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# REPORT ON THE PROCEDURES FOR THE IMPLEMENTATION OF PHASED APPROACHES TO CERTIFICATION IN TROPICAL TIMBER PRODUCING COUNTRIES

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**Abbreviations and acronyms**

| | |
|---|---|
| ABC | Affiliate, Benchmarked, and Certified |
| AF&PA | American Forest and Paper Association |
| C&I | Criteria and Indicators |
| CEPI | Confederation of European Paper Industries |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| CoC | Chain of Custody |
| FMU | forest management unit |
| FSC | Forest Stewardship Council |
| GFTN | WWF Global Forest & Trade Network |
| GG | Green Globe |
| HCVF | High Conservation Value Forest |
| ICT | Instituto Costarricense de Turismo / Costa Rican Tourism Institute |
| IFIR | International Forest Industries Roundtable |
| IES | Industrial Electronics Society |
| ILO | International Labor Office |
| IPF | Inter-Governmental Panel on Forests |
| ISO | International Organization for Standardization |
| IPF | Inter-Governmental Panel on Forests |
| ITTA | International Tropical Timber Agreement |
| ITTO | International Tropical Timber Organization |
| LEI | Lembaga Ecolabel Indonesia (Indonesian ecolabelling foundation) |
| LTM | Legitimacy Thresholds Model |
| MIV | Modular Implementation and Verification |
| NGO | non-governmental organization |
| P&C | Principles and Criteria |
| PEFC | Programme for Endorsement of Forest Certification |
| PNG | Papua New Guinea |
| QACC | Questionnaire for Assessing Comprehensiveness of Certification Schemes/Systems |
| RFID | radio frequency identification device |
| SFI | Sustainable Forestry Initiative |
| SFM | sustainable forest management |
| SGS | Société Générale de Surveillance |
| TFD | The Forests Dialogue |
| TFT | Tropical Forest Trust |
| UK | United Kingdom |
| WB | World Bank |
| WBCSD | World Business Council for Sustainable Development |
| WWF | World Wide Fund for Nature |

## EXECUTIVE SUMMARY

### 1. Background and Objectives

The International Tropical Timber Council (ITTC) in its XXXII Session decided to carry out consultations and prepare a study on the potential role of phased approaches to certification as a tool to promote sustainable forest management (SFM). The study established the need for implementing forest certification in tropical timber producing countries and it analyzed existing models and initiatives for phased approaches which have been developed by producers, certification bodies and schemes, consultants and individual buyers.

In its XXXIV Session, the ITTC *inter alia* decided to (i) develop procedures on how such approaches might be implemented including how verification of legality of timber origin should be undertaken and how the diversity of social and cultural conditions should be taken into account, (ii) identify enabling conditions for implementation of phased approaches, (iii) identify both external and internal constraints that may impede implementation of phased approaches, and (iv) consult with relevant parties.

### 2. Recent Developments Related to Phased Approaches in Forest Certification

Phased approaches have been developed under different models and initiatives including (a) individual producer approaches, (b) certification body programmes, (c) a modular implementation and verification (MIV) approach, (d) individual buyer initiatives through their procurement policies, and (e) public procurement policies. Recent developments have mainly taken through the latter two as stepwise approaches are increasingly recognized in purchasing or procurement policies of individual buyers or public agencies in some countries. There is a risk for the proliferation of different buyer policies representing an undue obstacle for those tropical timber suppliers who want to serve the needs of several buyers to hedge against customer risks. Only two certification systems (LEI and FSC) have developed concepts for phased approaches but these are not yet operationalized.

A number of efforts has been made to develop commonly accepted criteria for what is considered credible or recognizable certification standards and schemes. This work which earlier focused on mutual recognition has now shifted to development of various criteria and indicator lists which have been used or intended to be used for assessing the characteristics of schemes. As there is no recognized body to independently carry out such a work through an inclusive process, past assessments have been made by NGOs, industry, consultant companies or alike. Some of these assessments have been claimed to be not objective with a purpose of promoting a scheme or discrediting another. This unfortunate situation is due to the fact that supporters of FSC and other forest certification schemes or endorsement programs like the Program for Endorsement of Forest Certification (previously Pan European Forest Certification) have not been able to bridge their divergent views on which scheme to support.

The World Business Council for Sustainable Development (WBCSD), with the support of The Forests Dialogue (TFD), has developed the concept of Legitimacy Thresholds Model (LTM) which could be used to identify how various certification systems meet the various threshold criteria set for them. The LTM initiative has a potentially close linkage with the development of phased approaches in the tropical timber producing countries as the model provides an agreed “mid-level” threshold of SFM which, for instance, small forest owners or developing country suppliers must achieve to be considered credible by a defined group of stakeholders.

## 3. Lessons Learnt from Related Initiatives in Other Sectors

Over the last few years the use of certification has rapidly been extended to a wide range of sectors and concerns related to the limited capacity of disadvantaged operators such as SMEs have led to the development on phased approaches. The experience in other sectors is still incipient but accumulating rapidly. The following observations on these initiatives have relevance for SFM certification: (i) Requirements and timeframes are defined by the scheme or its stakeholders, not the operators. (ii) Phased approaches can be applied to both performance and management system standards. (iii) Maximum five levels or phases (usually cumulative) are applied. (iv) The assessment criteria appear to be extensive to cover various aspects of sustainability. (v) Pre-determined timeframes for reaching various phases can be applied. (vi) Baseline requirements are commonly applied. (vii) A strong demand-pull to promote the schemes by buyers and financing institutions can rapidly spread the scheme among operators. (viii) Certificates and logo use are important means of communication as the schemes are mainly driven by marketing interests of operators.

## 4. Purpose and Principles of Phased Approaches

The purpose of phased approaches is to provide a mechanism for tropical timber producers which would facilitate their access to certification involving verification of the progress made towards full certification status, and a means of communicating on that progress. The phased approach is a mechanism that promotes implementation of certification by FMUs in developing countries, small and medium-sized FMUs and even those FMUs in developed countries that have difficulties in implementing sustainable forest management. It is a mechanism that recognizes the effort made by an FMU to attain the requirements of a forest management standard, even if it has not yet succeeded in reaching the full implementation of those requirements.

The following general characteristics have been considered essential for phased approaches in the case of tropical timber: (i) full certification should be the goal in all phased approaches; (ii) there should be mechanisms to support producers to achieve SFM and its certification; (iii) they should operate at FMU level; (iv) they should involve clear commitments from the participants; (v) there should be a defined timeframe; (vi) adequate means to communicate on the achieved and verified progress should be provided, involving chain of custody verification; (vii) transparency; (vii) adaptability to accommodate differing producing country conditions; (ix) independent audits based on clear rules and procedures, and (x) absence of conflict of interests in the work of auditors.

## 5. Procedures for the Phased Approach to Forest Certification

### *Implementation Options*

There are several options which can be considered for phased approaches allowing clear communication on the degree of progress made in the compliance of the standard. The following three options were analyzed:

*(1)* *Baseline and action plan*: Verified baseline requirements as the first step and verified progressive implementation of the FMU's action plan to achieve full compliance

*(2)* *Cumulative phases*: The FMU would receive recognition when complying with a preset degree of compliance with the full standard (expressed e.g. as scores, percentages and alike)

*(3)* *Predefined phases*: The standard requirements are divided into clearly defined phases establishing which requirements need to be achieved in each specific phase.

Option 3 would be clear and transparent for stakeholders but involves difficulties in defining the stages in a suitable way for various producer situations. This lack of flexibility is likely to make option 3 unfeasible. Option 2 suffers from the judgmental problems of setting weights and somewhat untransparent result on what exactly has been complied with.

Option 1 appears to be the most practical solution for phased approaches and it is also accepted among a group of key buyers being in line with their procurement policies of tropical timber. The weaknesses of this option could be addressed by a number of measures: (a) In communication, it could be made clear which particular elements of the standard have been complied with. (b) The progress in implementation could be made incremental in the sense that once compliance with a requirement has been achieved, it should be maintained. (c) Certification schemes adopting a phased approach could establish specific guidelines for avoiding too skewed implementation of the requirements (i.e. phasing all the sensitive issues to the very end of the implementation period) if this proves to be a problem in practice.

No general recommendation on the preferred option can be made. It will be necessary to seek further stakeholder views which option or variant (e.g. merging options 1 and 2) should be preferable in various country specific-conditions and in the context of various certification schemes.

***Baseline Requirements***

There is a strong view among many stakeholders that the first stage should include legal compliance (but not necessarily be limited to it). This way the credibility of the phased approach would not be compromised. But it should be recognized that legal compliance is a major challenge from the tropical timber producer perspective. Adopting legal compliance as the first step may be too prescriptive in terms of what the FMU does first. Legal compliance is a complex issue and its formal verification may not be the first priority in the progress toward certification. The whole process of improving forest management could be side-tracked for addressing sometimes very complex bureaucratic procedures. It would be preferable to leave the decision on the order of implementation of standard requirements for landowner or forest manager who will be aware of respective implications for communication on the FMU's performance and progress. However, in practice, legal compliance is likely to become the first step in many situations if buyers and markets are targeted which have specified legality as a baseline condition.

***Allowable Timeframe***

There is a common view that full certification must be achieved within an agreed timeframe. This period could be fixed (e.g., maximum five years) but it may also be left for the certification system, the producer or stakeholders in the country to define. More important than a uniform timeframe could be the fact that the action plan is clearly time-bound with relevant milestones for the achievement of the components of the standard. The allowable period could be different for community and private forests and for small and medium to large-scale forests.

The main concern related to this issue is that companies may enter the system and comply with the first level of requirements and holding thereafter any improvements until the very end of the maximum allowable period. This concern can, however, be addressed in the guidelines of the certification system.

***Communication***

The following target groups would be relevant for communicating on phased approaches: (i) governments in producer and consumer countries at central and local levels, (ii) buyers and their groups, (iii) the general public, (iv) NGOs (local and international), and (v) producers not yet involved in certification. Messages and mechanisms of communication could be tailored by target group.

The following principles are proposed for communication related to phased approaches: (a) The communication on the progress under phased approaches should be based on audit statements specifying the scope of assessment and level of achievement. They would allow clear messages to be used, including on the commitment made by the producer. (b) Market claims related to phased approaches (prior to full certification) should be left to business-to-business communications. Minimum requirements for such communications could be developed through a cooperative process. (c) Information should be made readily available for interested parties regarding producers and buyers which are involved in phased approaches under various systems. (d) It is important to specify or provide adequate guidance on what claims can be made by participants of a phased verification mechanism to ensure that any claims are correct reflecting the guidance given. The guidance provided should ensure that any claim made is accurate and not misleading. (e) No general agreement has been achieved on whether timber and timber products from forests under a phased approach should be differentiated in the market place. There are risks involved in attaching an on-product label on products from forests undergoing a phased approach unless it is one which explicitly states that the forest of origin is not yet sustainably managed. (f) Any claims or statements made based on phased approaches should be accurate, credible and truthful in the same manner as certification claims are. An eventual negative market reaction for misuse of such labeling could easily undermine the credibility of the certification scheme involved. (g) As soon as any market communication related to products and their origin is introduced, the verification of chain of custody should be implemented.

***Development of Provisions for Phased Approaches within the Existing Certification Systems***

The establishment of the phased approach within a particular scheme should be done through a participative process which includes all the relevant stakeholders. If there is no locally applicable standard available, the ITTO C&I, FSC P&C and other relevant international and national C&I sets can be used as a basis for defining components. However, ultimately specific standards of compliance will be needed to assess an FMU's progress toward SFM. The standard should also be accepted by key customers to ensure its value.

The certification body should carry out the evaluation process strictly within the rules of the certification system, with all the necessary formalities so that its results would be acceptable to all interested parties.

SFM certification follows a process very similar to the one used in management systems certification. The main differences in many cases are a public consultation before the assessment, a public announcement of the planned assessment or evaluation, and the public disclosure of a summary of the assessment or evaluation report to the interested parties and invitation to comment on this report.

## 6. Verification of Legal Origin

The issue of legal conformity is one of the most important elements in SFM verification. This is because a significant part of forest products in the market comes from forest exploitation that does not conform to law, and one of the aims of forest legislation is exactly to prevent the predatory or destructive exploitation of forest resources.

Legal compliance is a basic requirement practically in all the forest certification standards. The simple principle of complying with national legislation is, however, not easy to apply. Several issues have to be addressed in the verification process such as definition of legality, control of illegal activities, timber tracking, organization of verification, and auditing aspects. In addition, various compliance issues need to be addressed such as appropriateness, consistency, mutual compatibility, interpretation and implementation of legal requirements.

The scope and level of legal requirements vary extensively between countries. Lacking common definitions and approaches to what is considered good and adequate legislation is a source of concern for equal treatment of countries when their producers make claims about legal compliance.

At the international level, there is considerable experience on the regulation of trade through licensing systems. These instruments have not been tailored to address trade in illegally harvested tropical timber and timber products (apart from CITES listed species) and therefore other measures are needed. Certification and its phased approaches can contribute to better enforcement but their role is likely, by definition, to remain limited, not least because of the slow progress of certification in the tropical timber producing countries.

From the perspective of phased approach to forest certification, verification of legal compliance can be considered a process which involves three (or more) levels depending on specific market requirements: (i) verification that the timber comes from 'legal' sources, i.e., areas designated or authorized for timber production (including authorized land conversion) and it does not come from protected areas or areas which are not covered by concession agreements, cutting permits or similar authorizations; (ii) verification of compliance with forest and environmental legislation. As the main market concerns appear currently to be focusing on forest and environmental legislation (including wood coming from protected areas), these two areas of legislation could be given priority in the establishment of compliance; (iii) verification of compliance with fiscal, labor and other related legislation which is often more of national concern.

## 7. Social and Cultural Factors

In the tropical timber producing countries, there is a wide diversity of social and cultural conditions which influence how SFM is defined and thereby how certification standards are written. Social and cultural aspects are addressed in most certification standards but their coverage and weight vary depending on such factors as land tenure situation, community and indigenous people's rights, coverage of legislation and level of its compliance, forest ownership, multiple uses of forests, organization and legal rights of workers, etc. Standard development processes make provisions for participation of interested parties in order to duly address social and cultural factors in the certification requirements. The participation of landowners and forest communities representing different groups is of paramount importance for any appropriate standard setting process.

The verification of social and cultural aspects of the standard will be carried out in phased approaches in the same way as when full compliance is assessed. Therefore, the key issue is not

auditing but at which stage these aspects of the standards enter the phased implementation of the standard. In view of the difficulties to solve land tenure conflicts they can lead producers, certification bodies and even governments to set aside this issue. Phased certification could even deepen disputes by legitimizing the current use entrenching forest management systems that are incompatible with respect for forest peoples' rights thereby possibly undermining community livelihoods. The only way to address these risks would be to avoid leaving land rights towards the end of the phased implementation of the standard. One option could be to include it in the baseline requirements or the respective procedures could define at which (early) stage the rights issues should be complied with.

## 8. Constraints

Constraints to the implementation of phased approaches can be external or internal. The former can occur at international, national or local level and they are generally beyond the control of the FMU. Internal constraints are related to the policies and capacities of the FMU to achieve compliance with the standard and its certification.

There are various ways on how the constraints and barriers could be removed or reduced. Relevant examples include: (i) Lack of stakeholder support and participation at local and national levels can be addressed by broad-based consultative processes both in standard setting and certification processes, effective communication, etc. (ii) Regulatory and policy constraints both at local and national levels would require adjustments in legislation and policy guidelines. (iii) Weak institutional and organizational capacities would need targeted capacity building activities including structural reforms, training, improved information systems, etc. There is a particular need to create a pool of qualified assessor/auditors and technical specialists to work in external and internal audit teams. (iv) At international level, better coordination and cooperation between buyers of tropical timber in their procurement policies would be helpful. International and national certification systems should establish operational procedures for phased approaches. Promotional efforts would be needed among producers and buyers to accelerate implementation of phased approaches and to ensure market acceptance of products coming from tropical forests undergoing phased approaches.

## 9. Enabling Conditions

The various conditions which contribute to an enabling environment for forest certification and its phased implementation can be broadly divided between three elements: (a) the governance and regulatory framework, (b) the understanding of, and technical capacity to implement, responsible forest management, and (c) the demand for, and capacity to undertake, certification. Creating an enabling environment in a challenging task for all stakeholders.

There are a number of specific preconditions to make market-based certification work: (i) demand for certified and/or labeled products; (ii) conducive policy and regulatory framework, (iii) certification is locally driven; (iv) expected benefits exceed costs; (v) SFM is achievable in the short or medium term, and progress towards this goal can be recognized through certification; and (vi) effective broad-based participation can be arranged. These preconditions can be taken as necessary but they may not be sufficient to make certification work in practice.

## 10. Areas for Future Action

### *ITTO*

ITTO could have a pivotal role in alleviating barriers to, and promoting, phased approaches through following actions:

(a) Together with other relevant parties (e.g. FAO) convene a meeting of management representatives of international and national forest certification schemes to discuss modalities and share experiences on how phased approaches can be implemented within the existing certification schemes

(b) Based on the results of the planned international workshop on phased approaches in 2005, continue awareness raising among stakeholders in tropical timber consuming countries on the need and acceptability of phased approaches

(c) Monitor the provisions related to phased approaches in procurement policies of key tropical timber buyers in the international markets, assess their implications for producers and raise awareness among these buyers on the need for common definitions and approaches in their policies

(d) In view of the limited practical experience in implementing phased approaches, encourage and implement pilot projects with tropical timber producing member countries on practical modalities to implement phased approaches, including development of appropriate communication mechanisms within existing certification schemes

(e) Continue to periodically monitor and assess the development of forest certification and its phased approaches for exchange of experience between producers and consumers and certification systems

(f) Carry out consultations with parties developing criteria for certification standards and systems at international level with a purpose to incorporate explicit provisions for phased approaches in such criteria (including the WBCSD and TFD exploring the feasibility of the Legitimacy Thresholds Model).

### *Certification Schemes*

As phased approaches would have to be implemented within existing certification schemes these are encouraged to:

(a) analyze the feasibility of options for phased approaches within their systems

(b) develop necessary procedures for phased approaches within their own systems through participatory process involving all key stakeholder groups

(c) arrange pilot testing of phased approaches to ensure their practical implementation

(d) encourage certification bodies to develop services to audit phased approaches

(e) together with interested enterprises and their groupings and associations, promote exports of tropical timber and timber products undergoing phased approaches

(f) exchange accumulating experience with other certification systems on phased approaches with a purpose to create convergence between the respective provision.

***Governments***

In the producing member countries governments should consider to:

(a) provide financial and other incentives for enterprises and forest owners involved in implementation of phased approaches to certification
(b) support the establishment or strengthening of national systems for conformity assessment with special reference to forest management certification and development of associated necessary human resources through training.

In consuming member countries governments are encouraged to:

(c) assess, in advance, the impacts of any new regulation related to import of tropical timber on sustainable development and SFM in producing countries before such regulations are enacted.

In both producing and consuming member countries:

(d) incorporate provisions for phased approaches in government procurement policies related to tropical timber and timber products
(e) educate consumers on the merits of forest products from certified sources.

