

National monitoring and Certification are both needed to save the tropical forests

EXECUTIVE SUMMARY

Deforestation in the humid tropics is continuing at alarming rates.

Forest laws and regulations designed to ensure sound forest management and control of exploitation have often failed to be implemented through the traditional **government ‘command and control’ approach**. Poor past performance, has led to a lack of confidence in Government verification of compliance.

Recent **voluntary forest certification** schemes were designed as a market-driven initiative to compensate for weak forest control. However, certification too has had little impact so far in ensuring the conservation of natural tropical forests: current certified areas and volumes harvested are limited; forest areas not signed up for certification do not benefit from improved management and it cannot address the issues of illegal logging and/or landuse changes in these areas. To **bridge the gap** between poor public control and burgeoning voluntary certification, a new approach is required.

Effective support to certification – for example through producer associations - can greatly encourage producers to join certification by reducing costs, sharing knowledge and increasing market opportunities. However, some legitimate producers will never willingly participate without serious government encouragement. Other timber companies claim that they cannot achieve certification without effective government control because they cannot stop illegal activities within their concessions on their own.

Effective verification of industry and trade compliance at the national level is therefore essential to both tackle illegal land uses and logging and support voluntary certification. To achieve this, with international credibility, **independent forest sector monitoring** is needed. Governments frequently lack the skills and systems to verify compliance, enforce legislation and monitor the sector – whilst at the same time ensuring there are no conflicts of interest. Three monitoring services can be independently implemented. First, a **landuse control and forest surveillance programme** to detect and monitor changes in forest cover. Second, an automated **timber flow control programme** aimed to track all domestic and imported timber products from source to destination throughout the supply chain and improve collection of taxes and fees – which would also provide an advanced chain of custody system for the certification process. Third, **auditing and monitoring of forest management** in the concessions.

Forest sector monitoring provides incentives for producers to apply for certification: verifiable compliance with national legislation means that many of the requirements for certification will have already been fulfilled. By joining in a nationally co-ordinated certification effort, producers will not put themselves at economic disadvantage locally by going through the process in isolation.

The ultimate responsibility for **implementation** rests with national governments, many of which are committed to sustainable forest management (SFM) through international treaties. However they often do not have the necessary knowledge, resources and political will to implement the necessary changes. Encouragement is therefore required from the international community, donors and ENGOs.

FULL-LENGTH PAPER

1. ARE CURRENT POLICIES DELIVERING EFFECTIVE CONSERVATION OF THE NATURAL FORESTS IN THE TROPICS?

1.1 STATE OF THE WORLD'S FORESTS IN 2000

Some countries in Asia and Africa have lost more than 70% of their forest cover in the past 20 years. Between 1980 and 1995 developing nations lost 200 million hectares of forest (an area roughly ten times the size of Guyana)¹. Statistics for the late '90s are often inconclusive in suggesting that depletion and destruction of natural forests in the humid tropics are continuing at less alarming rates.

On the positive side, forests and sustainable forest management (SFM) are still high on the international agenda. Environmental services such as carbon credits, eco-tourism, and biological diversity are bringing new focus on forests. Increasingly, forest resource management responsibilities are being handed-over to private timber companies through concession lease contracts and regulatory management plans which can be positive if there is corporate responsibility. There are expectations that compliance with regulations and voluntary forest certification will eventually improve forest management.

There is no indication though that the rate of over exploitation and deforestation is significantly decreasing, nor that it will do so in the short and medium term. It is therefore of the utmost importance to try and understand the reasons driving the process and to seek innovative solutions.

1.2 TRADITIONAL GOVERNMENT CONTROL OF FORESTS

Facts and figures suggest that, with only few and limited exceptions, traditional methods of Government control in tropical countries are failing as a global model to prevent the destruction of forests and to achieve SFM.

The main contributory factors to the loss of tropical forest remain: 1) poor management in legitimate concession areas which can prevent forest from regenerating, 2) illegal logging in and around forest concessions and 3) illegal land occupation and conversion.

Governments in many countries have made considerable progress in developing forest laws and regulations, increasing the knowledge and planning the use of forest land and resources. However, they have often been less successful in controlling and monitoring implementation.

