3.3 FSC certification: a solution for smallholders and community managed forests

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Introduction
With 20 years experience in the certification of forests and forest products, the Forest Stewardship Council (FSC) has built a solid base for reflecting on its achievements and lessons learned, and considering the challenges still to be tackled.

The FSC system and certification standards aim to achieve the highest level of performance for responsible forest management that is also economically viable, environmentally appropriate and socially beneficial. The ever-growing number of certificates and certified products on the global market underlines the credibility of the system and the message it sends.

Nevertheless, some areas — for geographic reasons or due to forest size or type of business — need a new approach to achieve their intended outcomes. For community forests in tropical developing countries in particular, the issues related to supply-chain development and market access are so challenging that communities are not always able to gain any economic benefits.

Until now, processes for developing solutions have not always been able to deliver suitable alternatives to deforestation or forest degradation on a large scale. However, new approaches such as FSC’s ecosystem services (ForCES), for example, can increase the impact of certification initiatives and provide a greater share of all kinds of benefits to small forest owners and community producers.

About one-quarter of all forests globally are managed by people who make their living in and from them, including small forest producers and communities are organized in groups (associations or cooperatives) or individual small enterprises. Smallholders (Box 1) can gain a lot from FSC certification.

Forest producer organizations are finding support in new tools and processes from FSC that better meet their specific needs.

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Box 1. Smallholders

Worldwide, 285 forest management certificates are held by smallholders: 60% are organized in group certificates; and 40% are individual certificate holders. More than one-third of certified smallholders are in developing countries, most of them in the tropics. The total certified area is almost 7.5 million hectares (ha), more than 1.5 million ha of which are in the Global South, mostly the tropics; 78% is community forest.

Source: FSC database (January 2015)

The organization

Founded in 1993, the Forest Stewardship Council (FSC) is an international association that is governed by its members. At present, 800 individual and organizational members are organized into three chambers. In the Social Chamber are representatives of indigenous peoples’ organizations and labour unions; in the environmental chamber are international and local NGOs, and community forestry groups. Industry representatives such as retailers and manufacturers or individual entrepreneurs usually belong to the economic chamber.

Embedded in FSC’s vision and mission is caring for the world forests for future generations, including those forests which are managed by smallholders and community owners (together referred to here as smallholders). Today, FSC is the world’s strongest certification system in terms of global reach, robustness of certification criteria, and number of businesses involved.

FSC certification promotes best practices in forest management and sets a global benchmark. The Chain of Custody (COC) certification scheme was created to guarantee the transparency of the supply chain and the traceability of a product from origin to the end consumer. It ensures the legality of a product and its responsible production.

The core standard for forest stewardship, FSC’s Principle and Criteria, requires a commitment to best social and environmental practices. FSC has 1,300 forest management certificate holders and 27,000 Chain of Custody (COC) certificate holders in 81 countries worldwide. Some certificates are held by groups with many members. For example, there are more than 145,000 smallholder members of forest management group certificates, and FSC’s aim is to increase these numbers.

To achieve FSC certification, forest management operations have to improve their business practices. They must comply with FSC’s requirements related to workers’ rights to organize, fair compensation and contracts, and to occupational health and safety regulations. Environmental improvements are often related to issues such as the identification and protection of high conservation values in forests, water management, set-aside areas and pesticide handling. Stakeholder consultations are key to identifying the negative impacts of forest management interventions and developing solutions that
respect the environment and strike a balance between the various interests in forests and forest management.

To ensure that it considers a range of situations and contexts, FSC maintains a proactive dialogue, such as the process to set national standards by multi-stakeholder working groups. FSC certification also encourages transparency and accountability, and helps forest owners clarify issues of land tenure and property rights. In working towards certification, producer organizations and companies need to enhance their professional skills to meet the requirements of the standard. Local processing and a stronger local participation in the value chain are highly encouraged by FSC.

Supporting smallholder access to certification
To help small forest businesses become certified, FSC introduced the Small and/or Low Intensity Managed Forest (SLIMF) standard and the group certification scheme. Both these arrangements enable small forest owners or communities to obtain certification at a lower cost and with simpler requirements. As additional support, FSC provides the Train-the-Trainers Program and the Smallholder Fund. To facilitate market access for communities and smallholders who manage forests, FSC introduced the Small and Community Label Option in 2013.

