

INTERNATIONAL TROPICAL TIMBER ORGANIZATION

**POTENTIAL ROLE OF PHASED APPROACHES TO
CERTIFICATION IN TROPICAL TIMBER PRODUCER
COUNTRIES AS A TOOL TO PROMOTE
SUSTAINABLE FOREST MANAGEMENT**

Interim Report Prepared pursuant to ITTO Decision 11(XXXII)

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1. INTRODUCTION

1.1 Background

Forest certification is one of the action areas of the Yokohama Action Plan of the International Tropical Timber Organization (ITTO 2001). Since 1994, ITTO has been involved in this subject area by preparing comparative analyses of certification schemes and through capacity building. ITTO has also served as an important international forum of discussions related to comparability and equivalence of certification schemes.

A recent ITTO study (Eba'a & Simula 2002) concluded that less than 8% of the world's certified forest area is found in ITTO producing member countries. As a whole, less than 3% of the world's forest area is presently certified. In ITTO producing member countries, the share is less than half a percent, contrasting with North America's 9%, the highest regional average in the world. The top 15 countries in terms of relative certified forest area include only two ITTO producing members, Malaysia and Guatemala while Bolivia is another positive example. It appears that certification schemes have not been designed in a way to allow developing countries to make fast progress in this field. As a market promotion tool, certification has been clearly more important for the developed than developing countries. The support provided to tropical timber producers has not been sufficient to help them remove the prevailing hurdles in forest management, particularly in the natural forests.

ITTO organized an International Workshop on Comparability and Equivalence of Forest Certification Schemes in Kuala Lumpur, 3 to 4 April, 2002, where the need to explore the feasibility of phased approach was highlighted. In the Moderator's Concluding Remarks, the following statements refer to the phased approach (ITTO 2002):

“If the requirements for certification standards and schemes are set too high to be achievable in tropical countries, it will discourage them to take action in this field. SFM should be understood as a process where continuous improvement is essential and different starting levels must be recognized. A phased approach was proposed as a potentially feasible option for tropical timber producers in gaining recognition in their efforts to implement certification. Such an approach should be based on commitment to achieve certification to a defined standard for SFM which is acceptable to the market, baseline requirements, a defined time-schedule, independent verification, and rigorous rules. The first step could be independent voluntary verification of legal compliance. In the design of the phased approach, possible risks should be considered in order to avoid a weakening of existing standards in practice. The phased approach merits further consideration but requires in-depth analysis and discussion with stakeholders to design it in a way which makes it acceptable to the market, producers and other stakeholders.”

Recommendation (vi) of the Workshop addresses the need to take action in this respect:

“Facilitate discussion involving stakeholders and provide support to exploring the feasibility of a phased approach to certification as a means to improve equitable access to certification by producers in producing and consuming member countries.”

The International Tropical Timber Council (ITTC) in its XXXII Session made a decision (11/XXXII) to take action to facilitate the efforts made by member countries to develop certification. The operative part of the Decision (the full text is contained in Annex 1) requests

“The Organization will undertake a study on the potential role of phased approaches to certification as a tool to promote sustainable forest management. The study will include the following items:

- (a) Consult with relevant parties, including buyers groups, consumer groups, industry, retailers, certifiers, certification schemes, forest owners and managers, governments, environmental and social NGOs, local communities, and indigenous peoples*
- (b) Elaborate the concept and reflect the full range of views as regards to phased approaches to certification*
- (c) Identify existing models and initiatives on phased approaches to certification*
- (d) Analyze the elements and operations of the existing models and initiatives*
- (e) Collect and analyze information on market acceptance of the existing models and initiatives*
- (f) Identify key issues, potentials, risks, and constraints on possible designs and implementation of phased approaches*
- (g) Identify and elaborate on common elements and stages of phased approaches*
- (h) Prepare a preliminary report to present at the Thirty-third Session of the Council*
- (i) Taking into consideration comments and views of Member Countries and the Workshop participants, finalize the report and present to the Thirty-fourth Session of the Council”*

This Interim Report is a partial accomplishment of activities (b), (c) and (d) and its purpose is to serve as a basis when activities (a), (e) and (f) are carried out in due course.

It is also envisaged that three Regional Workshops will be convened in Africa, Asia-Pacific and Latin America between the Thirty-third and Thirty-fourth Sessions of the Council. The purpose of the Workshops will be to disseminate and discuss results and implications of the study and comments from Member countries, and make recommendations to the Thirty-fourth Session of the Council.

Based on these inputs, the final report on how a phased approach could be applied in the ITTO producing member countries will be prepared.

1.2 The Need for a Phased Approach

It has become clear that while many tropical producer countries are now making significant progress in improving the management of their forests, a very small percentage of the world's certified forest is in these countries. As the market for certified timber grows, particularly in the higher-value European and North American markets, this lack of certification may begin to act as a barrier to entry into these markets for tropical timber. Therefore, it is important to understand what is causing the slow progress towards certification and to find solutions which address both the need to increase the area of certified forest, and to minimize interim market barriers for tropical timber from forests where management is improving.

There are a number of reasons for the slow progress of forest certification in the tropics, but one of the most important is that in many tropical countries there is a wide gap between the existing level of management and what is required by certification. This creates a number of problems:

- Considerable resources are required to close the gap and implement the requirements of a certification standard, but tropical timber countries face many institutional, social, human resource and financial constraints which means that such resources are often scarce.
- The process of implementing the standard can be very lengthy, often taking several years. If there is no mechanism for periodically assessing the progress made, forest managers may not realize when it is inadequate until they miss deadlines or commitments for achieving certification.
- There are no intermediate incentives available for forest managers who do undertake this long and costly process until full compliance is achieved and a certificate obtained. As a result, the continued investment can seem difficult to justify.
- Forest managers can be overwhelmed by the number of activities to be undertaken in order to meet the standard's requirements.

The concept of a phased approach to certification provides the potential to overcome each of these problems. By dividing full compliance with the standard into a series of phases, it is possible to focus the limited resources available onto one or two tasks at a time, instead of trying to begin all the necessary activities at once. In addition, external support can be focused much more efficiently to coincide with the particular activities which are underway.

A phased approach can provide a framework for forest managers, helping them to plan activities so that the process of implementing the standard becomes clearer and more manageable. Such an approach can make it easy to divide full compliance with the standard into a number of interim targets or milestones which can be easily monitored so that forest managers are aware of whether they are on schedule or not.

Formulation of a formal mechanism for implementing the standard through a series of phases, particularly if it is linked to some form of verification, makes it much easier to assess progress. This in turn can provide a basis for the provision of incentives to forest managers who are making real progress, even before full certification is achieved. For example:

- where no certified timber is available, buyers can be encouraged to purchase from forests where demonstrable progress is being made, thereby creating initial access to markets and market segments where certification is required
- governments and donor organizations can link grants, aid, tax breaks and other incentives to the completion of certain phases, even before full compliance with the standard is achieved
- financing institutions can provide credits at preferential terms tying the release of funds with the verified progress on the ground as for them certification can act as a risk mitigation instrument

Therefore, the development and use of phased approaches to certification may provide a useful tool to improve forest management and to facilitate access to markets for tropical timber.

1.3 Implementation and Verification

There are two components to any phased approach to certification: implementation of the requirements of the standard in forest management and verification of the compliance.

