

INTRODUCING FOREST CERTIFICATION

**A report prepared by the Forest Certification Advisory
Group (FCAG) for DGVIII of the European Commission**

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INTRODUCING FOREST CERTIFICATION

DG-VIII Forest Certification Advisory Group (FCAG)

Forest Certification Briefing Note No 1

1. WHAT IS FOREST CERTIFICATION?

Forest management certification is a relatively new type of formal, voluntary procedure. Under such a procedure, a certifier – who is a third-party inspector – gives a written assurance that the quality of forest management practiced by a defined manager or group conforms to specified standards. Certification is often followed by verification of the chain of custody of products from certified forests, and labelling of the products, so that they can be proven not to have been mixed with, or substituted by, products from other forests. In this way, certification attempts to link market demands for forest products produced to high environmental and social standards, with producers who can meet such demands.

Certification developed a long time ago for the wine industry in France – *the appellation d'origine contrôlée*. It has since been used for e.g. organic agriculture and laboratory testing procedures. Forest certification has evolved since 1989. It is part of a general trend to define and monitor standards for environmental and social improvements in natural resource.

2. WHY IS CERTIFICATION SO TOPICAL?

In the last twenty years, forest problems worldwide have been on the increase. Forest area and quality have both declined, especially in the tropics and boreal areas; and stakeholders are in conflict over increasingly scarce forest goods and services. It is generally acknowledged that the root causes of forest problems are policy, market and institutional failures. In recent years, four basic responses have been made to address these failures:

1. *Improving national policies*, by making them more comprehensive and participatory, and thereby covering more objectives. National forest plans are being promoted by development assistance. This is fundamental and irreplaceable for establishing land law, allocation and use rights.
2. *Developing international initiatives* that encourage or oblige more sustainable treatment of forests at national level. These have tended to be of the lowest common denominator (UN Forest Principles); but they can be catalytic of useful local action (Tropical Forest Action Programme). There is a danger in their being top-down, irrelevant and inequitable if not negotiated by the right parties.
3. *Civil society efforts* have been developed in response to the perceived failure of the above two approaches. NGO campaigns/boycotts against e.g. tropical timber have largely been ineffective, but have raised awareness. Private sector voluntary codes of

practice and self-declared 'labels' of sustainable production have lacked credibility, but have helped the industry to begin internalising social and environmental concerns.

4. *Market instruments* have recently been developed by different civil society groups working together. Forest certification and ecolabelling are currently receiving much attention.

3. WHAT DOES CERTIFICATION AIM TO ACHIEVE?

The direct purpose of any form of certification is to provide verification that something – a product, service or process – has been done as prescribed. Indirectly, forest certification can contribute to transparency and accountability. Still more indirectly, accountability may serve as an incentive to improve performance, and it may result in customers making a preference in favour of the certified operation. For different forest stakeholders, the apparent possibility of these potential chains of impact has led to varied hopes for certification. The main (and original) expectation of most NGOs involved, which is principally but not solely in the public, interest is to:

1. improve forest management, and enhance multiple values from forests

But there are now other expectations, such as to:

2. improve mechanisms for producer accountability;
3. challenge policy/legal frameworks and improve government roles; and
4. reduce government's forest monitoring burdens, by bringing in independent certifiers.

Some expectations are more directly in the interests of producers and the trade. The main one that they seek is to:

5. maintain or improve market access/share

Other producer interests, less universal, are to:

6. obtain a price premium for certified products;
7. obtain or defend the producer's access to forests, resources, and capital
8. reduce the producer's environmental and social risk; and
9. improve the awareness, skills or morale of staff and shareholders.

The reliable achievement of most of these purposes is unproven, at least on a significant scale. There is very little monitoring and assessment of certification's impact on forests, people and trade. Yet all of them are central to forestry debates. This does not mean, however, that the resolution of any of these debates will always include certification. It is not a miracle cure.

None the less, most parties will be satisfied if certification both improves forest management and ensures good market access for well-managed forests.

4. HOW DOES CERTIFICATION WORK IN PRACTICE?

There are various approaches, but the following is general practice for forestry:

Forest management certification is conducted by third party certifiers (who may be from one of the large audit companies or from one of the forest NGOs who have recently developed certification programmes). Certification is *voluntary*. Forest enterprises that want certification usually ask for an initial visit by a certifier to see how well they are doing against the (various) relevant standards. The formal certification process will then involve the third party certifier conducting:

- an independent audit of forest management quality;
- in a specified forest area;
- under one management regime;
- against specified environmental, social and economic standards;
- by assessing documents which prescribe and record management, together with checks in the forest;
- followed by peer review of the assessment
- resulting in a certificate for a period; and/or a schedule of improvements ('corrective action requests')
- plus regular checks thereafter to maintain the certificate

Chain of custody verification and labelling may follow, but are separate activities. Since the process is market-driven, the forest enterprise will usually then want to put some sort of label on the products from certified forests. This will involve 'chain of custody' auditing i.e. a monitoring process involving independent verification of flows of forest products, with their associated records, from forest, to processing, to finished product at the point of sale. Bar-codes and hand-held computers have been used for this.

At the point of sale, a product that has a verified unbroken chain of custody may then be provided with a label that identifies it as being from a certified forest. This label will be single-issue if it only covers forest management (as can be certified by forest certifiers). However, it may also be a multiple-issue *ecolabel* if it also covers such issues as processing operations and transport. Certification bodies have separate procedures for forest certification and chain of custody monitoring.

5. WHAT STANDARDS ARE USED?

Certification is essentially a procedural affair. But the choice of standards (and of who should be certifying whom) has become politically contentious. It is at the heart of most arguments concerning certification. Standards are:

- documented agreements
- covering technical specifications/criteria
- to ensure processes (such as forest management), products or services are fit for purpose
- and they are developed by stakeholder participation

There are two complementary types:

- *performance standards* – which cover operations and their impacts
- *process/management system standards* – which cover enterprise policies, management systems and processes

There are two main contentious issues here. One is that different groups have different aspirations for the *performance standards*. Environmental/social NGOs and those buyers promoting 'green' or 'fair trade' forest products would like to see the achievement of very high performance standards, particularly as defined by the Forest Stewardship Council (FSC – see below) and, more recently, by the International Federation of Organic Agricultural Movements (IFOAM). Others say that, where existing government regulations are good enough, then certification will be of no extra advantage to forestry (as opposed to marketing). This is especially so as certification, in any case, requires adherence to legislation. These actors do not want parallel standards, especially if they come from outside the locality.