***Forest Management Units/Forest Enterprises***

The private sector producers of tropical timber and timber products are encouraged to consider:

(a) to embark on certification within a selected system which has provisions for phased approach
(b) to build up their capacity to achieve full certification within the specified time frames
(c) to communicate on the commitments made and progress achieved to the international market and stakeholders.

# 1. INTRODUCTION

## 1.1 Background and Objectives

Pursuant to the implementation of its Yokohama Action Plan of the International Tropical Timber Organization (ITTO 2001), a number or measures have been taken to support Producing Member Countries' efforts to make progress in certification of forest management. This has been a response to the fact that less than 10% of the world's certified forest are located in the tropical countries (Eba'a & Simula 2002). It is obvious that the existing certification arrangements have not been adequate to accommodate the specific constraints that producers of tropical timber are faced with in implementing sustainable forest management (SFM).

The International Tropical Timber Council (ITTC) in its XXXII Session decided to carry out consultations and prepare a study on the potential role of phased approaches to certification as a tool to promote SFM. The implementation of the decision also involved three regional workshops for stakeholder group representatives which were organized in Jakarta (January 2003), Libreville (March 2003) and Panama City (June 2003). The results of the study (Simula et al. 2003) were presented to the ITTC in its XXXIV Session.

The study established the need for implementing forest certification in tropical timber producing countries and it analyzed existing models and initiatives. Phased approaches have been developed by producers, certification bodies and schemes, consultants and individual buyers and these various models were analyzed (Box 1.1). The study identified a whole range of key issues including definitions, assessment, verification, implementation period, choice of requirements of the certification scheme, specific problems of small-scale forest owners and community forests, elements of credibility, communication, market acceptance, costs and benefits, the role of government, and need for co-operation between various initiatives related to phased approaches. Based on the analysis of these key issues, a general concept was proposed for the phased approach to forest certification in the tropical timber producing countries. The concept laid down a set of principles, proposed an implementation procedure and how the phases could be defined. The basic principles for related communication in the progress were also suggested. However, the concept was defined on a general level.

In its XXXIV Session, the ITTC decided[1] to make further progress in the development of procedures for the implementation of phased approaches in tropical timber producing countries. The full text of the Decision is attached in Annex 1 and its operative part defining the objectives of the report is reproduced below:

(a) Define and elaborate relevant terms used in phased approaches to certification, drawing on the concept of phased approaches as presented to the Council at its Thirty-fourth Session, and develop procedures on how such approaches might be implemented. In particular, definition and clarification on how verification of legality of timber origin should be undertaken based on national legislations applied in each member country as well as international agreements ratified by the member country shall be provided. It is also fundamental to analyze how the diversity of social and cultural conditions in all wood-producing countries is dealt with by the different verifications and certification approaches;

(b) Identify enabling conditions for implementation of phased approaches, at the local, national and international levels;

[1] Decision 10 (XXXIV)

(c) Identify both external and internal constraints that may impede implementation of phased approaches, at local, national and international levels;

(d) Consult with relevant parties, including buyers groups, consumer groups, industry, retailers, certification schemes, certifiers, forest owners and managers, governments, environmental and social NGOs, representatives of local communities and indigenous people;

(e) Prepare the draft procedures and present them at the Thirty-six Session of the Council to be held in Interlaken, Switzerland on 20-23 July 2004; and

(f) Taking into account comments and views of Member Countries, finalize the procedures and present them at the Thirty-seven Session of the Council to be held in Yokohama on 13-18 December 2004.

**Box 1.1 Models and Initiatives on Phased Approaches**

| Model/Initiative | | Comment |
|---|---|---|
| 1. | Individual producer approaches | Widely practiced by FMUs in the process of preparing for and implementing of certification. |
| 2. | Certification body programmes | Phased support programmes to FMUs under which the implementation of jointly prepared action plan is verified periodically. |
| 3. | Certification systems | FSC and LEI have developed concepts for phased approach. |
| 4. | Modular implementation and verification (MIV) | Implementation of the standard through a generic set of predefined modules. |
| 5. | Individual buyer initiatives (private procurement policies) | Procurement policies incorporating a phased approach often including legal compliance, known origin, phase-out criteria for unwanted sources and full certification as a final phase |
| 6. | Public procurement policies | Typically recognize three levels: (i) legal, (ii) legal and progressing to sustainable and (iii) legal and sustainable. |

Source: Simula et al. 2003

## 1.2 Methodology and the Structure of the Report

The study was carried out through the following steps:

(i) Critical review of the general concept proposed in the earlier study

(ii) Consultations with relevant parties

(iii) Review of the experiences involving phased approaches in other sectors

(iv) Review of initiatives related to verification of legality and social and cultural factor

(v) Analysis and preparation of the revised concept for phased approaches.

Consultations with interested parties involved buyer's groups, industry, retailers, certification schemes, certifiers, forest owners and managers, environmental and social NGOs. The list of organizations consulted with their email addresses is given in Annex 2. Representatives of local communities and indigenous people were not specifically consulted as it was felt that they would be better contacted when phased approaches are developed within the certification systems operating in their area. However, the organizations contacted represent these groups.

The groups consulted were approached in writing by requesting their views on the general concept for the phased approach to certification proposed in the earlier study. In addition, general guidance was requested for how the related issues could be addressed.

A total of fifteen replies were received. They were carefully analyzed and considered in elaborating the concept. In addition, a number of stakeholder representatives were informally consulted through personal interviews during the study process.

The input of government representatives was received in the XXXVI Session of the ITTC in July 2004 in which the preliminary report was discussed. Five countries provided comments after the session.

The report starts with a discussion of experience in phased approaches to certification in other sectors (Chapter 2). The purpose, relevant definitions and the general principles are then identified (Chapter 3). The proposed procedures to phased approaches are presented in Chapter 4. Verification of legality and other phases towards full certification is explained in Chapter 5. Social and cultural factors are discussed in Chapter 6, and enabling conditions, constraints and their mitigation in Chapter 7. The final Chapter 8 identifies areas of possible future action by ITTO, governments, certification schemes and tropical timber procedures.

## 2. RECENT DEVELOPMENTS AND RELATED INITIATIVES

Since the completion of the previous ITTO report on phased approaches to forest certification in September 2003, a number of developments have taken place which are relevant for the further elaboration of the concept. These developments concern two main areas: buyers' purchasing policies and criteria to be used for assessment of certification schemes. In addition, there are some interesting experiences on certification and phased approaches in other sectors that could contribute to the development of phased approach in forest certification.

### 2.1 Buyers' Purchasing Policies and Phased Approaches

#### 2.1.1 Buyers' Initiatives

Buyers committed to procuring only certified timber have been concerned about the limited availability of certified supplies, particularly of tropical timber. An increasing number of such buyers are putting in place purchasing policies which recognize that it will be a stepwise process to achieve fully certified supply on a commercial basis. The WWF Global Forest & Trade Network (GFTN) have developed guidelines for responsible purchasing of forest products to assist such buyers. The report (White & Sarshar, undated) recognizes a stepwise approach which can progress through the following categories of suppliers:

(i) known source that complies with the purchasing policy
(ii) legal source
(iii) source in progress to certification, and
(iv) credible certified source.

A buyer's management system is identified to be able to properly support the responsible purchasing program. It includes (a) an initial review of the company's status, (b) assigning a senior management representative to be in charge of the policy setting and compliance, (c) definition of

the company's purchasing policy, and (d) provisions for clear and truthful communication. Traceability, assessment of suppliers, and internal action plans and targets are essential components of the management system of responsible buyers.

To provide a practical tool to assist interested buyers, including GFTN members, in implementing phased approaches, ProForest (2003) has developed a toolkit for modular implementation and verification (MIV) of forest management standards and certification (Box 2.1).

From the tropical timber producers' viewpoint, it is important to note some of the details of the classification of sources. In the initial stage, it is established whether the source is reliably known, i.e., traceable to an acceptable level with respect to the level of risk. The next issue is whether the source complies with the company's purchasing policy. A number of unwanted sources are identified as a general rule which may include (i) suppliers which have not responded to the buyer's inquiries about the supply source, or (ii) the product is not traceable to the forest, or (iii) there is unwillingness to disclose the source of the product, or (iv) the integrity of supplier and supplier data are in doubt, or (v) the source is suspected or identified as being unacceptable. The latter may include timber coming from High Conservation Value Forests (HCVF), a forest which is inappropriately converted, protected area, illegal operation, or a source which is suspected or identified as operating in a manner which is deemed unacceptable. These concepts are illustrative examples but already applied by some important buyers in their purchasing policies.

Several companies continue to pursue their own phased approaches in procurement policies which were reviewed in the earlier ITTO report (Simula et al. 2003). One of the pioneers in this field has been the UK-based B&Q which in its revised Timber Buying Policy recognizes a system of three tiers of certification schemes: (i) FSC certification, (ii) schemes in progress toward FSC such as TFT, and (iii) other third party certification schemes for which a set of assessment criteria have been specified. There is a requirement for companies to reduce the proportions of other than FSC schemes over time. This kind of approach may become common in the future among companies which belong to GFTN as FSC commitment is part of the Network's approach.

Sources which are in progress to certification are required to be (a) fully traceable, (b) satisfying all purchasing policy requirements, (c) to have in place, at the minimum, second-party checks and systems to ensure legal compliance, and ideally a third-party verification of legal compliance and chain of custody, (d) a public policy commitment to achieve a credible standard of certification, (e) a completed baseline audit or audit to establish certifiability, (f) an agreed time-bound action plan to achieve certification, (g) regular monitoring, and (h) a credible program to achieve these aims.

As pointed out in the earlier ITTO report, there is a risk for the proliferation of different buyers' purchasing policies in the tropical timber market due to the fact each company is in a different situation. Differing requirements could result in undue obstacles for those tropical timber suppliers who want to serve the needs of several buyers to hedge against customer risks. Therefore, it would be desirable to have common definitions and policies on the buyer side to facilitate the access of suppliers to their purchasing. The GFTN guide does not go far enough in this respect.

**Box 2.1 Modular Implementation and Verification (MIV): Toolkit for the Phased Application of Forest Management Standards and Certification**

MIV, developed by ProForest, provides a predefined set of modules that cover thematic areas of forestry standards. FMUs can choose in which order these modules are implemented within an action plan.

The 21 MIV modules have been divided into five groups: (i) legal, (ii) technical, (iii) environmental, (iv) social, and (v) chain of custody. Under each module the required outputs have been listed and guidance is provided for national interpretation and forest managers. Special provisions for small, low-impact and community forests have been identified.

The modules have been related to FSC Principles and Criteria as well as ITTO's Criteria and Indicators and Guidelines for sustainable management of plantations and natural tropical forests.

MIV could be particularly useful for communication on progress under different certification standards and it was developed to meet buyers'needs in implementing responsible purchasing policies. For donors and investors MIV could offer a tool to link investment to a programme of improvement and eventual certification.

MIV was presented and assessed in two regional ITTO workshops on phased approaches in 2003. It received some support but its added value compared to direct implementation of a forest management standard through a phased approach was questioned.

MIV would be potentially useful for FMUs which want to embark on certification through a phased approach but cannot choose the certification system in the beginning of the process. MIV also offers a solution for linking various certification standards and C&I frameworks to each other through its set of modules.

Source: ProForest 2003, Simula et al. 2003

### 2.1.2 Joint Buyer – Supplier Initiatives

A parallel initiative has been taken by the Tropical Forest Trust (TFT) operating in the IUCN Headquarters. TFT is working to transfer the international trade in tropical timber and timber products into an agent for forest conservation and sustainable and equitable social and economic benefits of all points in the supply chain. TFT is committed to expand independently certified area of natural forest under the FSC scheme and to assist its members to exclude illegal and other unwanted sources (TFT 2002). TFT proposes a wood control system which includes seven elements in participating companies (TFT 2003):

(i) a wood policy identifying non-acceptable wood
(ii) a procurement programme ensuring such wood is not used
(iii) chain-of-custody system establishing the origin
(iv) wood origin control procedures
(v) internal audit system
(vi) independent third party audit process
(vii) a reporting system informing stakeholders on the progress.

TFT's "Good Wood, Good Business Guide" is supported by guidelines for a wood control system monitoring (TFT, undated). TFT is currently (September 2004) working with about 30 sawmills/wood-working plants in Indonesia and Vietnam implementing their procurement guidelines. In addition, TFT is working with about 12 forest projects to help them achieve FSC certification (Poynton, pers. comm.).

## 2.2 Defining Credible Certification Schemes

A number of efforts have been made to develop commonly accepted criteria for what is considered credible or recognizable certification standards and schemes. This work which earlier focused on mutual recognition has now shifted to development of various criteria and indicator lists which have been used or intended to be used for assessing the characteristics of schemes. As there is no recognized body to independently carry out such a work through an inclusive process, past assessments have been made by NGOs (e.g. Fern 2004), industry bodies (e.g. CEPI 2000), consultant companies or alike (e.g. Nussbaum et al. 2002). Some of these assessments have been claimed to be not objective with a purpose of promoting a scheme or discrediting another. This unfortunate situation is due to the fact that supporters of FSC and other forest certification schemes or endorsement programs like the Program for Endorsement of Forest Certification (previously Pan European Forest Certification) have not been able to bridge their divergent views on which scheme to support.

The first set of criteria for certification systems was agreed upon by the Inter-governmental Panel on Forests (IPF). Since then several bodies have come up with more elaborated lists (e.g. CEPI, IFIR, etc.). Detailed comparisons have also been carried out e.g. between the Sustainable Forestry Initiative (SFI) scheme developed by the American Forest and Paper Association (AF&PA) (Meridian Institute 2002). A potentially influential list of criteria has been developed by the World Bank (WB)/WWF Alliance for Forest Conservation and Sustainable Use which was recently supported by a detailed Questionnaire for Assessing the Comprehensiveness of Certification Schemes/Systems (QACC). This tool is planned to be tested during 2004. The QACC was developed by the Alliance to evaluate the extent to which various certification schemes and systems when implemented in actual practice meet the 11 criteria the Alliance has identified as necessary in order for the Alliance partners to count forest hectares toward their internal target for certification. While the QACC and the 11 Alliance criteria do not make any explicit reference to a phased approach, they are not exclusive of such an approach. The criteria are meant to suggest which certification systems (for WWF purposes) are suitable goal for companies to work toward in the phased approach with GTFN guidance (Cabarle, pers. comm.).

The various assessment tools also include documents prepared to assist users of certification to choose between schemes or assess their acceptability (e.g., Nussbaum et al. 2002,). In general, these various instruments do not make any explicit reference to phased approaches which is neither mentioned in the earlier criteria lists. On the other hand, the criteria lists are neither exclusive of such approaches.

The World Business Council for Sustainable Development (WBCSD), with the support of The Forests Dialogue (TFD), has developed the concept of Legitimacy Thresholds Model (LTM) which could be used to identify how various certification systems meet the various threshold criteria set for them. TFD is a civic society/business leader multi-stakeholder forum focusing on key SFM issues including certification. The purpose was to move the forest certification debate forward and catalyze a multi-stakeholder supported approach to addressing the pressing issue of scheme proliferation, interaction and conflict. The LTM proposes an independent framework for scheme assessment based on (i) SFM attributes and measures, (ii) a range of transparent thresholds or benchmarks of legitimacy or credibility defined and agreed to by stakeholder groups, and (iii) rating of different certification schemes against these thresholds by an independent organization. Further work is ongoing to make the LTM approach operational which would require (Griffiths 2003):

1. Agreement on definitions of different credibility thresholds

2. An agreed methodology to assess the credibility of systems or suppliers against defined credibility thresholds
3. A transparent and inclusive process to reach agreement on thresholds and assessment methodology
4. An independent rating agency recognized and respected by stakeholder groups to periodically rate or benchmark systems and suppliers – using agreed methodologies and thresholds
5. A Code of Conduct between certification systems promoting fair competition within the market place.

The LTM initiative has a close linkage with the development of phased approaches in the tropical timber producing countries. One of the LTM benefits is foreseen to enable developing countries to take a phased or step-wise approach to improving SFM and achieving certification over an agreed timeframe. The LTM model also provides an agreed "mid-level" threshold of SFM which, for instance, small forest owners or developing country suppliers must achieve to be considered credible by a defined group of stakeholders. This threshold could involve a limited number of SFM attributes reflecting the different capabilities of micro forest owners or community forestry operations (Griffiths 2003).

## 2.3 Lessons Learnt from Related Initiatives in Other Sectors

Over the last few years the use of certification has rapidly been extended to a wide range of sectors. In some of them, certification was already well established but its use has intensified and gained new application areas. In some other sectors, certification (and expanding use of standards) is a more recent tool towards improved performance. However, in various situations there has been a perception that, despite its recognized positive effect and benefits, requiring a certification can cause major difficulties for at least some market players, particularly small and medium-sized enterprises (SMEs). In some cases, a certification requirement by large customers (or even by the government) may cause market access problems for SMEs, while in other cases the requirements of the standard used as reference for certification have created hurdles for enterprises in developing countries. In yet other cases, it has been perceived that because of the great effort needed to fully implement the requirements of a specific standard there is a need for mechanisms that would not only (i) encourage enterprises to comply with them, but (ii) these companies should also be rewarded somehow during the process of implementation.

This kind of concerns are similar to those related to forest certification and its phased implementation. Therefore, an analysis of experiences in other sectors and lessons learnt can contribute to the development of phased approach in forest certification. The following initiatives were reviewed (see Annex 3 for detailed discussion):

1. Brazilian Program for Quality and Productivity of the Habitat
2. Sustainable Tourism Certification in Costa Rica
3. Sustainable Tourism Certification - Green Globe 21
4. Green Globe 21 International Ecotourism Standard.

These examples showed that phased approaches to certification could be implemented in different ways. The experience in other sectors is still incipient but accumulating rapidly. There are no general principles which could be directly drawn on for phased approaches to forest certification. The following observations can, however, be made:

- Requirements and timeframes are defined by the scheme or its stakeholders, not the operators

- Phased approaches can be applied to both performance and management system standards
- Maximum five levels or phases are found in the schemes reviewed, the levels are usually cumulative
- The assessment criteria appear to be extensive in all the cases reviewed. This ensures the coverage of various aspects of sustainability.
- Pre-determined timeframes for reaching various phases can be effective in ensuring that progress is truly made by participants
- All the schemes have a baseline requirements but their levels vary extensively within a sector
- The percentage-based approach can be a feasible alternative to establish predetermined phases
- The percentage-based approach can also be useful in establishing an overall measure of progress towards full standard compliance and in communicating the assessment result in a simple manner
- A strong demand pull to promote the schemes by buyers and financing institutions can spread the scheme among operators
- The Green Globe 21 Program and its variant International Ecotourism Standard are strongly marketing oriented, which effectively encourages voluntary participation by operators
- Certificates and logos use are important means of communication and for attracting interest by potential participants.

## 3. PURPOSE, DEFINITIONS AND PRINCIPLES RELATED TO PHASED APPROACHES TO FOREST CERTIFICATION

### 3.1 Purpose

The original purpose of market-oriented certification is two-fold:

(1) to improve the quality of forest management
(2) to provide market advantage or improved access for products from sustainably managed sources.

The impact on the quality of forest management is achieved through high standards, the compliance of which is independently verified. The weight given by stakeholders to individual objectives vary reflecting their motivation to support the use of this instrument. Several additional objectives may be attached to certification depending on the situation, such as reduced need for law enforcement, improved efficiency, investment risk reduction, etc. They tend to be complementary by nature rather than driving forces.