- Implementation is the process of understanding and then implementing the requirements of the standard in the forest. It is this component which, if successfully achieved, actually delivers certifiable sustainable forest management.

The most important feature of the implementation component of any model is that it provides the best possible framework and support for the forest manager in undertaking all the tasks required in order to implement management which meets the requirements of the standard.

- Verification is the process of assessing the quality of forest management against the requirements set. It can also provide confirmation of what progress has been made towards meeting the standard. Verification is an essential component of the certification procedure, but it is also an important part of the phased approach for two reasons.

Firstly, it is important that the forest manager has some mechanism for monitoring the progress of the organization. The process of achieving SFM is often a long one, taking several years, and if there is no monitoring system, then it is very likely that progress in some areas will be inadequate but that this may not be identified. Periodic verification provides the forest manager with a tool for regularly monitoring progress.

Secondly, an important reason for developing a phased approach to certification is to provide a mechanism for allowing market access for timber coming from tropical forests which are in the process of improving their management, but have not yet achieved full certification. In order to recognize forests which should be included in this category, most buyers will demand some form of credible evidence that real progress is being made. This can be provided by ongoing credible verification of the progress being made.

Therefore, in considering any type of phased approach, it is important to consider how effective it is in providing a solution for both stepwise implementation and verification.

1.4 Product Tracing or Chain of Custody Verification

In order to sell a wood or paper product as coming from a certified forest, it is necessary to have a mechanism to trace the material from the certified forest through each stage of processing to the final product. This is usually known as chain of custody.

Chain of custody verification is required because most wood goes through a series of different manufacturing stages between the forest and the final product and there is usually no reliable way to ensure that a product really contains wood originating in a particular forest without a mechanism for tracing through each of these stages.

If a phased approach is developed only to support the achievement of certification in the forest, there is no need for any chain of custody mechanism to be developed.

However, if there is a desire to link markets to the wood coming from forests implementing the phased approach of certification, then there will need to be a mechanism for tracing the product from forest to end user as for certified material.

2. EXISTING MODELS AND INITIATIVES FOR PHASED APPROACH

Although the widespread discussion of phased approaches is relatively new, there have already been several initiatives to develop the concept in practice. They can be divided into two types:

- (a) Phased approach to implementation of the standard and certification in individual forest management units
- (b) Phased approach to certified timber products in procurement policies

These are discussed separately in the following even though the two types of approach are closely interlinked.

2.1 Phased Approaches for the Producer

Many forest managers might argue that the concept of a phased approach to certification is not a new one, since many of the forest organizations which are now certified developed their own internal plans through a 'phased' approach to undertaking all the activities needed. In addition, the certification process itself often begins with an initial visit¹ or pre-assessment by the certification body, resulting in a report which highlights all the areas where there may not be full compliance with the standard. Pre-assessment reports may identify significant gaps in the management system or performance which have to be fulfilled before a main audit becomes justified. These reports can, therefore, form the basis for planning the activities needed to achieve full implementation of the standard. A more or less 'phased' approach is already implied in the currently applied certification procedure. However, this only becomes available to the forest manager **after** a decision to enter the certification process has been taken.

Recently, there have been a number of initiatives which seek to provide a more structured formal procedure to accommodate more steps in the process of fully achieving the certification status. These initiatives also address the issue of verification.

For each model identified, there is a summary of the elements and operations of the approach, together with a discussion of key advantages, disadvantages or other issues. There is also some discussion of possible market acceptance. However, it should be noted that as phased approach is a very new concept there is only limited information on market acceptance, much of which is anecdotal.

In Section 3, following the discussion of the different models available, there is a discussion of the common elements and stages which these approaches share, and some suggestions for possible ways forward.

¹ Sometimes called a scoping visit.

2.1.1 Individual Development of Phased Implementation

As explained above, many forest organizations have already developed their own internal ‘phased approach’ to implementing SFM and respective certification standards.

Methodology: This approach begins with an assessment of current performance relative to the standard. Since this is done on an individual basis, it can be used for any certification standard. There are at least four possible ways in which this initial assessment can be undertaken:

- internally by the forest management staff working for the organization as part of internal auditing
- by an external expert (or experts) hired to carry out this task;
- by a certification body as the pre-assessment phase of the full certification process;
- by an individual, organization or project providing help and support to forest managers.

Based on this initial assessment, the forest organization then has to develop some type of action plan setting out the activities which need to be undertaken to address any gaps identified. A good action plan usually includes a summary of the gaps identified, and for each gap it provides details for

- actions to be taken to address the gaps and bring management into compliance with the standard;
- resources to be made available to undertake the actions;
- personnel responsible for undertaking the actions, and management responsibilities for planning and control;
- time-schedule for each action or, where it is a major task, for each step of the action.

It is these details which form the basis for the verification of progress under the ‘phased approach’.

Implementation: This approach has been widely used by forest organizations working towards certification, though few of them ever considered it as ‘a phased approach’ viewing it rather as a management tool to plan work over a period of time. However, there is no reason why it could not be further formalized into a model for a phased approach with guidelines or requirements developed for the initial assessment, the action plan and implementation.

The main feature of this approach as a tool for implementation is that it allows each forest organization to develop a phased approach adapted precisely to their own circumstances since the activities planned are based on an assessment of the individual forest organization’s performance. This has the advantage of allowing each forest organization to focus on its own needs and weaknesses.

However, it does not provide a particularly consistent basis for developing an external support program providing guidance, training or resources because each organization will develop its phases based on different gaps and different priorities for addressing them.

Verification: There has been little attempt so far to link this type of approach to any formal verification of progress. If any verification has been carried out, it has been predominantly internal assessment by the forest organization.

It should not present any problem, however, to carry out verification assessments based on implementation of an action plan. This could be regularly reported, highlighting both progress relative to the action plan, and absolute level of compliance with the standard.

For internal use by the forest organization this should be entirely adequate, but it does present some issues where there is external communication for two reasons:

- Firstly, reporting is likely to focus on gaps – what hasn't been achieved – which may be perceived by both forest manager and customer as rather negative.
- Secondly, reporting for each organization will be different which may be confusing for external parties.

Market acceptance: This model has been predominantly an informal one, focusing on the implementation of the standard, rather than verification of progress and communication to the market. Therefore, the level of potential market acceptance is difficult to assess.

There is some anecdotal experience from certification bodies suggesting that some buyers have been interested in tracking this type of progress among suppliers. Where purchasers have their own 'phased approaches' within a purchasing policy (see Section 2.2 below), this model has also been considered or used.

Conclusions: This approach is very useful as a way for a forest organization to develop its own phased approach to implementation of the standard.

To provide a framework for supporting improvement in forest management or as a mechanism for communicating progress to the market, it is less straightforward because of the wide variety of ways the model might be developed. A well-designed model would need to provide clear and adequate guidelines or rules about:

- how the initial assessment is carried out, and by whom;
- what the content of the action plan should be, including the level of detail required relative to objectives, actions, resources, responsibilities and timing;
- the method and frequency of monitoring or verification of implementation of the action plan;
- how to deal with failures to comply with action plan requirements or requests to change the action plan.
- if the approach is linked to markets or other external incentives, it is also important to define the standard being implemented, the maximum timeframe for compliance and the issue of chain of custody.

A model which does not adequately address these issues is likely to be open to misuse and thus to rapid loss of credibility.