Traditional Government 'command and control' through direct public involvement is still the rule in many tropical countries, despite the inherent weakness of using civil services for control of forest operations. They all too often lack proper expertise, resources, and appropriate management systems, and they frequently have a low level of cost-efficiency. The absence of a clear separation between a) approval of concessions and management plans, and law enforcement on one side and b) verification of compliance on the other side, creates conflicts of

¹ The State of the World's Forests 1999, FAO

interest and the potential for rampant corruption. The US\$ 2 billion spent annually² on institution capacity building has done little to change this problem. As a result, there is a general loss of confidence in governments' capacity for verification and monitoring.

1.3 CERTIFICATION IN THE TROPICS

Certification was designed to reduce the loss of tropical forests through sustainable and verifiable management. It has often been predicted that voluntary forest certification was not going to be the 'universal panacea'. This seems to be confirmed by figures so far: currently only 41.5 million ha of forest are certified (FSC 18 million ha and PEFC 23.5 million ha). This is just 1.2% of the world's total forest cover (3,454 million ha – FAO, 1999). Predominance of northern countries (2/3 in Europe and North America) and industrial forests (2/3) also indicate that in the tropics - the primary target of forest certification – certification has failed to have the desired impact.

Forest certification is a voluntary market mechanism. Should governments use it to transfer to the private sector the responsibility and cost of managing a national resource? Several limitations are evident:

- Voluntary certification was not designed to enforce compliance continuously over time. Legality is not the primary concern. Assessors are not controllers. Certification is a quality assurance approach and demands trust and good will. Assessments do not involve tight, in depth investigation for fraud. Initial assessments and surveillance visits are limited in time, frequency and area. Current chain of custody requirements and audit systems are not infallible. As certification develops, an increasing number of unscrupulous timber companies may be tempted to cheat.
- When certification requirements are wider in scope and more stringent than regulatory ones, as is usually the case, forest authorities cannot use the results of the certification process to apply any kind of legal sanction.
- Possession of a certificate could be made a condition of obtaining or keeping a concession agreement. However, achieving forest certification can take several months or years, whereas legal compliance can and should be checked from the first day of activities.
- Whilst certificates can be suspended or withdrawn once awarded, denial or withdrawal of a certificate may prove to be a counter-productive way of trying to compel producers to practise responsible management over the timescale of the concession lease. Scaled financial penalties, based on *government* control of the non-compliances with regulations, are needed before withdrawing the concession agreement; which should only ever be used as a last resort.
- Although certification aims to reward good management, it only affects the companies and forest owners that sign up for it. Being site-based, it cannot address the problems of illegal logging and land use, or poor management, outside areas under certification. The legitimate yet uncertified concessions often continue to be managed simply for short-term profits.

² David Kaimowitz in a paper presented to the Forests 21 Workshop at the Global Dialogue Conference held in Hanover 19-21 June 2000.

- Certification was not designed to cross check data at the country or province level for information consistency about timber flows, which is the only way to understand and control the genuine origins and destinations of timber products.

Therefore, forest certification cannot be used by governments as a universal means of controlling compliance with legal and regulatory requirements. Although certification has encouraged measurable improvements in forest management in some places – some of them significant – it will clearly not eradicate illegal or unsustainable trade in the tropics.

Examples have proved however, that market forces can be used, in the right circumstances, to positively influence forest management. The impact of forest certification may indeed grow up to 30-50% of the global timber trade within only 5 to 10 years. Emergence of new non-FSC schemes in Europe and Africa may also be good news for forests, provided mutual recognition (MR) reduces the risk of confusion for buyers and customers, addresses the lack of recognition in the market place, does not dilute the standards for sustainable forest management and gains support from environmental groups. Voluntary certification is definitely a good idea. However, there are a number of obstacles in its way before it can deliver SFM on a larger scale. It is therefore a matter of concern to see that current international forestry policies do not seem to contemplate any serious alternative for the years to come - with some exceptions for traditional institutional capacity building but with little impact on control.

Both retailers (Buyers' Groups) and producers' associations are becoming increasingly worried that:

- (i) producers cannot meet the demand for certified products;
- (ii) the lack of certified sources may undermine the commitment to buy or sell certified products;
- (iii) markets may ban (mostly the tropical) timbers before a reliable solution can be found; and,
- (iv) Some timber companies claim the requirements are too demanding.