The other argument is between performance and *process standards*. Big forestry businesses tend to stress the need for process over performance, stating that all forests and enterprises are different and it is inappropriate to force single sets of performance targets on all enterprises, irrespective of their starting points and capacities. They prefer the ISO Environmental Management System standard for this reason (ISO 14001 – see below).

In Briefing Note 2, we suggest that SFM will be achieved by a mix of both process and performance standards. Process standards alone are not enough.

6. HOW IS THE QUALITY OF CERTIFIERS ENSURED?

To work properly, the practice and results of certification must be credible to the market and stakeholders, and therefore *transparent* and *independent*. To assure these characteristics, an assessment of the skills, procedures and impartiality of certifiers themselves is required; this process is called *accreditation* of certifiers. Accreditation mechanisms are well-established in other sectors. Many countries have national accreditation councils for certifiers in several sectors. FSC (see below) is taking a lead in developing global-level accreditation of forest certifiers.

7. WHAT ARE THE MAIN CERTIFICATION PROGRAMMES, AND WHAT ARE THEY DOING?

There are three main approaches that are being followed:

- **The Forest Stewardship Council (FSC)** approach, developed by NGOs and private sector actors. It is governed by its members, who are split into three equal chambers covering economic, environmental and social interests (each of which is further divided into equal North and South divisions). At present, FSC and its accredited certifiers offer the

only established international system of forest management certification. FSC was established precisely for the purpose of forest certification. It operates a complete package: a global set of 10 Principles and Criteria for good forest stewardship (which it hopes will be translated into many national standards); an international accreditation programme for certifiers; a trademark which can be used in labeling products from certified forests; and a communication/advocacy programme.

Certifiers accredited to FSC can certify by interpreting the global Principles and Criteria; but they have to use national standards once these have been defined (as in Sweden). They often use local consultants in their teams, which will include e.g. an ecologist, a forester and a sociologist. There are five accredited certification programmes:

- Qualifor (SGS-Forestry, UK)
- Woodmark (Soil Association, UK)
- Smart Wood (Rainforest Alliance, USA)
- Forest Conservation Programme (Scientific Certification Systems, USA)
- SKAL (The Netherlands)

Further (potential) certifiers – from Argentina, Brazil, Canada, Costa Rica, Germany, the Netherlands, and Switzerland – are seeking accreditation.

• **The International Organisation for Standardization (ISO)**, through its ISO 14000 series, offers a framework for the certification of environmental management systems (EMSs). This series covers similar ground to forest management certification, except that it does not specify forest management performance standards, and does not permit a label to be attached to products. The EMS is certified, rather than the forest. Although not strictly a forest certification programme, the ISO approach offers much potential for assessing the environmental quality of forest management. An ISO Technical Committee Working Group is preparing an information document on the various forest performance standards available, to help enterprises incorporate relevant standards into their EMS.

• **National certification programmes.** Developed by multistakeholder groups, these are of two kinds: those developed under the aegis and following the procedures of FSC, such as that recently developed for Sweden (and under way or planned for several other countries); and independent approaches. It is interesting to note that the independent approaches have tended to involve government more, and also combine elements of the FSC and ISO approaches. These independent approaches include the new initiatives in Indonesia (Lembaga Ekolabel Indonesia), Canada (Canadian Standards Association SFM Initiative), Finland, and the evolving initiatives in Norway (Living Forests) and Ghana (based on a quality management system standard). Some have, or will, incorporate standards begun through intergovernmental processes (such as the Helsinki Criteria for Europe, which will be used in the Iberian standard). It remains to be seen how the 'home-grown' approaches will be internationally recognised – perhaps mutual recognition agreements will be developed.

At present, the only significant amount of certification activity is connected to FSC. But even here the certified forests are just the tip of the iceberg – many more are in the process of being certified. As of May 1997, there were

- 54 certified forests
- under varied types of management (corporate, smallholding, community and state-run operations)
- covering 2.9 Million ha
- in 54 countries
- producing volumes amounting to less than one per cent of global trade
- most of which is sold in highly processed forms e.g. as certified doors, kitchen equipment, furniture, charcoal.

Certification has yet to affect paper production as yet, mainly because many of the producers are undecided about it, but also because of the practical difficulties of tracing chains of custody for multiple pulpwood sources.

8. IF CERTIFICATION IS MARKET-LED, WHO IS DEMANDING IT?

Markets in north-west Europe, especially the UK, Belgium, Netherlands and Germany, are becoming strongly aware of certification. There are also emerging north American markets. Business-to-business buyers just tend to need forest certificates; those who ultimately sell retail tend to require labels in addition.

Buyers groups – most of them organised by WWF – have committed themselves to buying only certified products after a certain date. More significantly, they are committed to FSC-certified products – at present, there are no buyers demanding an ISO-EMS approach. They can legitimately apply a label to FSC products, but not to those of an enterprise with an EMS certificate. Perhaps they also find it easier to promote the lofty and clear values of FSC, rather than the bland notion of EMSs; certainly, there is no doubt that retailers are very much the motor behind certification at present – using the power of advertising to *create demand* amongst consumers. Many of these retailers include some of the biggest household names.

This demand is not creating a 'green premium' for certified products. Rather, it is a question of maintaining market access. In Britain, a local authorities group is being formed, analogous to the WWF-1995 Plus Group. It aims to help local government in pursuing its wood procurement policies, which have moved from e.g. bans on tropical hardwoods, to favouring sustainable production. Whilst the buyers' groups appear to have environmental concerns uppermost, it now appears that the 'fair trade' market, where social objectives are uppermost, is gaining ground. It remains to be seen whether this market will be fed by improving social standards and verification through forest certification, or whether separate 'fair trade' programmes and audits will fulfil the need.

Finally, the recent announcement by the World Bank to promote 200 million ha of certified forests in the next few years may lead to further initiatives outside the market.