2.1.2 Certification Support Program by Certification Bodies

The SGS Malaysia Certification Support Program (CSP) is an example of a private sector initiative to provide a mechanism for phased implementation and verification of progress towards the FSC and/or the ISO14001 standards. It was the first formalized ‘phased approach’ to be developed for the forest sector and has been running since 2000. The following description is based on this concept.

Methodology: A support program can consist of two main phases which are

- (a) *the initial evaluation (pre-assessment) phase* which focuses on the identification of gaps between existing practices and the requirements of the standards.
- (b) *the development and implementation phase;* this involves the development and implementation of a fully documented environmental management system specific to the organization and based on the findings from the first phase. This phase includes training the organization staff on how to design, develop and implement the system.

The support program requires companies to make a commitment and develop a plan to ensure full compliance with the standard within a defined timeframe. Entry to the program is relatively easy, but members that fail to achieve their commitments within the specified timeframe are expelled. The time allowed² can be relatively short to ensure that companies which are not really serious and do not improve their management can only benefit from program membership for a short time before being expelled.

Implementation: A support program can represent a formalized version of the concept presented in Section 2.1.1. It begins with an initial assessment, in this case carried out by trained independent auditors from a certification body. Based on the results of this, it uses the framework of an environmental management system to provide the action plan and the system to implement it.

Verification: Certification body can carry out auditing and verification for the program through providing a continuous audit of the environmental management system towards forest certification and ISO 14001 standards during the two stages. Audit statements for participants can be issued during each stage of the program to track progress in achieving the scheduled objectives and targets.

Chain of custody and control of claims: The program can also provide a “certificate of origin” if the chain of custody of timber originating from the forest under the support program is also verified.

Participating organizations that do not demonstrate progress as scheduled may be suspended from trading under a certification support program.

Market acceptance: The SGS model has received widespread attention as the first existing approach of this kind among buyers and some of them are in practice endorsing the approach. Several companies, including major global buyers such as Home Depot and Kingfisher, have accepted timber from the CSP as meeting their interim requirements for suppliers progressing towards certification.

² 18 months in the SGS model.

Conclusions: The support program approach has had some success and shows clearly that there is a demand for this type of approach. Its major problem has been its existence as a private sector approach run by a single company, which has made many users nervous of too strong a commitment to use of the CSP because of the perceived risk of a ‘single practitioner’ program.

2.1.3 Modular Implementation and Verification and Transition Timber

The WWF Global Forest and Trade Network (GFTN) is a network of more than 800 companies across the world, all committed to the purchase, use and sales of certified wood and wood products. Discussions with group coordinators and members over the last year have shown widespread interest in the development of ‘**transition timber**’. Transition timber is wood coming from forests which are in transition to certification, but have not yet achieved this goal. The demand for transition timber is a result of the shortage of certified timber from some sources such as tropical forests, and the desire to provide some more formal mechanism to provide recognition for improvements in forest management through market-based incentives. Therefore, the GFTN, is currently developing a new tool for implementing and verifying progress towards certification called modular implementation and verification (MIV). MIV is based on the division of the standard into a series of pre-defined modules which can be implemented in a series of steps of phases. Completion of all the modules ensures compliance with all the requirements of the standard (Cozannet & Nussbaum 2001).

Currently the system is being developed to allow implementation of the FSC standard with cross-referencing to the ITTO Criteria for SFM. However, it could be adapted to any standard.

Methodology: The MIV approach consists of two parts: a set of modules outlining actions to be taken, and a framework within which the modules should be used.

There are about 20 modules in the MIV approach, each of which includes:

- the objective or purpose of the module which sets out what has to be achieved. This is equivalent to one or more requirements of the standard;
- guidance on how the objective might be achieved;
- specific guidance for small forests providing an appropriate interpretation of the requirements for this type of forest management;
- information on training, capacity building and other support available for this particular activity;
- cross-referencing to other modules which are linked to the module currently being addressed – this is important because in practice, forest management is relatively holistic and each activity undertaken is linked to several others.
- details of which requirements of the standard will be fulfilled by completion of the module.

The modules can be used simply as a tool to aid implementation of specific parts of the standard, but where they are to be linked to any form of verification or public claims then they must be used within a framework which requires:

- an initial assessment of the current status of management relative to each module;
- the development of an action plan setting out the order and timing for completing each module.

Current guidance suggests that, where implementation is linked to market access or public claims, there should be a time limit of about three years for completion of all modules.

Implementation: Any phased approach aims to make the process of implementing the standard more manageable and less overwhelming by breaking it up in separate pieces and allowing forest managers to deal with a few pieces at a time. However, using modules has further advantages:

- Forest management standards can sometimes be inaccessible to, or difficult to understand by forest managers. The language used is formal and unfamiliar and the order in which the requirements are laid out usually reflect desired outcomes rather than the management activities of a forest manager. By using modules, the requirements can be reorganized based on activities which are familiar to forest managers and written in practical straightforward language.
- There is a wide range of information, training and capacity building available to help implement SFM, but this is not always available to the right people at the right time. By linking support to specific modules, it is easier to ensure that the organization acquires the particular support it needs for the activities being carried out.
- Where there are specific customer, government, investor or donor requirements (for example, ensuring legality, improving occupational health and safety) achievement of these can be demonstrated by completion of the appropriate module.

The final issue may be particularly important with the recent focus on the sourcing of legally produced timber which has grown out of the G8 commitments made in 2000, and the subsequent development of the FLEGT (forest law enforcement, governance and trade) process. The implementation and credible verification of a module on legality may provide a basis for demonstrating that a product is from a legal source if this is required (see Section 2.2.2 for further discussion of this issue).³

However, for some forest managers, being forced to use pre-defined modules may not be appropriate. In particular, where forest managers are reasonably close to full compliance with the standard it may be much easier and effective to measure current management directly against the standard rather than introduce the added complication of modules in which case the models set out in Sections 2.1.1 and 2.1.2 may be more appropriate.

Verification: The MIV tool under development includes a mechanism to allow progress to be monitored and to provide for credible communication of improvements being made.

The verification mechanism requires annual assessments to ensure that there is adequate progress, and expulsion from the system of any forest organization which does not meet its commitments. The verification process is summarized in Box 2.1.

³ A phased approach is also being discussed in the context of achieving and verifying legal compliance.

