

Global Forest Governance: Emerging impacts of the Forest Stewardship Council

Stephen Bass
International Institute for Environment and
Development

SUSTRA

Workshop organised by Ecologic, Institute for International and European Environmental Policy
Pfalzburger Str. 43-44, D-10717 Berlin, Tel.: +49-30-86880-0, Fax: +49-30-86880-100,
E-mail: office@ecologic.de, Internet: www.ecologic.de



Global Forest Governance: Emerging impacts of the Forest Stewardship Council; and suggested research questions

Stephen Bass, Director of Programmes, IIED

Brief Paper for International SUSTRA Workshop, 9-10 December 2002, Berlin:
*'Architecture of the Global System of Governance of
Trade and Sustainable Development'*

1. Introduction - certification is a recent, but prominent feature in the forest governance landscape:

Global governance for sustainable development (SD) could be looked upon as weak, with little hard law, and fragmented in many parts with no 'umbrella' or common framework. Yet 'fragmented' may not be the right adjective, as a coherent system was never fully in place. Indeed, the alternative view is that a rich governance 'landscape' is forming – highly diverse elements from a wide spectrum of fully public to fully private initiatives are coming together. The Forest Stewardship Council (FSC) is a relatively recent addition to this landscape – and it is also beginning to influence the other elements. Certainly, forest stakeholders take FSC at least as seriously as intergovernmental conventions and initiatives.

Global governance for trade is much more monolithic and legally based, although the rapid rise to predominance of the World Trade Organisation (WTO) as the 'umbrella' is being tempered with an increase in powerful regional and bilateral initiatives. As a market-based approach, FSC is beginning to shake up ideas of trade governance, but there has not yet been a major adjustment to FSC – or indeed any major trade dispute.

There has been almost no research on FSC's influence on global SD governance, partly because the story is a recent one, and the impacts are not yet fully clear. But research is now warranted because FSC's influence is likely to stir up more (rather than less) debate on trade governance in forestry, and also because the 'stewardship council' model is spreading (there is a Marine Stewardship Council, and proposals are being made for sustainable tourism and mining).

The observations of FSC's impacts on global governance in this brief paper are tentative. They were developed in the course of work by IIED exploring FSC's impact at a more local level – on forest management, on forest stakeholders and supply chains.¹

2. Global forest governance is complex and ineffective:

The aim of forest governance should be to secure the equitable supply of forest goods and services at different levels, e.g.:

- the livelihood level (supplies of timber, fuelwood, food, medicine, recreation, and other needs from the forest); up to
- the global level (biodiversity, natural heritage and carbon storage, etc)

The principal services at the global level are governed by multilateral environmental agreements – notably the CBD, CITES, the FCCC, and the World Heritage

¹ Bass S., Thornber K., Markopoulos M., Roberts S., and Grieg-Gran M. 2001. Certification's impacts on forests, stakeholders and supply chains. IIED, London.

Convention. Partly because of this coverage, there is no global forest convention. Another reason why there is no convention is that national forest assets are highly diverse in quality and quantity, and are sovereign territory: consequently states would seek very different things from a global forest agreement. For example, a forest-rich country such as Canada or Finland may seek the freedom to promote commercial forestry for timber export. Brazil or Zaire, on the other hand, may wish to protect their own rights to turn forests into other assets to support development, such as farmland. Forest-poor countries may wish to have access to other nations' forests for offsetting their carbon emissions. Countries have consequently not been able to agree on the purpose or form of a convention (although the issue is still on the long-term agenda of the UN Forum on Forests).