9. HOW CAN WE JUDGE WHETHER CERTIFICATION PROGRAMMES ARE EFFECTIVE AND EFFICIENT?

Four criteria may be suggested. Certification programmes should be:

1. Positive and sustainable in their impact on forest management
2. Acceptable to stakeholders, credible in the marketplace, and able to impact on the market
3. Non-discriminatory in terms of types of forest, forest owner or country, and trade distortions
4. Able to cover their costs, in terms of extra benefits produced

10. WILL CERTIFICATION MEET THE FORESTRY OBJECTIVES OF ACP COUNTRIES?

Certification programmes that meet the above requirements will be promising. But some prerequisites are required for certification to work well. It is not worth considering certifying forests unless there are:

1. environmentally and/or socially-conscious markets to which forest products are traded e.g. in western Europe
2. adequate forest management (the costs of improving management to a certifiable standard may be too high otherwise)
3. adequate policy conditions for supporting good forest management
4. adequate stakeholder fora and communications

If these do obtain, then the incremental revenues from 1 must outweigh the costs of 2-4 – unless there is some other way of compensating forest enterprises for the environmental and social benefits which they are producing and which certification is verifying.

In other words, certification can provide an incentive to improve management only if it builds on an adequate base. For countries where there is rampant asset-stripping of forests, and a lack of governmental control, more fundamental improvements to policy, law and enforcement capacity are needed first.

One final point: although the conditions required for certification to produce direct benefits are somewhat restricted, it is now clear that certification is having indirect benefits. It focuses attention on such issues as: what is good forestry? how can it be assessed in the field? and who should be accountable? It is putting together multi-stakeholder groups that have potential to act in other areas. Even the Forest Stewardship Council, for example, may evolve to do other things that require a multi-stakeholder approach; perhaps certification will turn out to have been merely its first task.

11. WHAT ARE THE COSTS OF CERTIFICATION?

The costs of certification must, of course, be distinguished from the costs of improving management to a level where a certificate may be awardable. Once management has improved, however, some companies have noted that efficiency and health and safety gains can outweigh the costs of certification.

That said, there is a broad range of cost estimates on a per-ha basis (e.g. \$0.3-1.0 per ha per year in tropical forests) or a percentage (1-5 per cent). These vary because:

- large operations are able to spread the fixed costs of certification over bigger areas and volumes
- competition is increasing, bringing down costs
- the costs of certifying e.g. a complex and remote rain forest may be lower than those for a uniform plantation near a pulp mill

The forest enterprise normally pays the costs. But sometimes the costs are borne by the buyer, because he wishes an existing relationship with a forest enterprise to continue, but now also requires certification.

12. IS CERTIFICATION COMPATIBLE WITH FREE TRADE?

The WTO's Technical Barriers to Trade (TBTs) are vague and require much interpretation. Until cases are brought to the WTO panels, one has to speculate a little on how certification may be treated. At present WTO considers standards and conformity assessment programmes (certification) to be acceptable if voluntary and run by the private sector. It implies that certification should:

- be non-discriminatory (against country or forest type)
- meet environmental objectives and no more
- encourage harmonisation, or acceptance of equivalence, amongst similar approaches in different countries
- but be obliged to use international standards where these exist (thus favouring ISO approaches)
- be verifiable and transparent
- allow for special/favourable treatment of developing countries

Social standards may present special difficulties, as they could be construed as harming competition by not allowing countries to make use of low labour costs. High environmental performance standards may also present difficulties, as they may be considered to go beyond national environmental objectives.

13. WHAT OTHER RISKS AND CONTENTIOUS ISSUES ARE THERE?

Forest producer dilemmas. Some enterprises are saying such things as:

- *"Certification is a rich man's club"*. At present, it favours those who are exporting large quantities, who operate large forest operations and who can pay the costs. A number of certifiers are developing ways to help small groups e.g. by forming self-policing associations which are certified as a single management unit. However, many smallholders' forest management systems are akin to agroforestry, which presents problems with current certification standards.
- *"Should we really be holding small family forests as accountable for their actions as major transnational companies?"* The answer must be negative, and taken into account in developing group schemes.
- *"Why add to (good) government laws, and create a parallel system of accountability?"* This is a legitimate complaint; perhaps some markets should be educated to accept government audits if the regulatory environment is indeed good.
- *"Certification has not helped my marketing"*. It is taking time to link up the buyers with certified forests, and to get the buyers placing regular orders – many of them do not want to drop their current suppliers and are paying more attention to helping them become certified than to finding new sources.
- *"We can't afford to get certified, but we see certification becoming almost a mandatory requirement. So we will sell off our standing stocks quickly to less discriminating buyers"*. There is some evidence of this occurring in Central Africa, where hardwood is being increasingly sold to the Japanese. In this way, certification may be having an unintended negative influence on forest management.

Standards and assessment dilemmas. There is debate over:

- Defining standards for:
 - forest conversion – from what kind of land use to what kind of land use is legitimate
 - landscapes – if e.g. plantations can be planned and managed in close relation to surrounding land uses, why ask plantations to produce all the non-timber benefits? How to certify production from sustainable agroforestry/shifting cultivation systems?
 - participation standards – how rigorous and binding should participation processes be?
 - social standards – who is a stakeholder and what should standards cover?
 - how to combine performance standards and process standards?
- Means to ensure mutual recognition between standards, and to agree on where harmonisation is (ultimately) required
- Developing cost-effective forest assessment methods, especially for biodiversity and social criteria

Institutional dilemmas:

- Should we be encouraging harmonisation between the main standards and certification initiatives? The main intergovernmental standards initiatives apply principally to the national level (rather than to the specific forest); they are in the process of being harmonised. FSC presents its own system for harmonisation. The independent national certification initiatives need some form of mutual recognition – that will allow them to keep their identity and to evolve – more than they need harmonisation (which might fossilise approaches and reduce the possibility for making standards really relevant locally). For more on this, see Briefing Paper 2.

Extent of eventual impact:

- What is the size/longevity of environmental and social markets? WWF is working hard to develop buyers groups outside north-west Europe and North America.
- What is the total area of certifiable forests? This ultimate total would appear to be a significant proportion of all forests currently under commercial management long-term (but not of those which are being logged short-term)
- Can certification stop bad forestry/rent-seekers? The answer to this appears to be negative at present. However, if certification is applied to stock market/finance house conditions for investment, it would affect those many large companies which are raising money on the stock market to finance unsustainable logging.