To date, FSC’s experience shows the limits of the system for smallholders in building long-term business relationships, enhancing market access and constructing a robust and intact supply chain. Such a supply chain provides a stable income for small or community-managed forest organizations and family households, particularly in developing countries and in the tropics. In 2014 the FSC General Assembly highlighted the need to address these issues. The membership voted in several motions to strengthen FSC’s engagement with small forest businesses and communities in the tropics; strengthen work on non-timber forest products (NTFPs) from natural forests and new ways to market these products; facilitate access to certification; and enhance supply chains.

Building a platform
In 2008, as a result of a conference on smallholders organized by FSC and the World Wide Fund for Nature in Lisbon, the FSC Social Policy Program was created. The Social Policy Program is the branch of FSC International that sets standards and policy. Arising from this, the FSC Smallholder Support Program was established in 2011, providing support to smallholders and helping them to become certified and maintain certification.

As one of its first activities, the Smallholder Support Program implemented two surveys. One researched the FSC network in 35 countries worldwide (Gough 2011), and the other surveyed group managers, including managers of FSC-certified smallholder groups, cooperatives, associations and communities (Gough 2012). The results showed the challenges that smallholders face while obtaining or maintaining FSC certification (Figures 1 and 2), and these were used to develop the high-priority actions to be taken by FSC.
Figure 1. Priorities for action: what more should be done for smallholders?

<table>
<thead>
<tr>
<th>Priority for Action</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>more outreach to smallholders</td>
<td>90%</td>
</tr>
<tr>
<td>improved certification and auditing procedures</td>
<td>80%</td>
</tr>
<tr>
<td>increased funding for smallholder projects</td>
<td>60%</td>
</tr>
<tr>
<td>increased local demand for FSC products from smallholders</td>
<td>40%</td>
</tr>
<tr>
<td>more and better training for organizing groups</td>
<td>30%</td>
</tr>
<tr>
<td>empowerment projects for communities</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Gough 2011

Certification can bring financial benefits and other positive impacts (Figures 3 and 4). Despite the challenges faced by smallholders, most of the replies to the surveys were positive. Smallholders saw FSC certification as more as benefit than burden; consequently, most of them indicated their intention to stay FSC certified (Table 1). However, differences between forest producer organizations in tropical and non-tropical countries were not considered.

Figure 2. What are smallholders main challenges in becoming FSC certified?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
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<tbody>
<tr>
<td>cost of audit</td>
<td>79%</td>
<td>19%</td>
</tr>
<tr>
<td>cost of meeting the standard</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>technical language in certification documents</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>gathering social and environmental information</td>
<td>53%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Source: Gough 2012

Figure 3. Financial benefits of FSC certification for smallholders

Source: Gough 2012; ROI = Return on investment
What the smallholders said
The survey (Gough 2012) asked the following questions:

- What are your main challenges in getting FSC certified?
- What kind of benefits do you get from FSC certification?
- Do you think that the benefits of certification outweigh the costs?

Figure 4. Other benefits of FSC certification for smallholders

In addition to the benefits shown in Figures 3 and 4, other benefits noted by survey respondents included assurances regarding land titles or land-use rights as part of the certification process, better visibility and access to public services such as those related to health, education or infrastructure, and better market access in general through road construction or better maintenance of transport infrastructure. In response to the survey results and a mandate from the membership, the Social Policy and Smallholder Support programs created tools to tackle the main challenges and create better conditions for smallholders regarding FSC certification.

Table 1. Do smallholders think that the benefits of certification outweigh the costs?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>51</td>
<td>42</td>
</tr>
<tr>
<td>No</td>
<td>33</td>
<td>27</td>
</tr>
<tr>
<td>Don’t know</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: Gough 2012
FSC’s response

Small and/or Low Intensity Managed Forests (SLIMF) standard

The SLIMF standard was created to meet the needs of small and/or low intensity operations, which are different than those of larger commercial operations. The standard reduces the burdens related to the certification process in order to make certification more feasible for smallholders. To achieve certification under the streamlined procedures for SLIMFs, a forest management unit has to be either “small” or “low intensity” according to FSC’s definition. In most countries, this means less than 100 ha (in some countries, up to 1,000 ha), with either a harvesting rate of less than 20% of the mean annual growth in timber and an annual harvest of no more than 5,000 m³; or alternatively, that the forest is managed exclusively for NTFPs.

FSC group certification procedures

These were developed to decrease the costs of certification, unify and streamline processes, and so make FSC certification more accessible to smallholders. Smallholders benefit particularly from this since individual small forest owners can now participate as a group, united under one management.

