



BRIEFING

THE WORLD BANK FOREST STRATEGY/POLICY AND FOREST CERTIFICATION

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1. Background

On 31st October 2002, the World Bank adopted a new Strategy and Operational Policy on forests. These incorporate several new measures, amongst the most significant of which are that they:

- Allow for, and promote, the resumption of direct Bank funding to forestry operations, including in ‘primary’ tropical rainforests. According to the Bank, “*Revisions to the Bank’s Operational Policy on Forestry will permit the Bank to become more proactive... in supporting improved forest management in production forests*” (World Bank, 2002a).
- Partly ‘condition’ Bank funding for forestry operations on independent certification. According to the Bank, “*This new approach will require all forest harvesting and management operations financed by the World Bank to be monitored through independent assessment and certification*” (World Bank, 2002a).

2. The Forest Strategy and certification

Concerning the role of certification, the new Strategy explains that;

“the Bank will encourage independent monitoring and certification of forest operations... Independent monitoring and certification will be additional to the Bank’s regular implementation and safeguard procedures. It will help ensure that any direct Bank Group investments in production forests or indirect support through financial intermediaries or forest industries are contributing to improved forest management...” (World Bank, 2002a).

The Bank refrains from identifying any specific certification schemes that would be used to assess compliance with the new policy, and notes that:

“In supporting independent certification, the Bank does not endorse any one particular approach to certification.... the Bank has adopted a set of principles and criteria to assess the adequacy of different certification systems...” (World Bank, 2002a).

Defining what is meant by ‘certification’, and explaining how this definition has been derived, the Strategy states that the Bank has:

“agreed with leading international conservation agencies that it will encourage the widespread use of internationally agreed criteria and indicators for sustainable forest management. These criteria include those defined by the ITTC, discussed in the IPF [and] IFF, and embodied in the principles and criteria of bodies such as the Forest Stewardship Council. The Bank worked with WWF and a wide range of forest sector stakeholders to design a set of principles and criteria for certification systems to move forest management toward SFM. These principles and criteria are set out [by the] World Bank/WWF Forest Alliance”¹ (World Bank, 2002a).

¹ The Strategy also formally recognises the World Bank/WWF Alliance target of 200 million hectares of forest to be certified by 2005.

The Strategy then goes on to list what the Bank considers to be eleven specific ‘principles’ for a credible certification system, as apparently agreed with WWF (see below, section 4, for details of these).

In a new section of text in the adopted version of the Strategy², the Bank also explains that:

- There will not be a fixed time limit during which companies not already certified will be required to achieve certification in order to be eligible for Bank funding. Instead, the Bank will require the *“negotiation and disclosure of a time bound action plan acceptable to the Bank wherever support is given to improving operations that cannot currently meet the requirements of an acceptable certification scheme”* (World Bank, 2002a).
- Certification companies selected to carry out certification for the Bank’s purposes need not necessarily have a ‘proven track record’ in forest certification. Instead, selection of certifiers will be subject to the Bank’s *“standard due diligence provisions under the procurement guidelines”*. Also, *“the forthcoming Sourcebook will provide criteria and guidelines for assessing certification firms”*.
- The Bank notes that it will need to *“take responsibility for decisions to be employed on the criteria to be employed in certification, and also for ensuring that these are then applied in the field appropriately”*. As a means to ensure this, the Bank suggests that an expert in certification should be included in any Advisory Panel that would be required under all ‘Environmental Category A’ forestry projects, in keeping with the Bank’s Operational Policy on Environmental Assessment.
- The need for ‘Chain of Custody’ certification for products derived from Bank-financed forestry operations would be decided on a ‘case-by-case basis’. Guidelines on how such decisions should be taken will, according to the Strategy, be included in the Bank’s forthcoming ‘Sourcebook’.

3. The Operational Policy and certification

The new Operational Policy (OP 4.36) reiterates the requirement for independent certification, and states that:

“9. To be eligible for Bank financing, industrial-scale commercial harvesting operations must also:

a) be certified under an independent forest certification system acceptable to the Bank as meeting standards of responsible forest management and use; or

b) where a pre-assessment under such an independent forest certification system determines that the operation does not yet meet the requirements of subparagraph

² But which was not included in the final public draft of 24th September 2002.

9(a), adhere to a time-bound phased action plan acceptable to the Bank for achieving certification to such standards” (World Bank, 2002b).