14. WHAT SHOULD GOVERNMENT BE DOING IN CERTIFICATION, IF ANYTHING?

Government has not so far had much involvement in certification, although it has been heavily involved in defining intergovernmental principles and criteria for SFM. Roles in certification might include:

- Facilitating multi-stakeholder involvement in defining standards and procedures
- Ensuring consistency within government e.g. between different departments
- Ensuring compatibility with law and international obligations; and contributing to the framework for international compatibility of certification
- Supporting research and trials in certification
- Monitoring the impacts of certification on forests, stakeholders and trade – especially as there is very little evidence of this impact
- Submitting government forest enterprises to certification
- Using government monitoring and audit systems in certification

15. WHAT IS DG-VIII DOING?

EC support to certification is identified as a priority in *the Fourth Lome Convention*, the 1995 *Council Regulation on Operations to Promote Tropical Forests*, and the 1996 *EC Guidelines for Forest Sector Development Co-operation*.

DG-VIII has prepared a Forest Certification Strategy to implement these policies in the broad context of SFM. The Strategy aims to increase the economic, social and environmental benefits of forest use in ACP countries, through forest certification initiatives, and/or complements or alternatives, which are viable and equitable for ACP forests, stakeholders and markets. DG-VIII is supporting development assistance activities in certification, including:

- African National Working Groups on Certification: to consider certification, develop standards, conduct trials, and build capacity
- A Certification Information Service (see below)
- Research on the impacts of certification and its alternatives
- Supporting the certification of small/medium/community enterprises in the South Pacific
- Training in certification in Africa and the South Pacific
- A Forest Certification Advisory Group

16. HOW CAN I STAY UP TO DATE ON CERTIFICATION?

At present it is difficult to keep up with the rapid progress in the field of certification. To improve this situation, DG-VIII is supporting the development of a *Forest Certification Information Service* by the *European Forest Institute*. The Service will be available, electronically and through published bulletins, free to governments, NGOs and forest managers globally. The Internet address is: <http://www.efi.joensuu.fi/cis/>.

Until this is under way (early 1998), useful sources of information include:

Forest Stewardship Council

Avenida Hidalgo 502, 68000 Oaxaca, Mexico
 tel (+52) 951 46905
 fax (+52) 951 62110
 website: <http://antequera.antequera.com/FSC/>

SGS-Forestry (Qualifor)

Oxford Centre for Innovation, Mill Street, Oxford OX2 0JX, UK
 tel (+44) (0)1865 202345
 fax (+44) (0)1865 790441
 email: forestry@sgsgroup.com
 website: www.sgs.co.uk

The Soil Association (Woodmark)

86 Colston Street, Bristol BS1 5BB, UK
 tel (+44) (0)117 929 0661
 fax (+44) (0)117 925 2504
 email: rfp@gn.apc.org

Scientific Certification Systems (Forest Conservation Program)

The Ordway Building, One Kaiser Plaza, Suite 901, Oakland, California 94612, USA

tel (+1) 510 832 1415

fax (+1) 510 832 0359

Rainforest Alliance (Smart Wood Certification Programme)

65 Bleecker Street, New York, NY 10012-2420, USA

tel (+1) 212 677 1900

fax (+1) 212 677 2187

email: smartwood@ra.org

ISO Forest Working Group

Contact: New Zealand Forest Owners' Association, PO Box 1208,

Wellington, New Zealand

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website: <http://www.efi.joensuu.fi>

All the above organisations publish their standards and procedures, and newsletters. More independent views on certification may be found in:

Dubois O., Robins N. and Bass S. 1996. Forest Certification and the European Union: A Discussion Paper Brussels: European Commission DG-VIII A/1

Ghazali B.H. and Simula M. 1994. Certification Schemes for all Timber and Timber Products. Report to the ITTO, April 1994.

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Upton C. and Bass S. 1995. The Forest Certification Handbook. London: Earthscan

Viana V.M., J. Ervin, R.Z. Donovan, C. Elliot, and H.Gholz (Eds). 1996. Certification of Forest Products: Issues and Perspectives. Washington D.C.: Island Press

FSC AND ISO APPROACHES TO FOREST CERTIFICATION: A COMPARISON AND SUGGESTED WAYS FORWARD

DG-VIII Forest Certification Advisory Group (FCAG)

Forest Certification Briefing Note No 2



FSC AND ISO APPROACHES TO FOREST CERTIFICATION: A COMPARISON AND SUGGESTED WAYS FORWARD

1. THE FSC AND ISO APPROACHES

At present, the *Forest Stewardship Council (FSC)* and its accredited certifiers offer the only established international system of forest management certification. FSC was established precisely for the purpose of forest certification. It operates a complete package: a forest management standard, an international accreditation programme for certifiers, a trademark which can be used in labeling products from certified forests, and a communication/advocacy programme.

The *International Organisation for Standardization (ISO)*, through its ISO 14000 series, offers a framework for the certification of environmental management systems (EMSs). This framework covers similar ground to forest management certification, except that it does not specify forest management performance standards, and does not permit a label to be attached to products. The EMS is certified, rather than the forest. Although not strictly a forest certification programme, the ISO approach offers much potential for assessing the environmental quality of forest management. An ISO Technical Committee Working Group is preparing an information document on the various forest performance standards available, to help enterprises incorporate relevant standards into their EMS.

While both FSC and the ISO14000 series aim to improve environmental performance, they are otherwise very different in structure and operation. The FSC and ISO approaches have two distinct philosophies with respect to forest verification – the former emphasising forest performance standards and the latter management system standards. Despite this “divide” between the two approaches, there is considerable overlap between them in many matters, and some communication between them. There are other approaches which cross the “divide”, but are essentially based on a management system approach. One is the *Canadian Standards Association approach* (designed for forestry) with its orderly integration of prescribed types of performance criteria at local level. The other is the European Commission’s *Eco-Management Auditing System (EMAS)*, originally designed for industrial plants, with its requirement for use of economically-viable, best available technologies, and for communication of site-specific environmental information.