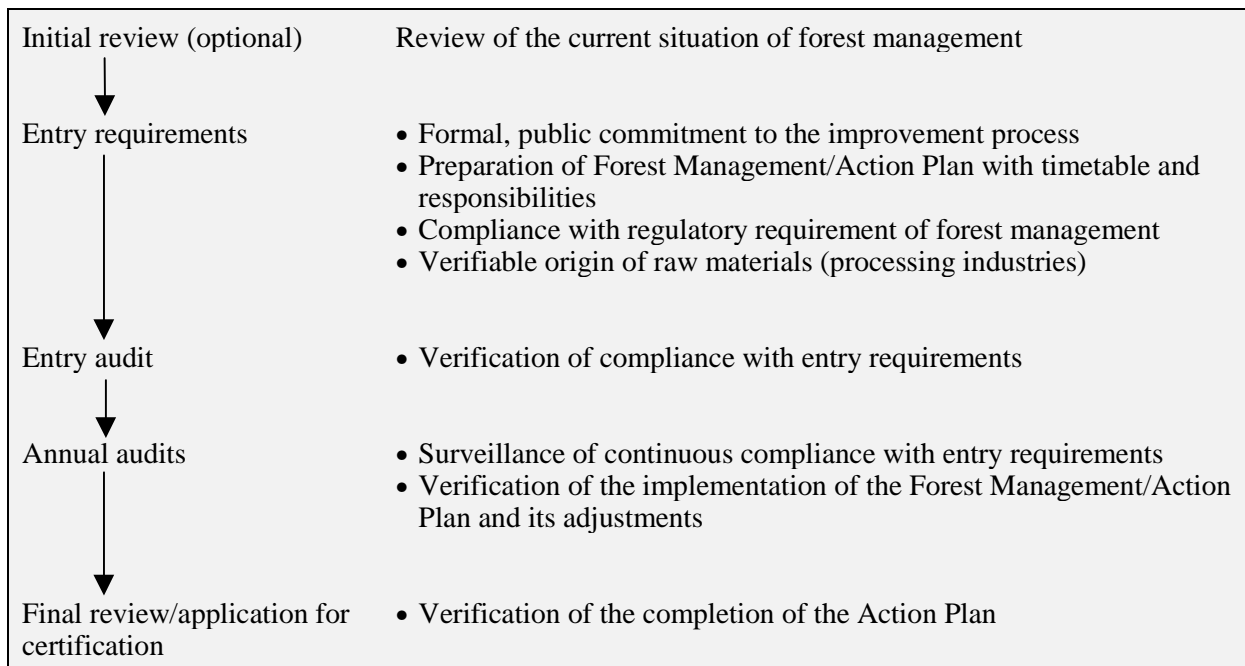
There are some advantages to basing verification on a modular approach:

- Auditing requirements can be developed for each module, making the process of verification reliable and consistent.
- Communication is greatly simplified when it relates to predetermined modules. It is clear to both customers and other stakeholders exactly what has, and what has not, been achieved. In addition, it can be relatively positive – relating to modules achieved – while still being accurate since it is always in the context of a predefined set of modules to be completed overall.
- If there is a specific module (a set of modules) which provides confirmation of legal compliance, this can provide assurance to purchasers looking for legal sources of timber.
- Incentives such as tax breaks, grants or buying contracts can be based on verification of completion of certain key modules.

Chain of custody and controlling claims: This approach will be linked to the development of ‘transition timber’ – that is, wood and wood products coming from forests which are in a process of transition from current management levels to full compliance with the standard and certification.

Transition timber requires the implementation of a tracing system equivalent to a chain of custody or certificate of origin.

Box 2.1 Verification System of Progress Towards SFM



Source: Adapted from Cozannet & Nussbaum (2001)

However, there is no plan to encourage or even allow claims to be made publicly about transition timber. It will be much more a business to business tool. This is for two reasons:

- Firstly, a range of stakeholders have stated that labeling is not a good idea. In particular, for retailers it is likely to be confusing to the consumer to have a new label which is not certification, but appears to be the same type of thing. In addition, some NGOs have raised concerns that labeling or public claims related to transition timber might easily become a form of ‘greenwash’.
- Secondly, ISO guidelines for labeling, as well as other guidelines such as the UK Guide to Green Claims, are unanimous in advising that claims should always be clear and accurate. In the case of transition timber, this ought to mean using a claim which explicitly confirms that the forest of origin was **not** sustainably managed, which is not particularly good advertising.

One of the particular concerns raised by stakeholders consulted about this approach is that a forest organization might request verification to show that it was meeting some of the basic modules and then, without making any further progress, use this information to market products as somehow in transition to sustainability. Therefore, any verification statement issued should be time-limited, probably for one year, after which it will not be renewed unless further progress is made.

Market acceptance: Since this approach is still under development, there is no data on market acceptance. However, there has been some discussion already with members of the GFTN which comprises over 800 companies world-wide ranging from forest managers and primary processors right through the supply chain to retailers and consumer groups. These discussions have suggested that:

- there is widespread demand for a phased approach among forest managers and primary producers in many tropical countries including Brazil, Bolivia, Ghana, Cameroon, Central America, Malaysia and Indonesia.
- there is considerable interest in some form of transition timber among companies at the consumer end of the supply chain in both Europe (including the UK, Belgium, Netherlands and Sweden) and north America.

Conclusions: The MIV and transition timber models are still under development and so there is little concrete information on their effectiveness or market acceptance. However, discussions with a wide range of stakeholders suggest that there is widespread interest in the approach and demand for its products.

MIV has been designed primarily as a tool to help forest managers seeking certification for their forests, but much of the methodology is equally applicable to implementation of national laws or the requirements of investors or donors.

2.1.4 Other Approaches

A phased approach has also been applied in the certification and audits targeted at achieving the declaration of approval by the Keurhout Foundation in some tropical concession forests. Keurhout endorses or approves certificates which meet their minimum requirements including independent auditing by an accredited certification body. In the initial audit, the current status

of forest management is established against the five Keurhout principles and minimum requirements⁴. An action plan may then be prepared addressing gaps and corrective action requirements (CARs). The implementation of the action plan is subsequently verified by a certification body through surveillance visits. This represents one form of phased approach.

2.2 Phased Approaches by the Consumer

While the most obvious phased approach to certification is in a forest, there have also been a range of initiatives creating a phased approach at the buyer end of the supply chain.

A number of organizations ranging from governments to individual companies have made some type of commitment to sourcing their wood and paper products from ‘well-managed’, ‘sustainable’ or ‘certified’ sources. However, none have been fully able to implement this requirement as yet. As a result, many active larger buyers have developed some type of phased approach to provide a framework for implementing this policy in practice. These buyers are found in the retail sector.

Since many of these initiatives have been developed by actual or potential customers of tropical timber producers, it is very important to ensure that any methodology which is developed is consistent with meeting these procurement initiatives.

2.2.1 Processors and Retailers

The demand for certification was mainly initiated by retailers and the companies which supplied them, but has now spread throughout the whole supply chain in some key markets and market segments. As a result, there are now hundreds of companies developing and implementing policies to buy, use and sell certified wood. Most of them are part of the GFTN network.

Initially, most ‘phasing’ in the policies developed by this sector related to the proportion of their overall products which would be certified over a certain time period. These policies were difficult to meet due to slow progress in the supply of certified timber and they did not always sufficiently recognize the difficulties that forest managers and producers are faced with in implementing SFM and undertaking certification. As a result, some organizations have recently developed more sophisticated policies which combine not only a phasing in achievement for the buyer, but also phasing of the requirements placed on suppliers.