The definition in the OP of what is an ‘acceptable’ certification scheme is somewhat different from that contained in the Strategy, as described above, but basically restates the main requirements. Listing these, the OP states:

“10. To be acceptable to the Bank, a forest certification system must require:

- a) compliance with relevant laws;*
- b) recognition of and respect for any legally documented or customary land tenure and use rights as well as the rights of indigenous peoples and workers;*
- c) measures to maintain or enhance sound and effective community relations;*
- d) conservation of biological diversity and ecological functions;*
- e) measures to maintain or enhance environmentally sound multiple benefits accruing from the forest;*
- f) prevention or minimization of the adverse environmental impacts from forest use;*
- g) effective forest management planning;*
- h) active monitoring and assessment of relevant forest management areas; and*
- i) the maintenance of critical forest areas and other critical natural habitats affected by the operation.*

“11. In addition to the requirements in paragraph 11 [sic], a forest certification system must be independent, cost-effective, and based on objective and measurable performance standards that are defined at the national level and are compatible with internationally accepted principles and criteria of sustainable forest management. The system must require independent, third-party assessment of forest management performance. In addition, the system's standards must be developed with the meaningful participation of local people and communities; indigenous peoples; non-governmental organizations representing consumer, producer, and conservation interests; and other members of civil society, including the private sector. The decision-making procedures of the certification system must be fair, transparent, independent, and designed to avoid conflicts of interest” (World Bank, 2002b).

4. The Bank’s requirements and the FSC

The Rainforest Foundation has attempted below to analyse whether the Forest Stewardship Council would currently comply with the Bank’s/WWF’s 11 principles and criteria for a ‘credible certification system’, as stated in the Bank’s Strategy. This analysis is contained in the following table. A system of three ‘✓’s, ‘✗’s is used, whereby ✓✓✓ indicates full compliance, and ✗✗✗ indicates complete non-compliance. ‘?’ indicates that compliance is indeterminate or doubtful.

The Forest Stewardship Council in relation to the World Bank's 'principles' for credible certification systems

| Bank 'principles' for a credible certification system | FSC compliant? | Justification/observations ³ |
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| 1. Institutionally and politically adapted to local conditions | ✓ X X | <p>FSC is partly adapted through National Working Groups, initiatives and national/regional certification standards. However:</p> <ul style="list-style-type: none"> - Such 'adapted' standards presently exist in only 9 countries worldwide, out of the 66 in which FSC certifications have been undertaken. - FSC-accredited certifiers' consultation with national/local stakeholders is often poor. - Certifiers' use of generic standards in absence of national/regional standards allows for use of 'non-adaptive standards', which may not even be made available to local stakeholders. - Singular focus on certification assessment at the Forest Management Unit level often disregards prevailing national/regional conditions, such as endemic forest sector corruption, inequitable land tenure regimes, and massive forestry over-production. - Certifiers appear poorly equipped to assess and deal with any inherent conflicts between national laws and the FSC Principles & Criteria (P&C). |
| 2. Goal oriented and effective in reaching objectives | ✓ X X | <p>Broad overall goal is reasonably clear. Specific objectives have not been defined, nor has a strategy for achieving them, though organisational goals were considered and developed at the 2002 General Assembly, and work is progressing on the definition of specific goals concerning the FSC and social issues.</p> <p>In so far as the FSC's objectives can be defined as to "<i>provide a credible guarantee that [certified] products come from a well-managed forest..[that] all forest products carrying our logo have been independently certified as coming from forests that meet the internationally recognized FSC P& C [and] in this way provide an incentive in the market place for good forest stewardship</i>", the FSC is failing to be effective in reaching its objectives, as noted in various places in this table.</p> |
| 3. Acceptable to all involved parties | ? ✓ X | <p>FSC's compliance with this principle partly depends on definition of 'all involved parties'. FSC's 'multi-stakeholder' approach aims to ensure acceptability from environmental, social and economic interests. However, social interests in general are weakly represented and involved, and some key specific 'stakeholders', including regional indigenous peoples' organisations, have declined to join the FSC and have stated their 'in principle' opposition to it.</p> |

³ Based upon detailed analysis in 'Trading in Credibility' (RF UK, 2002), which can be downloaded in pdf format from www.rainforestfoundation.uk.org.

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| | | Key stakeholder groups in some countries also find FSC ‘unacceptable’, or are unable to give priority to it, as it threatens to undermine broad social movements for <i>fundamental</i> reform of the forest sector as well as efforts to establish more equitable land tenure regimes. |
| 4. Based on performance standards defined at the national level that are compatible with generally accepted principles of sustainable forest management | ✓ X X | <p>The FSC system is putatively based on performance standards (the Principles & Criteria), in contrast to the ‘process-based’ schemes promoted by some sectors of industry and a number of governments. But, in practice, many certification assessments undertaken by FSC accredited certifiers appear to be conducted, and certificates awarded, on the basis of ‘hoped-for-improvements’ or ‘systems/process standards’. Indicative of this is the issuing by certifiers of very high numbers of ‘certification conditions’ or ‘Minor Corrective Action Requests’, which require improvement over time but do not preclude certification, even though the required changes may relate to fundamental deficiencies in forest management performance.</p> <p>As noted above, some certification assessments are undertaken in relation to standards defined at the national level, but there have been many certification assessments undertaken in the absence of such standards. Assessments conducted on the basis of certification companies’ own generic standards, which have not been defined at a national level, often do not comply in all respects with ‘generally accepted principles of sustainable forest management’, or the FSC Principles and Criteria. Furthermore they are inconsistent between the certifiers.</p> |
| 5. Based on objective and measurable criteria | ✓ X ? | <p>The FSC’s P&C are broadly objective and measurable. However, this is not always the case for the FSC-accredited certifiers own assessment systems, which are used to ‘interpret’ the FSC’s Principles & Criteria, and for actual assessment of forestry operations. Compliance of the certification bodies’ criteria with the Bank’s ‘principle’ here is not always possible to assess, as the certifiers do not make their ‘generic’ assessment standards publicly available (see below, point 10).</p> |
| 6. Based on reliable and independent assessment | ✓ X X | <p>The evidence suggests that the assessments undertaken by some of the FSC accredited certifiers are extremely unreliable, particularly in terms of compliance with the FSC P&C. Specific problems include:</p> <ul style="list-style-type: none"> - Weak/inadequate assessment methodologies; - Poor consultation processes; - Manipulation of ‘scoring’ systems and disregard for assessment consultants’ recommendations; - Failure to incorporate ‘major failings’ in assessment systems; - Non-compliance with FSC requirements, such as ‘closing-out’/downgrading of Major Corrective Action Requests. <p>An underlying cause for this unreliability appears to be a lack of ‘independence’, which is at least partly a reflection of a conflict of interest (see below, point 8).</p> |