In spite of the very different objectives which conspire against a convention, there have been agreements on general principles and criteria by which forests should be managed. But forest-specific international regulation amounts to little more than exhortation and soft law, with no compliance mechanisms. The main elements are:

- the UN Forest Principles (the non-legally-binding alternative to a forest convention that was agreed at Rio in 1992)
- the Intergovernmental Panel/Forum on Forests 'Proposals for Action' (150-plus exhortations that were agreed through a long process subsequent to Rio)
- the Criteria and Indicators for Sustainable Forest Management agreed by the parties to the International Tropical Timber Organisation (ITTO)²

3. Many drivers conspired to bring forest certification about

With weak international law, and a reluctance of many governments to enforce it, forest problems have raged on unchecked in many countries. Particularly in the tropics, underpricing of the forest asset and corruption have fuelled a stripping of the forest asset by cut-and-run loggers. The media spread the bad news, and tropical timber came to be a bad word amongst Northern consumers. With environmental NGOs organising boycotts of tropical timber, and some governments such as those of the Netherlands and Austria ready to follow suit with official bans, timber-importing companies sought a new means to protect their market. In particular, they realised that they could not often say where their wood came from and, furthermore, very rarely could they demonstrate whether the source was a well-managed forest or not. NGOs, frustrated with government inaction and the absence of clear agreement at the intergovernmental level, realised they could work with concerned businesses on a positive alternative to bans and boycotts – forest certification. A global (but shoe-string in terms of resources available) consultation and design period in the late 1980s and early 1990s gave rise to the FSC's launch in 1993. WWF and European timber retailers were the early drivers of the FSC, and WWF 'incubated' it with funds and advice.

4. The Forest Stewardship Council was designed on SD principles

The interesting aspect to FSC in governance terms is its deliberate structuring around the *problem* of poor forestry, and its incorporation of sustainable development principles in both its *organisation* and its *decision-making criteria*. In brief:

² An initiative started by UNCTAD resulting in a commodity agreement which has two principal objectives – to promote trade in tropical timber, and to conserve the forest resource base on which it depends. ITTO membership is of two types: producer nations and consumer nations.

- Members (primarily NGOs, forest producers and traders) are organised into *three 'chambers' – economic, environmental and social*
- Within each chamber, there is a voting *parity between Northern and Southern* members
- The approach is *multi-stakeholder*. However, membership does not include government. This is because FSC wished to be a voluntary initiative and avoid running foul of trade laws, and because it did not want to get dragged down to the 'lowest common factor' positions of (inter)governmental forest initiatives.
- *Ten Global Principles and Criteria* (P&C) of good Forest Stewardship form the basis of the Council's objectives and decisions. These cover economic, environmental and social factors; they were the product of much consultation; they could be said to embody 'the Spirit of the Rio Agreements'; and they are reviewed and regularly revised.
- *National multi-stakeholder working groups* translate these global P&C into national and subnational *standards* relevant to the forest type. As a result, standards in each country differ but are considered compatible internationally. The standards include implementation of all relevant legislation, but tend to set a higher benchmark.
- The standards are *independently verified in the forest* (and on the basis of the forest enterprise's management system) by accredited auditing companies, resulting in a certificate and labelled timber.
- The labelled timber offers *an incentive to producers*, especially as WWF-organised *buyers' groups* (usually retailers, mostly in Northern countries) have pledged to stock certified timber only. The reward tends to be market access, but in some sectors includes a price premium.

Details of the impacts of certification on forest management and forest stakeholders of different types are given in Bass et al (2001). Suffice to say here that about 40 million ha of forest are certified so far, affecting perhaps five per cent of trade in Europe (less elsewhere). Most of the companies certified to date are bigger, and well resourced, often in Northern countries (since they were already practising good forestry and in a position to pay the costs of certification). Thus certification has had the initial effect of recognising the existing best producers, and making good ones even better – with little impact on the real forest problem of bad producers' asset-stripping behaviour. It has also not been easy (but not impossible) for many small and community producers to play the certification game. With only a weak price premium at best, most of the benefits go to the timber retailers (protecting their reputation and market share in the face of increasing consumer concern and possible future legislation on the social and environmental content of wood products).

5. FSC's impacts on local and national governance are becoming clear

Perhaps because FSC has aimed at high standards and involved multiple stakeholders, there have been significant, positive impacts on governance.