The purpose of phased approaches is to provide a mechanism for tropical timber producers which would facilitate their access to certification involving verification of the progress made towards full certification status and a means of communicating on that progress. On the other hand, phased approaches should not lead to lowering of standards but they can support producers in situations where these initially are poorly equipped to implement the standard requirements.

The phased approach is a mechanism that promotes implementation of certification by FMUs in developing countries, small and medium-sized FMUs and even those FMUs in developed countries that have difficulties in implementing sustainable forest management. It is a mechanism that recognizes the effort made by an FMU to attain the requirements of a forest management standard, even if it has not yet succeeded in reaching the full implementation of those requirements.

The recognition of the need of a tool such as phased approach results from the perception that the required level of performance that corresponds to the reference standard is not attainable by the average FMUs in the tropical timber producing countries and that, therefore, some kind of mechanism is needed to allow to enter the development process which will result in full compliance in the near future. On the other hand, the absence of such an incentive mechanisms could create the undesired effect of leaving those FMUs outside the international market, or pushing them to the informal market.

### 3.2 Definitions

Certification is essentially a process of conformity assessment, conducted by a third party, which takes place against a standard. In the case of forest management, such a standard can refer to performance requirements and/or the organization's management system. Certificates are aimed at communication and can be linked with labels or trademarks used on products or otherwise. Such labels are the property of a governing body, which also sets rules for how labels can be used. Accreditation of certification bodies is an essential element to ensure reliability of conformity assessment and thereby credibility.

A standard defines the requirements to be met by forest management units (FMU). Such requirements express what "good", "responsible" or "sustainable" forest management is in practice. Different certification schemes use different epithets in explaining the quality of forest management that they certify. It is generally implied that sustainable forest management is the underlying goal, be the term used or not.

The standards were conceived to be used in certification in such a way that they would allow FMUs that implement them to distinguish themselves positively in the market and to obtain business advantages by adopting such practices. It is expected that such FMUs will maintain or even increase their market share in those markets were consumers are demanding forest products from FMUs with sustainable practices, or that they will be able to obtain better prices for their products.

The standard requirements, usually expressed as criteria and indicators, have to be understood and often interpreted in the specific local conditions before an FMU can improve their practices so that full compliance is achieved. This implementation process is the responsibility of the FMU.

The FMU should have a management system appropriate to the type and scale of its operations to ensure that the standard requirements are complied with. This involves resource assessment and planning, implementation (silviculture, harvesting, infrastructure development, etc.), and arrangements for monitoring and evaluation.

Verification is the process of assessing forest management against the standard requirements (or other requirements such as legality). Verification is based on evidence derived from the data produced by the FMU's management system and other information collected by auditors. Verification also establishes whether the FMU's management system produces reliable data.

The certification process ends up with the assessment of the audit report and issuance of the certificate stating that the standard requirements have been met. This claim can be used for market communication.

If such a claim is attached to a product, the Chain of Custody (CoC) has to be verified. CoC certification establishes that a product (or part of its raw materials) comes from certified sources.

These various elements of the certification process are also present in phased approaches which are aimed at verifying stepwise progress made by the FMU towards full compliance with a certification standard.

In order to ensure the reliability of the certification system:
- the competence and quality of certification bodies has to be assured which is provided by accreditation
- the claims and their use through labeling and communication means are adequately controlled by the owner of the system.

The key definitions are given in Box 3.1.

### 3.3 Principles and Preconditions for Phased Approaches

The following general characteristics have been considered essential for phased approaches in the case of tropical timber (Simula et al. 2003):

(i) full certification should be the goal in all phased approaches;
(i) there should be mechanisms to support producers to achieve SFM and its certification;
(ii) they should operate at FMU level;
(iii) they should involve clear commitments from the participants;
(iv) there should be a defined timeframe within which action plans addressing gaps in performance should be implemented;
(v) adequate means to communicate on the achieved and verified progress should be provided, involving chain of custody verification;
(vi) transparency;
(vii) adaptability to accommodate differing producing country conditions;
(viii) independent audits based on clear rules and procedures, and
(ix) absence of conflict of interests in the work of auditors.

**Box 3.1 Key Definitions Related to Phased Approaches to Forest Certification**

- ***Accreditation*** is recognition against published criteria of capability, competence and impartiality of a body involved in conformity assessment. With a few exceptions (FSC and other ISEAL members), accreditation is granted by national accreditation bodies, which can be governmental or private. To facilitate mutual recognition at international level, ISO has set out recommendations that accreditation bodies should follow.
- ***Assessment*** is the process of collection of evidence and judgement of the results to establish compliance to the set requirements.
- ***Auditing*** is defined as a systematic, documented verification process of objectively obtaining and evaluating audit evidence whether specified activities, events, conditions, management systems, or information about these matters conform with certification criteria.
- ***Certification*** is a process by which a third party gives a written assurance that a product, process or service conforms to specified requirements (ISO/IEC Guide 2). Assessment forms an essential part of this process.
- ***Certification of forest management*** is an established and recognized verification procedure that results in a certificate on the quality of forest management in relation to a set of predetermined criteria based on an independent (third-party) assessment.
- ***Chain of Custody*** refers to all the changes of custodianship of forest products and products made thereof during the transportation, processing and distribution chain from the forest (source of supply) to the final end use. When the chain of custody is verified, the origin of forest products is established.
- ***Environmental label*** or declaration-claim indicates the environmental aspects of a product or service. This may take the form of a statement, symbol or graphic, on a product or packaging label, product literature, technical bulletin, advertising, and publicity, among others.
- ***Forest certification standard*** expresses the requirements that an FMU has to comply with to achieve certification. It includes performance requirements and often some management system requirements.
- ***Forest management unit (FMU)*** is a clearly defined forest area, managed to a set explicit objectives and often according to a long-term management plan.
- ***Labeling of forest products*** is defined as a process which results in a claim which may be used on-product referring to the quality of forest or forest management in the origin of the raw material (wood, fiber) of which the product is made. Labeling is based on (a) certification of forest management, and (b) verification of the chain of custody. Information on certification can also be communicated off-product, i.e. in various promotional materials and communication media not attached to the product on sale.
- ***Management system requirements*** define the system elements which an FMU should have in place as part of the forest management standard.
- ***Performance requirements*** are usually expressed as criteria and indicators for the outcomes and measures of forest management as part of the forest management standard.
- ***Phased approach*** is defined as stepwise verification of compliance by an FMU with a forest management standard and associated means of communication.
- ***Verification*** takes place through an audit, which can be external or internal. External audit is carried out by an independent third party. It may be preceded by an internal audit by the organization itself (first party) in order to ensure that compliance with the requirement set can be successfully verified during the external audit.

All the other general principles of forest certification would apply for phased approaches, such as reliability of assessment, non-discrimination, applicability for all types and scales of forest management, etc.

In addition to these general principles in order to be successful, the phased approach should have a mechanism to assure that customers will recognize that the FMU's products are the result of an improved forest management even if the FMU has not yet reached full compliance with standards. Therefore, there should preferably be clearly established requirements for each phase. The status of individual FMUs in the achievement of each phase should be clear and transparent allowing communication to those concerned (customers, government, etc.). This could be done by means of certificates, attestations, or other mechanisms.

It is not important from where an FMU started off, but where it is now and where it is going to. It is neither important how FMU plans to implement the requirements. But it is important that the intermediate stages (the different levels of the requirements) are clearly defined or measured, consistent and perceived by stakeholders as representing a significant improvement from the previous stage.

It is also important that buyers of forest products understand the mechanism, know how it is established and agree with the phased approach and the way it is implemented. They should be able to distinguish products and supplies with regard to their level of achievement to meet the defined sustainability requirements. If buyers of forest products do not perceive the positive elements of the phased approach and consequently give their preference solely to products of FMU which have obtained full certification then phased approach will not work. It will be impossible for FMUs to obtain effective incentives when they are still far from full standard compliance even though they are making a time consuming and costly effort to reach it.

The best way to achieve the above objectives is to define the elements of the phased approach through common stakeholder agreement, preferably on a national or international level. The phased approach should be the result of an agreement between all parties involved, in a specific context and with the aim to encourage FMUs to become involved in sustainable forest management. The purpose is to provide a communication mechanism to the market, enabling customers to take into consideration the current status in sustainable forest management in an FMU and to give preference to producers that are complying with the targets set in the phased approaches. In order to implement such an approach, it is necessary to previously agree on stages or phases through which the full standard requirements are to be reached. This agreement must be known and accepted by customers in the end-use market to make a phased approach feasible.

Finally, it is emphasized that any phased approach should be cost-effective to facilitate tropical timber producers to achieve certification in their particular conditions with costs and efforts which can be borne by them. There is a risk that joint costs of both preparing for certification through phased process and the final certification can became prohibitive if means are not provided for how to benefit from the effort during the implementation process.

## 4. PROCEDURES FOR THE PHASED APPROACH TO FOREST CERTIFICATION

### 4.1 Overview

To develop a phased approach system within an existing certification schemes, the following issues were considered:

(i) the definition of how many phases will be determined taking into account the difficulties in achieving full compliance; between two and four intermediate stages are suggested;
(ii) the definition of the requirements to be complied with at each stage;
(iii) the definition of the allowable time frame for the entire process and its individual phases;
(iv) definition of the mechanism to communicate on the progress to customers, the public, and other stakeholders;
(v) implementation of the phased approach;
(vi) development of provisions for the phased approach within existing certification systems.

The following sections will explain procedures for how these issues can be addressed.

## 4.2 Options for Defining Phases in the Phased Approach

There are several options which can be considered for the overall procedure for phased approaches allowing clear communication on the degree of progress made in the compliance of the standard:

*(4) Baseline and action plan*: Verified baseline requirements as the first step and verified progressive implementation of the FMU's action plan to achieve full compliance (Simula et al. 2003);
*(5) Cumulative phases*: The FMUs would receive recognition when complying with a preset degree of compliance with the full standard (expressed e.g. as scores, percentages and alike);
*(6) Predefined phases*: The standard requirements are divided into clearly defined phases, establishing which requirements need to be achieved in each specific phase.

These options will be examined in more depth in the following section.

### 4.2.1 Baseline and Action Plan Approach (Option 1)

For the purpose of phased approach, the requirements of the chosen certification standard may be divided into legal, economic, environmental and social components which may be used in defining the phases if this is found feasible by the FMU. If there is no locally applicable standard available, the ITTO C&I, FSC P&C and other relevant international C&I sets can be used as a basis for defining components. Another potential tool for this purpose is the MIV toolkit which as a generic framework cover the elements found in most existing certification standards (ProForest 2003).

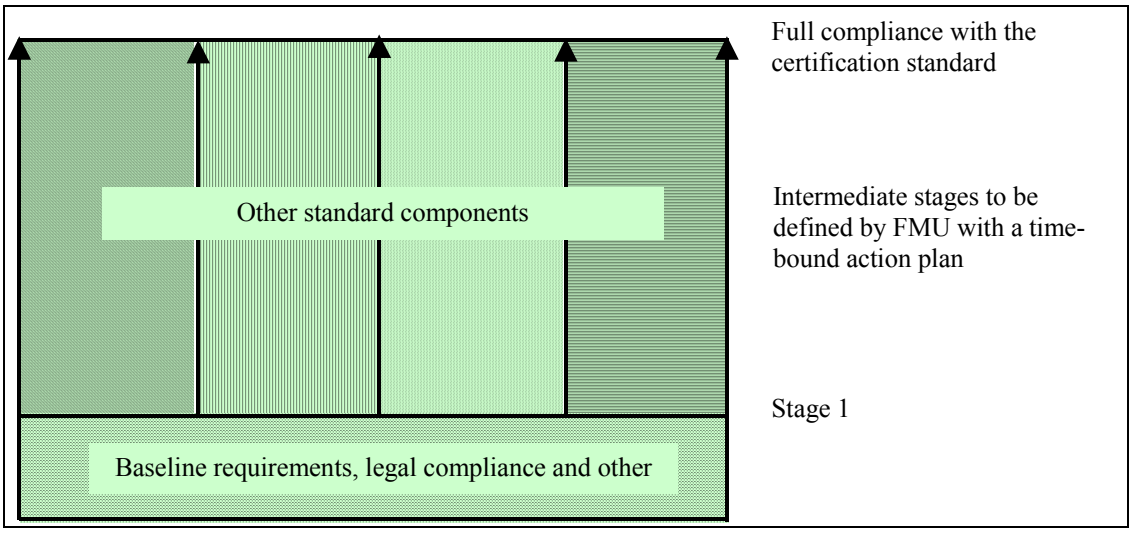
With regard to defining the steps and their sequence, the proposed concept is based on the following principles which are illustrated in Figure 4.1:

(a) There should be a set of minimum baseline requirements which the FMU's action plan should address first
(b) Verification of legality should form part of the baseline requirements
(c) FMU's should have freedom to choose how to implement the other components of the standard requirements within a specified time period.

In practice, the last point suggests that an FMU carries out closing its gaps over the defined period of implementation through successive steps. The external auditor verifies (e.g. annually) that the planned activities for the period have been implemented. For external reasons, there may be a need for adjustment of the action plan during the implementation period. If the FMU has successfully failed twice to meet the targets it has set itself, it is dropped out of the phased approach.

The action plan should not be skewed where most of the gaps are closed during the last years.

**Figure 4.1 Option 1 - Defining Stages of Phasing Approach to Forest Certification**




### 4.2.2 Cumulative Phases Approach (Option 2)

The "cumulative phase approach" is a process, where an FMU demonstrates the achievement of a certain percentage of compliance to the full standard requirements, it would receive a level I certificate followed by a level II certificate and so on, until it reaches the ultimate degree, corresponding to full compliance.

For this mechanism to have adequate credibility with buyers of forest products, the requirements of the standard should be grouped according to their nature or thematic area (e.g., forest management, social, environmental and economic aspects) so that the degree of achievement in each category of requirements can be properly verified. The degree of achievement in each category would be assessed through audits with a scale from 0 to 100 (for example), where 0 corresponds to complete non-compliance and 100 to full compliance. The lowest score among all categories will determine the score of the entire assessment of FMU.

It is possible to establish the obligation to comply with some specific minimum requirements in each phase, as would be the case in the first level of legal requirements (see an example in Table 4.1).

**Table 4.1 Example of Levels of Compliance in the "Cumulative Phases" Approach**

| Level | Degree of compliance /% assessed indicators |
|---|---|
| Not certified | < 50 |
| 1 | 50-64 |
| 2 | 65-79 |
| 3 | 80-89 |
| 4 | 100 |

Full compliance with the legal requirements should be a compulsory part of Level 1.

The percentages of compliance in each category can be defined as the ratio between the number of criteria/indicators complied with and the total number of criteria. This would mean that each criterion/indicator would have an implicit equal weight.

One of the most complex aspects of this approach is to establish an appropriate explicit weighting system to the compliance assessment. It could be structured within the hierarchical structure of the standard. As a general rule, the weighting criteria should be as clear and simple as possible and they should be transparent. The evaluation can be based on a standard checklist, which might, however, create a certain difficulty in transferring standard requirements to a weighting system. It is therefore advisable that all interested parties should be involved in compiling such a checklist where weights are used.

A weighting system for the ITTO C&I has been proposed by Appanah & Kleine (2001). Their scoring system was developed based on the following considerations:

(1) Assessment results of individual aspects which are of different scale (e.g. yes/no or large/medium/small or 1,2,3,4 etc.) are transformed into a single scale through the allocation of points

(2) The determination of a maximum achievable number of scores determines the importance of the aspect at a certain level within the overall system. This allocation of "weights" take place at two different levels, namely, the level of indicators and the level of assessable verifiers. At the lowest level, the allocated scores determine the importance of the assessable verifier in relation to the indicator. At the next higher level, the allocated scores determine the contribution made by individual indicators to the achievement of the related criterion and principle.

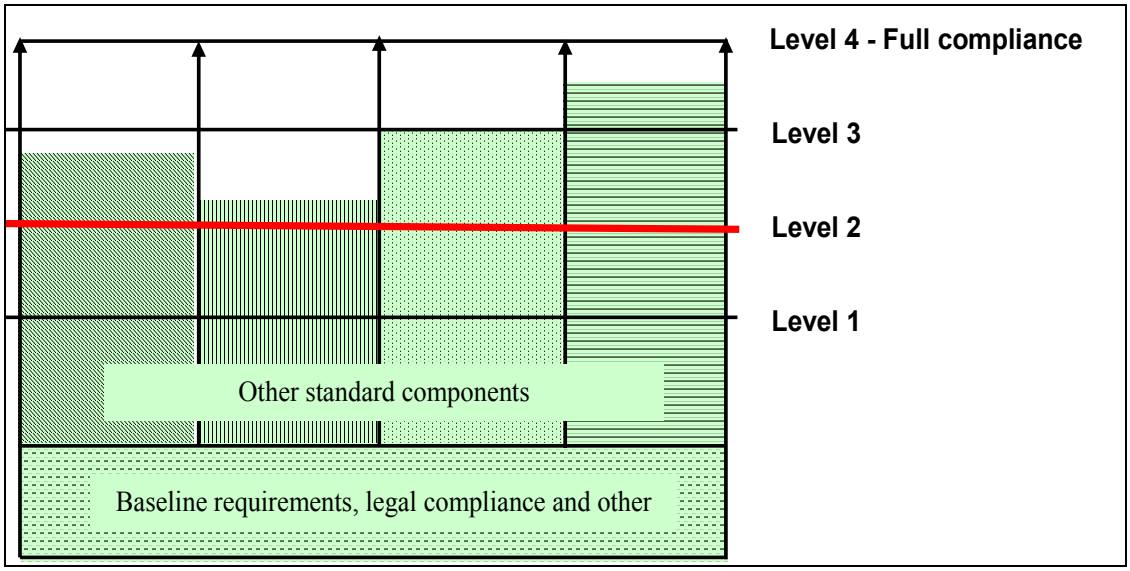
(3) The final result produced by the scoring system is presented separately for the individual criteria (if applicable, ecological regions or forest types and/or management system) expressed as grade or performance levels.

With this option, the FMU does not apply for certification at a specific level. The level where it will find itself will be determined by the result of the certification assessment. The FMU is always audited using the full standard, even if it has not yet implemented all the requirements, depending on its planning.

The progress of an FMU to a higher level will require a new audit. There should be a possibility for an FMU to request a new audit when it feels it is ready to reach a new level. Figure 4.2 illustrates a hypothetical case of an FMU that has reached Level 2 of phased certification.

The system referred to as 'cumulative' has its pros and cons. Perhaps one of the most negative points is the fact that one never knows exactly which requirements an FMU is complying with and which ones it is not. It is likely to be difficult for the interested parties, especially buyers of forest products, to understand the multiplicity of levels of that FMUs are undergoing before reaching full certification.

**Figure 4.2 Option 2 - Example of a Hypothetical Case of an FMU Certified at Level 2**




### 4.2.3 Predefined Phases Approach (Option 3)

In this case, the standard would be analyzed to break it down into a predefined number of parts. These would establish what requirements should be complied with at each level of the phased approach. To achieve a certain level, it would be necessary to comply with all the requirements of this level as well as all those of previous levels.