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| <p>7. Credible to major stakeholder groups (including consumers, producers and conservation NGOs)</p> | <p>✓✓X</p> | <p>To date, the FSC has largely been credible to most major stakeholder groups, including consumers, (although, as noted above, key social and specifically indigenous stakeholder groups have declined to become involved). However, the FSC is only as credible as its certification assessments are reliable, and as shown in point 6 above, reliability is presently highly doubtful.</p> |
| <p>8. Certification decisions free of conflicts of interest from parties with vested interests</p> | <p>XXX</p> | <p>The FSC has taken a conscious decision (as stated in its ‘Accreditation Manual’) not to tackle the problem of ‘conflict of interest’, specifically concerning the role of the certifiers and their commercial relationship with certification clients (i.e, logging companies). Thus, in practice, certifiers have a vested commercial and strategic interest in ‘successful’ assessment outcomes, even where the client forestry company is non-compliant with the FSC’s P&C. This problem has been compounded by allowance of the issuing of multiple ‘certification conditions’, which can effectively serve as comprehensive forestry consultancy advice, which the same certification body then assesses for compliance with the Principles & Criteria.</p> <p>In the case of Chain of Custody certifications, certifiers have a vested interest in not publicly revealing non-compliance, even where this involves breaches of the law or trading regulations.</p> |
| <p>9. Cost effective</p> | <p>✓?X</p> | <p>It seems doubtful that rigorous assessments in full compliance with the FSC’s requirements can be ‘cost effective’ in many circumstances, if the assessment has to be undertaken on a ‘for profit’ basis. It is also widely acknowledged that the present cost of certification within the FSC system is a major deterrent to small forest owners and community forests etc, though some efforts are being undertaken by FSC to address this.</p> |
| <p>10. Transparent</p> | <p>✓XX</p> | <p>Some important information is provided within the FSC system, such as the Public Certification Summary Reports. However, there are also serious deficiencies:</p> <ul style="list-style-type: none"> - Public Certification Summary Reports often still lack crucial data, and are anyway not required by FSC to include details of ‘controversial’ issues. - Certifiers’ generic standards used for assessment are often not made publicly available; - Information on the nature of the legal relationship between the FSC and the certifiers, and between the certifiers and their clients, is not publicly available; - Reports on FSC’s accreditation and monitoring of certifiers are difficult to obtain, and now lack crucial data, including how many ‘Corrective Action Requests’ (CARs) are outstanding against certifiers, what they relate to, or how previous ‘CARs have been closed out. - Information concerning any aspect of Chain of Custody certifications is virtually unobtainable. |

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| 11. Equitable access to all countries | ✓✓X | The FSC system is non-discriminatory in terms of the countries in which FSC certification can be pursued. However, the basic requirements for equitable multiple stakeholder input and decision-making are not, in practice, currently achievable in some countries, due to political restrictions on civil society and indigenous peoples, and lack of capacity of civil society to meaningfully participate in FSC processes. |
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5. Conclusions

There appear to be several important problems with the Bank's policy and its implementation, concerning the proposed use of forest certification. These include:

- Neither the strategy nor the policy are at all clear on what happens in the eventuality that companies without certification at the time of receiving Bank loans or grants fail to comply with their 'action plan' for achieving certification. Would the Bank request re-payment of any loan or grants?
- The Strategy and Policy fail to address the paradox that, under 'credible' certification systems such as the FSC, an important criterion for certification is that the forestry operation is 'economically sustainable'. If certified operations are already economically sustainable, it is not clear what would be the purpose or value of providing them with World Bank funding.
- Even the most credible and respected of certification systems - the FSC - is currently non-compliant with the World Bank's Principles of a 'credible' forest certification system. Other schemes, such as PEFC and SFI, are likely to fail even more comprehensively against the Bank's 'principles' than the FSC (see, for example, FERN 2001). Thus, unless certification schemes such as the FSC can be substantially reformed, operationalisation of the Bank's forest Strategy and Policy would appear to be highly problematic.

References

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