The economic argument through the green premium and increased market share to date has not been enough for tropical wood products. Price advantage will always be the key incentive. Insufficient numbers of concessionaires and producers of tropical forest products have signed up to the process. Implementing sustainable forest management systems rigorous enough to achieve certification can be an expensive and complicated task in comparison with many current practices. An isolated decision to go for certification is therefore not easy for a producer facing tough competition from less responsible producers. Other potential benefits (compliance, improved Quality Management Systems, Reduced Impact Logging) are still inconclusive in a price-driven competitive environment. Hopes of improved market access for products are not enough for producers if limited to only a fraction of their products, species, or clients: how are the rest of the costly certified products to be sold?

Certification will only be successful in the tropics if the *supply* of certified timber keeps pace with *demand*; new solutions are urgently needed to change the vicious circle into a virtuous one.

The tropical timber industry is linked to the world's economy. A downturn in the world timber demand and hence price will undoubtedly reduce the incentive for companies to embrace new non-mandatory schemes.

Interestingly enough, a few timber companies are now asking for more efficient government control to help achieve certification and to protect their forests from encroachment and illegal logging. Both certified and uncertified areas alike continue to be negatively affected by illegal logging and conversion to other land uses. Indeed the success of certification in many countries (Europe and elsewhere) has to a large extent been due to good existing government control of forest operations and the mandatory high management standards enforced in both state owned and private sector forests.

2. A DIFFERENT APPROACH IS REQUIRED

2.1 THE PROPOSED SOLUTION

The debate should not be limited to: 'Public sector control of forest management versus Certification Systems'. Policy makers cannot just switch from the former to the latter to achieve SFM as neither is a definite solution in its own right. It is clear therefore that a different approach is required.

Early experience shows that there is a greater incentive for individual timber companies to go through the certification process if:

- (i) certification is promoted as a nationally co-ordinated effort, with reduced costs and benefiting from active government, donor, NGO and market support;
- (ii) a reasonable level of legal compliance has already been achieved and maintained.

The best results for a country may therefore be obtained by a combination of independent forest sector monitoring at national level, and voluntary certification at concession level. Linking the regulatory and the voluntary approaches is the core of this proposition.

The problems, causes, suggested solutions and benefits are summarised graphically in Box 1.

Box 1. Diagram of problems and suggested solutions

Consequences	Causes	Suggested remedies	Benefits
Deforestation ↑	Illegal land occupation and land conversion in forests	Land use control/ forest surveillance	Detect and monitor changes
	Illegal logging	outside forest concessions/ permits within forest concessions/ permits	Timber flow control
Depletion of natural forests	Bad management practices in concessions (unsustainable forest management)	Forest Management Auditing Certification	Enforcement of SFM Certification of SFM

2.2 NATIONALLY ASSISTED MONITORING PROGRAMMES

From the above analysis, it is suggested that governments should concentrate on policing, approval and law enforcement, whilst verification of compliance should be undertaken under an innovative national monitoring programme by well-established and credible independent verification organisations with an international reputation to maintain.

The programme should ideally cover three elements: (1) a land use control and forest surveillance programme, to detect and monitor changes in land uses, forest cover and forest activities, (2) an automated timber flow control programme, to track all domestic and imported forest products from source to destination throughout the supply chain and to improve collection of taxes and fees, also providing advanced chain of custody inspection for the certification process, and (3) auditing and monitoring of management in the forest concessions. These three functions can be dissociated if required. The first programme provides information to verify the land uses and resource exploitation against approved plans. The second function is essential in terms of deterring or detecting illegal logging and protecting government revenue. The third phase can help achieve compliance with legal and regulatory forest management requirements in the legitimate logging areas.

In terms of implementation, these programmes mainly use national staff including seconded forestry officers. In this regard, the country benefits from capacity building and transfer of expertise through learning-by-doing. Independent control by senior management over the data collection, transmission, processing, analysis and reporting process is required at critical points to ensure international credibility. Experience has shown that costs only represent a fraction of the increases in general tax revenue generated by the programme, which can often be used to make the project self-financing.

Most Governments have adopted SFM as a policy goal and are incorporating SFM principles in their forestry legislation. Therefore compliance with regulations already places timber companies well on the road towards SFM and certification.