At the *local level*, the certification process requires the rights of all stakeholders to be recognised, and positive stakeholder relations. Forest-based people and communities surrounding certified forests, for example, tend to be better off in terms of their security of forest goods and services (gaining access for recreation, fuelwood collection, grazing rights, etc). And smaller certified producers themselves tend to be better recognised by government authorities, with some examples of such producers being invited to engage on policy issues. Certification standards have helped to improve compliance with many laws: they are framed in a way which helps forest managers to comply with multiple legal requirements and the 'policy inflation' which

has been impinging on forestry in the last decade. However, because FSC's standards allow more flexibility in achieving the objectives than previous technically prescriptive legislation, good professional capacity is now required to interpret the standards properly, on the part of both forest manager and certifier. When forest managers (or more usually certifiers) have misinterpreted social standards, harmful 'social engineering' has been observed surrounding the forest enterprise. For example, corrective action requests demanding that inappropriate stakeholders have a say in decision-making, or emphasising management for certain forest products which leaves women and the landless with reduced access to forest services.

At the *national level*, the most significant governance impact has derived from the FSC National Certification Working Groups. Multi-stakeholder – and including government at this level, they are often the only forum in many countries for reviewing forest issues. They focus around such critical issues as 'What is good forestry? How should we recognise it? How can we hold managers accountable? How can we encourage improvement? And how can we reward them?' Even where certification does not itself prove to be the answer to these questions, the debate is sound. There are cases of their deliberations being taken into other policy arenas. At the very least, the approach of these Working Groups has had an excellent capacity development effect.

In general, because certification focuses on individual forests, it has turned forest policy and debate from the abstract, to real and case-based, and it has increased expectations of transparency. Some individual certificates have 'fast-tracked' national policy, especially where they have been contentious, or concern the certification of state-owned forests. The governance effect of certification has naturally been more pronounced in relation to commercial forests. Conservation forest or livelihood forests (on which the poor may depend) have been comparatively neglected – this could turn out to be a negative impact. There has also not yet been much sensible rationalisation of state-run nationwide forest monitoring (which are often weak) with certification, which is specific to individual forests – with potential information synergies and cost-savings not being realised.

6. FSC's global role as a 'private, soft forest convention' warrants research and debate

There are signs that FSC is having an impact at the global level. This is not surprising, given that it was developed to fill a vacuum of norms and incentives at the international level. The elements of global governance which appear to be emerging, and which deserve further research (ideas are suggested), include:

- a) **A global 'lingua franca' on sustainable forestry**, through FSC's P&C. These are technically sound, tested in different operational circumstances, and open to revision. They might offer a useful inputs to those other parts of the global SD and trade governance regime that require much better information about how to handle forest issues – notably the Clean Development Mechanism. An interesting **research exercise** would be a survey to ascertain which forestry 'languages' and 'codes' are treated most seriously by companies, governments and MEAs.
- b) **A 'race to the top' incentive**. FSC has chosen the approach of a single, high threshold standard. Consequently, it has been taken up more by good producers than by the bad ones (and most FSC-related arguments have been between different producers who could see themselves falling just above or just below the threshold – in other words a rather sterile argument between the 'very good' and the 'excellent'). In contrast to this high threshold, the intergovernmental regime

has had a *status quo* maintaining effect, or a 'race to the bottom', with governments negotiating forestry conditions that describe what they do already, or which allow escape clauses. An interesting **research exercise** would be to determine whether more producers would be attracted to a 'step-wise' certification scheme (as is developing in Indonesia) that gives incentives for continuous improvement than to FSC – and whether this would have the desired effect of gradually turning 'bad' producers into good ones.

