who are making alliances to take advantage of this opportunity. More complementary services are needed for many communities for accessing markets more generally at their stage of production.

### **Box 8 – Canadian Experience with the Costs of Certification**

Most FSC and Canadian Standards Association (CSA) Sustainable Forest Management System certification involves forest industry and concession areas where Indigenous Peoples may provide contract services in management, logging and processing, and where the full cost of certification is borne by the industry. Only one First Nation has received a communal certification of forest practices on its reserve land, Pictou Landing in Nova Scotia, for 400 acres. Pictou Landing received grants from foundations to help cover the costs of certification. There are new joint ventures between Indigenous Peoples and industry, with the most radical experiment being Iisaak, a pilot joint venture in Clayoquot Sound, British Columbia, among the five communities of the *Nuu-chab-nulth* Nation, Weyerhaeuser, and investors for sustainable and certified logging of a concession area. Iisaak manages the concession area, formerly licensed to MacMillan Bloedel and transferred to Weyerhaeuser through a buy-out. The amount of timber cut has been drastically reduced on the concession area, raising serious issues about whether certification of high conservation value forests is possible in highly competitive commodity markets. Iisaak is diversifying to non-timber product lines and seeking payments for ecosystem services to offset their higher costs.

Another initiative which may encourage Indigenous and non-Indigenous communities to seek certification is a community forest pilot project in British Columbia. Community tenures are designed to enable communities to become stewards and managers of public lands that would otherwise be industrial concessions. These licenses may give communities a greater share of economic benefits which would allow them to cover the costs of certification. With this increased control over their forest resources, these communities will have to bear the cost of becoming and staying certified on forests recognized as theirs, or show a profit in joint ventures where certification costs can be significant.

*Source: Smith and Ross 2002; Bombay 2002; National Aboriginal Forest Association of Canada (web site).*

## **WHOSE STANDARDS DETERMINE GOOD COMMUNITY ENTERPRISE PRACTICE?**

Another issue that is coming under more discussion is the standards for measuring good community enterprise practice. In a highly heterogeneous environment, certification bodies have developed tailored criteria to evaluate community enterprises that in many cases were far from the level of efficiency that an integrated wood business needs to ensure a consistent supply of wood with a minimum standard of quality and quantity. This has not been easy, given the heterogeneity of community organization and the varied cultural models shaping community decision-making and choices.

Critics argue that certification bodies and the technical professionals hired by communities and NGOs to carry out the recommended studies and monitoring activities can become blinded to the real objectives of community forestry in the concern to maintain some minimum criteria and standards. Rather than seeking to foster the community forestry model that ensures a forest a long-term stewardship by a committed local stakeholder, certifiers can impose external standards and management models on communities, with the unexpected impact of permanently stunting the

growth of that local community and enterprise (van Dam 2002). While entering into a process of certification can gain a community a long-term financial and technical commitment from donors and NGOs or government to provide technical support and services and to mitigate the costs of developing a viable enterprise, it can also create a situation of dependency that limits the self-development and future viability of that enterprise. Limited analysis has been carried out of this risk, although there are a series of anecdotes in the case studies (Soza 2002; Markopoulos 1999 and 1998).

There are some documented examples of these problems for certification, which also emerge in the case studies annexed to this report. In Honduras, certifiers were brought in to evaluate and certify a donor-facilitated, cooperative timber harvesting enterprise made up of scattered producer groups trained to harvest tropical timber sustainability in the agricultural frontier. The producer groups harvest assigned forest blocks manually and sell their timber to the cooperative who sells the resawn wood to private companies one of whom is a supplier of certified furniture wood to the export market. Faced with a complex social environment, the certifiers applied the participation principle of FSC by requiring the producer groups to consult with the larger community in which they lived regarding detailed aspects of the timber enterprise. The result was a confused social interaction with other community members who have limited understanding of the enterprise and little rapport with the producers. The outside standards for participation have at this stage in the enterprise been a weakening element, rather than helping the enterprise to grow (Markopoulos 1999). This experience has remained heavily donor supported and has not led to any replication elsewhere in Honduras. Despite the existence of at least 50 other community forest enterprises in Honduras, there are no other certified enterprises.

In Mexico, a community with a southern temperate pine-oak forest that had historically become oak dominant due to high grading by Mexican industry was encouraged by certifiers to adopt forest management standards to retain larger percentages of oaks for ecological values. In contrast, the community is interested in returning the forest to its pre-high grade state (Markopoulos 1999). The community was also asked to carry out marketing studies as conditions of certification, which have been questioned as the appropriate intervention or design at this stage of the community enterprise's development.

FSC-certified communities in the Maya Biosphere Reserve in Guatemala have been encouraged to rapidly scale up their operations through capital investments to increase their harvesting capacity, but without a clear evaluation of the alternative choices to scale up while considering other potential community investments (Soza 2002; Martin 2002). Similar donor programs are considering scaling up of community enterprises to a pre-determined project standard without any clear assurance that this is the best decision for the community (Sundberg 1998; Bass 2001). Communities have also been the subject of considerable technical assistance by the key conservation and development agencies working in the Petén, including Care International, the Central America Center for Tropical Agriculture Research and Extension (CATIE), and Conservation International, each of whom enter the dialogue with specific views about what is sustainable forest management and what is "traditional Indigenous resource management practice" (Sundberg 1998). This leads to divergent NGO

recommendations in different communities and questionable recommendations to modify local practices towards a sustainable community management ideal that may not reflect market opportunities or producers' experience.

The “whose standards”-issue is complicated by the fact that many countries have forest regulatory policies and frameworks which are not necessarily appropriate to community-scale enterprises. For example, Native American enterprises in the United States and Mexican Indigenous community enterprises in the southern states both face situations in which their local forest economy makes compliance with national or state regulatory standards incompatible with their scale of operation. Environmental impact regulations and forest management standard regulations impose barriers to their sustainable development, by demanding large investments in forest management studies that do not yield commensurate returns in the ecosystem balance or make sense given the higher priority of other community basic needs.

#### **Box 9 – NPPFRDC Philippines Forest Cooperative**

The NPPFRDC was awarded tenurial rights over 14,800 ha of forestlands on the island of Mindanao in late 1996. These lands were formerly under national ownership and part of a 26,000 ha concession which expired in 1994 and was handed over to the Department of Natural Resources in the Environment and Natural Resources Ministry. 75% of the area is second growth forest, 5% is old growth, 7% is plantations, and 10% is agro-forestry and grasslands. The cooperative has been given a 25-year tenure right over the 14,800 ha, conserving all of the old growth area as a permanent protection area with working plans for the remainder.

The cooperative has a management plan which includes reforestation, agro-forestry, sustainable timber harvesting, diversification of livelihood strategies. The annual allowable cut approved by the government is about 50% of that requested by the cooperative. This translates into a five-year plan of annually harvesting 300 hectares of adequately stocked forest and 100 hectares of existing plantations. The working plans move the cooperative toward greater dependence over time on plantations, rather than natural forests.

The cooperative is a very new organization, and the operation is supervised and managed by a set of department directors under a General Manager, most of whom are former employees of the concession. The whole operation works under a Board of Directors.

The initiative has considerable promise and provides an important solution to generating livelihoods for the upland settlers and resident indigenous populations in the degraded forest areas. The main issues for moving forward are the tenurial rights of communities and settlers in the forest estate and the decision-making authority and power of the community members in the community forestry enterprise scheme.

*Source: NPPFRDC Public Certification Summary Report, 2002; <http://www.smartwood.org>.*

Critical analyses in many countries conclude that societies seeking environmental sustainability would be better served to level the playing field for communities, recognize the integral link between enterprise and the community structure, and assist them to manage their forests over the long-term rather than imposing costly regulations that just make it harder for them to survive. When forest certification

takes national standards as the minimum criteria, only communities with an assured higher-value market for their products can thrive. Few such communities currently exist.

**Box 10 – Challenges for Native American Enterprise Certification in the USA**

Preliminary findings from the evaluation initiative to carry out a joint assessment of tribal enterprises with FSC and SFI certifiers indicate that 12 of the 30 tribes evaluated are expected to be able to comply with FSC criteria, but none with SFI, given their limited documentation records. The majority of tribes surveyed expressed a preference for FSC as a scheme for its greater interest in social and environmental concerns and longer-term perspective but a quarter were concerned that the mills to whom they would sell products were all SFI certified. The main differences in forest management assessment of tribe non-compliance were in the assessment of management planning (FSC rated lower), evidence of ecosystem reserves (SFI did not rate), capacity and personnel (FSC rated lower), administration (SFI rated lower), and forest access (SFI did not rate). Six tribes are moving forward with full FSC assessment.