The benefits of using large independent organisations, with an international reputation to maintain, instead of individual assessors or environmental activists (who may have their own agenda), include:

- neutrality and financial independence,
- commitment to integrity maintained by a strict Code of Ethics implemented company-wide
- commitment to quality and liability plus the capability to demonstrate it,
- expertise covering development of practical auditing checklists and training courses,
- in house experience plus capacity to form large strategic alliances,
- uniformity and consistency of methods,
- capacity to develop technology-based tools - such as computerised tracking systems for automated Chain of Custody monitoring,
- expertise and useful experience in a range of related areas, and,
- capacity to run large, local operations on behalf of national Governments, either as a clearly 'out-sourced' service or as part of a 'Build-Operate-and-Transfer' process.

2.3 NATIONAL SUPPORT TO CERTIFICATION

There can be no guarantee that certification will result from national monitoring. But certification will be much easier to achieve once regulatory compliance has been reliably/ independently verified and demonstrated through national, mandatory forest sector monitoring. If a company has to improve its management systems for national obligations they will have every incentive to embrace certification at the same time. Such a third party monitoring scheme could therefore be presented as an initiative over maybe 3 to 5 years, aimed at promoting compliance with forestry and trade regulations as a preliminary phase preparing to large scale certification.

A national promotion agency can be established to:

- promote certification through, for example, awareness raising, training, and technical assistance
- promote compliant, or certified exports
- develop procedures to create commitment from all operators (including the creation of Producers' Groups)
- accredit, at national level, independent companies that are already accredited internationally or their local consortia
- promote relationships with the Trade, the Government and donors to increase trade initiatives, like the Tropical Forest Trust (TFT), institutional support and financial commitment, to increase funding for technical support.

Cost and, to some extent, lack of expertise for achieving certification can actually be addressed through a nationally co-ordinated effort. All producers would not necessarily have to use the same management methods or jointly apply for certification of their concessions as one single management unit. However economies of scale are possible: for example, a group of companies can employ the same manager and/or consultants to put in place the management systems. A collective approach would encourage producers, by removing the fear that they are increasing their costs in isolation, making them locally uncompetitive.

The overall cost of certification will be reduced as the timber flow control programme will already provide a powerful chain of custody inspection and monitoring system suitable for certification. Accredited companies will establish local auditing operation for certification and will avoid the high cost of moving international experts for one-off audits. Large concessions or holdings could be audited separately whereas small operators (e.g. small permit holders in Africa) could undertake group certification.

Independent monitoring should remain in place afterwards as a continuous control, monitoring and auditing system, to give international credibility to the integrated scheme. It should be possible to certify say 75% of the national timber production once regulatory compliance has been regularly achieved by 90%.

2.4 CASE FOR GOVERNMENT INVOLVEMENT IN IMPLEMENTING THE SOLUTION

The certification movement requires government support to be more successful. Governments are the guardians of sustainable natural resource management; they need to show that their countries are performing to the required standards for international obligations.

Local implementation clearly involves governments in many aspects, for example: by ensuring that national legal requirements are consistent with the principles of certification; by developing national guidelines for auditing - often derived from international principles, criteria and indicators (PC&I); by setting requirements for recognition of international certification schemes in their country; by promoting certification schemes that are compatible with WTO rules; by creating obligations and/or incentives for certification; and, accrediting third-party certifiers at the national level.

National/local governments are themselves potential clients for certification. They currently represent 30% of certified forests though mostly in temperate countries. They may participate as forest owners (even through concession agreements), managers and/or loggers. Governments are also large consumers of forest products.

3. CONCLUSION

National governments and the private sector should therefore be encouraged to combine their efforts. Many governments are committed to sustainable forest management (SFM) through international treaties such as the ITTA, the Tarapoto Proposal, the Montréal Process etc. It is likely though that they would require encouragement and support from the donors and also, perhaps more importantly, from the NGO and certification community. It is suggested that pilot programmes could be implemented and used as trials and examples in suitable countries on the three continents.

Antoine de La Rochefordière
SGS / Natural Resource Monitoring Services
adelarochefordiere@sgs.com

Andrew Mitchell
Forestry Consultant
andrew_mitchell@urscorp.com