In its present stage of development, certification is politically contentious. This is partly because it appears to contest the authority of governments (certification was introduced because of weak regulatory frameworks; and it is effectively the first strong policy instrument *not* to be implemented by government). It is contentious also because certification strongly contests the *status quo* amongst producers and producer countries. There will be winners and losers. The *standards* of a certification programme, and the type of *institution* that operates that programme, are highly political issues. Lobbying has focused around FSC *versus* ISO. Other groups have tried integrated approaches as noted above (attempting to have the best of both?). Other actors push for some process of harmonisation. Yet others call for a gradual convergence through mutual recognition. Finally, because it is

new and contentious, the certification debate has become used as an arena for fighting somewhat unrelated battles.

2. SUGGESTED REQUIREMENTS FOR EFFECTIVE CERTIFICATION

The question everyone is asking is: which approach (ISO, FSC, ‘mixed’ approaches, or novel initiatives yet to be designed) will offer effective forest management certification? Leaving aside all of the possible purposes of certification *except* improving forest management and assisting market access/share (the main purposes sought by most stakeholders), effective certification will be:

1. compatible with, and making positive contributions to, sustainable forest management, including other instruments for SFM;
2. acceptable to stakeholders and credible in the marketplace; and
3. non-distorting of trade.

These requirements are elaborated in more detail in Boxes 1 to 3 (see next page).

3. ARE FSC AND ISO APPROACHES MEETING THE REQUIREMENTS OF EFFECTIVE CERTIFICATION?

To recap on the above: only FSC was specifically designed for forest management certification, but ISO 14000 includes many relevant elements and is in the process of being applied to forestry. Furthermore, both ISO and FSC have become loaded with expectations for achieving many possible purposes (either directly or indirectly) through certification. Because they are different ‘animals’, with different purposes, and because of the lack of documented experience in the field, a full comparison of all aspects of FSC and ISO is invalid. What is possible, however, is a comparative description of the different origins of the two approaches, and then a commentary on how they might meet the likely requirements of effective certification which were outlined in Boxes 1 to 3 (see next page).

3.1 Comparative profiles of iso-ems and fsc approaches

3.1.1 The Protagonists

ISO – *Producers, some large corporate buyers and most government bodies* understand ISO approaches, and have used them in many aspects of their work. ISO has been in business since 1947, originally focusing on technical standards for products. More recently it has moved to production processes, notably quality/environmental management systems. Its agenda is very much driven by its government agency members, and industry. WTO and governments recognise ISO as the competent body for developing international standards, which may then be reflected in legislation.

Many producers may be favouring an ISO-EMS approach *either* as a defensive measure against possible pressure to meet what they see as the unknown, but expensive, quantity of FSC *or* because they see it as an internationally-recognised alternative to many labels. The potential difficulty with the dominance of these groups in the ISO process is that those forest problems which are created by large producers and buyers (local social impacts, inability for local forest concerns to surface, wasteful consumption patterns, etc) are “swept under the carpet”. In responding to pressure from NGOs to help producers follow meaningful performance standards, an ISO working group is establishing an information document on the various performance standards that might be selected (see below).

FSC – In contrast to ISO, FSC is new – it was designed precisely to deal with contemporary forest problems, and with environmental problems in particular. The original protagonists were *NGOs* concerned about weak government and uncontrolled business, and their environmental and social impacts on forests and people. FSC’s agenda was strongly influenced by WWF, which made staff available to help set it up. Many NGOs had experimented with boycotts and advocated bans but, through their interaction with retailers, came to see that positive discrimination might be more effective. Although they recognise the power of the market, there are varying degrees to which NGO members of FSC are willing to compromise their position on forest standards to meet the market needs of retailers (see below); FSC’s standards cannot be revised too far or too fast.

Certain *key retailers (organised into buyers’ groups in Europe)* are now becoming key in determining FSC’s evolution. They like the lofty values promoted by FSC, for they reflect on any retailer which is trying to position itself as a caring corporation in the eyes of the public. Retailers can promote FSC’s values through developing, in many product and geographic markets, a new brand – FSC-certified products. Taking the UK as an example, 77 companies in the WWF-1995 Plus Group have rallied around FSC – whilst none have officially promoted the ISO approach. Buyers’ groups/retailers are not reacting directly to consumer demand. They adopt certification because they wish to maintain an overall “green” image, which requires control of their procurement of all products, wood or otherwise.

The potential *difficulty* with the dominance of buyers’ groups is that their practical demands for forest products are inextricably linked to the way in which producers will interpret FSC’s standards. There is a danger that the standards will end up applying only to forests that can produce the particular goods which the buyers want, in the quantity they want. If forest producers cannot meet high FSC standards, producers may pressure FSC to revise the standards to enable more producers to meet them. As noted above, some NGO members of FSC will resist this trade-off between standards and volumes of production.

3.1.2 Philosophy/Values

ISO – ISO 14001-EMS embodies a *modernist* paradigm. While it appears to be *value-neutral*, by not requiring precise performance standards, it was developed for commercial and government bodies that are capable of, and have a need for, standardised products/processes, rather than community approaches. Since it prescribes a tool (EMS) to be used by the enterprise, it is enterprise-focused. ISO 14001 is very much in favour of the enterprise making decisions appropriate to local circumstances and to its own capacity/orientation

(rather than the public making the decisions). The concept of continuous improvement is central: an enterprise sets targets incrementally, in order to meet them, learn from them, and set increasingly more ambitious goals. In this way, it encourages a learning organisation; and a realistic and pragmatic approach to dealing with evolving environmental issues. Although highly compatible with large companies, its focus on management capacity could also help to encourage capacity-building in small and community enterprises.