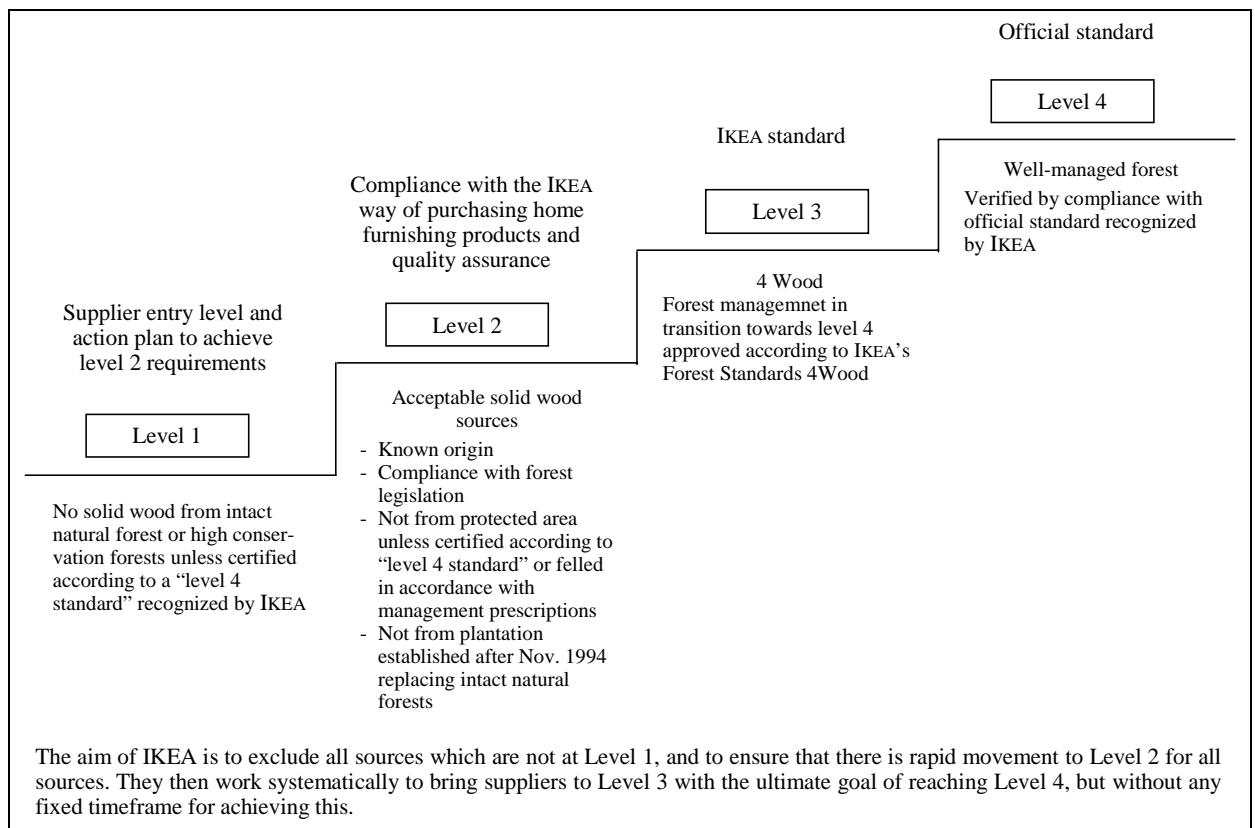
Good examples of this type of approach are the Home Depot purchasing policy (see Box 2.2) and the IKEA Staircase Model (see Box 2.3).

⁴ www.stichtingkeurhout.nl

Box 2.2 The Home Depot Wood Purchasing Policy

- Policy 1: The Home Depot will give preference to the purchase of wood and wood products originating from certified well-managed forest wherever feasible.
- Policy 2: The Home Depot will eliminate the purchase of wood and wood products from endangered regions around the world by year-end 2002
- Policy 3: The Home Depot will promote the efficient and responsible use of wood and wood products
- Policy 4: The Home Depot will promote and support the development and use of alternative environmental products
- Policy 5: The Home Depot expects its vendors and their suppliers of wood and wood products to maintain compliance with laws and regulations pertaining to their operations and the products they manufacture

Box 2.3 The IKEA Steps Approach



Source: Johansson 2002

From the forest manager's viewpoint, the phases defined by Home Depot may be interpreted as follows:

- (1) Demonstration that timber does not come from an endangered source
- (2) Compliance with laws and regulations
- (3) Certification as well managed

In all the cases, the origin of timber and products made thereof must be known.⁵ It is not defined by the buyer how the supplier should demonstrate compliance with laws and regulations. The final step is, however, conceptually clear.

In the IKEA model, the origin of timber has to be known, even at level 1 although it refers to exclusion. The term ‘intact natural forests’ is not defined at an international level⁶ and can be a cause of confusion. However, high conservation value forests (HCVF) does have a definition in the FSC Principles and Criteria and there is currently an international project underway, funded by IKEA through its co-operation with WWF, to provide practical guidance on interpreting this definition in the forest⁷. IKEA’s level 2 corresponds to Home Depot’s second level with additional qualifications for protected areas and plantations not established on intact natural forests after 1994. From the verification point of view, it will not always be easy (or even possible in some places) to establish the forest characteristics of areas planted up to 18 years ago.⁸

Any model for a phased approach in the forest which includes the aim of increasing access to markets needs to take this type demand into account and ensure that it provides an approach to both implementation and verification which will be recognized by important customers.

The IKEA level 4 makes reference to the company’s own forestry standards. While this may be a manageable approach for large consumers of timber such as IKEA, it is not an option which is feasible for smaller companies, which do not have the resources to develop or implement their own requirements. In addition, if many company-specific standards were developed, this might begin to cause problems for forest managers with a range of customers since each one would have slightly different requirements. The development of a recognized phased approach for the forest manager may therefore provide a useful alternative.

The buyers’ initiatives to develop step-wise approaches are very important in demonstrating that it is the responsibility of consumers, as well as producers, to address the issue of good forest management. If consuming companies buy distinguishing between legal and illegal, well-managed and badly-managed, such purchasing policies provide incentives for the forest manager to improve forest management. However, if purchaser schemes are all developed and applied in parallel without common terms and definitions and clarity about what standards are acceptable, there is a risk that they will cause further confusion and barriers for suppliers including forest owners, or could even become a commercial instrument to tie a supplier to a single buyer. On the other hand, if these approaches can be coordinated and harmonized to produce common sets of requirements for purchasing policies, then they could contribute as building blocks to a broader international arrangement for the phased approach in certification.

⁵ To meet the first phase, “endangered region” needs to be defined. Although there is some on-going work, there is not yet any widely used or agreed or criteria for identifying endangered regions.

⁶ Parallel terms include primary, ancient, undisturbed, etc. See further discussion on these definitions in Proceedings...(2002).

⁷ Further information on the HCVF Toolkit is available on the ProForest website at www.ProForest.net in the Comment and Review Section.

⁸ The same problem is encountered in the Kyoto Protocol where the reference date is December 31, 1989.

2.2.2 Public Procurement

In 2000, G8 leaders made a public commitment that the governments would seek to procure all their wood and paper requirements from 'legal and sustainable sources'. The Government of United Kingdom has been spearheading the implementation of this commitment but France and Germany are also planning to implement similar provisions. It quickly became apparent that national implementation would not be easy and the UK government is now going through a process of developing a policy and guidelines to help it turn the commitments made into action.

A report with a set of recommendations was released for comment in August 2002⁹ and one of the main suggestions is that a phased approach is adopted both to meeting internal targets and to expectations of producers. In brief, the suggestions is that there should be three classes of supply:

- Class 1: from a legal source
- Class 2: from a source which is legal and working towards sustainability
- Class 3: from a legal and sustainable source

A particularly important point to note is the specific focus on legal sources was also included e.g. in the Home Depot policy. This is likely to grow in importance as more and more governments and companies make commitments to exclude illegal timber. An important statement to this end was recently made by International Hardwood Products Association (IWPA) in the United States prohibiting imports of illegal timber by the Association's member companies.