The costs of forest certification are not attractive to tribes, however, and until now, only three tribal enterprises have been certified, the Hoopa Valley (1999), Stockbridge Munsee (1999), and the Menomonee (1996) with 34,836, 6,313, and 234,951 acres respectively. Barriers are many. No tribes can produce the documentation required by the SFI scheme so none are seeking certification through any other scheme than FSC. FSC guidelines mirror US regulatory standards and require expensive studies and inventories by qualified professionals prior to thinning or other silvicultural intervention, taxing scarce tribal budgets and leading tribes to employ outsiders rather than encourage their own foresters. FSC criteria are not sensitive to the high value tribal enterprises place on creating local employment and dictate efficiency measures that reduce rather than expand employment opportunities on the reservations. Certification standards require a higher level of organizational efficiency than most tribal enterprises, and committing to a program of stepwise improvements may also conflict with tribal governance and community dynamics. Many tribes have difficult forest tenure patterns, with many subdivided parcels of allotted or fee lands throughout the reservation, making audits and evaluations too expensive for the return on the enterprise. FSC standards are not appropriate to many of the NTFP collection practices and where collection extends outside of tribal lands to public lands where tribal members have collection rights, this complicates certification.

The Inter-Tribal Timber Council has been evaluating alternatives to forest certification, which are more appropriate to tribal needs and interests, such as setting of ethical standards with a “tribal” market logo or certification of NTFP collectors rather than specific forest management areas. ITC has recently submitted a public request to the federal government to assist all forest enterprises which are tribally owned to acquire certified status, with the understanding this will require some key adjustments in the current standards and criteria to accomplish, given the current gap.

*Source: Price and Mater (2002); Jan Willem Jansens, personal communication.*

There are numerous sub-issues for which certifiers currently have very little guidance. How much community generation of employment is acceptably “efficient”? How much participation should an



enterprise promise with its owner communities, given the different levels of awareness and education among community members and the real dangers of demagoguery from traditional leaders? What is the minimum knowledge base that a community professional needs to undertake studies that are currently contracted outside? How much attention should a community pay to scaling up or modernizing its processing and harvesting operations relative to investments in social and emergency needs? How essential is it for a community to monitor biodiversity, particularly in ecosystems not subject to logging during the frame of the audit or evaluation?

Such decisions seem to ignore a prerogative better left to the communities themselves or to the communities and their potential investment or enterprise partners in the case of joint ventures. These issues are complicated by the fact that few certification bodies have entered into the complex world of community certification and there is limited expertise forming to provide good recommendations to communities. Simply including a social scientist or marketing specialist on a certification evaluation team does not in any way assure the community it will receive good advice, as mainstream development experience has shown clearly. Should a much larger cohort of communities enter the certification process, the problems are likely to proliferate.

## **IS CERTIFICATION A REQUIREMENT FOR COMMUNITY FOREST ACCESS?**

Related to the issue of “whose standards”, is an issue around the use of forest certification as a minimum standard for community management of high-conservation value forests in countries addressing the problem of population settlements in forest areas that are priorities for biological conservation. Government and international conservation programs have been grappling with the “people and parks” issue, searching for a practical means to incorporate people and communities into conservation initiatives. Throughout Latin America, programs for biodiversity conservation are experimenting with linking community access to forests in protected areas and in the buffer zones of protected areas to forest certification. The community certification initiative in Guatemala’s Petén region is extremely interesting because it was driven completely by government and international agencies as a means of creating objective criteria for allowing communities legal tenure access to forests in and around the Maya Biosphere Reserve.

The 13 communities involved in the certification process in the Petén have all received long-term tenure over concession areas in and around the Maya Biosphere Reserve conditioned on their becoming and staying certified for the duration of the concession (Soza 2002). The Lomerío enterprise of CICOL in lowland Bolivia also relied upon certification to provide a validation of Indigenous forest rights after the Bolivian reform was completed in 1996.

### **Box 11 – The Case of Guatemala: The Petén Maya Biosphere Reserves**

There are 13 Mayan communities in the Maya Biosphere Reserve that are certified or are in some stage of the certification process. After the Maya Biosphere Reserve was established in 1990 in an area of the Petén that had seven commercial logging concessions, a process began to integrate the resident communities into management. Community concessions were granted beginning in 1996, with forest certification as a condition of the long-term lease. The communities involved are legally established as cooperatives, anonymous societies, or associations, a result of the varied NGO philosophies and different population groupings.

Nine of the thirteen have obtained their certification, with the initial evaluation paid by USAID and other donor funds. Given the newness of the forestry management enterprises, each community has had an extensive list of recommended actions identified during the evaluation and annual audits. These have been carried out only as donor resources were made available to cover all or part of their costs or as the scale of the enterprise permitted investment as part of the cost of operations. Most communities have passively entered the process of certification, in hopes of price premiums, but mainly because it is a precondition of long-term tenure access. Implementation of recommended actions is only carried out depending on the availability of subsidies or according to the cash flow of the forest operation.

Efforts to certify these communities face a real risk that community members will remain outsiders to the process, especially given the fact that most technical inputs for recommended actions are provided by NGOs and outside professionals with limited capacity-building of the enterprise members. The situation is improving as the state forestry agency now allows communities more choice of service provider, while initially each community was under the influence of a specific NGO funded by a particular donor. The main challenges at this stage are: (a) communities are increasingly diversifying their management for tourism and ecoagricultural goals as well as forestry, yet certification is primarily focused on timber, and only has limited coverage of non-wood forest product management—is it the relevant management tool? and (b) marketing strategies that provide optimal opportunities to a set of remote communities who need to achieve an economy of scale in selling products, but – as long as only some of them are certified – cannot supply to a single certified buyer.

*Source: Soza (2002).*

While forest certification has had positive benefits for the communities in helping them evaluate their enterprise and develop skills, the communities are interested in certifying because it is a requirement they must meet to keep their tenure – and also exclude newcomers. There are therefore unresolved policy issues regarding who should pay the cost of certification. Communities argue that their stumpage and concession fees should discount the cost of certification, while government has assumed this is part of the cost of operation and within the capacity of community enterprises to absorb.

The application of forest certification as a pre-condition of tenure access in high-conservation value forests raises some profound questions of sovereignty and ownership. There are some critical studies of the Guatemala experience, which document a paternalistic relationship between supporting NGOs and conservation agencies and local communities. The situation varies from one part of the

Biosphere to another, but the addition of an external measure like forest certification to the equation raises serious issues of community capacity-building and ownership. External evaluators recommend a series of business and forest management decisions and studies that are beyond the capacity of the communities to undertake without outside expertise. The locus of control lies with the forest professionals and technical NGOs (who are paid with donor funds to carry out or guide activities of the forest enterprises and carry no financial risk if their recommendations are unrealistic). Communities are highly aware that should they fail to remain certified, they risk losing their “concession” with the government. Experience in community forestry management elsewhere has taught that paternalism is a poor basis for community development and a poor basis for sustainability.<sup>1</sup> It is questionable that certification as a condition of resource access is a sound model for government or policy makers and flies in the face of trends towards recognition of local forest tenure rights and general devolution (White and Martin 2002).

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<sup>1</sup> In an ongoing time series study of Native American tribes in the United States, Harvard University and the Udall Center at the University of Arizona have analyzed successful and unsuccessful tribes and found a strong coincidence of success factors: (1) effective local governing institutions, with a non-politicized system to resolve disputes; (2) a bureaucracy that can get things done; (3) economic strategies that match contemporary indigenous culture; (4) a shift from reactive to proactive, strategic thinking, (5) leaders who are willing to take risks; and (6) planning as sovereigns of their own future, not that of outsiders or government (Jorgensen 2002). These factors mirror findings of other countries regarding the key lessons of community self-development.

### **III. IMPACTS AND ISSUES FOR COMMUNITIES WHO ARE STAKEHOLDERS IN THE CERTIFICATION OF FORESTS**

Certification has played a significant role in country dialogues over (a) the tenure rights of Indigenous Peoples and other forest dependent communities, (b) the appropriate benefit share between government, local people and companies for certified forest operations on public lands, and (c) employment conditions, and worker health and safety in both harvesting and processing operations.