At each level, the requirements need to be established for the three dimensions of sustainability (social, environmental and economic), together with those related to forest management. Equally, legal requirements should be part of the first level.

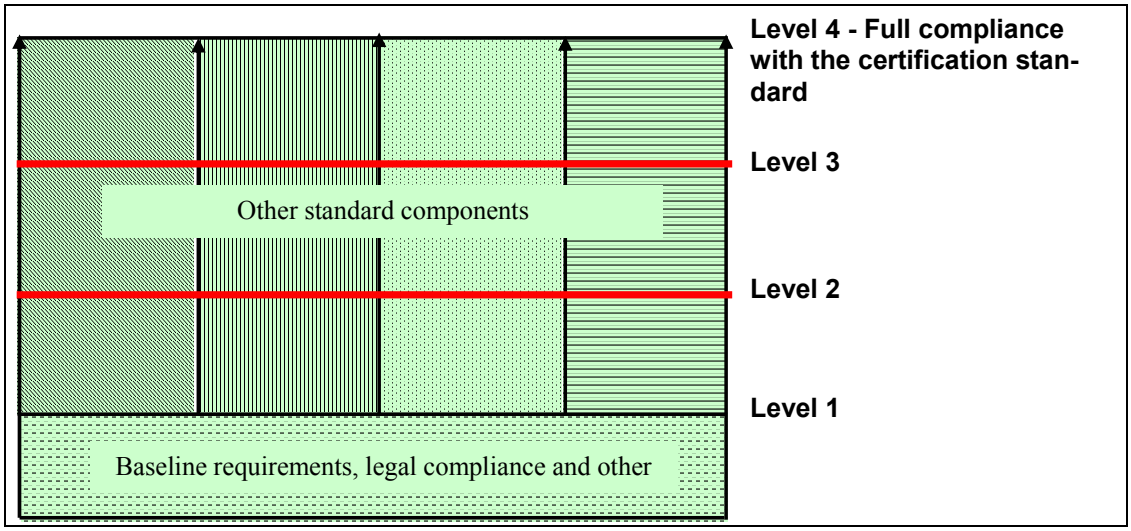
The establishment of the requirements for each level should be made in a participative process which should include all the relevant stakeholders. In addition, it is inherent in this type of approach to establish a timeframe for reaching each specific level. After a certain period of time, an FMU would no longer be allowed to remain at the present level (an FMU would either proceed to the next level or would lose its certification of the present level of compliance).

With this type of approach, relevant stakeholders can know at what stage an FMU stands on its way to full standard compliance. This, of course, implies a national commitment (or an international one, depending on the coverage of the certification system) with time-bound performance targets for sustainable forest management. For example, a certification system could specify that FMUs must reach Level I during the first year. Thereafter, they would have to reach Level II within, say, another year. Those that would not be able to achieve this would loose their certification and would no longer be allowed to be certified at Level I again without a new entry to the system. From Level II, FMU would have to proceed to Level III under the same conditions and then on to Level IV, which could correspond to full standard compliance (Figure 4.3).

It should be noted that in this option, an FMU can decide at what level it wants to be certified and it formally applies this to the certification body. In case it is unsuccessful in achieving its intended level, the certification will not be granted. In other words, there is no possibility of being ‘reclassified’ or certified to a lower than requested level.

The advantage of this approach is that, at every stage, the relevant stakeholders have a clear perception of what is being achieved and what is not, making the process transparent.

**Figure 4.3 Option 3 - Predefined Phases Approach to Forest Certification**




## 4.3 Assessment of Options

The three options presented above are illustrative and there are certainly other ways on how phased approaches could be implemented. For instance, option 1 could be linked to verification of predefined components of a certification standard. In each phase, it would be communicated which particular elements of the standard have been complied with after each assessment[2].

Another variant could be to merge options 1 and 2. In this case, the action plan could be divided so that it would be targeted at verification of successive levels of the standard by thematic area.

Assessment of options to phased approaches could be made from different viewpoints:

- Buyers and consumers would like to have a credible way to verify phased implementation of the certification standard so that the result could be communicated to the market in a simple way
- Forests managers would like to have a cost-effective way to implement certification which could bring market and other benefits to help bear the heavy upstream costs of the process. Such a solution should not be prescriptive as regards in which order the requirements should be met to allow necessary flexibility for implementation.

These two viewpoints are not necessarily fully compatible.

The chosen options should be in accordance with the various principles which have been earlier identified as applicable to phased approaches (section 3.3). All the three options can be implemented in such a way that these principles are complied with.

[2] Option 1 could also be implemented through the MIV approach if its predefined modules are considered useful by the FMU.

An assessment of the three options is presented in Box 4.1 which shows that each option has its pros and cons. It will, however, be necessary to seek further stakeholder views which option should be preferable in various country specific-conditions and in the context of various certification schemes.

Option 3 would be clear and transparent for stakeholders but involves difficulties in defining the stages in a suitable way for various producer situations. This lack of flexibility is likely to make option 3 unfeasible. Option 2 suffers from the judgmental problems of setting weights and somewhat untransparent result on what exactly has been complied with. During the consultations with stakeholders, it has become apparent that such a weighting will not be acceptable for many of them.

In spite of its shortcomings, option 1 appears to be the most practical solution for phased approaches. It is also important to emphasize its acceptance among a group of key buyers, as it is in line with their procurement policies of tropical timber (cf. White & Sarshar, undated). The weaknesses of this option could be addressed by a number of measures:

- In communication, it could be made clear which particular elements of the standard have been complied with. For this purpose the structure of the standard could be used as a basis, or, if not practical, it could be divided into thematic components or modules (e.g. along the lines proposed in the MIV).
- The progress in implementation could be made incremental in the sense that once compliance with a requirement has been achieved, it should be maintained
- Certification schemes adopting a phased approach could establish specific guidelines for avoiding too skewed implementation of the requirements (i.e. phasing all the sensitive issues to the very end of the implementation period) if this proves to be a problem in practice.

**Box 4.1 Assessment of Implementation Options for Phased Approaches**

| Option | Strengths | Weaknesses |
|---|---|---|
| 1. Baseline and action plan option | • Support from producers offering them flexibility in implementation<br>• Already established practice (e.g. TFT)<br>• Compatibility with GFTN member's procurement policies | • Lack of clarity of the meaning of subsequent phases beyond the baseline<br>• Easily unclear communication on the progress made after the baseline<br>• Possibility for misuse if FMU phases all demanding requirements for the end of the implementation period<br>• Lack of consistency with ISO rules<br>• Difficulties in "selling" the scheme to some buyers |
| 2. Cumulative phases option | • Allows flexibility for producers in implementing standard requirements<br>• Possibility to communicate on the progress in the level of compliance of the entire standard<br>• Possibility to set target dates for intermediate stages | • Involves weighting of individual criteria (implicit or explicit)<br>• Lack of transparency on which standard elements have been complied with<br>• Comparison between FMUs is difficult<br>• Lack of consistency with ISO rules |

| | | |
|---|---|---|
| 3. Predefined phases option | • Breaks down the standard requirements into clear predefined phases<br>• Possibility to set target dates for intermediate stages<br>• FMU can decide on which level it wants to be certified<br>• Possibility to clear communication on level of progress | • Practical difficulties in breaking the standard into phases (lack of flexibility for producers operating in different situations)<br>• Stakeholders are likely to have difficulties in comparison of stages under different certification systems<br>• Lack of flexibility for producers in choosing the best path for their situation |

The problem of ISO compatibility is not likely to be solved in option 1 because of its inherent feature of flexibility in implementation. This principle is, however, considered so important for forest managers and landowners who ultimately make decisions on embarking on certification that flexibility can be considered a precondition for implementation of phased approaches (Simula et al. 2003).

## 4.4 Definition of Baseline and Subsequent Requirements for Phased Compliance with the Certification Standard

### 4.4.1 Baseline Requirements

For the purpose of phased approach, the requirements of the chosen certification standard may be divided into legal, economic, environmental and social components which may be used in defining the phases if this is found feasible within the certification scheme.

Whatever the number of stages agreed, some stakeholders do not consider acceptable that the first one would be just a formal commitment to comply with the standard (as happens in some schemes in the tourism sector). Some buyers have expressed a number of entry or first-phase requirements (e.g. exclusion of undeniable sources) which can serve as guidance for their suppliers. In public procurement policies, legal compliance has been singled out as the first phase (Box 1.1).

The first stage could include legal compliance (but not necessarily be limited to it). This way, the credibility of the phased approach would not be compromised. But it should be recognized that legal compliance is a major challenge in most developing countries. Nevertheless, dividing legal compliance in more than one stage (as an example, compliance with forestry legislation, land tenure, labor and fiscal laws, etc.) is not likely to be acceptable by some stakeholders. In particular where the schemes have some kind of support or recognition by the government, the acceptance of FMUs that do not comply with legal requirements would be almost impossible. Of course, compliance with legislation includes the acceptance of formal agreements between an FMU and the regulatory authority about the commitment to comply within a specified timeframe, when the legislation allows that kind of arrangement (see detailed discussion on verification of legality in Chapter 5.1).

The establishment of a set of minimum baseline requirements has also been challenged from the tropical timber producer perspective (Poynton, pers. comm.). Adopting legal compliance as the first step may be too prescriptive in terms of what the FMU does first. As stated above, legal compliance is a complex issue and its formal verification may not be the first priority in the progress toward certification. The whole process of improving forest management could be side-tracked for addressing sometimes very complex bureaucratic procedures. It would be preferable to leave the

decision on the order of implementation of standard requirements for landowner or forest manager who will be aware of respective implications for communication on the FMU's performance and progress.

In practice, legal compliance is likely to become the first step in many situations if those buyers and markets are targeted which have specified legality as a baseline condition.

Depending on how the reference standard is defined, it could be more or less difficult to divide the subsequent phases in such a way that they would make sense. What is important is that the definition of the phases is done in a coherent, consistent and technically correct way and that it is practical for the FMU while representing a clear evolution in the direction of full standard compliance. It would also be preferable that the progress in moving from one phase to the next can be made recognizable to the interested parties, especially the buyers of tropical timber and timber products.

### 4.4.2 Definition of Predefined Phases

As far as the structure of the standard is concerned, its requirements fall into two categories:

(i) a hierarchy of principles, criteria and indicators (mostly related to performance), or
(ii) a structured management system.

The latter concept maintains a structural resemblance with other standardized management systems standards, such as quality management systems according to ISO 9001 standard or environmental management systems according to ISO 14001.

In the former case of principles, criteria and indicators, levels must be established principle by principle and/or criteria by criteria, selecting the applicable criteria/indicators at each level. Indicators should be selected to correspond to various levels of achievement. There can be a case in which an entire principle will be required at a certain level (and consequently all its criteria and indicators as well). The principle on legal conformity is a relevant example. It is also possible to have a case where a particular level of achievement only requires partial compliance with a principle. It is, therefore, possible that all the criteria related to that principle are required at a certain degree (which could mean that some, but not all, indicators are required at that level, or that all indicators are required). It can even happen that only some criteria under this principle are required, while others are not in that level.

Structuring the principles, criteria and indicators for phased implementation and verification must be carried out with a great care, so as to obtain a requirements system that is genuinely evolutionary, balanced, consistent and coherent, without privileging any of the dimensions of sustainability in detriment of others. In addition, the structure of levels should be easily understood by relevant stakeholders.

In the case of standards with a management system structure, the division of requirements into different levels is even more difficult. The concept of management system is integrated implying that all its elements are needed to make the system to function. Dividing the requirements into phases could lead to an incoherent result. Nevertheless, despite this difficulty, there have been experiments to adopt the evolutionary certification approach in management system standards (see Section 2.2 and Annex 3).

The above discussion about the structure and suitability of forest management standards is mostly relevant to the "predefined phases" approach (option 3) because in the cumulative approach, the standard needs to be transposed into an instrument such as checklist with a separate weighting of each requirement. In option 1, the decision is left for the FMU to structure the requirements in the best possible way from the management viewpoint.

### 4.4.3 Compatibility with ISO Standards and Guides of Conformity Assessment

A phased approach is not incompatible with full compliance to the ISO Guides. One of the essential points of good practices states that standards and certification rules should be transparent, previously defined and known by all relevant stakeholders and be clear, objective and equally applied to all involved in the system. This means that all aspects of the phased approach should be previously established and also that it is not up to FMU to define the requirements for each level or phase. This is why options 1 and 2 are not (fully) compatible with the ISO rules.

As the phased approach essentially refers to an FMU, it does not affect the chain of custody and its certification. In fact, as far as the origin of forest product is concerned, the chain of custody certification should be an on/off element in phased approaches. Appropriate control of the chain of custody and its certification are essential conditions for the success of the phased approach.

## 4.5 Allowable Timeframes

There is a common view that full certification must be achieved within an agreed timeframe. The ITTO regional workshops had somewhat differing views about the length of the period but it was concluded that a definite time period should be defined in the action plan within which all the SFM requirements should be met. This period could be fixed (e.g., maximum five years) but it may also be left for the certification system, the producer or stakeholders in the country to define. More important than a uniform timeframe could be the fact that the action plan is clearly time-bound with relevant milestones for the achievement of the components of the standard. The allowable period could be different for community and private forests and for small and medium to large-scale forests. Information on the length of the period should be available for interested parties.

The main concern related to this issue is that companies may enter the system and comply with the first level of requirements and holding thereafter any improvements until the very end of the maximum allowable period. This concern can, however, be addressed in the guidelines of the certification system for the design of the action plan (option 1) which must be agreed between the FMU and the external verifier. In options 2 and 3 predefined target dates could be set by the certification system addressing this issue.

The ITTO regional workshops concluded that the allowable timeframe should be maximum five years but adoption of shorter periods are encouraged depending on the local situations. This is also compatible with some buyer's requirements. In addition, it would be desirable to have a schedule which is based on annual audits on progress made in the compliance with the standard requirements.

## 4.6 Mechanisms of Communication

### 4.6.1 ISO Guidance

Ecolabelling (or environmental labeling) is a general term designating a process of conveying information in a label with the overall goal of, "through communication of verifiable and accurate information, that is not misleading, on environmental aspects of products and services, to encourage the demand for and supply of those products and services that cause less stress on the environment, thereby stimulating the potential for market-driven continuous environmental improvement."[3]

There are different types of environmental labeling, according to who issues the label and the meaning of the label:

- Type I – voluntary, multiple-criteria-based third party program indicating overall environmental preferability of a product within a particular product category based on life cycle[4] considerations
- Type II – voluntary, self declared environmental claim which indicates an environmental aspect of a product[5]
- Type III – quantified environmental life cycle product information, provided by a supplier, based on independent verification (e.g. third party), systematic data, presented as a set of categories of parameter[6]
- Type IV – voluntary, single issue third party program indicating environmental preferability of a product within a particular product category based on a specific characteristic or aspect.

The types I and II have been standardized by ISO and the type III is currently been worked within ISO and is the subject of a technical report (ISO/TR 14025 Environmental labels and declarations – Type III environmental declarations). The type IV has not being considered for standardization as yet because the life cycle impacts are not considered.

ISO 14024 describes the requirements for a Type I labeling program. In general terms, this standard does not apply to SFM certification or Chain-of-Custody certification. In the first case, the reason is because ecolabelling applies to products and SFM deals with the way the forest is managed and refers only that a particular product comes from a well managed forest in terms of sustainability. The CoC certification indicates that a particular product has a certain content of forest products traceable to a certified FMU. Appropriate general guidance for communication in this case would be found in ISO Guide 23 and ISO 17030.

### 4.6.2 Communication on Phased Approaches

Certification is a tool for market communication and improved market access has been the main benefit and driving force in promotion of certification. It is, therefore, crucial that forest owners and managers and industrial enterprises using certified timber as raw material can benefit from market oriented communication during the verified progress in implementing certification requirements through phased approaches.

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[3] ISO 14024:1999 Environmental labels and declarations – Type I environmental labelling – Principles and procedures

[4] Adapted from ISO 14024

[5] Adapted from ISO 14021 Environmental labels and declarations – self declared environmental claims (Type II environmental labeling)

[6] Adapted from ISO/TR 14025 Environmental labels and declarations – Type III environmental declarations

The following target groups would be relevant for communicating on phased approaches: (i) governments in producer and consumer countries at central and local levels, (ii) buyers and their groups, (iii) the general public, (iv) NGOs (local and international), and (v) producers not yet involved in certification. Messages and mechanisms of communication could be tailored by target group.

The following principles are proposed for communication related to phased approaches:

1. The communication on the progress under phased approaches should be based on audit statements specifying the scope of assessment and level of achievement. They would allow clear messages to be used, including on the commitment made by the producer.

   In Option 1, audit statements would not be certificates and they should not lead to labeling of products from forests verified under the phased approach. In the case of options 2 and 3, certificates could be issued clearly stating the particular level of achievement of standard compliance.

2. Market claims related to phased approaches (prior to full certification) should be left to business-to-business communications aimed at the following target groups: (i) buyers, (ii) government agencies and public bodies in producer and consumer countries at central and local levels, and (iii) other organizations, such as financing institutions. Minimum requirements for such communications could be developed through a cooperative process.

3. Information should be made readily available for interested parties regarding producers and buyers which are involved in phased approaches under various systems

4. It is important to specify or provide adequate guidance on what claims can be made by participants of a phased verification mechanism to ensure that any claims are correct reflecting the guidance given. The guidance provided should ensure that any claim made is accurate and not misleading. This could be arranged through organizing the phased approach through a structured program within a certification system.

5. Regarding on-product communication, in the three regional ITTO workshops which mainly considered option 1, no general agreement was achieved on whether timber and timber products from forests under a phased approach should be differentiated in the market place. Some participants were of the view that a logo or label could be attached to such timber and timber products in order to communicate on the progress made towards SFM and certification. There were also views that products from forests undergoing a phased approach to certification should probably not carry any type of product label, unless it is one which explicitly states that the forest of origin is not yet sustainably managed. A restrictive approach has been adopted e.g. by WWF-IKEA Producer Group Toolkit (*www.panda.org*) for labeling of what is called “transition timber”. There are risks involved in attaching an on-product label on products from forests undergoing a phased approach. An eventual negative market reaction for misuse of such labeling could easily undermine the credibility of the certification scheme involved.

6. There is clearly going to be concern about the credibility and reliability of any verification system based on a phased approach, if there is going to be any type of claim, declaration or public statement related to quality of forest management, progress towards SFM or similar aspects. Even statements on links to an incentive, such as access to markets, concessional credit, etc. are likely to be a cause of concern. Any claims made based on phased approaches or statements should be accurate, credible and truthful in the same manner as certification claims are.

7. As soon as any market communication related to products and their origin is introduced, the verification of chain of custody should be implemented

8. If communication is made on-product, it should be made explicit that the product is not coming from a fully certified forest.