Yet currently, there is no global system available to verify legality.¹⁰ A phased approach which includes verification of 'legal compliance' as the first phase or a module might help fill this gap. There would also be a need for clearly defining what legality means in practice or whether it involves compliance with the forest and environmental law and regulations only, or whether it would cover other aspects of legislation as well.

3. COMMON ELEMENTS AND KEY ISSUES

3.1 Phased Implementation

3.1.1 Understanding the Current Situation and the Goal

There is wide consensus that any approach to phased implementation of sustainable forest management standards needs to begin with a proper understanding of current management and of where there are gaps between this and what is required by the standard. There are a number of possibilities when deciding who should carry out this type of initial assessment of current practice: (i) forest managers, (ii) external experts, or (iii) certification bodies.

⁹ UK Department of the Environment, Food and Rural Affairs, 2002. July 2002.

¹⁰ The European Union is in the process of launching a study on options for the practical implementation of such a system.

The Forest Manager: Forest organizations may carry out the assessment themselves as part of their internal auditing, monitoring and control system using in-house expertise.¹¹ This approach has several advantages:

- It is the cheapest option since only internal personnel are used.¹²
- The personnel carrying out the assessment are fully engaged with the process and aware of the results.¹³
- It can be very efficient since the people carrying out the assessment are familiar with the organization and its activities.

However, there are a number of disadvantages as well:

- If the staff do not fully understand the standard and what it requires, then their assessment may be inadequate; this can, of course, be addressed through training.
- Where staff are already fully occupied, the additional work required may be a serious problem.
- Where the process is being linked to external publicity or incentives, any self-assessment, even of the starting point, may lack credibility.

External experts: Another approach which many forest organizations use is to contract an external specialist/consultant or organization to carry out an initial assessment. This approach has a number of advantages:

- If the experts are familiar with the standard then they are likely to provide an accurate assessment of current performance relative to the standard
- If the experts are familiar with the way other forest companies have implemented the standard, then they should be able to provide useful advice on how to address the gaps identified.

However, this approach also has some disadvantages:

- There will be additional costs associated with this approach since external experts must be paid for and their costs are generally higher than those of own staff. Larger forest owners or organizations may justify such costs but it is often a particular problem for small and community forests where available funds are very limited.
- External 'experts' vary greatly in their quality and effectiveness and are not necessarily guaranteed to do a good job. Forest managers do not always have access to information to allow them to select competent experts.
- The external experts should always work in close cooperation with the company staff, to transfer their knowledge and build up internal understanding of what the gaps are and why they need to be addressed.

Certification bodies: A third approach is to use the initial scoping visit or pre-assessment carried out by certification bodies as the first stock-taking of gaps and weaknesses in the forest management system and performance. This would also be the entry point to the

¹¹ Internal auditing by forest organizations is discussed in detail by Baharuddin & Simula (2001).

¹² Some forest organizations use external specialists to carry out internal audits.

¹³ Even internal auditors should be independent from the activity to be audited although employed by the same company.

certification process but it would not allow external demonstration of progress until full compliance has been achieved. A special “modular” or “stepwise” service would be needed from certification bodies to make intermediate declarations possible based on progressively expanding audits.

Using the certification body has the great advantage that the information they provide about compliance with the elements of the standard is likely to be the most accurate available since this is their core competence.

However, a significant disadvantage is that certification bodies are not allowed to provide any help or advice about what to do to address the gaps identified. This is because they are required to remain independent at all times. Providing their clients with help and advice would undermine this independence and establish a potential conflict of interest.¹⁴

Certification bodies can also be very expensive and their services are not always locally available in tropical producer countries.

3.1.2 Planning of Improvements

A common element of all the producer approaches is the need to have a plan within which improvements are made. It is important that the enterprise makes a formal commitment to implement the plan. The plan is perhaps the single most important aspect of a phased approach since it provides the basis for both the work carried out by the forest manager, and the expectations of the verifier (and customer).

All approaches seem to agree that the planning should be based on the analysis of gaps carried out as part of the initial assessment, and that it should be relatively detailed including information on:

- what will be done – the actions to be undertaken and the objective to be achieved;
- the resources which will be required in terms of materials, people, training, infrastructure and so on, and where these resources will come from;
- who is responsible for ensuring that a particular action is undertaken, whether this is direct responsibility to do it themselves, or indirect responsibility to monitor those carrying out the work; and
- the timeframe for undertaking and completing the action.

The MIV approach envisages doing this through the development of an action plan. Another option is to use the ISO 14001 management system approach within which objectives and targets are set by the management and the environmental management program provides a plan of action.¹⁵

¹⁴ In auditing of financial accounts of companies, major conflicts have recently emerged in situations where auditors provide advisory or consulting services to the same clients. This has led some auditing companies to dissociate themselves from consulting through divestment or organizing such services through a different commercial enterprise although still belonging to the same group. In auditing of quality and environmental management standards, there is a certain tendency for auditors to get involved in advisory tasks. The same conflicts of interest as in financial auditing may influence the independence of the auditing work. IAF has set clear rules to define what the scope of certification bodies' other activities may cover. See Baharuddin & Simula (1999) for further discussion on this issue.

¹⁵ The SGS CSP program applies this approach.

3.1.3 Legal Compliance

It is clear that legal compliance will be increasingly used as a market requirement in many importing countries - both by the industry and governments. Therefore, incorporating verification of legal compliance into any phased approach would increase its usefulness for market communication.

Increasingly tropical timber producers are likely to find themselves asked to demonstrate and provide evidence that their timber is from a legal source. If a mechanism for doing this can be incorporated into a broader mechanism which could verify both legal compliance and sustainability of forest management, then it could make the model much more useful and practical for forest managers and the forest products industry than delivering only one of the other.

The 'legality' module could be one of the steps in such a phased approach. However, as has been pointed out in the FLEGT process, even verification of legal compliance may need its own phased approach.

This is clearly a very complex issue and one which is currently being widely debated. However, for natural tropical forests it might be possible to develop a series of phases with a structure something like: (depending on the country's regulations):

- (i) Verification that there is a legal right to be cutting in the forest area, and that there are no serious conflicts.
- (ii) Verification of the chain of custody (e.g. verification of wood transport licenses)
- (iii) Verification of the management plan and related documentation against legal requirements (forest and environmental legislation)
- (iv) Verification of logging and silvicultural operations (forest and environmental legislation)
- (v) Verification of other legal requirements related to the operations (legislation on labor, occupational health and safety, taxation, etc.)

Compliance with these components forms part of most certification standards and therefore establishment of legal compliance contributes directly to progress toward certification of the FMU and the organization managing it. Legal compliance could be part of the various models of phased approach discussed in Chapter 2.

3.1.4 Small and Community Forests

An important issue which needs to be considered in the development and implementation of any system for implementation of a certification standard is its applicability to small-scale and community forests which are often managed at a lower intensity and with more diverse objectives than, for example, industrial concessions. A particular problem area in this group are small-scale entrepreneurs which have only short-term contractual access to the forests they are using. These operators are common in many African countries.

The complexity and costs of implementing certification standards has been widely recognized as a potentially serious barrier to small forest operations, yet these operations are often a key component of sustainable development in the local context creating income and revenue.