Communities who are not the clients of forest certification have been affected in a number of ways mentioned in the earlier typology: as forest laborers and employees of industries, as forest dwellers or Indigenous forest peoples seeking recognition of their tenure and use rights over forests and products; as potential providers of technical services in forest harvesting and processing industries; or as suppliers or processors of forest products to companies that have a chain-of-custody certification. Reviews of the experience of certification to date document these impacts for specific case study areas or specific industries but there are no available statistics on the aggregate impact on forest communities from more secure tenure rights, improved incomes and working conditions, extent of new enterprise opportunities or training skills acquired.

#### **IMPACTS OF FOREST CERTIFICATION ON COMMUNITY RELATIONS AND WORKERS**

There have been significant benefits for communities in industrial concession areas and as partners in certified forestry operations on private company lands in community relations and worker's rights. FSC standards require a participatory process of consultation with stakeholders, including affected communities. In developing countries, there are examples of positive impacts on employment and workers' conditions. In Brazil, Gethal provided compensation to communities in its timber areas for negative impacts on forest damage that affected their collection of rubber, Pau Rosa oil and Brazil nuts, as well as providing mapping and transportation facilities to gatherers to expand the areas they can reach. Klabin-Brazil established a series of indicators to improve the benefits and working conditions of subcontractors in its operations, so that there is currently little difference between the working conditions of permanent staff and subcontractors. Precious Woods and Gethal-Brazil have instituted a bank- of-hours policy with labor unions that enables workers to provide additional hours during the harvesting season and store up employment credits, enabling them to receive a salary during the off-season months when they need a stream of income. The policy has had the unexpected impact of increasing worker efficiency by 20% in the first two years of certification, encouraging some of the neighboring, but uncertified companies to adopt a similar policy in their own harvesting operations.

Brazil also has positive gains in worker safety. Since the certification of Madeireira Itacoatiara Ltda. in 1997, the company has had just one fatal logging accident, compared to the pre-certification

average of 2 or 3 deaths per year. It is not clear how much community enterprises have improved in worker health and safety. Given the low investment in the operations, there is a wide range of variation. In Canada, the Iisaak enterprise in Clayoquot Sound has put a strong emphasis on employment generation, working conditions and health and safety. Because of its high visibility in the region as an innovative pilot, many of its management and working practices have been adopted by adjacent concessionaires. It has also transferred lessons to other Indigenous Peoples negotiating with companies and investors in other joint ventures (Findlay 2002; Iisaak 2002). The potential of forest certification to improve working conditions is quite high when examining data on the negative impacts of uncertified operations on Indigenous Peoples in Asia and Africa. In the past year, the timber industry in Sarawak has claimed the lives of 40 workers, while another 1,052 were injured. In the northern Congo basin, where ‘pygmies’ make up as much as one half of the work force in lumber camps, diseases such as malaria, yaws, ulcers, tuberculosis and jiggers are rife, but the companies discriminate against them providing them with far fewer facilities than to Bantu workers (Colchester 2001). This is an area requiring much more systematic study to document the changes and their coverage.

Not much is known about worker conditions and certified community-based enterprises in developing countries. Certified communities in Latin America have had training in these areas as part of the recommended actions and been provided standards for worker health and safety. Indigenous forest communities in Mexico and the United States are known for the strong cultural values placed on equitable community employment opportunities and these enterprises proportionately generate more jobs per dollar invested than non-Indigenous enterprises, but not much is documented on improvements in enterprise investments in worker health and safety. Vertically integrated Mexican enterprises in Oaxaca are known for their attention to pension funds for elderly community members and community payments of medical and severance packages for injured workers.

## **DOES FOREST CERTIFICATION PROTECT INDIGENOUS AND COMMUNITY RIGHTS?**

For the communities that do not engage in community-based forest enterprises, but who live in public forest lands being zoned by government for diverse use, forest certification can be an important instrument to demand that governments and industries respect the land and forest tenure rights of Indigenous Peoples and local communities. The FSC principles 2 and 3 establish the principles and criteria for tenure and use rights and respect for Indigenous Peoples (see Table 5). Other forest certification schemes such as SFI and PEFC do not assess indigenous and local community rights, an important distinction with FSC.

**Table 5: FSC Social Principles and Criteria (#2-#5)**

<p><b>Principle #2: Tenure and Use Rights and Responsibilities</b></p> <p>2.1 Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.</p> <p>2.2 Clear evidence of long-term forest use rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.</p> <p>2.3 Local communities with legal or customary tenure or use rights shall maintain control, to the extent necessary to protect their rights or resources, over forest operations unless they delegate control with free and informed consent to other agencies.</p> <p>2.4 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights. The circumstances and status of any outstanding disputes will be explicitly considered in the certification evaluation. Disputes of substantial magnitude involving a significant number of interests will normally disqualify an operation from being certified.</p>	<p><b>Principle #4: Community Relations and Worker’s Rights</b></p> <p>Forest management operations shall maintain or enhance the long-term social and economic well being of forest workers and local communities.</p> <p>4.1 The communities within, or adjacent to, the forest management area should be given opportunities for employment, training, and other services.</p> <p>4.2 Forest management should meet or exceed all applicable laws and/or regulations covering health and safety of employees and their families.</p> <p>4.3 The rights of workers to organize and voluntarily negotiate with their employers shall be guaranteed as outlined in Conventions 87 and 98 of the International Labor Organization (ILO).</p> <p>4.4 Management planning and operations shall incorporate the results of evaluations of social impact. Consultations shall be maintained with people and groups directly affected by management operations.</p> <p>4.5 Appropriate mechanisms shall be employed for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples. Measures shall be taken to avoid such loss or damage.</p>
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<p><b>Principle #3: Indigenous Peoples' Rights</b></p> <p>3.1 The legal and customary rights of Indigenous Peoples to own, use and manage their lands, territories, and resources shall be recognized and respected.</p> <p>3.2 Indigenous Peoples shall control forest management on their lands and territories unless they delegate control with free and informed consent to other agencies.</p> <p>3.3 Forest management shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of Indigenous Peoples.</p> <p>3.4 Sites of special cultural, ecological, economic or religious significance to Indigenous Peoples shall be clearly identified in cooperation with such peoples, and recognized and protected by forest managers.</p> <p>3.5. Indigenous Peoples shall be compensated for the application of their traditional knowledge regarding the use of forest species or management systems in forest operations. This compensation shall be formally agreed upon with their free and informed consent before forest operations commence.</p>	<p><b>Principle # 5: Benefits from the Forest</b></p> <p>Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.</p> <p>5.1 Forest management should strive toward economic viability, while taking into account the full environmental, social, and operational costs of production, and ensuring investments needed to maintain the ecological productivity of the forest.</p> <p>5.2 Forest management and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.</p> <p>5.3 Forest management should minimize waste associated with harvesting and on-site processing operations and avoid damage to other forest resources.</p> <p>5.4 Forest management should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.</p> <p>5.5 Forest management operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.</p>
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These principles reflect a set of international values but also reflect the consumer's desire to purchase a product, which they understand to have been acquired without undermining the tenure rights of individuals and groups in the country or forest concerned. This presents a clear dilemma for the certifiers, since many of the forests in developing and some developed countries are the sites of complex and unresolved land tenure disputes. The participatory process applied in the evaluation and approval of a COC or FM certification provides public access to the evaluation report and a space for public and stakeholder questioning of the validity of the tenure claims made by the applicant. This has led to positive change in a number of instances: Sami reindeer herders have pursued their rights to access public and private forest lands in Sweden, where 43% of the productive forest land is currently certified (Meeks 2001); consultations between Algonquins in La Verendrye Wildlife Reserve in Quebec with the state-financed company, Domtar, and other companies in the Barriere Lake area have led to a tri-lateral agreement that has recognized important usufruct and historical trapping, fishing and collection areas within the reserve and opens the path for greater sharing of benefits and power with the Indigenous Peoples within the reserve (Meeks 2001). This and similar negotiations have led to a proliferation of joint ventures, where Indigenous Peoples have established forest contracting services, with financing from the forest industry, banks, and government business development funds, as well as gaining recognition of important traditional use rights in forest concession areas.

#### **Box 12 – Sami Reindeer Herders in Swedish Forests Reserves**

The importance of FSC certification as a catalyst of dialogue between government and Indigenous Peoples with traditional forest-based economies is exemplified in the case of the Sami Reindeer herders in Scandinavia. Public forest management plans for recreational and commercial concession areas in Sweden have taken into account the traditional rights of Sami herders in preserving their access to public forests for summer and winter grazing. FSC certification of Swedish forests has created a broader dialogue on the tenure rights of Sami herders, particularly in the smallholder forests adjacent to public forest lands, which are also within the Sami herders' traditional grazing paths.