FSC – The Council is very much a product of the 1990s – the era in which *sustainable development* is the main paradigm, i.e. aiming to achieve environmental sustainability and poverty alleviation together. It is based on a sound analysis of sustainability in the forest sector. Indeed, the difficulty of verifying sustainability in the short term has led it to focus on *stewardship*, as comprising activities compatible with sustainability. Although they do not ask for sustainability, the Principles and Criteria (P&C) are none the less highly *value-laden* in prescribing and requiring high standards, in embodying notions of equity, and

Box 1: CERTIFICATION SHOULD CONTRIBUTE TO SFM

a) Certification needs to recognise that, at any one time, a forest is the product of past objectives and their impacts, *current* practices, and management plans for the *future*. In other words, sustainability *performance* needs to be monitored (the past), implemented (the present) and planned (the future) through a coherent *management system*:

Performance should balance:

- economic / social / environmental objectives
- global / national / local interests
- present / future requirements

A management system is required to achieve such performance through a process of continuous improvement:

- integrating the above objectives in the local context
- making trade-offs if integration is not possible
- allowing for uncertainties
- building in participation of local stakeholders
- including experimentation
- monitoring and learning from results

b) Sustainability requires the *root causes* of forest problems to be addressed. Whilst certification may not be able to have a direct effect on these, it should not be incompatible with other efforts to alleviate:

- institutional weaknesses (poor skills/ leadership / resources / stakeholder relations, and corruption)
- distorting policies that favour an asset-stripping approach to forests
- imbalanced power relations between those who depend on forests

Box 2: CERTIFICATION SHOULD BE ACCEPTABLE TO STAKEHOLDERS AND INSPIRE MARKET CONFIDENCE

Stakeholder acceptability requires:

- a) Possibility to engage in participatory, transparent approaches to developing standards
- b) Standards reflecting stakeholders' knowledge, values and aspirations
- c) Transparent, repeatable certification/accreditation procedures
- d) Equitable treatment regarding type/scale of forest owner/manager
- e) Cost-effectiveness and practicality
- f) Engaging the right stakeholders in standards/assessment –
Stakeholders can be defined and ranked by:
 - proximity to forest
 - pre-existing rights
 - dependence on forest
 - indigenous knowledge
 - culture/forest integration
 - power deficit (i.e. seek out marginalised groups)

Marketplace confidence requires:

- a) Standards that reflect consumers' values and aspirations
- b) Transparent, repeatable certification/accreditation/labelling procedures, that are free from possibilities for fraud
- c) Assurance of adequate production/low prices, whilst keeping to reasonably high standards
- d) Means for mutual recognition where different schemes exist

Box 3: CERTIFICATION SHOULD MINIMISE TRADE DISTORTIONS

WTO agrees that Technical Barriers to Trade (TBTs) are acceptable if they protect consumers, environment and plant health. TBTs relevant to certification include *voluntary standards*, and *conformity assessment procedures*.

The WTO Code of good practice on TBTs requires considerable interpretation. However, it implies that certification should:

- be non-discriminatory (against country or forest type)
- avoid unnecessary obstacles to trade or distortions of trade (i.e. certification should meet environmental objectives and no more)
- encourage harmonisation, or acceptance of equivalence, amongst similar approaches to standards/conformity assessment
- but be obliged to use international standards where these exist
- be verifiable and transparent
- allow for special/favourable treatment of developing countries

in the (tacit) philosophy of challenging the monolithic institutions that define forestry rules and activities today. Unlike ISO, which is focused on the enterprise, FSC's P&C prescribe an approach which stresses the impact of the enterprise on outside groups and the forest. Applicability is designed to be broad – to community enterprises, state enterprises, and large corporations. Precise accountability for actual forest management is called for.

3.1.3 Purpose

The *de facto* purpose of the FSC and ISO approaches is a function of both the protagonists and their underlying values (above).

ISO – The ostensible main purpose of ISO 14001 is to specify the elements of an enterprise's management system that create the capability to deliver stated objectives for improving environmental performance. ISO process standards encourage the use of the standard as an internal management tool, with first-party assessment – but this cannot be used as a claim for marketing purposes. Third-party certification ISO 14001 is optional; what it does is to demonstrate that the enterprise (rather than their individual forests) is up to the task. This third-party certification cannot currently be used for making specific environmental claims and for labelling products, but can be used for general publicity. An ISO standard is in preparation for the use of claims. However, there is a problem in defining how such "general publicity" can be conducted. There is a certain probability that enterprises will want to use their adoption of ISO 14000 standards as a kind of label for retailing purposes.

FSC – The main purpose of the FSC certification approach is to define good forest stewardship through comprehensive national standards, based on global P&C; to accredit certifiers that certify forest management performance according to such standards; and to improve accountability. This purpose, however, can only be achieved by a market mechanism, which works by linking up producers and buyers who have the wherewithal to aspire to and (in the case of producers) to meet such standards. In contrast to ISO, third-party assessment is considered crucial, since FSC was in part born out of market mistrust of self-proclaimed labels. The ability to verify chains of custody will be required in most instances.

Some of the stakeholders involved in the ISO or FSC approaches are attempting, however, to load the approaches with other objectives (as noted above).

3.1.4 Standards

ISO – ISO 14001-EMS is a management system standard. Performance standards are not specified (although the enterprise has to define its own performance objectives and targets, based on its own environmental policy commitments, the environmental aspects of their activities, regulatory requirements, and the views of interested parties; and the enterprise must be committed to continual improvement). The ISO TC207 technical committee is producing an information document that sets out the various forestry performance standards that an enterprise might wish to consider in setting its own standards. This includes the FSC P&C, as well as the various intergovernmental P&C. The approach is, therefore, not normative.

FSC – Performance standards are based on 10 global Principles with associated Criteria of good forest stewardship. These are normative, and are both qualitative and quantitative. One of the Principles refers to the performance of the management system. Forest managers and certifiers either interpret the global P&C directly or (when national standards are defined by national working groups, as FSC calls for) then national standards are interpreted. Some observers find it problematic that certifiers in some countries without national FSC standards are both interpreting the global P&C and certifying individual operations.

In addition, it is relatively difficult for intensively-managed forests and plantations to meet FSC's P&C, even if environmental goods and services are being produced by neighbouring land uses (the argument being that, with a balanced landscape, plantations should be allowed to get on with the business of producing fibre rather than, say, biodiversity).

Key dilemmas being faced by FSC – and by any group setting performance standards within an ISO 14001 approach – include the definition of, and agreement on, *standards* for:

- plantations/conversion forests (from what type of forest, to what type of land use, is permissible?)
- salvage logging
- use of genetically-modified organisms (as opposed to clones)
- social aspects (how far should forest management tackle inequalities, and how far beyond the forest should its influence count?)
- group certification (of small producers)
- chain of custody certification (where labelling is required): recognising that comprehensive tracking of all products is very expensive, and that many products are sourced from multiple forests/countries, how to generate input/output averaging, or percentage based schemes?