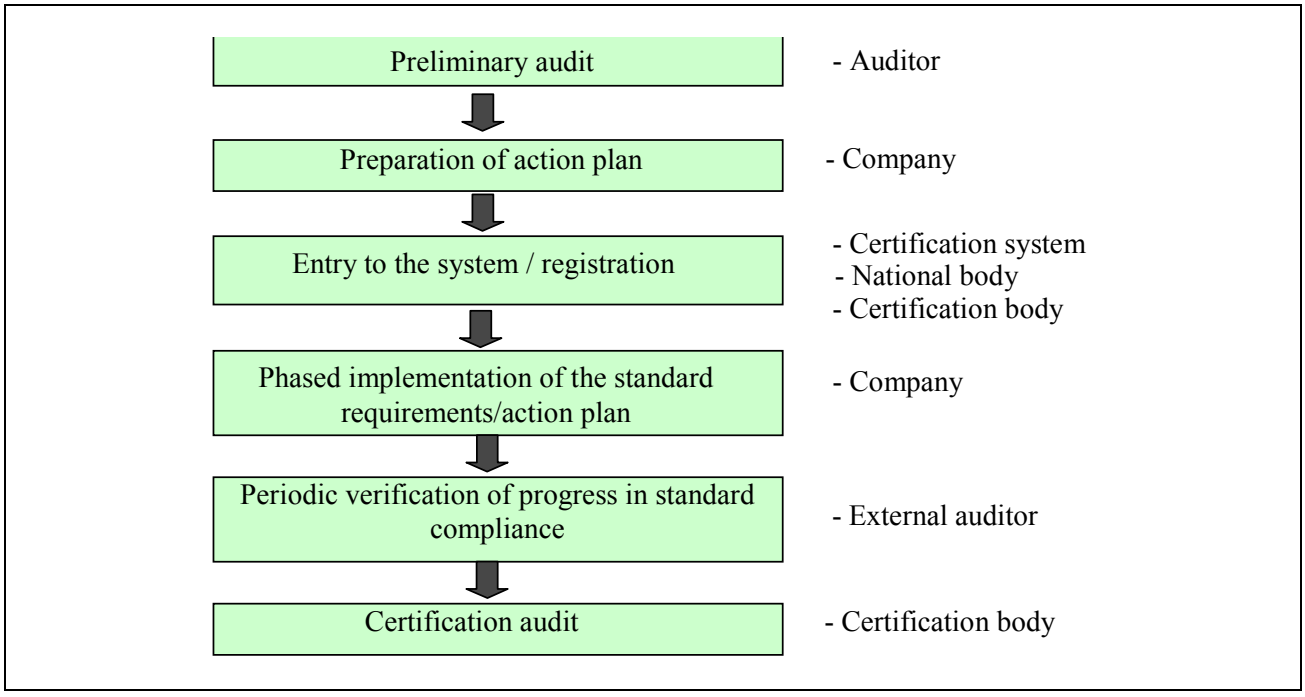
## 4.7 Implementation Procedure

The implementation procedure would be different in the options (1, 2 or 3) available to the phased approach. In option 1, the FMU would choose the requirements of the standard to be complied with in each phase. In option 2, the whole standard is assessed in each phase and the FMU has to decide on priorities in complying with the individual requirements during the time period available for phased certification. In option 3, the requirements are set by the system for each phase. Of course, once those requirements have been established, the FMU should have freedom to choose how to implement them.

The general procedure to be applied is illustrated in Figure 4.4 for option 1 and Figure 4.5 for options 2 and 3. The procedure is summarized below:

(i) A preliminary audit or preliminary review is first carried out to identify the gaps between the current management and what is required by the chosen certification standard. In this stage, the requirements of the certification standard are interpreted in the specific context of the FMU in question. This audit can be carried out by an internal or external auditor. The auditor or audit team should have sufficient knowledge on the standard and its implications for forest management and good understanding on the local conditions.

**Figure 4.4 Phased Approach: General Procedure for Option 1**



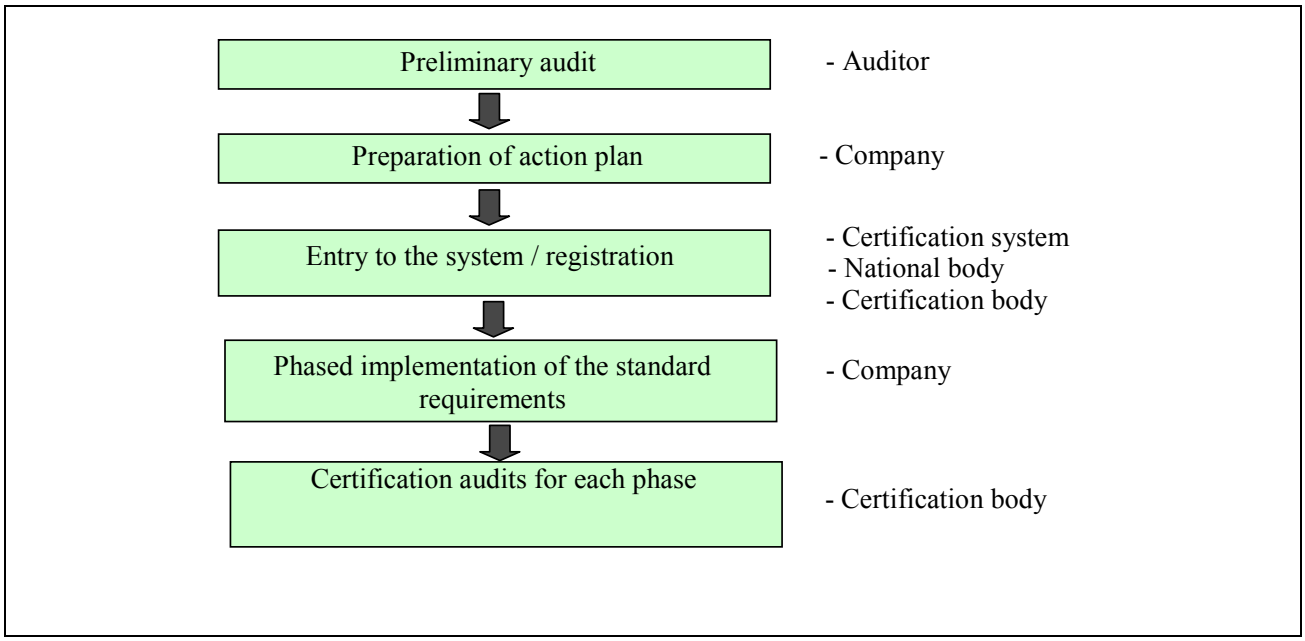

(ii) A plan is prepared by the company to close the gaps identified. The responsibility lies with the FMU or the forest enterprise. A sample format of action plan is given in Annex 4.

In option 1 the action plan should be time-bound and prepared in such a way that it includes verifiable milestones. These can be expressed as compliance with specific standard elements or thematic areas as appropriate. The responsibility for the plan preparation relies on the manager of the FMU. Experience has shown that in many cases in the tropics preparation and

implementation of the action plan should/could be done with assistance from external support bodies as may be required.

The purpose of the action plan is to specify actions, responsibilities, resources and time-schedules for how the gaps in the standard compliance identified in the preliminary audit can be addressed. Having gone through each non-compliance, the individual action needs will have to be reviewed in relation to each other. Based on the FMU's own priorities and logical sequences, the individual actions will be compiled into a feasible implementable programme for the organization.

**Figure 4.5 Phased Approach: General Procedure for Options 2 and 3**




(iii) Based on the preliminary audit report, the FMU can be registered as a participant of the phased approach. Registering can be made by the certification system (if it has such provisions), an appropriate national body (e.g., national certification council, board, etc.), or a certification body which has been contracted to carry out external audits during the implementation period. The last option is probably easiest and applicable also when the other two options are not available in a country.

(iv) Phased implementation of the standard requirements and the respective action plan by the FMU/forest enterprise.

As for the cost reasons, the role of external auditors would in most cases be limited to annual monitoring audits. FMUs should assign a coordinator or focal point to internally ensure that all the planned actions will be timely implemented. Integration with operational planning and budgeting would be usually required to ensure that the planned financial and other resources will actually be made available.

It is recognized that FMUs in the tropical countries usually operate in a very dynamic environment where climatic conditions, market situation and regulation can bring major changes. Implementation of certification requirements is never carried out in a vacuum. Therefore, there should be a possibility to periodically review the implementation of the action plan and, when justified, make necessary adjustments.

(v) Periodic verification of the progress in performance of forest management and implementation of the action plan in the case of option 1 and certification audits in options 2 and 3.

(vi) Full certification audit when all the gaps have been closed and full compliance is achieved.

## 4.8 Development of Provisions for Phased Approaches within the Existing Certification Systems

The establishment of the phased approach within a particular scheme should be done through a participative process which includes all the relevant stakeholders. If there is no locally applicable standard available, the ITTO C&I, FSC P&C and other relevant international and national C&I sets can be used as a basis for defining components. However, ultimately specific standards of compliance will be needed to assess a forest management unit's progress toward SFM (Mc Cleery, pers. comm.). The standard should also be accepted by key customers to ensure its value.

The existing certification systems provide no interim independent verifications of the implementation of the standard requirements beyond scoping pre-assessment. In phased approaches, the same principle should be applied: only accredited certification bodies carry out audits when the FMU thinks it complies with the requirements of the selected stage. The certification body should carry out the evaluation process strictly within the rules of the certification system, with all the necessary formalities so that its results would be acceptable to all interested parties.

The majority of certification systems seek to follow internationally accepted certification practices such as the standards and guides of ISO in this field. In general, accreditation bodies operate accreditation in accordance with ISO Guide 61, while the certification systems follow ISO Guide 65, which covers the certification of products or processes, or ISO Guides 62 and 66, which deal with the certification of quality management system and environmental management systems, respectively. ISO Guides 65 is also applicable to the certification of products along the chain of custody.

ISO Guides 62, 66 and 65, by and large, establish requirements concerning non-discriminatory access to the services provided, organization and administration of the certification body with a purpose to assure technical competence and impartiality, transparency and consistency of the activities of certification body. The Guides also define requirements for the certification process as well as the use of logos and trademarks and mechanisms to resolve disputes and complaints.

Be it for full or partial compliance, the process of granting a certification with a standard must be adequately documented and supported by records. This means that audits in the phased approach should be carried out like any other certification audit. The decision-making process in granting a phased approach certification should follow the same rules as those used for granting certification against full standard.

There again, given the nature of sustainable forest management, it is appropriate that the certification rules for a phased approach should be defined with the participation of all relevant stakeholders. The importance of involving representatives of the buyers of forest products including, if possible, those in end-use markets has already been highlighted.

It should be noted that setting the certification rules is a process independent from the process of setting the standard, although some accreditation bodies that are active in the forest sector also act as standardization bodies.

In the same way, the rules for the accreditation process should also be clearly defined within the principles of ISO Guide 61.

### 4.9 Summary of Proposed Procedure for Phased Approaches

To develop a phased approach system within an existing certification scheme, the following issues should be addressed:

(i) the definition of phases (FMU or the certification scheme depending on the option selected)

(ii) the definition of the allowable time frame for the entire process and its individual phases (the certification scheme and FMU)

(iii) definition of the mechanism to communicate on the progress to customers, the public, and other stakeholders (the certification scheme)

(iv) implementation arrangements of the phased approach including definition of responsibilities, provision of assistance, and other incentives, etc. (the certification scheme and FMU).

The proposed procedure will depend on the option of phased approach to be implemented. There are, however, some common procedures in all the three cases:

- establish a consultation process to develop the phased approach scheme and the respective certification rules (for example, establishing a certification committee with the participation of representatives of the interested parties with no single interest dominating; this committee would be in charge of conducting and supervising the entire process of setting up the phased approach). The consultation process can include a public consultation about the rules and, in order to ensure market acceptability, buyers should also be consulted.
- define which option of the phased approaches will be adopted
- define the verification procedure
- establish the mechanism of communication on the achievement of each phase to the stakeholders
- establish the timeframe allowed for the implementation of the phased approach.

For each option, there are specific procedures to be adopted. These are:

Option 1. Baseline and Action Plan option

- establish the baseline requirements
- establish the process of verification

Option 2. Cumulative Phases option

- establish the number of intermediate phases
- establish the set of requirements that constitute part of the first level
- establish the score that need to be attained at each level
- establish the weighting system to establish the scores
- establish the checklists to be used by the auditors

Option 3. Predefined Phases option

- establish the number of intermediate phases
- break down the requirements of the standard into each phase. In each phase, there should be requirements for each sustainability dimension (social, economic and environmental).

## 5. VERIFICATION OF LEGAL ORIGIN AND PROGRESS IN PHASED APPROACHES

### 5.1 Legal Requirements

The issue of legal conformity is one of the most important elements in SFM verification. This is because a significant part of forest products in the market comes from forest exploitation that does not conform to law, and one of the aims of forest legislation is exactly to prevent the predatory or destructive exploitation of forest resources.

Legal compliance is a basic requirement practically in all the forest certification standards (see example in Box 5.1). There is also a common view among stakeholders that its verification should be (or form a part of) of the first stage in any phased approach to certification (Proceedings of the three ITTO regional workshops on the phased approaches to forest certification. Simula et al. 2003).

The simple principle of complying with national legislation is, however, not easy to apply. Several issues have to be addressed in the verification process such as definition of legality, various compliance aspects, control of illegal activities, timber tracking, organization of verification, and auditing aspects. These are discussed in the following section.

**Box 5.1 Example of Certification Requirements Related to Legal Compliance: FSC Principle #1**

FSC PRINCIPLE #1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES
Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.

1.1 Forest management shall respect all national and local laws and administrative requirements.

1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.

1.3 In signatory countries, the provisions of all binding international agreements such as CITES, ILO Conventions, ITTA, and Convention on Biological Diversity, shall be respected.

Source: FSC Principles and Criteria

### 5.2 Definition of Legality

There are different interpretations on how legality should be defined. The international reference documents applicable in tropical timber producing countries use somewhat different wordings. The overall common principle is compliance with the relevant national legislation (including international treaties and conventions that the country has ratified).

The scope of legislation relevant to forest management and related downstream processing and trade is broad covering several areas:

- Forestry
- Environment
- Natural resources
- Labor and social security of workers
- Community and land rights
- Taxation
- Trade
- Corruption and bribery
- Criminal law (money laundering, etc.)
- Etc.

Legal regulations are issued both at national and local government levels and compliance is needed on the two levels. Legal conformity is frequently one of the major difficulties encountered by FMUs, especially those smaller in size and those located in tropical countries.

The scope and level of legal requirement vary extensively between countries. Lacking common definitions and approaches to what is considered good and adequate legislation is a source of concern for equal treatment of countries when their producers make claims about legal compliance.

## 5.3 Compliance Issues

*Appropriateness of legal requirements.* In many countries forestry legislation is inadequate or inappropriate and cannot be therefore implemented. For example, a review of Cambodian forest legislation (1998) revealed that it was difficult to obtain, difficult to analyze, it provides few objective standards for forest protection and no integrated guidelines or standards for forest management (White & Case (1999) cited by Brack et al. 2002). If the operators cannot understand the law, it is unlikely to be respected.

*Consistency of legal requirements.* Many countries have complex and extensive legislation related to forestry. As an example, it is claimed that Indonesia has about 600 laws and regulations applicable to forest management and industries (McLeich, pers. comm.). There are areas where legislation is inconsistent or even conflicting; i.e. the same issue is regulated in a different way in parallel laws. Verifying legal compliance in such situations would obviously be complex involving clarification of hierarchies between individual laws, which is beyond the scope of standard. Indeed, it has been proposed that the verification of legal compliance itself should be made by phases.

*Contradictory requirements*. In some cases, legal regulations are not coherent with SFM practices and this eventual conflict can jeopardize the certification process. There is no single answer to this problem and all depends on the type of approach of each certification scheme. However, in general, it appears that certification schemes have opted for not granting certification in such cases of conflict.

*Interpretation and implementation of legal requirements.* There is often lack of knowledge on the legislation among operators and there may also be strong traditions for not complying with regulations which do not make common sense. Due to major efforts taken by many tropical countries to revise their legislation, significant reforms have been undertaken during the last few

years. As a result, regulations may be fairly recent and not effectively disseminated. Furthermore, a significant part of the economy is conducted informally, corruption is common practice, government lacks effective authority, and there may be lack of tradition in the respect for the law. Characteristically, many of these aspects represent exactly that what effectively distinguishes developed from less developed countries. Therefore, the FMUs in less developed countries experience far more difficulties in complying with legislation and also in proving that they are doing so (Brack et al. 2002).

Similarly, *verification of legality* suffers from the same problems. As a result, the verification of legal conformity can become difficult in certain circumstances. Eventually, some of those circumstances fall outside the responsibility of an FMU. Some are the result of the judicial system of the countries concerned and depend on the degree of development of their legal structures.

In the developed countries with well-established enforcement mechanisms, checking with the relevant authorities that the FMU or the enterprise managing or utilizing it has not violated the law usually is sufficient for the verification of legal compliance. This means checking with the forest, environmental, labor, fiscal and other relevant authorities that the obligations have been met and there have been no recorded violations of laws (absence of negative evidence). This approach can be considered appropriate where enforcement is already effective. In developing countries, problems arise when enforcement mechanisms are weak.

## 5.4 Control of Illegal Activities

In many places, illegal or unauthorized activities such as illegal logging by third parties in an FMU, setting fires or poaching pose a serious threat to sustainable forest management. Protection from these activities involves measures to identify these threats and their causes and consequences, and to control and prevent illegal action including periodic monitoring (ProForest 2003).

The critical elements of controlling illegal activities include:

(a) auditing of forest management and

(b) controlling the movement of tropical timber from the forest to export ports.

Both tend to be extensively regulated: permits, licenses and customs documents are issued to establish that timber deliveries and product shipments are legal. Forest management auditing establishes that laws are respected in the forest operations (inventories, planning, logging, silviculture, road construction, protected areas and species, etc.). Products coming from such forests are identified and their movement is monitored to ensure that only legally produced timber enters trade.

At the international level, there is considerable experience on the regulation of trade through licensing systems and customs. The Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) requires certificates or similar documents to accompany traded goods made of species which are listed in its Appendices. The Harmonized System of the World Customs Organization establishes product codes but does not consider any other aspect than product characteristics in its classification. These instruments have not been tailored to address trade in illegally harvested tropical timber and timber products (apart from CITES listed species) and, therefore, other measures are needed. Certification and its phased approaches can contribute to better control but their role is likely, by definition, to remain limited not least because of the slow progress of certification in the tropical timber producing countries.

## 5.5 Timber Tracking

Most of the accumulated experience on third party auditing and verification is related to the control of movement of timber and timber products as part of chain-of-custody certification. This requires that harvested timber is identified, inspected and documented and then followed through processing and packaging to export, with subsequent cross-checking with cooperating importers. A chain-of-custody audit is essential to following this process and revealing whether illegal timber is entering legal commerce. Average indicators of the log yields in the processing mills (conversion factors from logs to processed products) are used to check whether the recorded input and output are consistent and whether there has been a possibility that illegal timber has been slipping into the system. To make this work, an information system with centralized data bases is required covering (Brack et al. 2002):

- Harvested volumes from concessions or authorized fellings
- Authorized transportation volumes from forest management units
- Data on raw material input and product output in the licensed mills
- Exported volumes and prices by species and product
- Payments of forest, transportation, processing and sales/value added taxes, levies, charges, etc.

Periodic remote sensing information can be a valuable complement to identify where logging areas are in fact located compared to what has been authorized.