The dialogue is still in process and has been rocky. Some smallholders have contested the access rights of Sami herders, responding to the fact that Swedish law places the onus on Sami herders to show documentation of their traditional rights, both when defending rights vis-a-vis the State and vis-a-vis private land owners. The existence of the FSC forest certification scheme has provided much greater visibility to the issue in Sweden and allowed herders to protect their access to public forests. Until now, it has not ensured their access to forests under private ownership, for which court cases are pending against Sami herders, but the Sami have joined other Indigenous Peoples in FSC and other international fora to lobby for recognition of their traditional use rights to forests more broadly. Thus far, the FSC scheme has been effective in raising the issue in national dialogues, but has not affected national legal or policy frameworks. Finnish forest owners have been more attracted to the PEFC scheme, because of its greater recognition of the sovereignty of national laws.

*Source: Meeks (2001).*



On the other hand, debates are active in Indonesia and Malaysia over the validity of certification of COC and FM certification of forest industries in public commercial concession areas with disputed land tenure rights involving local communities, some of whom self-identify as Indigenous Peoples. Forest certifiers face the difficulty of making judgments on principles 2 and 3 in the absence of national policies or legal frameworks that provide adequate direction to resolve these disputes. Critics of these certifications argue that FSC principles should be guided by international law, which clearly recognizes collective rights as expressed by groups identifying themselves as Indigenous Peoples. “International law regarding Indigenous people is unique in a number of respects, perhaps the most important being that it recognizes collective rights. It thus asserts the authority of the Indigenous group to own land and other resources enter into negotiations and regulate the affairs of its members in line with customary laws, which may be quite different to national laws. External agencies should thus accept not only that Indigenous peoples rightfully have a say in their own futures but that they be permitted and encouraged to express their views and make their decisions according to their own processes and through their own institutions.” (Colchester 2001)

National standard setting initiatives in Malaysia and Indonesia are also criticized because they have involved NGOs and other members of social movements within the process of discussions, but established criteria and standards which did not match the goals or criteria of these stakeholders. There are strong movements in international fora to recognize Indigenous tenure rights in a large area of forests where this has not happened.

The issue is complex and the subject of considerable internal debate in the accreditation bodies. The German Technical Assistance Agency’s five-year Forest Certification Project’s online newsletter has a good summary of some of the current dialogue and the voiced concern that Forest Certification should not legitimate poor policies in countries, which have not resolved land tenure and other controversial issues. In the dialogue that followed, both FSC and LEI have strongly emphasized their agreement with the environmental NGOs that certificates of good forest management must not, in the words of Tim Synnott, FSC Forest Policy Director, “be used to give false legitimacy to any national system that needs serious revisions”. Certification should not hinder change, on the contrary, Dradjad Wibowo, Executive Director of LEI, specifically confirmed LEI’s “strongest commitment possible for tenurial reform” in Indonesia.

Where forest certification has serious limitations is in its focus on a particular COC or FM certificate, preventing certification bodies from addressing the broader landscape questions. Unless certifiers operate in a context in which the broader landscape issues have been well defined, it is impossible for them to evaluate the social or environmental principles related to the delineation of a particular forest as commercial concession area or the domain of a government or private sector industrial-scale enterprise. Unless there is a visible dispute, certifiers are likely to certify the status quo, for better or for worse.

#### **IV. ISSUES FOR COMMUNITIES WHERE THERE IS NO CURRENT POTENTIAL FOR CERTIFICATION**

While there have been significant gains in the certification of community enterprises, with highly dedicated efforts by Smartwood and its national affiliates and more limited experiences by SGS-Qualifor, the current trajectory for community certification remains limited. The extent of community forest ownership is expanding rapidly at the global level, with important implications for sustainable forest management. Forest communities are increasingly significant players in the forest sector with at least a quarter of the developing countries' forests community owned or managed (White and Martin 2002). The scale is enormous. Looking at 24 of the 30 most forest-rich countries for which tenure data exist, communities own or administer 377 million hectares out of 3.6 billion (11%). Excluding the developed countries from this list (where government ownership is greater, USA, Canada, etc.), the percentage of forests under community management jumps to 25 percent. Indigenous forest communities are increasing their efforts to gain legal recognition of their land and forest rights, at the same time that governments are seeking to devolve responsibility for forest management to local government and local people. The current situation reflects a doubling of area under community ownership or administration in the last 15 years and analysts predict that the percentage of forests under community ownership or administration will double again within the next fifteen years to nearly 800 million hectares.

The nature of community forest management and community forest enterprises is also diverse. Some Indigenous Peoples maintain a long historical relationship with a forest, which is currently changing due to accommodations to outsiders and to their own population growth. Some communities, as in India, Indonesia or Nepal, have a long history of forest management, even in cases where formal tenure recognition and creation of a commercial enterprise may be recent. Other communities have only recently acquired tenure rights and formed forest-based enterprises over the past ten to thirty years, and are in the early stages of forest management and enterprise development.

Forest certification was conceived as a response to a problem of large-scale industrial forest harvesting, not as a response to community forestry. The policy makers and international environmental movements have not systematically analyzed the relationship between the forest certification movement and community forestry. It is timely to pose the question of whether and how forest certification supports community forestry and how expansion of forest certification will affect the playing field for forest communities.

It is important to begin to fill a balance sheet, however, of the overall impact that is likely if forest certification moves in its current direction. This is important because governments and international organizations are increasingly placing their hopes for sustainable forestry into the certification mechanism. It is also important because significant quantities of resources are being channeled by donors and government programs to community certification, based on ambitious objectives that may not be realized. Finally, it is important because communities around the world will face increasing competition as they enter forest product markets, and forest certification can affect their

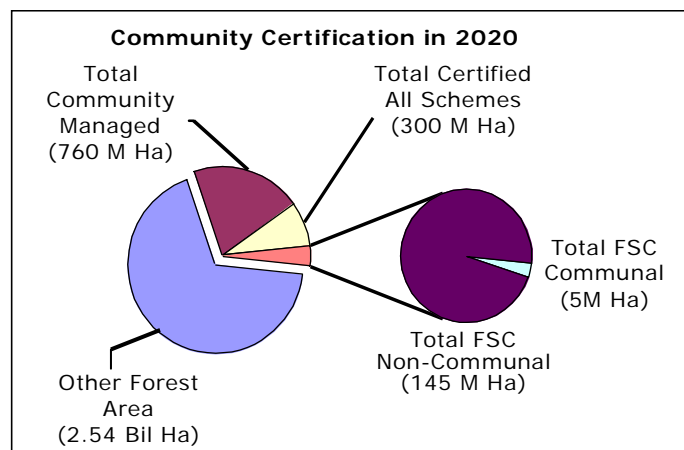
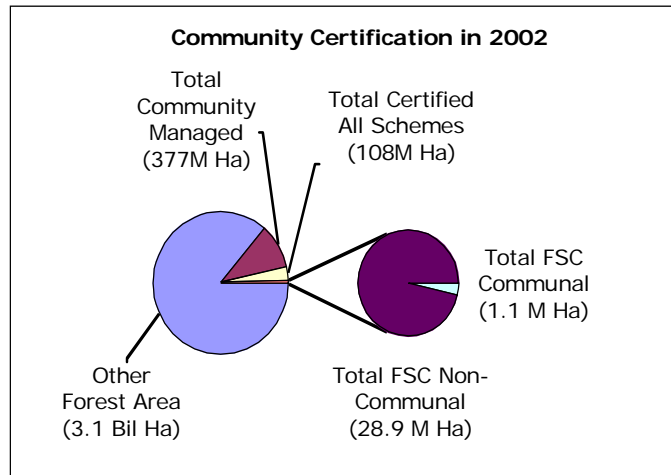
position in the marketplace if it becomes a trade barrier. This is not far-fetched. Several Latin American governments are debating whether to adopt a policy of only procuring certified wood from their suppliers to set a positive example. If Mexico adopts this policy only to purchase the bulk of its wood from a few large industries and Chilean or other plantation markets, this runs counter to the Mexican policy to recognize and support the potential of the 80% of forests under communal management.