The phased approach should address these situations which are found in many ITTO producing member countries by providing explicit guidance for small-scale and community forests as part of relevant modules. In the case of smallholdings and small-scale entrepreneurs, group certification has been applied as a solution to keep costs reasonable. A phased approach could be also applied for these cases. A specific verification process could be designed for them covering only those elements of the standard requirements which are relevant to the specific conditions of each type of operator. Another strategy might be to use a simplified standard for these situations in the beginning and then move to a more demanding standard after a specific period (e.g. in three years). As pointed in the ITTO 2002 Workshop, lowering of standards should not be targeted at. There has been considerable opposition from many actors to the introduction of lower standards, with a preference for recognizing pre-certification phases.

3.2 Phased Verification

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

There are a number of issues which therefore need to be considered:

- who carries out verification
- how to ensure that verification is credible
- what happens if an organization stops making progress or does not meet its commitments
- what type of claims are appropriate
- how to arrange verification of product tracing in case claims are related to products

3.2.1 Who Undertakes the Verification

An important question, whenever there is a need for verification, is who carries out this task. There are basically three possibilities which are known as first, second or third party verification.

- **First party verification** is when the forest organization uses its own staff to assess its own performance and communicates the results. This approach is the cheapest and easiest to use. However, it has limited credibility since there is no way of knowing whether the forest organization is reporting truthfully or not. The most common use of first party verification is an internal monitoring program carried out by an organization to monitor its own progress. However, it can also be useful as a component of a system which includes second or third-party verification as described below. All internal auditing facilitates external auditor's work.
- **Second party verification** is when the assessment of the forest organization is carried out by another organization with which they have some type of relationship, for example, by customers or investors. This 'second party' carrying out the assessment is then able to

collect information for themselves about whether or not the forest organization is meeting its commitments, in this case compliance with the requirements of each phase. This approach is used by many large purchasers of wood and wood products. It is generally cost-effective and is internally credible for the second party though it may lack credibility with external stakeholders. However, for the producer this approach can result in an endless stream of verification visits by one customer after another, each wanting slightly different information and working in a slightly different way.

- **Third party verification** is where an independent body carries out the assessment of the producer or supplier. Third party verification can be used to assess implementation of a predefined set of requirements such as a module of requirements of the standard, or to assess progress against an action plan. The advantage of third party verification is that it is fully independent unlike the two other approaches and therefore likely to be the most credible. However, it is also usually the most expensive, and it is not always possible to find third party verifiers in every country.

3.2.2 Ensuring Credible Verification

If the results of the verification process are to be used for any type of external communication, whether to governments, investors or customers, it is very important that it is credible. The credibility of verification will be determined by the same factors¹⁶ as in forest certification:

- **Who carries out the verification:** As discussed in Section 3.2.1, the credibility of the verification will strongly depend on the credibility of the persons or organization carrying out the verification exercise. Independence and competence are key attributes for credible assessors. In the development of any model, this is an important issue to consider.
- **Control of verifiers:** The most formal way to control verifiers is through a process of accreditation, as is the case for forest certification bodies. Under certification schemes, an independent accreditation body establishes the competence and independence of certification bodies and continuously monitors their procedures and work as part of accreditation process. This ensures that all certification bodies meet an acceptable standard of conformity assessment in their performance.

Consideration needs to be given to whether accreditation is the most appropriate way forward for any phased approach, and whether other alternatives can deliver credible assessment procedures. For example, a group of trained local professionals who can provide a lower-cost, more readily available service in tropical producer countries could be considered as an option. Their competence could be verified in the same way as is applied for trained inspectors in forestry or quality graders in the log and sawnwood trade. A professional organization arranges training, tests of knowledge and keeps records of qualified professionals.¹⁷ If this type of approach is adopted, it will be very important to specify which organization compiles and maintains the register and ensures the quality of the verifiers. This could also be organized through an existing international body.

- **Transparency of verification process:** An important way of maintaining credibility is through transparency. This can be achieved in a number of ways, such as public reporting

¹⁶ For further information on credibility within the process of forest certification in general, see Nussbaum et al. 2000.

¹⁷ There is an ISO standard for inspection bodies which could be a relevant reference in this context.

of the summary results of verification assessments, or consultation with interested parties, or formal peer review as applied in the certification procedure.

However, increased transparency can also result in higher costs and may be intimidating for forest managers, particularly in the early stages of the process. Therefore, careful consideration should be given to the level of transparency needed for a phased approach, particularly where there is no intention to allow any public claims or communication to be made.

3.2.3 Ensuring Progress

A number of the stakeholders consulted about a phased approach, particularly retailers and NGOs, have commented that, if there is any form of verification, it must be designed to ensure that it can only be used when the agreed progress continues to be made within the agreed timeframe towards the goal to which the commitment has been made by the organization. This can be considered an inherent feature of any phased approach.

Verification systems must be designed so that organizations which begin the process of improvement are regularly subject to new monitoring assessment. If they fail to meet commitments, or drop out of the program, they should no longer be able to provide evidence of compliance.

3.2.4 Control of Claims

All the schemes and initiatives developed so far address the issue of claims, and the control of claims. The main issues are:

- It is important to specify or provide adequate guidance on what claims can be made by participants of a phased verification mechanism to ensure that any claims are correct reflecting the guidance given. The guidance provided should ensure that any claim made is accurate and not misleading. This could be arranged through organizing the phased approach through a structured program.
- If industrial processors and their customers want to purchase products from forests in transition to certification, it is necessary to have an appropriate and verified system for tracing the material from forest to product in case claims are made related to products traded.
- Products from forests undergoing a phased approach to certification should probably not carry any type of product label, unless it is one which explicitly states that the forest of origin is not yet sustainably managed.

3.2.5 Costs and Benefits

The issue of whether the costs of a phased approach would be lower than respective benefits is essential for all forest owners and managers. There has already been much debate about the costs of certification. The more rigorous the verification system associated with a phased approach, the more it will cost. Therefore, as models for verification are developed, each additional requirement aimed at increasing effectiveness and credibility should be carefully balanced against the associated increase in cost.

If there will be tangible benefits which can accrue to operators during the phased approach towards full certification, the time lag between costs and benefits can be shortened thereby motivating forest organizations to embark on the process.

3.3 Other Issues

3.3.1 Choice of Requirements on Certification Scheme

In discussing the concept of phased progress towards certification, it is important to consider the question of which standard certification will ultimately be used. ITTO does not support any particular scheme or endorse any particular standard. If there is to be support for forest managers and processors in producer countries to enter a phased approach as a mechanism for getting market acceptance, then it is very important the standard implemented and verified is one which the market recognizes.

This has raised a problem in some countries. The most widely accepted scheme in many importing countries is the FSC, but there has been political resistance or other hurdles to its implementation in some producer countries which have therefore opted for national or other regional approaches, but with uncertain market acceptance. Some buyers and other stakeholders have specified their requirements for certification schemes as “FSC or equivalent” without, however, defining what equivalent means in this context.

The development of the phased approach may contribute towards a solution to this problem if it is well designed and developed. Analysis of the requirements of all standards, from whatever source, indicates that there is a substantial degree of commonality in the requirements but there are also some significant differences which may be difficult to harmonize (Rametsteiner & Simula 2001). There are various options how this issue could be addressed:

- (i) An existing framework for the standard, such as the FSC P&C and the ITTO C&I could be adopted as the basis of the requirements for implementation and verification.
- (ii) A phased approach could begin with implementation and verification of the shared requirements contained in all the locally relevant schemes for SFM; this approach could allow all schemes which support improved forest management to work together, at least initially.
- (iii) A nationally developed standard could be taken as a basis if it exists.