- c) **A means to handle subsidiarity** in relation to the security of different forest goods and services. The National Working Groups are charged with translating global P&C into national standards. This means they have to both accommodate global forest issues (such as biodiversity) and work out how to factor in locally-significant issues (such as food production and hunting in forests). This is a complement to the work of national authorities. A **research exercise** would be to determine the extent to which certification – in its standards development, application, and market rewards – (a) empowers local and especially marginalised groups to play a role in international forest affairs; and (b) is effectively articulating the requirements of the CBD at local level.
- d) **A means to support and link different policy communities in learning processes.** FSC has built-in learning objectives and fora. Its annual assembly and international issues working groups review and improve approaches to areas of concern e.g. community and small producers and social standards. The intergovernmental regime does not have such permanent learning systems – at best *ad hoc* intersessional meetings on certain subjects. A useful **research exercise** would be to map FSC's governance structure (the chambers, global and national working groups, etc), what issues it has focused on for learning, and their influence on other exercises. A related question is whether the separation of members into social, economic or environmental chambers helps or hinders an integrated SD perspective.
- e) **Improved equity in recognising stakeholder rights and roles and realising benefits:** FSC's organisation, standards and procedures have done much to improve stakeholder participation at the local and national level. A **research exercise** would be to map the distributional impacts of FSC's work, at local, national and global levels: who bears the costs and risks, and who gains the benefits?
- f) **Influence on, and integration with, intergovernmental organisations.** FAO and the ITTO have moved, quite rapidly, from a situation where they denounced the idea of independent certification, to developing a watching brief, to acceptance of FSC in principle as part of the emerging global institutional regime. Their correct concern now is to ensure FSC and other certification schemes find the right niche in the regime. A **research exercise** would be to tell the story of these intergovernmental groups' changing attitudes to certification, and associated changing objectives, activities and assumptions. This would also help in developing a picture of the kinds of authority accorded to FSC – moral, pragmatic, efficiency, etc. It would also be good to 'map' the feedback loops that are being established between FSC (and associated market space) and the intergovernmental players (and associated regulatory space).
- g) **A new form of forest law.** It is notable how FSC has been able to: develop norms of behaviour; develop procedures for compliance; tackle the issue of multi-factor coherence; and ensure a case-based approach to judgement and appeal. In other words – to develop 'law'. As Meidinger has pointed out, such 'private' law

in many ways parallels the situation prior to the emergence of nation-state law in the 18th and 19th centuries, when e.g. guilds established the predominant legal regime.³ It also reflects Hayek's notion of 'spontaneous order' which advises that rules should be forged initially through markets, rather than through governmental control. If certification is like law, then it could be examined as law. A **research exercise** would be to examine the emergence, operation and impact of certification as law, and its integration with global and national regimes – using standard legal research approaches.

For all the above emerging elements of global forest governance, issues of equity, efficacy, legitimacy, transparency, coherence, and adaptability are important. Such '*criteria of good governance*' should help to frame any research questions.

The questions could also be framed in terms of ways to better implement the *WSSD plan for improving international regimes* (Chapter 10). This calls for integration of the three SD pillars, increased civil society participation, improved rule of law and monitoring, and improved efficacy. These are areas in which FSC appears to be a leader. If global governance for SD is to be improved, the system must build on its component strengths, and the contributions of FSC therefore need to be recognised.

Finally, there are some **dilemmas** which are worthy of research and debate. These include:

1. *Is FSC's governance role limited by the low level of government participation – or can this characteristic result in complementary roles in discrete domains being recognised?*
2. *Is FSC's legitimacy constrained by the fact that it is a market-based instrument, and forest producers pay for the process? Or does the (evolving) separation of standards, accreditation and inspection provide a greater credibility than government doing all these things?*
3. *What are the ways in which FSC can link both SD and trade governance? To date, FSC has not been 'looking over its shoulder' at the WTO too much, in order to 'get on with things'. There have been no WTO panels to examine accusations of FSC trade barriers. But FSC is becoming more of an established player, the trade in certified produce is increasing, and such produce could be seen to be 'green services' under GATS. In other words, several emerging issues could now warrant improved FSC attention to WTO. Where should FSC (expect to) engage with WTO and where stay out of its way?*
4. *Finally, what are the governance implications of the emergence of other players on certification – notably the Pan-European Certification Council (PEFC) which has greater involvement of government and tends to promote governmental standards? Issues of competition will become more critical.*

Such research is particularly warranted because of the increasing faith which stakeholders in a variety of sectors are placing in the 'stewardship council' model.

³ Meidinger, E. 2001. Environmental Law for Global Civil Society: the Forest Certification Prototype. Paper prepared for the Conference on Social and Political Dimensions of Forest Certification, University of Freiburg, Germany, June 20-22, 2001.