Governments and international policy makers, including Multilateral Financial Institutions, promote forest certification for its political and regulatory value, as a credible and cost-effective proxy to indicate that a forest or industry is sustainably managed. The newest draft of the World Bank's forest safeguard policy directive ties investment decisions in commercial operations to evidence of third-party certification. IBAMA in Brazil would like all concessions and enterprises to be certified. If the political objective increases in importance, it is possible that forest certification will cease to be a voluntary mechanism, and become a mandatory standard of international trade. International conservation organizations and environmental agencies responsible for establishing and overseeing national protected areas systems are becoming attracted to forest certification as a potential measure of community performance to condition community access to the world's forest estate.

## **HOW MANY COMMUNITIES ARE LIKELY TO BE CERTIFIED?**

Even with the simplification of procedures and criteria for small-scale enterprises, how many communities are eligible to be certified among those forest dwellers and adjacent rural poor whose livelihoods have traditionally depended upon access to forest and are expanding their responsibilities and rights to forest resources? If the current number of 49 communities triples or quadruples in the next decade and the area under certified community forest management doubles or quadruples to 200 communities in 5 million hectares, this would be a significant increase given current trends. But this figure is relatively insignificant relative to the 377 million hectares of forest currently in community ownership or administration, or the anticipated 7-800 million hectares that will be in community control during the same period. Communities currently manage 10-12 million hectares of forest under Joint Forest Management in India, 2-3 million hectares in Nepal under CFM, 100 Million hectares in Indigenous reserves in Brazil and another 20-30 million each in Bolivia, Peru, and Colombia. (White and Martin 2002) There are significant community forest areas in Vietnam, Thailand, Laos, Central America, Tanzania, Uganda, and Congo in sub-Saharan Africa, and 16 million hectares of U.S. Native American tribal forests. The province of British Columbia is experimenting with Community Forest Agreements (CFAs) in public lands, which would allow long-term community administration and tenure. Indigenous Peoples in Canada could possibly therefore be seeking forest certification in large numbers, many of them with little enterprise capacity and professional know-how.

What does the world of forestry look like juxtaposed with the world of forest certification, now and as projected over the next decade or two? The chart below maps several categories of forests based on the above figures and the figures on forest certification.



If it is assumed from past history that FSC is the only scheme that is likely to include community operations, because of its strong social focus and donor support, what is the likely situation in two more decades of FSC certification? It is known that the share of certificates and certified areas under community enterprises has dropped over the decade. Since 1999, the number of FSC certificates that are communal has stayed about 25% of total certificates, and the area of communal certification is about 3.5% of the total 30 million hectares. Extended to all hectareage under any certification scheme, the 3.5% drops to less than 1 % worldwide, if all 108 million hectares certified so far are included.

If Brazil, Bolivia, Peru, Mexico, Guatemala, Honduras, Nicaragua, and Ecuador begin to certify Indigenous and campesino areas currently targeted by donors and governments for technical support, the total community areas certified in Latin America alone could reach 5% of the current

area, but will more likely fall to less than 1% as public and private industrial and smallholder area certified expands in parallel. As a percent of the world's area under community management or ownership (conservatively 377 million hectares) this is only 1.1% of community forests. If the world's community-managed areas double to 760 million hectares, the certified portion of that area in 2020 could be only 0.5%.

There are many reasons why so few forest communities are in a position to certify their forest management and develop more formal forestry enterprises. In many cases, policy and regulatory frameworks preclude their access to timber harvesting and wood processing operations. In others, the problem is a lack of capital or markets to develop a commercial enterprise or to guarantee a significant share of the retail price for their timber and non-wood forest products. Few community members have training or skills that enable them to assume sophisticated technical responsibilities. The finding of a global review of markets for forest communities reveals that there are many barriers to community forestry. A more level playing field would open extensive opportunities “where communities have competitive advantages, secure tenure rights and established organizations, where major policy barriers are limited, where business people have a desire to partner with community forestry enterprises, and where industry is open to sustainable and socially responsible forestry.” (Scherr, White and Kaimowitz 2003).

A philosophical debate is emerging over the equity of forest certification in an imperfect world. The FSC social, economic and environmental chambers and some of the national initiatives—such as Brazil and Indonesia—have been actively discussing two rising tensions. The first is between securing tenure rights versus increasing supply of certified wood, based on the interpretation of the 2<sup>nd</sup> principle of FSC, and has been discussed in the previous section of this review. The second tension is rising between environmental standards and forest performance standards and efforts to simplify procedures and criteria to reach smallholders, community scale enterprises, and small scale processing enterprises. In the U.S.A., this leads to a tension between those who consider FSC a “gold standard” that consumers will come to recognize widely and demand as a minimum versus those who want supply of certified wood products to grow in the short-term. Native American tribes, in parallel, are debating the value of an “Indigenous forest products” label that focuses on their social status and that fits more practically with their cultural situation and aspirations.

A third tension is emerging between those inside the FSC working on further development of the current FSC model of certification and Indigenous Peoples and forest communities who want to shape the model from their own aspirations and perspectives. Indigenous Peoples are already questioning the model in the U.S., in boreal forests in Canada, and in Mexico among the vertically integrated forest enterprises. Communities are asking why they do not have a more considered voice in standard setting and question, for example, the need for external studies rather than methods that community members can carry out themselves to achieve the same goal. When this issue becomes more widely discussed in international fora related to the ILO convention 169 or the Biodiversity Convention, the tension is likely to increase, not decrease.

Where tenure rights of community enterprises are secure, there are still problems for accessing certification where there is no donor support or no company partnerships. Company-community partnerships are a model that has considerable potential but until now has failed to create equal relationships with communities in most developing countries (Philippines, PNG, Bolivia and Mexico all have unfavorable histories). Communities may not easily find partners among the traditional elites who own most forest industry in these countries (Mayers and Vermeulen 2002).

The problem of access to forest certification is conceptually similar for small private woodlot owners, even in the U.S. A recent review of efforts to expand FSC certification and Tree Farm stewardship to these small owners indicates that currently 26 million acres belonging to 1.6 percent of smallholders are registered under the Tree Farm program and 8.4 million acres under FSC. Given the projected lack of premium prices above 5-10% for certified products, the fact that only 5% of smallholders in the U.S. with less than 1000 acre holding have forest management plans, the limited linkage between smallholder production and the COC buyers who require certified wood products, an optimistic projection would indicate that not more than twice as many smallholders would enter these programs over the coming decade, increasing Tree Farm stewardship to 52 million acres (20 million hectares) of private smallholder forests. There might be another 4 or 5 million in FSC certification, limited by the fact FSC schemes have no government subsidy like the Tree Farm program. This doubling implies 65,000 new certified management plans under Tree Farm and another 10,000 under FSC. This also implies a substantial increase in the capacity of these programs to provide enough skilled certifiers to complete the certification process (Rickenbach 2002).

## **HOW IMPORTANT IS TECHNICAL ASSISTANCE AND CAPACITY-BUILDING?**

A related issue arises over the allocation of donor resources and subsidies to forest certification. Most of the resources have been invested in a limited number of communities for activities directly related to achieving and maintaining certification—cost of evaluations, cost of annual audits, and the costs of studies and interventions mandated in the evaluation process. Worldwide donor money for forestry is becoming scarcer, particularly in the world economy of the moment. Yet all evaluations have identified the massive need for capacity-building of forest communities and particularly of Indigenous Peoples, both for potentially certifiable enterprises and for communities owning or administering an increasing proportion of the world's forests. Programs actively working toward the certification of specific target forest communities have all identified the problem of the lack of community capacity and sought means to address it. A certifiable operation is an operation that has good management and good management capacity, something most community enterprises still lack. Some of the implementing actions recommended by certifiers are attempts to build long-term capacity and the very process of evaluation is used by certifiers as a training exercise as well as an evaluation. Communities in countries with significant government or donor resources for forestry have been able to access technical assistance and training support via their interest in certification.

The Mexico case study documents the issue of the high cost of capacity-building and subsidy allocation. A national program to promote sustainable natural forest management (PRODEFOR) exists which provides subsidies for a range of studies, training, silvicultural improvements, and certification evaluations. The entire annual value of the program countrywide is equivalent to the amount that 200 communities would need in subsidies per annum to become and remain certified. Mexico has about 9000 forest communities, 4000 of them with productive forests resources. How should scarce resources be allocated? How much should be invested in helping communities through the certification process as compared to helping a larger number of communities develop promising enterprises and learn about markets that favor their scale and type of production?