There are several alternatives for timber tracking methods ranging from conventional numbering and hammer marking (stump and tree/logs) to bar codes and electronic RFID tags in different forms. Also, movement of the authorized log trucks can be monitored using satellite information systems (e.g. Brazil has been piloting this). This is a rapidly evolving field where information technology is likely to reduce costs and improve the efficiency of the control in the future. It is apparent that high value logs can be identified and effective control of their movement can be solved by using advanced technology, which is less susceptible to human errors and fraud than the conventional control systems. In the case of small-sized logs used for reconstituted panels or pulping coming from plantations, identification cannot be based on marking of individual logs and other options must be used (e.g. control of truck loads). Every country has to design its own systems, which are applicable to its specific conditions (legislative requirements, infrastructure, cost level, etc.).

## 5.6 Outsourcing of Verification

Systematic verification of legal compliance in forest management using external auditors is still in its early stages and the experience shows that it is a complex issue.

International companies offering conformity assessment services have been contracted by some governments in tropical timber producing countries to carry out monitoring and control functions in the forest sector. These types of contracts can cover verification of the truthfulness of customs documentation (volume identification, product identification, species identification, price assessment, etc.), control of timber movement within the country (log transportation, exit from the forest areas, entry to the processing mills, etc.), payment of fiscal charges, etc. One of these companies, the Swiss-based SGS, is promoting the establishment of a system of 'Independent Validation of Legal Timber' based on the concept of independent monitoring and verification of

land use changes, timber flows and resource management both at the national and producer level. The concept includes two components that can be implemented stepwise:

1. Certification of legal origin verification that the logs or timber products (a) were legally purchased from the rightful owner and have legally been sold and transferred down the chain of custody to the point of reference of the certificate, and (b) conform to national or international product specific regulations such as protected species or minimum diameters. The system would also periodically verify that duties have been paid and the allowed volumes of cut or quotas have been respected. Past, unsettled non-compliance may block the whole process. The products could be labeled as 'Timber from a Legal Origin'.
2. Certification of legal compliance involves the assessment of forest management with regard to compliance with specified national legislation and regulations including the terms of the concession agreement or harvesting permit. This typically covers the preparation and implementation of the forest management and harvesting/operational plans, including mapping, boundary demarcation, forest inventory, etc. If the certificate of legal origin has been issued, products could be labeled as 'Validated Legal Timber' if the Certificate of Legal Compliance is obtained.

This sequence of activities is based on the assumption that the markets would need in the first phase assurance that tropical timber and timber products originate from legal sources, and the compliance issues could be dealt with in the second stage. A review of selected buyer requirements does not, however, strongly support this assumption as the purchasing policy statements of buyers are not clear about this requirement. As an example, IKEA defines two requirements relevant to legality: (i) known origin, and (ii) compliance with forest legislation[7].

## 5.7 Possible Levels of Verification of Legal Origin/Compliance

From the perspective of phased approach to forest certification, verification of legal compliance can be considered a process which involves three (or more) levels depending on specific market requirements:

1. Verification that the timber comes from 'legal' sources, i.e., areas designated or authorized for timber production (including authorized land conversion) and it does not come from protected areas or areas which are not covered by concession agreements, cutting permits or similar authorizations. This leaves in some countries possible caveats:
    (i) lands (often publicly owned) where harvesting is not necessarily illegal but formal authorization has not been issued or may not be required. Most of fuelwood and other subsistence timber is probably produced under such regimes in the tropical countries and at the same time some logs may also be have been harvested and sold to the market.
    (ii) logs from land clearing which is not formally authorized but not necessarily and specifically against the law. Verification of the origin of such timber flows may be complex and costly due to the small volumes per site.
2. Verification of compliance with forest and environmental legislation. As the main market concerns appear to currently be focusing on forest and environmental legislation (incl. wood

[7] Level 2 of IKEA's staircase model (www.ikea.com)

coming from protected areas), these two areas of legislation could be given priority in the establishment of compliance.

3. Verification of compliance with fiscal, labor and other related legislation which is often more of national concern. It is, however, foreseen that labor and social issues will increase in importance in the future.

Verification of origin becomes necessary when on-product claims are made in market communication (see section 4.6).

## 5.8 Auditing Aspects

In general, verification of legality in connection with forest certification is carried out through three basic methods:

- consultation with the regulatory bodies by the certification body, usually by the audit team
- verification of records
- interviews with the workers and other relevant stakeholders such as local communities.

If during the interviews or based on other evidence, incidences of non-compliance with legislation are found, the audit team should request explanations and evidence of conformity from the FMU.

It is advisable that the certification bodies can count on legal assistance to help in the verification of legal conformity, especially in identifying the principal relevant legislation and to guide the audit team.

The effectiveness of consultation with regulatory bodies depends on whether these bodies are well organized and have strong own internal culture. The latter can substantially vary from sector to sector in a particular country as well as from country to country.

During the audit, the audit team should request evidence that the legislation is being complied with. This can be done by verifying records at the FMU, such as certificates, land ownership titles, tax bills, workers' registers, employment contracts, outsourcing contracts, etc. Some regulatory bodies issue certified declarations of legal conformity within their competence to the FMUs. These documents facilitate in obtaining evidence of legal conformity.

Apart from evidence on the FMU itself, the audit team should look for evidence of legal conformity in the local community and with other relevant stakeholders. These sources of information should be treated with appropriate care, because of the possibility that flaws in the legal conformity might be reported without any foundation for other reasons. In these cases, it is advisable to inform the FMU on the allegations that were made and request relevant explanations.

Meanwhile, it is necessary to realize that an audit is like an x-ray of a situation at a determined moment in time and that the collection of evidence should be carried out by means of samples until the audit team has sufficient evidence to conclude whether there is compliance or not with the law. It should, therefore, be understood that the detection of a single non-conformity is not necessarily infallible.

On the other hand, it is also important to mention that the judicial system in certain countries allows for the possibility of establishing a formal agreement between a regulatory body and an organization that commits itself to take the necessary measures to achieve compliance with a

specific legislation within a determined timeframe. Such agreement should be considered as evidence of legal conformity.

The most difficult problem can sometimes be proving the legality of land ownership. Especially in tropical countries, obtaining proof of legal rights to exploit forest resources can be complex and difficult.

It has to be remembered that certification bodies are not supervision or law enforcement bodies, even less so the audit teams. What they are looking for is objective evidence that the standard requirements are complied with in a reasonably reliable way. Therefore, the greater the difficulty in collecting objective evidence about legal conformity by other means, the greater is the responsibility of the FMU to submit sufficiently convincing objective evidence in this respect.

## 5.9 Verification of Progress in Phased Approaches

There is a common view that verification in the phased approaches should be carried out in the same way as certification of full compliance of a standard. The respective procedures are defined in ISO documents (standards and guides) related to conformity assessment. The relevant documents are listed in Box 5.2

### Box 5.2 ISO Guides Related to Certification Schemes and their Operations

| |
|---|
| ISO Guide 23:1982 Methods of indicating conformity with standards for third party certification systems |
| ISO Guide 59: 1994 Code of Good Practice for Standardisation. |
| ISO Guide 60:1994 Code of Good Practice for Conformity Assessment |
| ISO Guide 61: 1996 General requirements for assessment and accreditation of certification/registration bodies. |
| ISO Guide 62: 1996 General requirements for bodies operating assessment and certification/ registration of quality systems. |
| ISO Guide 65: 1996 General requirements for bodies operating product certification systems. |
| ISO Guide 66:1999 General requirements for bodies operating assessment and certification/ registration of environmental management systems |
| ISO 17030:2003 Conformity assessment – General requirements for third-party marks of conformity |
| ISO 19011:2002 Guidelines for quality and/or environmental management systems auditing |
| ISO 14020: 2000. Environmental labels and declarations – General principles. |
| ISO 14021: 1999. Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling. |
| ISO 14024: 1999 Environmental labels and declarations – Type I environmental labelling – Principles and procedures |
| ISO/TR 14025: 2000 Environmental labels and declarations – Type III environmental declarations |

The key documents are:

- dealing with the bodies operating accreditation of certifications bodies:
  - ISO/IEC Guide 61 – General requirements for assessment and accreditation of certification/registration bodies (1996)
- dealing with the bodies operating certification of management systems:
  - ISO Guide 62 – General requirements for bodies operating assessment and certification/registration of quality systems (1996)

    - ISO Guide 66 – General requirements for bodies operating assessment and certification/registration of environmental management systems (1999)
- dealing with the bodies operating product certification:
    - ISO/IEC Guide 65 – General requirements for bodies operating product certification systems (1996)
- dealing with marks of conformity:
    - ISO/IEC Guide 23 – Methods of indicating conformity with standards for third party certification systems (1982)
    - ISO/IEC 17030 – Conformity assessment – General requirements for third-party marks of conformity (2003).

ISO Guides 62, 66 and also 65 are directly related to the operation of forest management and phased approaches to its certification.

Some forest management certification schemes have established their rules using a management systems approach, i.e., along the general lines of ISO Guides 62 and 66, while others are using a product approach, i.e. along the general lines of ISO Guide 65. The latter case also applies to process certification (i.e. certification of processes) which is relevant as sustainable forest management can be considered a process.

In general terms, ISO Guides 62, 65 and 66 set requirements related to the organization of the certification body and the certification services provided by that body.

The requirements for *organization* cover aspects such as:

- non-discriminatory behavior
- accessibility to all applicants
- requirements for certification
- organization of the certification body. In particular, there are requirements related to:
    - impartiality
    - responsibility for decisions taken relating to granting, maintaining, suspending, withdrawing certification
    - management structure and responsibilities
    - being a legal entity
    - documented structure
    - have resources appropriate to the operation of the certification process
    - absence of conflict of interests
- quality system, including internal audits and management reviews, documentation and records
- personnel
- subcontracting
- confidentiality
- conditions for granting, maintaining, extending, reducing, suspending and withdrawing certification
- changes in the certification requirements
- appeals, complaints and disputes.

The requirements for certification *services* cover:

- application for certification, including aspects such as:
    - information on the procedure
    - the application
    - preparation for assessment or evaluation

  - the assessment or evaluation
  - the assessment or evaluation report
- decision on certification
- surveillance
- use of licenses, certificates and logos or marks of conformity.

Typically, SFM certification follows a process very similar to the one used in management systems certification. The main differences in most cases are a public consultation before the assessment, a public announcement of the planned assessment or evaluation, and the public disclosure of a summary of the assessment or evaluation report to the interested parties and invitation to comment on this report.

These procedures increase transparency and participation of interested parties in the certification process. They do not conflict with any requirements of the relevant ISO Guides. In the implementation of phased approaches, these procedures can be applied. In fact, in a credible phased approach, it would be desirable to have these inputs from interested parties throughout the process since the very beginning.

On the other hand, many of the requirements set in the ISO Guides 62, 65 and 66 do not influence the implementation of phased approaches. Those elements which should be considered are summarized in Box 5.3.

With respect to the methods of indicating or communicating conformity with standards for certification systems, ISO Guide 23 and ISO/IEC 17030 are fully applicable. ISO Guide 23 recommends that a mark of conformity should be used only where it relates to all requirements of a standard and not to selected sections or characteristics. It also recommends for these cases to use certificates of conformity instead.

In cases where the standard contains different grades or types (which could be the case in communicating on the partial compliance with a standard through a phased approach), then descriptive words – but preferably symbols which are universally understandable – should appear in close proximity to the mark of conformity to indicate which grade or type is being certified.

**Box 5.3 Relevant Provisions of ISO Guides for Phased Approaches to Forest Certification**

| ISO Guide 62, 65 and 66's requirements | Comments on its implementation on forest certification and Phased Approach |
|---|---|
| The criteria against which a management system is assessed shall be those outlined in the reference standard or other normative document relevant to the function performed. If an explanation is required as to the application of these documents to a specific certification scheme, it shall be formulated by relevant and impartial committees or persons possessing the necessary technical competence, and shall be published by the certification body. | This requires that the requirements to each level of the phased approach, or the way to achieve a particular level, shall be clearly stated before the certification takes place and this information is available to all interested parties |
| The organization shall have a documented structure which safeguards impartiality. This structure shall enable the participation of all parties significantly concerned in the development of policies and principles regarding the content and functioning of the certification system [all guides] | This requires that the interested parties should be able to participate in the development of the requirements of the phased approach |

| ISO Guide 62, 65 and 66's requirements | Comments on its implementation on forest certification and Phased Approach |
|---|---|
| The certification body shall specify the conditions for granting, maintaining, reducing and extending certification and the conditions under which certification may be suspended or withdrawn, partially or in total, for all or part of the organization's scope of certification [all guides] | This implies that the rules to achieve each level in the phased approach are pre-set and publicly available to all interested parties |
| The certification body shall document, update at regular intervals, and make available on request:<br>a) …<br>b) a documented statement of its certification system including its rules and procedures for granting, maintaining, reducing, extending, suspending and withdrawing certification;<br>c) information about the assessment or evaluation process;<br>d) …<br>e) a description of the rights and duties of applicants and certified organizations or suppliers of certified products, including requirements, restrictions or limitations on the use of the certifications body's logo and on the ways of referring to the certification granted [all guides] | These prescription requires that the rules for the phased approach are clearly set and available upon request to any interested party and that a clear reference is made to the certification status of the organization or the product. |
| A detailed description of the assessment and certification procedure, the documents containing the requirements for certification, and documents describing the rights and duties of certified organizations shall be maintained up-to-date as specified in the clause described above and shall be provided to applicants and certified organizations | The same comment as above. |

## 6. SOCIAL AND CULTURAL FACTORS AND PHASED APPROACHES

### 6.1 Social Dimension in Sustainable Forest Management

In the past debates on sustainable forest management, its three dimensions (economic, social and environmental) have been given – albeit often implicitly – an equal weight. It has been recognized that if forest management is not economical it will not be practiced for productive purposes. On the other hand, environmental sustainability is a precondition for sustained production of goods and services from the forests. The role of social and cultural aspects has been less clearly understood as they involve distribution of forest benefits between generations and between groups within a generation.

Until the last decades of the 20th century, the main focus in forest management was economic, i.e. sustained yield of products, mostly timber. It was then recognized that environmental aspects are important and much of the debate focused on how they should be taken into account. It can be expected that social and cultural aspects are likely to be increasingly important for a number of reasons. In developed countries, other forest uses than timber production have gained increasing importance. Also, in many developing countries, a broader view on forests as source of development has also been adopted and the environmental services are seen as a major strategic opportunity. A new vision may be emerging where the various dimensions of sustainability can be seen as layers with (i) ecological aspects in the bottom which are setting the preconditions for all the activities in the forests, followed by (ii) social and cultural aspects which reflect constantly changing societal values related to forests and their use, and finally by (iii) economic aspects.

## 6.2 Standard Setting

In the tropical timber producing countries, there is a wide diversity of social and cultural conditions which influence how sustainable forest management is defined and, thereby, how certification standards are written. Social and cultural aspects are addressed in most certification standards but their coverage and weight vary depending on such factors as land tenure situation, community and indigenous people's rights, coverage of legislation and level of its compliance, forest ownership, multiple uses of forests, level of organization and legal rights of workers, etc. Standard development processes make provisions for participation of interested parties in order to duly address social and cultural factors in the certification requirements. As pointed out in chapter 4, this participation is also important when the provisions of phased approaches are developed.

It is emphasized that standards should be developed by all stakeholders. The involvement of landowners and forest communities is particularly important as the forest is their resource and their destiny should not be predetermined by other stakeholders[8]. In many cases, effective participation has proved to be difficult to organize, particularly when the involved local people are illiterate and do not speak the official language. This tends to place them in a disadvantaged position. Many tropical countries have a large number of ethnic groups living in the forest areas. Therefore, processes are needed to ensure that the views of all social groupings are obtained and duly considered when standards are developed.

## 6.3 Social and Cultural Aspects in Certification Standards

Social and cultural factors which are represented in various certification standards are summarized in Box 6.1 without making reference to individual schemes. These aspects tend to be derived from the international Criteria and Indicator frameworks where they are also present.

The most critical elements appear to be those related to the respect of various rights over the use of, and access to, forest resources and workers' rights to organize. Occupational health and safety are also areas of concern. Some of the elements depend on the economic and market conditions of forest management and can be outside the control of the FMU (maintenance of employment, diversification of local economy). Dispute settlement process is also critical in cases where conflicts over forest values and use cannot be solved otherwise.

**Box 6.1 Examples of Social and Cultural Factors Addressed in the International Frameworks Used for Forest Certification Standards**

| |
|---|
| LAND RIGHTS |
| Definition, documentation and establishment of legal tenurial rights |
| Maintenance of customary rights of local communities |
| Protection of forest owners legal rights |
| Recognition and respect of indigenous people's rights |
| Clarification, recognition and respect of customary and traditional rights |
| MULTIPLE USE |
| Respect for multiple functions of forests to society |
| Public access to forests for recreation |
| Maintenance of recreational functions and aesthetic values of forests |
| CULTURAL SITES |
| Protection and management of sites with specific historical, cultural or spiritual significance |
| DISPUTE SETTLEMENT |
| Provision of dispute settlement mechanisms over tenure and use rights |

[8] PNG's comment on the preliminary version of this report.

| |
|---|
| EMPLOYMENT AND RURAL DEVELOPMENT |
| Employment |
| Economic well-being of communities |
| Diversification of local economy |
| Role of forests in rural development |
| WORKERS |
| Economic well-being of workers |
| Safe working conditions |
| Health and safety of workers |
| Rights to organize |
| Training of workers and contractors |
| TRADITIONAL KNOWLEDGE |
| Use of local and traditional knowledge and compensation of its application |
| IMPACT ASSESSMENT |
| Social impact assessment of forestry operations |
| Consultation with those impacted |

Sources: FSC Principles and Criteria, Pan European Operational Level Guidelines for Sustainable Forest Management

It is to be noted that forest certification is an instrument to legitimize the utilization of forest resources, usually for industrial uses. In cases where some stakeholders are against any productive use, they also oppose certification independently from the scheme that may be used. Such situations have emerged e.g. in North and Latin America. Forest certification has, therefore, limits in addressing conflicts over forest use.

## 6.4 Addressing Social and Cultural Factors in Phased Approaches

The verification of social and cultural aspects of the standard will be carried out in phased approaches in the same way as when full compliance is assessed. Therefore, the key issue is not auditing but at which stage these aspects of the standards enter the phased implementation of the standard. If the phases of the standard implementation have not been predefined (as in option 3 in chapter 4.2), it is up to the FMU to decide at which stage these elements of the standard will be complied with.

In the ITTO regional workshop on phased approaches in Panama City (June 2003), it was noted that some elements of the certification standard can be particularly costly for tropical forest managers. In some cases in Asia, meeting the social requirements (e.g. management of social conflicts) has accounted for more than a half of the total additional costs due to compliance with the standard. It was also observed that there is a danger that more costly elements could eventually be implemented at a later stage under a phased approach independently from the importance of these elements to SFM.

Cost minimizing FMUs seeking market recognition for their efforts towards SFM could be tempted to implement social and cultural elements of the standard towards the end of the allowable period if they prove to be costly or otherwise difficult. Cost minimization could also delay real reforms which may be required by the FMU.

In addition, different certification schemes or their supporters or users can also have different priorities with regard to prioritization of social and environmental requirements. Environmental NGOs tend to prioritize environmental aspects while social NGOs social ones.