3.1.5 Institutional mechanics – governance and accreditation

ISO – *Governance* of ISO is through its 120 members, which are the national bodies responsible for standards. About 90 are full members – the rest have fewer rights (these tend to be from smaller or poorer countries). Only one such body is accepted from each country. ISO itself is a non-governmental body. The need for new standards can be proposed through a member national body; a working group may then be set up to negotiate the standard, and 75 per cent of voting members must agree to it before it is published.

Accreditation, i.e. verification of the competence, reliability and independence of certification bodies, has always been critical to ISO. It has a whole raft of tested rules on accreditation, and tends to rely on national accreditation bodies which deal with many sectors. There is nothing specific to forestry.

FSC – *Governance* of FSC is through a board of directors elected from fee-paying members, which tend to be a mix of private sector and NGO groups. The members are divided into three equally-weighted chambers, representing economic (producer), environmental, and social (peoples and workers organisations) interests. Each chamber operates on the principle of an equal balance between Northern and Southern countries.

FSC was specifically set up as an international *accreditation* body for forest management certification and labelling, and remains the only one. Its rules are based on those pioneered by ISO. Five certification bodies are currently accredited to FSC; at least seven

more are applying. With numbers increasing, FSC plans to decentralise from its base in Mexico.

3.2 Commentary on the possible effectiveness of fsc and iSO-14001 in forest management certification

Bearing in mind the above *caveats* on the lack of experience, and the differences in purpose, some observations can still be offered on how FSC and ISO-14001 approaches might meet requirements for effective forest management certification (i.e. helping both forest management and market access). These observations relate to the requirements suggested in Boxes 1 to 3.

3.2.1 Compatibility with SFM?

ISO 14001 – Emphasises capacity and continuous improvement towards the goal of sustainability, and allows a “conversion period” rather than requiring excellent performance today; a tactic that has been shown to help broaden the uptake of organic agriculture. ISO allows performance standards to be defined by the enterprise, which is good if this process is used genuinely to ensure performance matches local needs, but not so good if it allows below-best-practice approaches. ISO emphasises the building of management capacity.

FSC – FSC challenges the enterprise to meet high performance standards on all fronts (including social issues). However, the emphasis is on external stakeholder and certifier interpretation of standards, which can result in a mismatch with what the forest manager knows is really going on in the forest. There have been some complaints by forest managers that FSC-accredited certifiers do not understand the local ecological or silvicultural importance of certain issues. On the other hand, the standards and the conformity assessment act as a counterbalance to areas which the forest managers really do know about – by forcing attention on weak or neglected issues.

The big issue that neither FSC nor ISO approaches have been able to grapple with yet is the possible *weak or negative impacts of certification on forests*:

- corporations which are currently asset-stripping forests cannot be controlled through certification (such companies seek opportunities for short-term extractive investment, rather than long-term productive investment)
- certification may (accidentally) create asset-strippers; i.e. for those that can't meet standards, there may be an incentive to divert trade to less discriminating (domestic/Asian) markets

3.2.2 Credibility

a) Acceptability to stakeholders?

ISO – ISO has developed quite rigorous procedures to ensure that standards development

is reasonably *participatory*, that standards are *cost-effective* and reflect *consensus*, are revised regularly to meet changing understanding and needs, and conformity assessment is *separate* from consultancy advice (therefore avoiding conflicts of interest). Users of ISO 14001 are free to put in place the performance standards which are most credible locally.

However, the efficacy and equity of these processes are being challenged for complex systems such as forests. There are certain observers who claim that ISO standards do not reflect the cultural, social and economic business environments of many developing countries; and that – for an institution now concerned with process standards such as ISO 14001 – too little attention is paid to process in ISO standard developments. ISO’s participatory process is certainly narrower than has become normal in sustainable forestry debates today; developing countries, environmental/social NGOs, unions, and indigenous peoples groups do not have good access to the processes (although NGOs accredited to ECOSOC can attend some meetings). Furthermore, less effort is used to reach consensus than many desire. Voting, for example, is often used. Some observers contend that the “democratic deficit” and/or the lack of performance standards will enable large companies and powerful countries to control the agenda – undermining the substance of debate on environmental standards and slowing progress. Clearly, ISO through its governance and procedures needs to ensure that this problem does not materialise.

FSC – Despite early problems of the lack of participation of industry, the creation of three equal chambers and parity between Northern and Southern countries appears to have increased credibility. Those who still challenge FSC do so often on the basis of its authority – whom does it represent? and who gave it its mandate? Such challengers are those who tend to have a problem with civil society initiatives in general, and who prefer to support the established (inter)governmental ‘monoliths’, in spite of their all-too-evident failure to foster SFM. The lack of government involvement further reduces credibility in their eyes.

Rigorous FSC accreditation and business procedures, borrowed from ISO, aim to help maintain credibility. However, the “monopolistic” position of FSC, as the only international forest management accreditation body, presents the risk of a sudden lack of credibility were one of its accredited certifiers found to be involved in fraud or merely poor judgement. This may explain FSC’s apparent tardiness in accrediting certifiers; it needs to be very sure of them.

b) Credibility with the market?

NB Many of the above comments on acceptability to stakeholders apply also to market stakeholders.

ISO – The ISO 14001 approach may be adequate for business-to-business communication about an enterprise’s processes of forest management, but it is not helpful in markets where the consumer needs to know about – or the retailer wants to promote – precise performance in the forest. The key problem is that no label, describing either the forest or the products, is permitted. Yet there is a suggestion that producers may be using ISO 14001 as a “surrogate” label, which will confuse consumers. Even if the consumer were interested in the EMS of an enterprise, there is much potential confusion over first- and third-party claims, both of which are allowed under ISO 14001.

FSC – There appears to be high credibility in certain markets in NW Europe and (to a lesser extent) in North America, as evidenced by the buyers’ groups all promoting FSC and demanding products accordingly. However, the lack of a consolidated position on chain-of-custody labelling is presenting difficulties in ensuring adequate supplies of labeled products, especially those that are derived from multiple forest sources (such as paper).

c) Trade distortions minimised?

ISO – ISO stands in good stead here, at least in international legal terms. The TBT Agreement recognises ISO as the competent body for developing international standards, and such standards are considered not to present unnecessary trade restrictions. ISO is closely associated with TBT committees. ISO 14001 is not prejudiced against any particular country or type of forest.