More systematic capacity-building efforts can also assist to expand the universe of potential clients of forest certification. At present, few countries have a typology of the range of community forests and community enterprises that exist and the likelihood that they could benefit from forest certification. A pilot program in Mexico has established a typology based on the commercial nature of the enterprise and degree of vertical integration between processing and harvesting (PROCYMAF 1998) which is now being modified and applied nationally by the National Forestry Commission for its technical assistance subsidy programs. An NGO-led program for support to non-timber forest enterprises in Nepal has developed a typology of communities with legal rights over their community forests based on their forest organization, technical skills base, forest management planning, and enterprise development to target technical assistance on markets and regulatory barriers (Subedi 2002; Nicholson and Lecup 2001).

### **Box 13 – Experience of Nepal in Building Enterprises**

A program in Nepal implemented by a technical assistance organization, Asia Network for Sustainable Agriculture and Bio-resources (ANSAB), provided a more market-based approach to communities based on a strategy to tailor services according to the characteristics of the community forest association and enterprise. The strategy uses the community forest-based enterprise as an entry point for community empowerment, evaluating the degree of awareness, technical knowledge, community organization, and commercial market links. The program has focused on non-wood forest products because of their commercial importance in Nepal and the historical restrictions on commercial community timber harvesting, even under the Community Forestry program. The program has designed and implemented a range of services including (a) market analysis, including an analysis of policy and regulatory barriers to community participation in the market, (b) technical support for building a strong community forest organization and vision, (c) networking of similar communities and building of a federation of communities to lobby for needed policy reforms, (d) organizing fora to discuss aspects of forest management and forest enterprises, and (e) assisting communities to improve efficiency and scale of promising enterprises, linking communities to sources of investment capital.

*Source: Subedi (2002).*

No such typology exists for accreditation or certification bodies to guide their entry into the certification process in a community or signal the range of support a community might need to develop a minimum standard of good resource management or of good business management.

## **INCLUDE CERTIFICATION OF NON-TIMBER FOREST PRODUCTS IN COMMUNITY ENTERPRISE?**

Until recently, certification has been mainly focused upon timber extraction and wood product processing, with no clear set of standards for the treatment of non-timber forest products. In industrial concessions or private forest management instances with non-timber forest product collection traditions, timber harvesters have been required to evaluate and document the collection patterns and legal rights of communities and individuals to harvest these products. Certifiers have included criteria regarding the protection of collection sites from logging damage, along with protection of waterways and watersheds. Indigenous Peoples' traditional usufruct of non-timber forest products and forest areas for ritual and cultural purposes have been included in forest management plans in Canadian timber concessions, with greater regularity and with greater attention to details. The tendency of forest certification criteria is to include increasing attention to the sustainability of non-timber forest product, harvesting, particularly in areas with extensive collection of commercial products. SmartWood has developed models for resins and gums, reproductive propagules like seeds and fruits, and vegetative structures including roots, bark, apical buds, and leaves and field tested in half a dozen countries, including sugar maples in the United States (Mallet 2002). The limitation of this method is the high cost of certification for forest managers who do not engage in an economic scale of timber or wood production and the fact that many small-scale entrepreneur collectors are not confined to a specific forest area.

Two recent studies in the United States and Canada bring into question the practicality of detailed inventories, environmental impact studies, and monitoring of non-timber forest products in the context of a forest management certification. The North American NTFP Assessment, an initiative started with Canada and Mexico in 1998, and eventually funded and carried out exclusively in the United States, examines non-timber forest product collection in a wide range of forests in the United States and concludes that only a multiple set of instruments can deal with the complexity of products, collection patterns and rights, and forest types (Jones, McLain and Weigand 2002). In addition to certification of forest management through the SFI, Tree Farm, or FSC system, NTFP is regulated by (a) treaty rights of Native American tribes to specific products or collection in specific forests, both on reservation and publicly owned, (b) ethical standards of collection, registered on the basis of completion of required training courses and updated by the collector, (c) issuance of government permits at state or forest levels based on studies of NTFP availability, by collection amounts, permitted time period of collection, or permitted collection area, (d) certification of specific herbs under an organic International Federation of Organic Agriculture Movements (IFOAM)-accredited labeling, and (e) labeling of products resulting from a specific method of harvesting, as for sugar maple mentioned above.

An ongoing assessment by the Canadian forest service of non-timber forest product management reveals consideration of similar options (Tedder, Mitchell, and Hillyer 2002). The two reports suggest that certification of NTFP only makes sense if the market is at a great distance from the collection site—the more local the market, the more a local labeling system or methodology will serve the needs



of the forest, the collectors and the consumer (Mallet 2002). As in the case of tenure disputes, rights to collect non-timber forest products can present a problem of considerable complexity to a certifying body where national and local laws do not deal with the realities of actual practice. A recent article in the *New Yorker* documents the clashes between long-term residents of Appalachia from non-Indigenous communities and the forest service over access and collection rights in national and state forestlands (Bilger 2002).

Indigenous Peoples have voiced numerous complaints over the negative impacts of timber harvesting on wildlife, fishing stocks, and sites of important non-timber forest products in public or private lands over which they exercise different rights –both publicly recognized and not. Indigenous and other forest communities who manage forest resources as an enterprise also seek more exclusive rights to the forest for both timber and non-timber to provide more options and incentive for long-term sustainable management. The issue of exclusivity versus allocation to multiple stakeholders is a dilemma at play in many of the Indian joint forest management agreements where high population pressure risks dividing the resource base among too many stakeholders and relegating most of them to long-term poverty (Agarwal and Ostrom 2001; Sarin 2001). U.S. and Canadian experience indicates that local decision-making may lead to more equitable solutions where users are not Indigenous Peoples with special international rights, but this may vary globally.

In sum, there is considerable analysis to be carried out regarding the impact on communities of extending certification evaluations and audits to non-timber forest product collection, particularly in countries that already impose costly regulations on would-be harvesters. The cost and practicality of these additions and how it affects the competitiveness of different collectors of NTFP have not been evaluated with any degree of seriousness across the certification landscape. Small scale collectors of non-timber forest products and community-based enterprises with commercial non-timber activities already face a serious set of policy and regulatory barriers to access markets and gain reasonable prices for their products (Nicholson and Lecup 2001). The question is whether a certified product would be recognized in the market place. Expanding the scope of forest certification to include analysis of sustainable harvesting levels and collection practices, without looking at the broader questions of access and equity is extremely problematic.

## **ARE THERE ALTERNATIVE WAYS TO RECOGNIZE COMMUNITY PRODUCTS IN THE MARKET?**

Given that forest certification will most likely have a limited expansion to community-owned forests even in the best case scenario, there seems to be a need to expand the scope of certification to look at the alternatives to recognize community forest management in the marketplace in the short-term and to help this sector evolve. Clearly, the objective is not to “certify” under an alternative system community management that leads to forest degradation. Many communities who have restored forest landscapes in significant ways, practice positive forest interventions, and are moving towards a

more systematic approach to management and extraction are already linked to the market, yet may never seek a comprehensive certification.

A 1996 conference on certification organized by the University of British Columbia and the University Pertanian of Malaysia concludes that certification was conceived to be a broader instrument than simply identifying internationally traded commercial forest products from forests as ecologically sustainable. “Certification is a mechanism for promoting the inclusion of all forest products, both with and without markets, in valuations and the assessment of forest practices. This bodes well for conservation of resources without markets, particularly those with traditional use within specialized cultures, and in that sense, it could promote the sustenance of unique social systems” (UBC-UPM Conference, 1996, pg.13). Forest Certification has not touched this aspect of its original objectives, yet this original objective remains a key goal of sustainable forest management.

There is a need to find other criteria and standards for recognizing communities that must compete within increasingly competitive domestic markets, even though they may not be producing exportable products for the international timber or wood trade. It may be timely to analyze the potential to promote wood and non-wood forest products harvested or processed by communities to acknowledge their commitment to sustainable forest management, their historical practices and accomplishments, and their future aspirations. There may be a role for market labeling based on an ethical or fair trade category of standards, drawing upon existing government and local geo-referenced databases, landscape quality data generated by communities, and documentation of community management. Some of the alternatives lie in evolving models for licensing access to non-timber forest products or in labeling products as sustainably harvested outside of timber-based community operations.

One current model is to overlay biological protected areas, which acknowledges the rights, presence and contribution of communities and preserves their right to pursue traditional activities and activities that have a positive impact on the biological landscape. This can be positive when local peoples’ needs and interests coincide with the interests of the environmental stakeholders, particularly if the legal figure of the protected area provides protection to local communities from outside encroachment on their resources. In many biological reserves, however, the locus of decision-making and control rests mainly with the conservation manager and there is limited scope for communities to propose alternatives that achieve sustainability goals while enabling their self-development. Alternative models are being tested in Central America and Mexico where forest communities seek to have community conservation corridors recognized by public authorities so that their investments in conservation can be compensated in lieu of establishing new public protected areas to protect similar biodiversity values.