The earlier ITTO study on phased approaches noted that the main stumbling blocks for certification to make progress in developing countries is disputed land tenure and lack of necessary institutional infrastructures to mediate and solve these conflicts. If the verification of legal compliance does not adequately cover these aspects, it could exacerbate the problem. As current institutions and laws

may not accommodate forest peoples' rights, there is a risk that verification of legal compliance as a first step is condoning forest management systems that ignore these rights. Phased approach thus risks endorsing legal frameworks that exclude the poor and dispossessed. This will make it more difficult to address community interests at later phases of certification. It may be that social issues are the more difficult to resolve, the later they are addressed in the phased approach process (Colchester, pers. comm.).

In view of the difficulties to solve land tenure conflicts (particularly in cases where the conflicts cannot be resolved for legal or other reasons) they can lead producers, certification bodies and even governments to set aside this issue. Phased certification could even deepen disputes by legitimizing the current use entrenching forest management systems that are incompatible with respect for forest peoples' rights thereby possibly undermining community livelihoods.

The only way to address these risks would be to avoid leaving land rights towards the end of the phased implementation of the standard. In the case of predefined phases (option 3) this is easy if the stakeholders agree upon it. In the case where FMUs define themselves in their action plan the sequence of compliance with standard elements (option 1), this is more difficult. One option could be to include it in the baseline requirements or the respective procedures could define at which (early) stage the rights issues should be complied with.

### 6.5 Auditing of Social and Cultural Aspects of Certification Standard

Verification of social and cultural certification criteria follows the same pattern as for the other requirements: interviews with the workforce and relevant stakeholders, especially local communities, and verification of records. The problem in this case is the possibly higher degree of subjectivity or breadth in evaluating the evidence.

The problem can, at least partly, be overcome by adequate training of the auditors. But it also represents a problem for the self-evaluation on the part of the FMU. Another measure that can be applied to reduce subjectivity is to include specialists in social and cultural areas in the audit teams, including during field visits. It is important that the requirements of the standard have been drafted in such a way that their auditing can take place with as much objectivity as possible.

## 7. CONSTRAINTS AND ENABLING CONDITIONS

### 7.1 Constraints

Constraints to the implementation of phased approaches can be external or internal. The former are generally beyond the control of the FMU and they can occur at local, national or international levels. Internal constraints are related to the policies and capacities of the FMU to achieve compliance with the standard and its certification. The general constraints for certification are also relevant for phased approaches.

The following factors can be considered key external constraints to certification and its phased implementation:

**Local level**

- Lack of stakeholder participation and support in the implementation by FMU
- Unresolvable land and other rights

- Local government regulation which is incompatible with the national one
- Lack of technical support to the implementation of forest management.

**National level**

- Inappropriate or inadequate legislation
- Inadequate public policies promoting forest management
- Weak institutions to enforce forest and environmental regulations and to implement respective policies
- Lack of stakeholder participation and support in national standard development and defining the requirements for phased approaches
- Perception that monitoring and control are solely government responsibility
- Weak standards and accreditation bodies, if exist
- Lack of national certification bodies with capacity to certify forest management
- Lack of domestic demand for certified forest products
- Lack of adequate baseline information on forest resources
- Lack of support (financial, technical and commercial) for the implementation of forest management.

**International level**

- Proliferation of different buyers' requirements for products coming from forests undergoing phased approach
- Lack of export market recognition of products coming from forests undergoing phased approach
- Public and private sector purchasing policies which do not recognize phased approach
- Lack of generally agreed operational criteria for assessing the quality of certification schemes and systems
- Lack of designated body to carry out such assessments
- Lack of effective cooperation mechanisms between certification systems and their supporters
- Lack of operational procedures for phased approaches in the international certification systems.

The following factors are key *internal constraints* to certification at:

**FMU level**

- Lack of financial and human resources to bear the costs of compliance and certification
- Uncertainty about net benefits
- Weak top management commitment
- Addressing environmental and social issues on a task basis rather than strategic, systemic elements of business development.

There are various ways for how the constraints and barriers could be removed or reduced. Relevant examples include:

(i) Lack of stakeholder support and participation at local and national levels can be addressed by broad-based consultative processes both in standard setting and certification process, effective communication, etc.

(ii) Regulatory and policy constraints both at local and national levels would require adjustments in legislation and policy guidelines

(iii) Weak institutional and organizational capacities would need targeted capacity building activities including structural reforms, training, improved information systems, etc.

There is a particular need to create a pool of qualified assessor/auditors and technical specialists (ecologists, sociologists, anthropologists, etc.) to work in external and internal audit teams.

(iv) At international level, better coordination and cooperation between buyers of tropical timber in their procurement policies would be helpful. International and national certification systems should establish operational procedures for phased approaches. Promotional efforts would be needed among producers and buyers to accelerate implementation of phased approaches and to ensure market acceptance of products coming from tropical forests undergoing phased approaches.

The issue of costs has been singled out as the most important barrier to certification among tropical timber producers. There is a parallel ITTO study on financial costs and benefits of certification and phased approach where this barrier is analyzed in detail (Simula et al. 2004) and therefore only some observations are made below.

## 7.2 Enabling Conditions

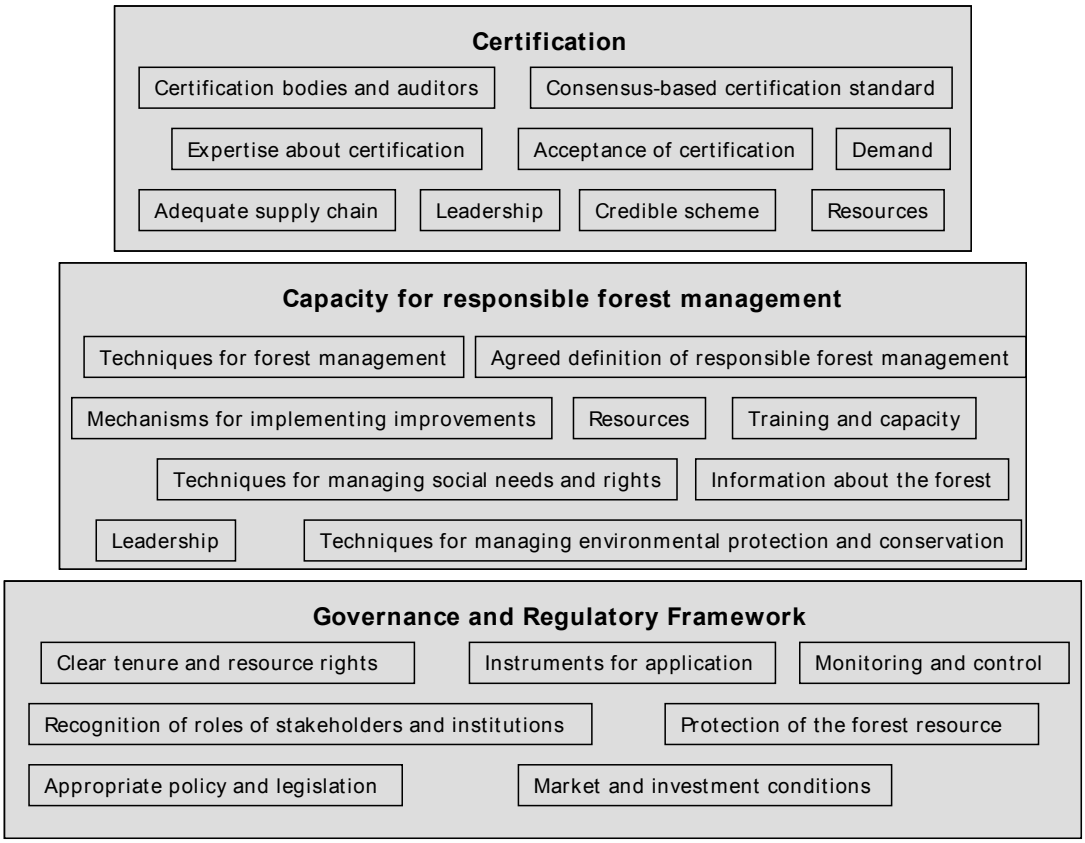
Market-based certification must be compatible with macro-level and sectoral policies, which allow or encourage the use of this kind of voluntary instruments for internalizing the environmental and social externalities of natural resource management.

There are a number of specific preconditions to make market-based certification work: (i) demand for certified and/or labeled products; (ii) conducive policy and regulatory framework, (iii) certification is locally driven; (iv) expected benefits exceed costs; (v) sustainable forest management is achievable in the short or medium term, and progress towards this goal can be recognized through certification; and (vi) effective broad-based participation can be arranged for setting of certification criteria. These preconditions can be taken as necessary but they may not be sufficient to make certification work in practice.

The various conditions which contribute to an enabling environment for forest certification and its phased implementation can be broadly divided between three elements (Figure 7.1)

- The governance and regulatory framework,
- The understanding of, and technical capacity to implement, responsible forest management,
- The demand for, and capacity to undertake, certification.

**Figure 7.1 Enabling Conditions for SFM and Its Certification**




Source: Nussbaum & Simula (forthcoming)

For certification to be implemented successfully, it is important to have the right policy and regulatory framework in place together with the capacity to undertake sound forest management. However, it is also recognized that certification can contribute to the achievement of both sustainable forest management and to building a better policy and regulatory environment. The above three sets of requirements interact therefore.

The detailed components of the enabling conditions are listed in Box 7.1 which also identifies what the implications of their absence are.

**Box 7.1 Enabling Conditions and the Implications of their Absence**

| **Governance and regulatory framework** | |
|---|---|
| **Condition** | **Implications of absence or potential for certification to support** |
| **Tenure and resource rights**: are legal and traditional tenure and resource rights clearly recognized and maintained or a process in place that is accepted by most stakeholders for resolving tenure conflicts. | Certification is difficult to achieve where tenure rights are not clearly defined |
| **Resource protection:** is illegal logging and forest clearance adequately controlled. | Good forest management, and therefore certification, is difficult to achieve where illegal activities are widespread or uncontrolled |
| **Roles of different stakeholders and institutions:** are the roles of all stakeholders and institutions in forestry negotiated and recognized | Certification contributes to the development of better recognition of roles and responsibilities through the standard-setting process and requirements for participation and consultation. |

| Governance and regulatory framework | |
|---|---|
| **Condition** | **Implications of absence or potential for certification to support** |
| **Coherent forest policy and legislation:** is there a coherent framework in place which requires and supports responsible forest management and an absence of laws and policies which prevent or conflict with its implementation. | Certification is difficult to achieve where policies and laws are confused or inconsistent with responsible forest management. However, in some cases certification may trigger the recognition of problems and provide an opportunity for change. |
| **Coherent set of instruments:** are there mechanisms in place to encourage and enforce implementation of laws and policies. | Certification promotes legal compliance but is unlikely to be sufficient on its own. |
| **Monitoring:** is there a mechanism for supervision and control of legal and other requirements for responsible forest management. | Certification can be a useful tool to assist or support monitoring of legal compliance. |

| Understanding of, and capacity for, sustainable forest management | |
|---|---|
| **Understanding of the forest resource** including forest dynamics, standing volume, growth and yield and response to management. | Where this information is not available, only large forest enterprises are likely to be able to develop it independently and even for them it will take time. |
| **Knowledge and agreement** about what responsible or sustainable forest management entails. | Where this has not been achieved, a multi-stakeholder national standard-setting process can be a good way to develop a widely supported definition of responsible or sustainable forest management for a country. |
| **Techniques for forest management** including management planning, harvesting, silviculture, road building. | Certification is generally much slower where techniques for good management need to be developed or imported from other regions, particularly for small and medium enterprises. |
| **Environmental protection**, conservation planning and identification, protection and monitoring of endangered species and forests of high conservation value. | Certification promotes the development of approaches and expertise in conservation planning. However, where these are not available there may be considerable costs associated with their development. |
| **Integration of social needs** including access to resources, workers' needs and rights and community development. | Certification has driven the development of approaches for integrating social needs in forest management. As this tends to be more important for large organizations, small forest enterprises are less strongly impacted by absence of expertise |
| **Capacity of forest owners, managers and field staff** to understand and implement the requirements of responsible forest management including adequate training and support. | Where capacity already exists, certification can proceed much more quickly, though for larger organizations it can drive the development of training programs and internal capacity building |
| **Sufficient resources** (people and money) to invest in improving forest management to the level required for responsible management. | Lack of resources is a serious barrier for many small and medium-scale enterprises as well as some large organizations in developing countries |
| **Strong, committed leadership**: sufficient numbers of well-trained, committed supporters of responsible management in government, NGOs, companies and support agencies or a strong lead organization. | Certification is likely to be slower in the absence of local leadership. |
| **Credible certification scheme** applicable to the region | Certification is much easier to proceed with when there is a scheme with wide support available locally and accepted by relevant markets. . |
| **Standard** based on a multi-stakeholder consensus-based standard setting process. | Where there is no national standard, certification under a national scheme is not possible. It can still proceed under the international FSC scheme based on the generic P&C, but where there is no consensus about what constitutes responsible forest management there is often considerable disagreement about appropriate local interpretation. |
| **Availability of certification bodies** and trained auditors. | Lack of local certification bodies is a barrier for small organizations. Larger organizations are better able to procure services from abroad but it still adds complexity and cost to the process. |
| **Availability of local expertise** in understanding and implementing standards. | Lack of local expertise to explain train and support certification has slowed down progress in many places. It is particularly important if there are no local certification bodies. |
| **Understanding and acceptance of certification** by forest owners and managers, indigenous groups and other key stakeholders. | Where forest owners or managers, or other key groups such as indigenous people, government or industry do not support certification it can cause a barrier to progress. |

| Understanding of, and capacity for, sustainable forest management | |
|---|---|
| **Demand for certification** from markets, investors, donors, governments or other actors able to influence forest managers. | Certification has been generally a market-driven tool, whether it is for those purchasing forest products, or those investing in the sector which create the demand. Where there is no demand, certification is very limited, as there is no incentive to be certified. |
| **Ability of the supply chain to supply** the type of goods or service demanded by the market. | A key prerequisite for certified suppliers is the ability to deliver, at competitive prices, the type and quality of product or service required by the segment of the market demanding certification. Where this is absent, certification on its own is unlikely to be sufficient and therefore the demand for, and benefits of, certification will disappear. |
| **Sufficient resources** (people and money) to cover the costs of certification. | This is most likely to be a constraint for small forest owners. For medium and large organizations, certification bodies consistently report that very few are put off only by the cost of the certification process. |
| **Strong, committed leadership**: sufficient numbers of well-trained, committed supporters of certification or a strong lead organization. | Certification can progress without leadership, but moves much quicker where it exists. |

Source: Nussbaum & Simula (forhcoming)

## 8. AREAS FOR FUTURE ACTION

Earlier ITTO reports have already identified possible action areas for stakeholders to promote certification in tropical timber producing countries (e.g. Eba'a & Simula 2002). In this chapter, we therefore focus on the specific needs required to promote phased approaches.

### 8.1 ITTO

ITTO could have a pivotal role in alleviating barriers to, and promoting, phased approaches through following actions:

(a) Together with other relevant parties (e.g. FAO) convene a meeting of management representatives of international and national forest certification schemes to discuss modalities and share experiences on how phased approaches can be implemented within the existing certification schemes

(b) Based on the results of the planned international workshop on phased approaches in 2005, continue awareness raising among stakeholders in tropical timber consuming countries on the need and acceptability of phased approaches

(c) Monitor the provisions related to phased approaches in procurement policies of key tropical timber buyers in the international markets, assess their implications for producers and raise awareness among these buyers on the need for common definitions and approaches in their policies

(d) In view of the limited practical experience in implementing phased approaches, encourage and implement pilot projects with tropical timber producing member countries on practical modalities to implement phased approaches, including development of appropriate communication mechanisms within existing certification schemes

(e) Continue to periodically monitor and assess the development of forest certification and its phased approaches for exchange of experience between producers and consumers and certification systems

(f) Carry out consultations with parties developing criteria for certification standards and systems at international level with a purpose to incorporate explicit provisions for phased approaches in such criteria (including the WBCSD and TFD exploring the feasibility of the Legitimacy Thresholds Model).

## 8.2 Certification Schemes

As phased approaches would have to be implemented within existing certification schemes these are encouraged to:

(g) analyze the feasibility of options for phased approaches within their systems
(h) develop necessary procedures for phased approaches within their own systems through participatory process involving all key stakeholder groups
(i) arrange pilot testing of phased approaches to ensure their practical implementation
(j) encourage certification bodies to develop services to audit phased approaches
(k) together with interested enterprises and their groupings and associations, promote exports of tropical timber and timber products undergoing phased approaches
(l) exchange accumulating experience with other certification systems on phased approaches with a purpose to create convergence between the respective provisions.

## 8.3 Governments

In the producing member countries governments should consider to:

(a) provide financial and other incentives for enterprises and forest owners involved in implementation of phased approaches to certification
(b) support the establishment or strengthening of national systems for conformity assessment with special reference to forest management certification and development of associated necessary human resources through training.

In consuming member countries governments are encouraged to:

(c) assess, in advance, the impacts of any new regulation related to import of tropical timber on sustainable development and SFM in producing countries before such regulations are enacted
(d) incorporate provisions for phased approaches in their procurement policies related to tropical timber and timber products.

In both producing and consuming member countries

(e) educate consumers on the merits of forest products from certified sources.

## 8.4 Forest Management Units/Forest Enterprises

The private sector producers of tropical timber and timber products are encouraged to:

(a) embark on certification within a selected system which has provisions for phased approach
(b) build up their capacity to achieve full certification within the specified time frames
(c) communicate on the commitments made and progress achieved to the international market and stakeholders.

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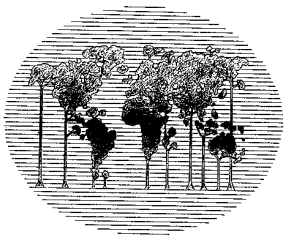

**I T T O**

**INTERNATIONAL TROPICAL TIMBER COUNCIL**

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## DECISION 10(XXXIV)

## PHASED APPROACHES TO CERTIFICATION

The International Tropical Timber Council,

Reaffirming the commitment of Members to the process of advancing ITTO Objective 2000;

Recalling Decision 11(XXXII) on the Potential Role of Phased Approaches to Certification in Tropical Timber Producer Countries as a Tool to Promote Sustainable Forest Management and the progress achieved in its implementation;

Noting the outcomes and recommendations of the ITTO Regional Workshops on Phased Approaches to Certification held in Jakarta, Libreville and Panama City in the first half of 2003;

Appreciating the interest in and the support for phased approaches to certification by tropical timber producing countries as a practical means to address the constraints facing many tropical timber producers in achieving certification as one of the instruments to encourage sustainable forest management;

Acknowledging that a crucial baseline requirement for a phased approach to certification is verification of legality of timber origin;

Acknowledging that verification of legality of timber origin should be undertaken based on national legislations applied in each member country as well as international agreements ratified by the member country;

Recognizing that it is fundamental to know how the diversity of social and cultural conditions in all wood-producing countries is dealt with by different verifications and certification approaches;

Noting the need for closer cooperation between producer and consumer member countries in facilitating policy development and technical assistance to ensure the realization of enabling conditions necessary for the implementation of phased approaches to certification;

Recognizing the need for further development and promotion of phased approaches to certification as a tool to promote sustainable forest management in ITTO producing member countries;

Decides to:

1. Authorize the Executive Director to engage two consultants, one from a consumer and one from a producer country, to develop procedures on how phased approaches to certification might be implemented in tropical timber producing countries for presentation and consideration of the Council at its Thirty-sixth Session;

2. Authorize the Executive Director to engage two consultants, one from a consumer and the other from a producer country, to undertake a study to evaluate the costs and benefits of certification in selected ITTO producing member countries from the three producer regions, according to the attached Terms of Reference for presentation and consideration of the Council at its Thirty-sixth Session;

3. Authorize the Executive Director to convene an international workshop on phased approaches to certification, if possible in collaboration with other partners, in a consumer member country after the Thirty-sixth Session, with a view to reporting its outcomes and recommendations no later than the Thirty-eighth Session of the Council based on the attached Terms of Reference; and

4. Authorize the Executive Director to seek voluntary contributions from member countries and other partners to meet the financial requirements of this decision, not exceeding US$250,000.00.