The importance of the initial choice of the certification scheme or the targeted framework must be emphasized. The phased approach should preferably lead to ‘full’ certification in the medium term and, therefore, the requirements of the targeted scheme should be preferably incorporated into the process from the start to avoid any wasted effort.

Option (ii) may need a separate analysis of the areas covered by the relevant C&I/P&C requirements and, in particular, of their interpretation in local conditions. Some comparative analyses have been done in regional or country contexts¹⁸ which illustrate that this easily becomes a major task.

¹⁸ E.g. Indufor (2000) for FSC PC& and the ATO PCI, Sandom & Simula (2001) for FSC P&C and the Malaysian C&I for certification.

3.3.2 Small and Community Forests

It is very important, in considering the requirements for verification, to address the issue of small and community forests. For these forest owners and managers, the cost of an annual audit by a third party verifier is often unattainable. Therefore, mechanisms need to be developed which are credible, but are also equitable for small forests.

One possibility may be some type of group scheme, similar to the type of approach used for forest certification.

Another alternative is to allow more use of first and second party verification or, if third party verification is required, cheaper non-accredited experts.

4. SUMMARY OF ISSUES FOR DISCUSSION

This preliminary discussion paper has identified some options for the phased approach and issues related to their possible implementation. Further consultations among stakeholders are needed to clarify which options could be feasible and acceptable, and how the key issues could be addressed. The main questions to be raised in these consultations would include:

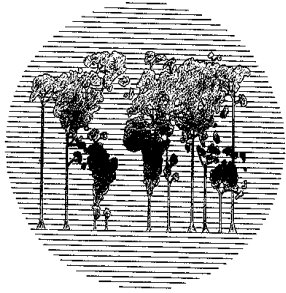
- (a) Which strategic options could be broadly applied and internationally recognized for a phased approach in certification (e.g., verified progress of an SFM action plan, progressive support program, modular compliance verification, chain of custody verification, incorporation of progress, etc.).
- (b) How to define the levels of requirements of the phased approach (e.g. legal compliance, partial and full compliance with the certification standard requirements).
- (c) How to organize verification process (internal/external audits, auditors and assessors, audit procedures, consultation, etc.).
- (d) How to ensure credibility of verification (third/second/first party audits, independence and conflicts of interest, compliance of auditors, etc.).
- (e) How to communicate on the verification of the phased implementation (possible claims and their application and control).
- (f) How to arrange equal access to phased approach to community and small-scale private forests.
- (g) How to harmonize phased approaches if such a harmonization is considered desirable (definitions of terms used, procedures, competence requirements, parallel standards, etc.).

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ITTO

INTERNATIONAL TROPICAL
TIMBER COUNCIL

Annex 1

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13 - 18 May 2002
Bali, Indonesia

DECISION 11(XXXII)

THE POTENTIAL ROLE OF PHASED APPROACHES TO CERTIFICATION IN TROPICAL TIMBER PRODUCER COUNTRIES AS A TOOL TO PROMOTE SUSTAINABLE FOREST MANAGEMENT

The International Tropical Timber Council,

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

Recalling Decision 10(XXX) on Certification;

Recognizing that ITTO as an international organization should not endorse, create or adopt, or be perceived to endorse, any particular certification approach or scheme, including any accompanying standards developed for the purpose of certification;

Noting the Report on the ITTO International Workshop on Comparability and Equivalence of Forest Certification Schemes as contained in Document ITTC(XXXII)/10;

Recognizing forest certification as an important voluntary market-based tool to encourage and create incentives for sustainable forest management and improving market transparency;

Underscoring that certification schemes should be voluntary, non-discriminatory, transparent and market-oriented;

Recognizing that while the ITTO Criteria and Indicators were developed to assess progress towards sustainable forest management, performance standards would be required for the purposes of certification;

Recognizing the role of ITTO in promoting market access as provided for in the objectives of the ITTA, 1994, and the ITTO Yokohama Action Plan 2002-2006;

Recognizing the role of ITTO in improving transparency of the international timber market and promoting tropical timber from sustainably-managed sources as stipulated in the ITTO Yokohama Action Plan 2002-2006;

Recognizing the potential contribution of certification to sustainable forest management, including forest law enforcement and related trade;

Recognizing that many tropical timber producing countries have made considerable progress towards sustainable forest management, and that at the same time those countries account for a very small percentage of the coverage of certified forests around the world;

Recognizing that in many tropical timber countries there is a wide gap between the existing level of management and what is required by certification;

Recognizing that tropical timber countries face many institutional, social, human resource and financial constraints to achieve sustainable forest management;

Recognizing the potential role of regional consultations in advancing discussions on comparability and equivalence among certification schemes, and in assisting tropical timber producing countries to meet sustainable forest management standards and to achieve certification;

Decides to:

1. Authorize the Executive Director to engage two consultants, one from producer and the other from consumer country to undertake a study on the potential of phased approaches to certification as a tool to promote sustainable forest management, as per the attached Terms of Reference;
2. Authorize the Executive Director to convene three regional workshops to disseminate and discuss the results and implications of the study, with recommendations to the Thirty-fourth Session of the Council based on the attached Terms of Reference;
3. Request the Executive Director to facilitate improved understanding, information-sharing and dialogue between interested parties from both consumer and producer countries on these phased approaches;
4. Encourage Member Countries to support project proposals for national capacity building to engage in forest certification in producer Member Countries, including institutional strengthening, stakeholder participation, auditing systems, training and better public understanding of the role of certification as regards to sustainable forest management; and
5. Authorize the Executive Director to seek voluntary contributions from Member Countries to meet the financial requirements of this Decision, not exceeding US\$297,980.00.

ANNEX

Terms of Reference for Consultants

The consultants, one from a producer and the other from a consumer country, will undertake a study on the potential role of phased approaches to certification as a tool to promote sustainable forest management.

The study will include the following items:

- a) Consult with relevant parties, including buyers groups, consumer groups, industry, retailers, certifiers, certification schemes, forest owners and managers, governments, environmental and social NGOs, local communities, and indigenous peoples
- b) Elaborate the concept and reflect the full range of views as regards to phased approaches to certification
- c) Identify existing models and initiatives on phased approaches to certification
- d) Analyse the elements and operations of the existing models and initiatives
- e) Collect and analyse information on market acceptance of the existing models and initiatives
- f) Identify key issues, potentials, risks, and constraints on possible designs and implementation of phased approaches
- g) Identify and elaborate on common elements and stages of phased approaches
- h) Prepare a preliminary report to present at the Thirty-third Session of the Council
- i) Taking into consideration comments and views of Member Countries and the Workshop participants, finalize the report and present to the Thirty-fourth Session of the Council

Terms of Reference for the Workshops

The three Regional Workshops will be three days duration each and convened in Africa, Asia-Pacific and Latin America between the Thirty-third and Thirty-fourth Sessions of the Council.

The purpose of the Workshop will be to disseminate and discuss results and implications of the study and comments from Member countries, and make recommendations to the Thirty-fourth Session of the Council.

The Secretariat, in extending invitations to participants, should seek to provide a balance of the following views at the Workshop:

- producer and consumer Member Countries
- forest owners and managers
- certification schemes
- environmental and social NGOs
- local communities and indigenous peoples
- buyers groups and consumer groups
- industry, traders and retailers

Priority for sponsorship should be given to participants from producer Member Countries.

* * *