There are growing opportunities for communities to enter markets for environmental services, including watershed protection (water recharge and water quality management), biodiversity conservation, and carbon sinks. Municipal water agencies are becoming more interested in guaranteeing supply and water quality and are recognizing the potential cost-savings from paying

owners of forests and protected catchments to maintain forest quality as it impacts water supplies. The key issues for communities are the rules that govern these arrangements and the extent to which communities are recognized as the rightful beneficiaries of deals vis-à-vis the buyers of these services. Carbon markets are also evolving with increased interest in including communities and the poor in the optional carbon credit or carbon offset deals. Community-based tree-planting projects can offer investors the same carbon benefits as industrial tree plantations and at lower risk. Examples such as Scolel Té in Mexico and the Handia forest range in Madhya Pradesh, India include agroforestry and forest restoration by communities and smallholders. Many industries may prefer to buy “socially responsible” carbon credits, as long as the cost is competitive. Current values of carbon are \$ 2-3 per ton and expected to reach \$10 by 2008-2012. The Handia range project in India, would allow 95 very poor rural villages to jointly earn at least US\$300,000 every year from carbon payments by restoring 10,000 hectares (24,700 acres) of degraded community forests, if their project succeeds. Recent analysis shows that many community-based projects may sell carbon credits at the global expected market price of US\$15 to \$20 per ton of sequestered carbon. The recently launched Prototype Carbon Fund and Community Development Carbon Fund plan to finance promising projects, including projects involving communities in restoring forest landscapes and/or foresting lands as forest or agro-forestry (Scherr and Smith 2002). There are interesting overlaps with forest certification in that carbon credits require some certification of forest management compliance and documentation plan to use FSC or other third-party forest certification to measure this. Where communities interested in carbon credits are not timber or wood producers, the standards applied to them would change.

## **V. CONCLUSIONS—THE WAY AHEAD**

### **CONCLUSIONS**

Certification has had some very significant benefits for communities affected by industrial forestry operations in varied settings. It has fostered a more participatory dialogue among stakeholders and fostered more balanced discussion of policy reforms in countries with weak attention to traditional and Indigenous tenure rights in the forest estate. Communities and social change agents have used these certification models to promote more participation in their country's forestry decisions more generally. Certification has had an impact, still not well documented or measured, on employment conditions for communities and worker health and safety, most evident in larger-scale operations in countries with poor enforcement of legal frameworks. It has provided a limited set of community enterprises the public recognition of their sustainable forest management. Until now, this has not had the benefit in most cases of a premium price, but does provide the future option for communities to position themselves to enter these markets, particularly in countries with strong export links to Europe and North America, where a large number of companies have a COC certification and an expanding market demand. It has provided other indirect benefits: tenure security or tenure access, recognition that community management can be environmentally sound, technical training and support from qualified forestry professionals to improve forest management and organization of the forestry enterprise, assistance in community or enterprise organizations, and recognition of a long-term commitment to the environment.

The finding of this review is that forest certification has evidently led to an awareness of the need for and greater attention to forest tenure and livelihood rights, conditions of employment and worker health and safety, and forest sustainability. However, the current structure of forest certification schemes precludes the entry of a large number of forest communities into the process of certification, even if there is a simplification as proposed of some procedures and rules. This is particularly a risk for communities in the tropical forested countries where Indigenous and local people are highly dependent upon forests to sustain their cultural way of life and livelihoods and to raise incomes. It is recommended that forest certification schemes be examined in light of the effect, impact, or congruence on communities. We also believe that certification should not be the only point of entry to a community or a problem of unsustainability, but remain complementary to other instruments and to adequate government and donor investments in promoting better practices among small and large-scale operations, striking a balance between raising the standard and helping the market share of certified products to expand.

Complementary instruments can include other systems for recognizing sustainable management and harvesting of non-timber forest products and for recognizing collection rights to forests with commercial NTFPs. Without modification, forest certification will become a regressive instrument, which bars a majority of communities from participating. Even more problematic, it may undermine local organizing dynamics that make it more likely that their communal forests will become

sustainably managed. There must be a more effective strategy to reach those communities who have the potential to benefit from forest certification and to provide other instruments for those who do not.

All communities face serious challenges in accessing markets for certified products, related to a host of barriers that are both structural and historical. In parallel with certification efforts, donors need to pay serious attention to the marketing issue, supporting the exchange of information and helping create linkages to buyers. Barriers that communities face are related to more than the internal dynamics of the FM or forest enterprise structure, but link to policy and regulatory constraints and barriers found in the structure of the marketplace that need to be tackled in parallel. Certifiers need to be more vocal in signaling that the sum of the parts does not lead to sustainability in their dialogue with donors and governments. Communities need to make intelligent and realistic decisions about marketing and production, in a more informed manner, without the certifiers or supporting professionals making presumptions regarding the correct structure or direction of the community business enterprise model. Associations among communities will be a key for market survival, but communities are those best placed to develop those institutions, so that they are inherently stable. There is a massive need for business services and TA on the community's terms and support to develop communities' business and marketing skills.

Experience in the first decade indicates that forest certification can not and will not address policy issues related to the whole forested landscape, where very different types of community enterprises and forest management initiatives can be found. Some non-timber forest product extraction and marketing may not lend itself to the international standard of labeling entailed in FSC schemes. Nor can certification deal with the landscape wide issues of how forest resources should be allocated to different tenure regimes and different objectives. Another key finding is that there is limited data now and in process to document what the benefits and costs have been for communities. There is no adequate typology of forest communities to target actions and make adjustments. Donor funds will grow increasingly scarce with the multiple demands on environmental programs, yet donors have no real feel for how best to allocate resources to communities for certification.

As in other international environmental initiatives, forest certification is still a developed country, top heavy initiative, with too limited a voice from the Indigenous communities and small scale, poor communities who most depend upon tropical and southern temperate forests for their survival. It is one thing to apply a set of universal business standards to a set of companies and industries with a similar product base. It is another to apply universal standards to community values, lifestyle choices, and social organizations, which regulate their forest resource base. It is also counterproductive to the development of viable, self-sustainable community forest enterprises.

## THE WAY AHEAD

This review has raised more questions than it has provided answers. This should not come as a surprise to the significant number of researchers and certification specialists within FSC grappling with the same issues. What this review clearly indicates, however, is four areas of needed action.

First, there is a need to undertake a major strategic reassessment of the forest certification instrument and its alignment with its own strategic objectives for community forestry. This reassessment should evaluate

- (a) the range of communities that are being incorporated into forest certification and whether this is representative of those who could be incorporated,
- (b) the current certification evaluations and the appropriateness and equity of recommendations given returns, cultural values, and history of community management, and enterprise sophistication,
- (c) documentation of the costs of community certification relative to returns, under current and simplified procedures, with an assessment of the costs of community certification relative to the overall structure of costs in the community enterprise and the direct and indirect returns,
- (d) the flow of donor funds to community certification initiatives, evaluating the use of subsidies, the actual need for subsidies relative to enterprise cost of operations, alternative use of these funds, and the availability of resources as targeted for a growing set of communities, and
- (e) emerging challenges for community enterprises and ways to address them, including competition with cheaper sources of timber and wood from plantations and policy and regulatory barriers to small scale enterprises that prevent them from competing in domestic and international markets.

Second, in parallel a strategy should be developed for ensuring needed capacity-building and technical assistance or business support is available through private sector, government, donor and private funders, or collaborative community initiatives. It should also draw upon the successful models of horizontal training and self-driven development, creating opportunities for community professionals to provide needed technical services and putting communities in contact with successful enterprises. This strategy needs to evaluate the opportunity to develop funds for business support services and capital and the possibility of generating inventory and monitoring information needed for certification from a government or regional initiative, rather than building community capacity to generate this information at their small scale of operation. It should also create a flow of information on community-company partnership models that provide communities with access to a secure market and financial resources.