FSC – As a voluntary, non-governmental body the FSC is not strictly bound by TBT rules, although in the countries where FSC certification takes place, the governments are supposed to ensure TBT provisions are followed. There are three potential worries regarding FSC:

- FSC standards could be construed as being higher than is needed to meet domestic environmental objectives;
- whilst environmental standards are permissible under TBT, FSC’s social standards may be considered to result in unwarranted discrimination e.g. by not allowing enterprises to make use of comparative advantages presented by low labour costs in a country; and
- the TBT Code obliges the use of any international standard if it exists and is locally feasible – which could favour ISO as the industry standard.

In addition, it is interesting to note that the driving forces for certification, as well as the majority of certificates to date, arise in North America and Europe – giving rise to some assertions that certification is a “rich man’s club”.

4. CONCLUSION

a) Process and performance approaches are both valid, and are complementary.

The irony is that FSC was really set up for improving forest management, and yet FSC’s label is probably best placed to help marketing, with buyers’ groups promoting it. In contrast, the ISO 14001 forestry initiative was set up to defend markets (although it doesn’t even allow a label); yet ISO 14001 offers, in the long run, an excellent tool to improve forest management. Progress will be made if FSC thinks more about management systems, and if the ISO Working Group thinks more about performance standards.

ISO 14001 and FSC approaches are here to stay, at least for the next several years. Both will be valuable in assisting leading companies and maybe some community enterprises to improve performance, and/or to gain access to (somewhat different) markets. Some certifiers already certify enterprises to both standards, as at present it appears that both are

needed to maximise impact. When done together, the costs of FSC and ISO certification are proportionately much reduced.

b) Forcing the amalgamation or harmonisation of ISO and FSC will not prove useful. Local capacities and processes are needed.

We have concluded above that performance and management process approaches are complementary, and that ISO and FSC have much to offer each other in achieving forest and market aims. It is tempting to conclude that this complementarity presents a case for harmonisation of the two. Indeed, many actors, such as the EC and the IPF, have started to look at institutional and process options that could help harmonisation. However, they have not made a sound case that the lack of harmonisation is a significant constraint to effective certification. Premature harmonisation could result in a fossilisation of an imperfect approach, by cutting out diversity and experience.

Certification is a promising instrument that, like any new instrument, is inevitably faulty or too complex in its design. Simpler versions or alternatives, that are cheaper and more equitable, are needed. The development of these will be driven by competition, by allowing different groups to make choices, and by assessing the experience and impacts of the various certification programmes, and constraints to improving them. It will also be driven by real demands for mutual recognition, or for simplification, in one or two areas. In other words, since certification is a multi-stakeholder processes, stakeholders will gradually come to agree on areas that need harmonising. For example, key countries and trading groups need to get on with the business of trade, but also clearly want (sub)national forestry standards that are their own. Equivalence and informed mutual acceptance are therefore important needs.

Perhaps a useful way forward for individual countries is to set up a *national certification working group* with multi-stakeholder representation. The group would consider what the forest and trade problems and opportunities of the country are, and would develop draft standards and procedures to suit. FSC and ISO principles could be considered as a basis. Once the working group agrees more or less what is right for the country, the question of compatibility with FSC and/or ISO can be considered for the issues for which it is relevant, notably for international trade. For example, it might be decided to adopt FSC-compatible standards and an ISO system to achieve them. This independent national-first approach has been adopted in a number of countries, such as Finland, Norway, Canada, and Ghana. It offers the opportunity to work out what is right for the country before building on the ISO and FSC frameworks.

c) Basic policy, regulatory and capacity improvements must also be made. Certification is not the only answer.

If certification requires very high performance standards, then perverse impacts of certification may be experienced. This may be the case in some countries that just cannot meet anything like FSC's P&C in the short term, because of weak policies, institutions, skills, anarchy, etc – or merely because (traditional) land management systems involve agroforestry and shifting cultivation, the sustainability of which are difficult to assess by current certification programmes.

Producers, sensing that certification to high standards may become the norm in the region and, believing that they cannot meet the standards, may cut forest rapidly and unsustainably – to very low standards – intending to then move out of the area and possibly out of forestry. There are worries about such impacts in Central Africa. Certification cannot directly affect land use and policy decisions.

Those promoting certification need to be clear about the priorities that need to be in place before certification can have a positive effect. Impacts on the quality of forest management may be achieved by three strategies, each mutually reinforcing. The first two are: *improving policy and law*, and *improving management systems*. These are of almost universal applicability, irrespective of whether products are marketed (in discriminating markets). The third strategy, *verification* of the first two and of performance, may be justifiable financially in certain cases, especially if paid for by some markets.

Table 1. Summary comparison of FSC and ISO. S.Bass, IIED.

Issue	FSC	ISO 14001
Main protagonists	Environmental and some social NGOs; Buyers' groups	Industry, especially large producers; Governments; WTO
Inherent values	'Value-laden'; Sustainable development; Equity; Aspirations; no 'lead-in'	'Value-neutral'; Modernist; Enterprise-focused; Continuous improvement
Purpose	Define good forest stewardship and accredit certifiers; 3rd party certification essential; Labels and chain of custody can be provided to market	Specify elements of management system to improve performance; 3rd party certification optional; Certification permits general publicity, but no labels
Standards	Performance standards based on global P&C, encouraging compatible national standards; Normative	Management system standard; No performance standards specified – but Information Document suggests options
Governance	NGO; NGO/private members Equal economic, social, environmental chambers, with North/South balance	NGO; Members are national standards bodies
Accreditation	An international accreditation body itself	National accreditation bodies
SFM compatibility	Stresses high environmental and social performance – challenges the manager	Stresses management capacity and continuous improvement; Enterprise chooses performance standards; Social difficult to integrate
Credibility with	High with NGOs / buyers; stakeholders Lower with some governments; <i>Mandate problems</i> ; Risks of 'monopoly'	High with intergovernment bodies and industry; Low with NGOs/others; <i>Narrow participation</i> ; No chain-of-custody reduces market potential
Trade distortions	Standards may be considered too high; Social standards may be considered unwarranted	TBT recognises ISO; ISO standards not considered unnecessary trade restrictions