Capacity development

Often, a lack of capacity in areas such as documentation, financial accounting, silviculture and marketing skills can be met through FSC. Product marketing is influenced by volume and quality, increasing the chance to add value to raw materials, gain market access and secure a larger share in the value chain. Requirements for investment are more easily satisfied by a group than by a small or individual business, and the financial sector responds better to larger forest operations.

Train-the-Trainers Program

Specific capacity development in value chain analysis, business development, marketing skills and access to finance is key to making small forest operations ready for FSC certification. FSC is implementing a train-the-trainers program, together with The Centre for People and Forests in Asia and the Pacific (RECOFTC) and the Fundación para el Desarrollo de la Cordillera Volcánica Central (FUNDECOR) in Latin America. A concept has been developed to identify new qualified trainers from high-priority countries. They in turn will deliver local-level training to smallholders. Target groups from which to recruit trainers are NGOs and FSC network partners, including national offices or national representatives, individual consultants and local service providers. Six training modules have been developed to cover the most urgent training needs, including livelihoods and value-chain approaches, FSC certification, business models and enterprise development, responsible forest management, access to finance and business administration, and adult learning methodology. Now in its third year of operation, the program has organized three regional-level training courses with 24 trainers, and eight local-level training courses in six countries have trained 170 people. There is ongoing monitoring and evaluation of these training activities.
**FSC Smallholder Fund**

Access to financing for smallholders is partly addressed by this FSC initiative. It is a small grant scheme that funds projects for one to three years, supporting small and community producer organizations to either become certified or to maintain their certification. So far, the fund has supported 29 projects. It supports a range of activities, including acquisition of safety equipment, fulfilling health and safety requirements, developing monitoring schemes for high conservation value areas, investment in equipment to enhance the supply chain, and marketing activities. Capacity development at all organizational levels to ensure the long-term success of businesses was a key issue in deciding which proposals to fund. Support from the FSC network or local service providers to create partnerships strengthened the proposals’ value. Initial results show a positive impact. In the Eastern Ontario Model Forest programme in Canada, for example, a new group has recently become certified.

**Small and Community Label Option**

Another tool for smallholders focuses on market access. The Small and Community Label Option (SCLO) is a specific label for products from small and community forest operations that distinguishes them in the marketplace. It includes new label text, a marketing campaign (“Made with Heart”), and support for producers, such as creating new supply chain linkages. The programme is open to all forest management certificate holders who qualify for the small and low intensity managed forest (SLIMF) standard, or are indigenous or traditional community producers.

**Conclusions and recommendations**

The challenges of engaging effectively with small forest producers and communities have been discussed for many years. Guillery, Haslett-Marroquin and Hampton (2007), for example, note that one of the four key findings of an external evaluation of FSC’s impact is that FSC staff and key stakeholders have high expectations of FSC in terms of social issues, and that throughout the evaluation many stakeholders consistently expressed specific “hopes and dreams” that they wanted FSC to address. Stakeholders want more achieved in community forestry in the Global South, more emphasis on indigenous peoples’ rights, and a strengthening of the social chamber.

Few economies of scale, remote locations, lack of experience and expertise, and limited starting capital are common challenges. The political and social context are often beyond the scope of communities and their governance to deal with effectively, and corruption, perverse market incentives and competition from illegal economic activities all tend to inhibit progress in the conservation of natural resources. Researchers with a focus on tropical forests highlight the slow growth of FSC in the Global South, and those who focus on social forestry raise concerns about the small proportion of certified community-managed forests. Fraser (2015) reports the low number of incentives for small forest owners or communities to become certified, due to lack of participation in the value chain. Hodgdon et al. (2015), however, see a strong relationship between FSC certification and avoided deforestation.
In response, FSC members have taken steps to tackle these ongoing challenges and find new solutions. A community standard is among the new tools, as are enhancing market access and the integration of NTFPs. A general revision of the FSC approach to small and community producers is helping to meet the mandate of the FSC secretary to address motions by the membership.

In addition, ecosystem services approaches are being tried in several forms, including the assessment of forest value without the harvest and sale of forest products. Carbon offsets, water management, biodiversity and high conservation value projects are being field-tested to assess their feasibility and potential, focusing strongly on community management and benefits.

The programs for smallholder support at FSC are relatively new, and outcomes from the diverse supporting tools have had only a short period of time to become apparent at a larger scale. The need to engage small forest producers and communities is being expressed more frequently by a range of stakeholders, including donors, FSC actors and founders, and government aid agencies, as well as the communities themselves.

FSC certification cannot solve all the problems and find all the solutions alone. But FSC can, and will, play a greater role as a partner for larger development alliances, with its specific expertise and in adopting activities related to FSC’s core assets.

References