**ANNEX**

**Terms of Reference for the Development of Procedures**

The consultants, one from a consumer and the other from producer member countries, will develop procedures on how phased approaches to certification might be implemented in tropical timber producer countries.

The assignment will include the following, taking into account the range of country conditions and the concerns of small and medium-sized enterprises:

a) Define and elaborate relevant terms used in phased approaches to certification, drawing on the concept of phased approaches as presented to the Council at its Thirty-fourth Session, and develop procedures on how such approaches might be implemented. In particular, definition and clarification on how verification of legality of timber origin should be undertaken based on national legislations applied in each member country as well as international agreements ratified by the member country shall be provided. It is also fundamental to analyze how the diversity of social and cultural conditions in all wood-producing countries is dealt with by different verifications and certification approaches;
b) Identify enabling conditions for implementation of phased approaches, at the local, national and international levels;
c) Identify both external and internal constraints that may impede implementation of phased approaches, at local, national and international levels;
d) Consult with relevant parties, including buyers groups, consumer groups, industry, retailers, certification schemes, certifiers, forest owners and managers, governments, environmental and social NGOs, representatives of local communities and indigenous people;
e) Prepare a preliminary report to present at the Thirty-fifth Session of the Council; and
f) Taking into account comments and views of Member Countries, finalize the report and present to the Thirty-sixth Session of the Council.

**Terms of Reference for the Study**

The consultants, one from a consumer and the other from producer member countries, will undertake a financial cost-benefit analysis (CBA) for forest management units (FMUs) for implementation of phased approaches.

The assignment will include the following:

a) Elaborate on possible analytical models or approaches for assessing costs and benefits of forest certification and phased approaches;
b) Carry out voluntary field-level case studies on the costs and benefits of certifying forest management units in selected ITTO producing member countries, delineating those costs and benefits associated with meeting certification requirements and those associated with certification assessments;
c) Based on the analysis, identify under which conditions forest certification can be financially feasible, including through a phased approach, and managed ways how to reduce costs and increase benefits due to certification in tropical forests;
d) Prepare a preliminary report to present at the Thirty-fifth Session of the Council; and
e) Taking into account comments and views of Member Countries, finalize the report and present to the Thirty-sixth Session of the Council.

**Terms of Reference for the Workshop**

The international workshop will be for a duration of three days to be held in a key ITTO consuming member country.

The objectives of the workshop are:

- To solicit views, facilitate consultations and promote a better understanding of phased approaches to certification among buyers, government agencies with timber procurement policies, certification schemes and other stakeholders
- To raise awareness among governments, markets, donor agencies, NGOs, multilateral development banks and international organizations on the merits and benefits of phased approaches to certification and possibilities to encourage their implementation
- To facilitate understanding of procurement policies of buyers and public agencies as related to certification and the implications of such policies for tropical timber producers.

Participants of the workshop should include representatives from:

- ITTO producing and consuming member countries
- Certification schemes
- Environmental and social NGOs
- Local communities and indigenous peoples
- Buyers groups and consumer groups
- Industry, traders and retailers
- Local government municipalities.

Sponsorship will be provided to twenty (20) participants.

## List of Organizations Consulted

| | |
|---|---|
| Forest owners | America Tree Farm Association<br>Confederation of European Forest Owners |
| Timber trade and industry | CEI-Bois<br>Ghana Timber Export Development Board<br>IFIA<br>IWPA<br>Kingfisher<br>Timber Trade Federation (UK)<br>UCBD<br>WBCSD |
| Certification schemes | Cerflor<br>FSC<br>LEI<br>MTCC<br>PEFC |
| Certification bodies | SGS<br>Smartwood |
| NGOs | Fern<br>The Nature Conservancy<br>Environmental Investigation Agency<br>Forest Trends<br>GFTN<br>Global Witness<br>Greenpeace<br>IUCN<br>World Rainforest Movement<br>World Resources Institute<br>Global Forest Watch<br>WWF International |
| Other | ATIBT<br>CIRAD<br>GTZ |

## REVIEW OF RELATED INITIATIVES IN OTHER SECTORS

### 1. Evolutive Quality Management: the Brazilian Program for Quality and Productivity of the Habitat

Various organizations in the Brazilian building industry realized that there is a need to promote improvement of the quality of the enterprises in the sector, especially those involved in the construction of low-income housing projects. As a result, the Brazilian Program for the Quality and Productivity of the Habitat[9] was created. One of the program activities is a certification process for construction companies complying with the ISO 9001 standard. The purpose is that only those construction companies which are certified can be issued a contract. Certification is voluntary and part of the Brazilian Conformity Assessment System.

In particular, government-owned banks that finance housing schemes will demand that construction companies involved in their projects are certified. This initiative of the government-controlled housing financing institutions had a stimulating effect on certification. A large share of housing projects in Brazil is financed by these institutions.

The civil construction sector was one of the last industrial segments to adopt a modern vision on quality and to comply with quality management standards. This is partly due to the fact that a large share of the construction companies in Brazil are SMEs. Because of this, the scheme was designed right from the start to provide a mechanism that would allow the inclusion of SMEs. As a result the concept of evolutive certification was developed.

For participants the target of the scheme is full implementation of the ISO 9001 standard and its certification. In order to achieve this in the SME sector, intermediate levels are established for the implementation process according to which the enterprises may be certified.

The achievement of each level is verified by an accredited certification body and a certificate is issued. The scheme has four levels (A, B, C and D). The highest level (A) corresponds to the complete fulfillment of the ISO 9001 standard. All stakeholders participate in establishing the requirements for each level.

The scheme is supervised by a national committee, with representatives of the building companies, public contracting bodies, banks and laboratories and technological institutes. The committee defines the policy including decisions on the requirements for each level.

The requirements of the standards are divided among the four levels. Some items are required only partly in level D (the most basic) while the other parts of these items are to be achieved in subsequent levels. Box A3.1 highlights an example of the ISO 9001 requirements across the levels. The levels are cumulative meaning that each new level not only has new requirements, but also the requirements of the previous levels have to be complied with.

[9] www.pbqp-h.gov.br

## Box A3.1 Example of Levels of Achievement of ISO 9001 in the Brazilian Program for Quality and Productivity of the Habitat

**ISO 9001**

**Management responsibilities**

**Management commitment**

Top management shall provide evidence of its commitment to the development and improvement of the quality management system by:

Level D

(a) communicating to the organization the importance of meeting customer as well as regulatory and legal requirements
(b) establishing a quality policy
(e) ensuring the availability of necessary resources

Level B

(c) assuming that quality objectives are set and are monitored

Level A

(d) conducing management reviews;

Note that in this item no specific requirement was established for level C. This means that what is required for level D will, in this case, also be required for level C.

Another important aspect of the evolutive certification concept is that the Program has established a time frame for within which construction companies should reach various levels. As an example, after a specific predetermined date, only companies that have been certified for level C or higher will be accepted. The future date by which only those with level A certification will be accepted has been defined.

Certification is issued by designated bodies (certification bodies accredited by the national accreditation body, INMETRO). In addition, certification bodies have to be designated by the national committee to participate in the scheme and they have to apply for this.

With regard to the phased approach for forest management certification, the following aspects should be noted;

- The levels are predetermined having been agreed upon, with the participation of the relevant stakeholders (suppliers, customers and "neutral" participants)
- The requirements for each phase are clearly established by the scheme and cannot be selected by the enterprise on its own
- The levels are designed to be evolutive and cumulative, which means that the next level has all the requirements of the earlier ones
- The stakeholders mutually agree upon a time-frame within which the levels shall be reached; this time-frame can be specific for a certain state[10] or a large public contractor such as the National Saving Bank (Caixa Econômica Federal) which is the government-owned bank issuing building loans for homes and public infrastructure. An individual enterprise cannot establish its own schedule, but of course each company has to work out its own implementation plan.
- The time-frame targets are defined to prevent business for those companies that have not reached the minimum level agreed to for that particular time frame

[10] The scheme started with a deployment by certain states that adhered

- There is no specific mechanism to encourage companies to make faster progress than that defined in the time-frame targets
- For each level a certificate is issued allowing respective claims.

The scheme has been in place since the end of 1990s but it is somewhat controversial. Part of the criticism is targeted at the idea of implementation by phases a management system standard (and to certify such implementation). The ISO 9001 management system standard was in fact conceived to produce an effective and full implementation of the standard, not just partial results. On the other hand, the focus on SMEs and clarity of levels and predetermined time frames are important strengths of the scheme.

The viability of the scheme relies heavily on the commitment of the government as the main source of funding. The National Saving Bank and other public financing institutions started to require that construction companies be certified according to a specified common time-frame which had been agreed upon by the sector.

## 2. Sustainable Tourism Certification in Costa Rica

The Instituto Costarricense de Turismo (ICT-Costa Rican Tourism Institute)[11] has developed a certification system for sustainable tourism. The planning of the system started in 1992 and in 1997 it was implemented for hotels and eco-lodges. In 2002 the system was extended for travel agencies and operators. The system is voluntary and it is based on the concept of five progressive levels of certification.

The scheme includes a National Accreditation Commission, with representatives of ICT (which acts as the certification body) and other interested parties. The Commission supervises the system and is responsible for reviewing of the standard and the accreditation process.
The system is a certification program for tourism companies establishing the degree to which operators comply with a model of sustainability as defined in the standard. The requirements are divided into four areas or categories:

(i) physical-biological parameters – the interaction between the company and its surrounding natural environment

(ii) infrastructure and services – the management policies and the operational systems within the company, its infrastructure and services provided

(iii) external clients – the interaction of the company with its clients in terms of how much it allows and invites the client to be an active contributor to the company's policies of sustainability

(iv) socio-economic environment – the interaction of the company with local communities and the population in general.

The standard is, in fact, a checklist. It has 153 questions grouped into the above four areas covering the most important aspects of social, cultural and environmental performance.
Certification assessment is conducted on site by independent auditors using the checklist. In each of the four areas, the percentage of compliance is established based on the positive replies (compliancies) compared to the total number of questions.

[11] http://www.turismo-sostenible.co.cr/EN/home.shtml

The scheme provides a system of sustainability levels, on a scale of 0 to 5, in which each number indicates the relative position of the enterprise in terms of sustainability. The scheme clarifies tourist operators in terms of levels in a way similar to the commercial classification of hotels according to the well-known stars system.

If the first level (level 1) is achieved in a category (e.g. socio-economic environment) this means that the enterprise has taken the first step in the process of sustainability. The higher levels correspond to intermediate stages until the final level 5 is achieved, which means that the company is considered outstanding in terms of sustainability (Table A3.1).

**Table. A3.1 ICT-Certification Levels and the Percentage of Attained Questions**

| Level | % of attained questions |
|---|---|
| 0 | < 20 |
| 1 | 20-39 |
| 2 | 40-59 |
| 3 | 60-79 |
| 4 | 80-94 |
| 5 | > 95 |

The assessed certification level corresponds to the lowest percentage in any one of the four areas. It is expected that the scheme policy will encourage operators to make progress towards sustainability by giving the same degree of consideration and importance to each of the four areas evaluated.

The idea is to encourage companies to enter the program since the very beginning of implementing sustainable practices. Besides, the system considers sustainability a process, rather that a state.

The main strength of the system is indeed how it encourages enterprises to implement sustainable practices. In addition, the extensive checklist provides a comprehensive, transparent way to assess sustainability.

On the other hand, the use of different levels can be confusing to customers who are not able to understand the difference between various levels. Furthermore, the system may also be confused with the hotels classification system, which is a different tool. When classifying an accommodation facility, the hotel chooses in which level it wishes classify (e.g., three stars, four stars, etc.). The different levels do not imply the idea of progress from one level to another like in the case of sustainability certification.

## 3. Sustainable Tourism Certification – Green Globe 21

A privately owned certification program, Green Globe[12] is one of the most widely known environmental certification initiatives in the tourism sector in the world. It is based on an environmental management system approach, using as a reference ISO 14001. It was launched in 1994 as a membership program with no standards or auditing included. In 1999 the system was expanded with a standard and independent auditing. In April 2001, it was upgraded again to include three tiers, Affiliate, Benchmarked, and Certified (the so-called ABC pathway), and independent

[12] http://www.greenglobe.com/

third party auditing for certification. The right to use the logo is not received unless an operation is above the baseline level of performance (Benchmarking).

The idea behind the three levels is to encourage companies to get first involved with the program and receive benefits since the very beginning. That is the reason for providing the first level (Affiliate) which must be complied with all participants. In the second level, (Benchmarking), the program measures the actual environmental performance of companies for nine key environmental and social performance areas, which also include some performance criteria. The ultimate level is certification against the full standard, along the lines of ISO 14001, but with some additional requirements specific for the tourism sector.

Participants may use two different logos, one for the Certification and the other for Benchmarked phases but only a stamp can be used for the Affiliate phase. The difference between the Benchmarked logo and the Certification logo is the presence of a "check" (✓) in the latter (Figure A3.1). Operators are entitled to use the Green Globe Logo (without check) if they are Benchmarked above the baseline for all criteria. The Green Globe Logo (with check) is achieved if an operation meets the requirements of the GG Standard, has been independently assessed, and has been Benchmarked with all criteria above baseline.

**Figure A3.1 Stamp and Logos of he Green Global 21 Program**

| | |
|---|---|
| Affiliated : | GREEN GLOBE 21 Affiliate |
| Benchmarked: | GREEN GLOBE 21 |
| Certified: | GREEN GLOBE 21 |

The three levels are defined as follows:

- Level A (Affiliate): GG 21 Affiliates are travel & tourism operations or communities that have registered with GG 21 at the Awareness level and paid a 12-month introductory fee. Typically, they are operations or communities that wish to learn more about GG 21 and the GG 21 certification progress and are committed to better environment, better communities and better business. During this 12-month period, participants learn more about the benefits of GG 21 Benchmarking and Certification phases and how the process works. There are immediate benefits, including the opportunity to use the GG 21 Affiliate stamp.
- Level B (Benchmarking): Benchmarking is a means by which an operation can assess and improve its environmental performance. Benchmarking uses the nine key environmental performance areas identified in the GG 21 Standard (for Company, Community).

  Benchmarking indicators have been developed for the majority of the key performance areas. They establish the measures that need to be put in place by an operator. It is intended that Benchmarking indicators be systematically improved over time in line with the GG 21 philosophy of continual improvement.

The Benchmarking report returned by Green Globe to applicants provides Benchmarked "reporting index" and recommendations for improvement in environmental performance.

Benchmarking is a straightforward process. It involves practical, everyday measures such as the volume of water in a year, as shown by water bills, and the amount of electricity used, shown by electricity bills. Information is assembled by the company and forwarded to GG for independent analysis. Following the analysis, a GG Benchmarking Assessment Report is provided. A successful report allows the operation to use the GG 21 logo (without the check) and to receive Benchmarked' Certificate.

- Level C (Certification): Benchmarking is a compulsory part of the certification. The originally supplied Benchmarking data must be now verified by assessors during the certification process. The analysis of the data supplied by the operator is undertaken by GG. All the nine key performance areas must be above a baseline level of performance for an operation to be successfully certified. After that, a third party audit is performed verifying the conformity to the GG 21 Standard. There are a number of organizations accredited by GG to conduct such certification audits. The decision of certification is taken by GG itself.

## 4. Green Globe 21 International Ecotourism Standard

The International Ecotourism Standard applies the same kind of approach. It involves an ecotourism standard and a certification scheme, developed and owned also by GG. Despite being a management system standard, the claim is that the product, not the operator, is certified. The logo to be used is a combination of the GG certification logo, together with a specific ecotourism logo. Two levels of certification are provided: baseline and advanced.

The purpose of the scheme is to promote environmentally sustainable ecotourism. The standard provides a basis for assessing a baseline environmental management performance for Ecotourism products and recognizing best practice ecotourism.

Ecotourism products that have been certified are entitled to use the GG logo with check combined with the ecotourism, Certification logo to promote their environmental achievement (Figure A3.2).

To obtain the baseline Ecotourism Certification a product must satisfy all the principles and related performance criteria, plus comply with the relevant Benchmarking criteria at the baseline level. Meeting a specified baseline standard for the quantified Benchmarking criteria is basic requirement for certification. The baselines are determined on a country-by-country basis. From 2003 onwards, GG 21 will be publishing national baseline standards, as they are determined.

**Figure A3.2 Green Globe 21 International Ecotourism Standard Logos**

| Logo for plain certification | Logo for advanced tourism certification |
|---|---|
| GREEN GLOBE 21 eco Ecotourism | GREEN GLOBE 21 eco Advanced Ecotourism |

To obtain an Advanced Ecotourism Certification a product must satisfy all the principles and related performance criteria, comply with the relevant benchmarking criteria at baseline and satisfy at least 75% of the Ecotourism Best Practice Criteria. Best-practice levels achieved through exceeding the baseline Benchmarking criteria will be recognized by GG 21 in the Certification Report, even if Advanced Ecotourism certification is not achieved.

To achieve GG Ecotourism Certification, an ecotourism product will have to demonstrate compliance with the eight guiding principles of Ecotourism through meeting the relevant performance requirements of the standard. Operators will also need to qualify their performance for each product against specified Benchmarking criteria and they have to perform above the baseline level. These Benchmarking criteria are defined by the Sector Benchmarking Indicator for ecotourism.

The Benchmarking criteria are mainly modified GG Indicators that have been researched and chosen to establish sustainability performance, but they also include some recently developed ecotourism-specific indicators. Like in the Green Globe 21 Sustainable Tourism Certification Program for Travel and Tourism Companies, Benchmarking is an integrated part of the certification process, including additional verification through an on-site inspection.

## EXAMPLE OF AN ACTION PLAN FORMAT

| Standard requirement | Actions to be implemented | Resources needed | Responsibility | Timing |
|---|---|---|---|---|
| (extracted from the standard document, only the items where corrective action is required are identified in this column) | (description of individual action needed to comply with the standard requirements) | (external services, maps, documents, staff time to be allocated for the actions if they cannot be implemented as part of regular duties; cost estimates and budgetary allocations and other sources of financing) | (manager, organizational unit responsible for carrying out the action) | (deadline for the activity to be carried out) |
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