Third, the forest certification initiative needs to open the standard setting dialogue to a representative set of community clients, including forest-based Indigenous peoples. FSC Canada has initiated discussions of a fourth chamber on Indigenous Peoples in the national initiative. FSC has encouraged representation from communities and Indigenous Peoples on the general assembly, but there are no fora, which enable Indigenous Peoples and the communities who are an increasingly larger percentage of the world's forests to develop their own perspective on the process and systematically present that perspective. There are existing fora that could be tapped—the UN Permanent Forum on Indigenous Peoples, the active discussion of Article 8(j) on local knowledge in the International Biodiversity Convention, and the social issues dialogue in the UN Intergovernmental Forum on Forests. Many of the communities with significant forest ownership are outside this debate, including Nepal, Tanzania, India, or the Congo Basin countries. The World Forestry Congress might provide a venue for some initial discussions in this vein in September 2003.

Fourth, donors and multi-lateral financial institutions, communities and forest rich country governments need to look more seriously at alternatives to forest certification that can recognize the social and environmental dimension of community forestry enterprises and their production where COC or FM certification is not an appropriate instrument. This may be a series of instruments that function at the level of local or regional markets, as has been the experience with labels for sustainably harvesting NTFPs.

**RECOMMENDATIONS FOR ADVANCING THE INVOLVEMENT OF COMMUNITIES IN FOREST CERTIFICATION INTO THE NEXT DECADE**

PROBLEM	RECOMMENDED ACTIONS	ACTION BY
<p>COMMUNITIES HAVE NOT HAD THE EXPECTED ACCESS TO FOREST CERTIFICATION RELATIVE TO THEIR SHARE OF THE WORLD'S FORESTS</p>	<p>CARRY OUT A STRATEGIC ASSESSMENT OF CERTIFICATION OBJECTIVES, COMMUNITY ACCESS, AND OPTIONS</p> <ul style="list-style-type: none"> <li>• Cost benefit to communities</li> <li>• Allocation of resources</li> <li>• Standards and criteria</li> </ul>	<p>ACCREDITATION BODIES CERTIFIERS DONORS AND MULTILATERAL FINANCE INSTITUTIONS GOVERNMENTS NGOs</p>
<p>LACK OF A RESPONSE TO COMMUNITY FOREST MANAGERS FOR WHOM CERTIFICATION IS NOT A VIABLE OPTION</p>	<p>LOOK AT ALTERNATIVES TO CERTIFICATION AND COMPLEMENTARY ACTIONS, E.G. POLICY REFORMS</p> <ul style="list-style-type: none"> <li>• Explore fair trade and other community alternatives</li> <li>• Recognize community SFM</li> <li>• Remove policy barriers</li> </ul>	<p>ACCREDITATION BODIES CERTIFIERS DONORS AND MFIS GOVERNMENT NGOs</p>
<p>LACK OF PARTICIPATION OF COMMUNITY BENEFICIARIES IN THE FORMULATION OF CRITERIA AND STANDARDS</p>	<p>CREATE SPACE FOR INDIGENOUS PEOPLES AND COMMUNITY FEDERATIONS TO PARTICIPATE IN STANDARD SETTING</p>	<p>ACCREDITATION BODIES CERTIFIERS COMMUNITIES NGOs</p>
<p>MANY COMMUNITIES ARE OUTSIDE THE NET OF TECHNICAL ASSISTANCE OR BUSINESS SUPPORT AND DO NOT ATTRACT FUNDS</p>	<p>TOOLS FOR CAPACITY BUILDING AND BUSINESS SUPPORT APPLIED</p> <ul style="list-style-type: none"> <li>• New funding for business support; Networking</li> <li>• Strategic technical assistance available</li> <li>• Horizontal exchange of positive experiences</li> </ul>	<p>PRIVATE SECTOR AND FOREST INDUSTRY DONORS AND MFIS GOVERNMENT COMMUNITY ORGANIZATIONS</p>



## **I. ACTIONS FOR ACCREDITATION BODIES AND RELATED DONORS**

### ***A. Issue 1: Community Enterprise Certification***

- (1) Evaluate the real potential for a significant number of communities to be certified to without imposing unsustainable development paths or losing enterprise integrity,
- (2) Simplify the process and requirements for communities to become and remain certified according to proposals prepared by Proforest and others,
- (3) Identify alternatives to recognize community forest management and enterprises that do not qualify for FSC certification that the market can identify:
  - (a) Register collectors of NTFP and their products
  - (b) Adopt an ethical standards for collectors or communities
  - (c) Develop a fair trade standard for communities
  - (d) Recognize long-term forest conservation by Indigenous Peoples
  - (e) Link communities (& certification) to ecoservice markets (e.g. carbon),
- (4) Follow the progress of communities who become certified to identify problems and issues and find solutions. Finance PM&E (Participatory Monitoring and Evaluations) to let communities look at their own course of development on their own terms,
- (5) Implement modular certification that addresses relevant needs in steps, and
- (6) Disseminate more information to Indigenous Peoples' movements and their organizations (IWIGA etc.).

### ***B. Issue 2: Benefits for Communities of Certification***

- (1) Develop a policy on minimum standards for land tenure rights and resource access rights,
- (2) Convene a series of meetings with Indigenous Peoples on land tenure rights and certification,
- (3) Evaluate the trade-offs and economic implications of these tradeoffs for a range of case study areas (NTFP collection loss through clear-cutting or inappropriate harvesting of NTFP rich area; long-term tenure rights resulting from varied decision-making on local tenure rights in industrial concession lands as examples),
- (4) Disseminate best practice models of community-company partnerships based on replicable cost structures of these partnerships, and
- (5) Disseminate best practice models of applying principles and criteria for worker employment, health and safety.

## **II. ACTIONS FOR DONORS AND MULTILATERAL FINANCE INSTITUTIONS**

- (1) Finance strategic evaluations for the issues raised above,
- (2) Look carefully at the current allocation of subsidies to communities for certification and strategically,
- (3) Allocate resources to maximize the returns in number of communities obtaining and maintaining their certification and preparing additional communities to enter this arena,
- (4) Generate information flows to local communities and Indigenous Peoples in developing countries so that they are more a part of the dialogue and more able to influence the process and the rule-setting,
- (5) Facilitate a policy dialogue on strategic issues related to government standards for certification, government policies and regulations that enable or hinder markets for certified and other forest products, and alternatives to certification that complement this instrument, and
- (6) Invest in capacity building as well as actual certification efforts; concentrate adequately on exit strategies. Invest in community-to-community exchanges where communities determine the agenda.

## **III. ACTIONS FOR GOVERNMENTS**

- (1) Set national standards that are realistic and result in progress towards their stated objectives,
- (2) Ensure that commitments to purchase certified products as a means of encouraging expansion of this market not adversely affect forest communities and smallholders/small-scale enterprises,
- (3) Ensure that promotion of certified plantations and commercial plantations does not undermine natural forest management and markets for products from natural forests,
- (4) Adequately invest in capacity-building for communities both community forest enterprises and communities with a stake in forests managed by industrial companies, participating in consultation and joint ventures, and
- (5) Examine existing policies and regulations governing harvesting, management, and marketing of forest products to ensure that these are not barriers to communities and small-scale enterprises.

#### **IV. ACTIONS FOR POLICY MAKERS AND RESEARCH INSTITUTIONS**

- (1) Evaluate the cost/benefit of community certification initiatives,
- (2) Evaluate the efficacy of recommendations to improve community organizational structures or other social engineering relative to the long-term self development of the forest enterprise,
- (3) Undertake participatory monitoring and evaluation where forest communities take the lead in evaluating their own and fellow community experiences and designing the methodology of the study,
- (4) Analyze the tension between expanding plantations worldwide and certifying greater amounts of plantation wood and providing adequate markets and incentives for natural forest products,
- (5) Look at the equity issues around tenure and forest certification in diverse settings,
- (6) Evaluate the cost/benefit of adding more complexity to forest certification standards and criteria, particularly for NTFP and other ecological components, and
- (7) Look at effective alternatives to recognize community forestry in the domestic and international market place without undermining the certification movement.

#### **V. ACTIONS FOR COMMUNITY ASSOCIATIONS AND INDIGENOUS PEOPLES' MOVEMENTS**

- (1) Engage in more community-to-community dialogue to learn from each other's lessons and identify concerns for action in a more local context,
- (2) Engage accreditation bodies and donors in a participatory dialogue on forest certification, drawing upon existing discussion spaces, such as the UN IGFF and the conference of the parties for the international environmental conventions,
- (3) Help to create linkages among communities for sharing market intelligence and information about buyers and investors,
- (4) Visit promising experiences to understand them in depth,
- (5) Develop or create access to information bases to track progress on certification, and
- (6) Engage governments in policy dialogue on ways to provide communities more access to forest product markets and certification and on alternative instruments to recognize the contributions of forest communities to sustainable forestry.

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