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**FSC certification as a basic requirement for payments of environmental services.**

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The Forest Stewardship Council (FSC) is the leading global forest management certification system, based on independent third party verification, and in August 2011 there were 140 million hectares of forests FSC certified in 79 countries. While FSC has made great progress in terms of market adoption and recognition since its creation in 1993, it remains a system largely focused on certifying “wood” products entering into the international timber market. Therefore a program of applied research will be undertaken to test certification in broader ecosystem applications, such as carbon sequestration, biodiversity conservation and watershed protection.

The expansion of FSC certification into additional forest ecosystem services (ES) would provide a reliable market-related tool for verifying ecosystem benefits and in turn provide justification for payments made for them. However the aim is not only to investigate new options for income generation for forest ecosystem services via certification but also, and perhaps even more importantly, to give incentives for improved and more responsible management practices. Until now the claims made for such services in the formal and voluntary “green” markets have largely been unsubstantiated in the absence of certification systems of the quality of FSC's. Moreover many schemes involving Payments for Ecosystem Services (PES), including the fast-growing markets for carbon sequestration, do not even require evidence of responsible management and this is where FSC can provide a solution for ethically-minded buyers.

A further element, particularly notable under the Clean Development Mechanism, is an evident economic disadvantage for small-scale managed forests. In particular, it has been observed (e.g. Forest Peoples Program) that forest populations, often marginalized economically, have derived little benefit from PES. The reasons postulated include bias towards large-scale forest operations, the complexity of market tools, and general exclusion from participation because of weak power relationships.

Although PES is becoming a key element in strategies for mainstreaming forest biodiversity conservation and maintaining essential support services, the implications are much greater and an ES certification system can make a contribution to macro goals, in particular those related to climate change and water usage. The Millennium Ecosystem Assessment, supported through the Global Environment Facility (GEF) and coordinated by the United Nations Environmental Program (UNEP), concluded that more than 60% of the world's ecosystems services are either degraded or used unsustainably. The Stern Report in 2006 highlighted the effect of deforestation on climate change through carbon emissions while the role of forests in watershed protection is critical for water supply services downstream, for agriculture and flood prevention. Biodiversity conservation is closely linked with the functioning of various forest ecosystems services such as soil retention, genetic resources preservation, pollination and the provision of food and other natural products. As a result

depredation of the forest fauna and flora and destruction of habitat can have severe consequences for human welfare. To summarize, ecosystem services can be grouped into four areas (Green Facts Initiative 2009):

- **provisioning services** such as food, clean water, timber, fibre, habitat for fauna, and genetic resources;
- **regulating services** such as the regulation of climate, floods, disease, water quality, and pollination;
- **cultural services** such as recreational, aesthetic, and spiritual benefits;
- **supporting services** such as soil formation, and nutrient cycling.

From an FSC forest management perspective, the challenge hitherto has been to incorporate sustainable timber production as an integrated component of the ecosystem. The forests provide a wide range of services and a viable management plan needs to incorporate these fully. Some may have commercial potential while others are of wider social and economic importance and it is within this holistic approach that the FSC system has a distinct advantage over other certification systems being developed which focus exclusively on one service or another. FSC certification gains over other more limited systems because of its extensive coverage and can bundle a range of forest products and services together in one evaluation, thus both saving costs and widening market opportunities.

FSC also addresses biodiversity conservation through Criteria 6.2 to 6.4 in its Principles and Criteria (FSC 2002) and its High Conservation Value Forest concept, based on a precautionary approach. In fact one of its Core Principles (Principle 9) is dedicated to this and, from this a High Conservation Value Network has developed. In parallel, a range of publications has appeared on the subject, the most significant being from ProForest as well as FSC (see examples below). Furthermore there are a small number of areas already certified for biodiversity conservation rather than for timber production. Finally, the FSC under its Principle 4 requires that forest management operations shall maintain or enhance the long-term social and economic well-being of local communities. In sum, FSC as a market mechanism can help generate new sources of income for forest populations, while promoting biodiversity conservation and forest resources sustainability. It can facilitate responsible resource use and empower social and entrepreneurial organizations to achieve it (see, for example, the 2010 paper by UMEÅ University on FSC certification as a means to promote successful co-management).

It should therefore be comparatively straightforward to utilize FSC certification to encompass all forest activities and, by extension, to justify PES. At the same time, this should open opportunities to benefit those populations who so far have not seen much advantage from PES. On the contrary, without such a test for managing forest ecosystem services, it cannot readily be demonstrated that an environmental service is being delivered according to socially and ecologically responsible practices.

For the reasons abovementioned, FSC International Center and its partners came together in 2009 to create an innovative project with funding from the GEF through the agency of the UNEP. The project will be implemented in four countries, Chile, Indonesia, Nepal and Vietnam, through local and international NGOs, research institutions, private sector partners and government agencies.

The project completed a preparatory phase in 2011, terminating in a workshop at the Center for People and Forests (RECOFTC) in Bangkok. There, agreement was reached on the design and funding of the project between the principal project partners: Consejo de Manejo Forestal (FSC Chile), WWF Indonesia, Asia Network for Sustainable Agriculture and Bioresources in Nepal (ANSAB), SNV Netherlands Development Organization in Vietnam, the Center for International Forest Research (CIFOR), based in Indonesia, and RECOFTC, based in Thailand. The implementation phase, with a total funding of EUR 6.7 million from a variety of sources, has been approved by the GEF and is due to start in September, 2011, and last four years.

The purpose of the project is to improve and promote sustainable forest management for a range of ecosystem services through the medium of FSC certification. Over the project duration, the application of FSC certification will be tested on the ground for the additional services mentioned above and other allied ones such as recreation. To demonstrate the feasibility of this approach and system, as well as to provide the necessary evidence for credibility, it will need to be piloted (10 sites have been selected) and its impacts measured in different socio-political as well as environmental conditions. Essential to this is the development of suitable measurable compliance indicators which will be incorporated in FSC standards in the pilot countries. In addition, the project monitoring and evaluation plan will need both progress “milestones” and impact indicators to be designed.

Foremost among the mechanisms to be tested is REDD+, which the UN REDD Programme defines as: Reducing emissions from deforestation and forest degradation including the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. To achieve these multiple benefits, REDD+ will require the full engagement and respect for the rights of Indigenous Peoples and other forest-dependent communities. A second focus will be on PES for biodiversity conservation, for which the only PES schemes being promoted actively are those for biodiversity offsets (particularly the Business and Biodiversity Offsets Program (BBOP), led by the US based international non-profit organization Forest Trends). This however has not been favoured by some environmental NGOs as it is seen more as a compensation scheme for biodiversity loss rather than for conservation *per se*.

If certification is to function for these additional services, it has to be paid for and the benefits derived exceed the costs. Assessing the market demand for FSC certification is integral in the project design, both in relation to specific services and also for the concept of “bundling” a set of such services under one certification process. This in turn requires a feasible business model to be designed for both international and domestic markets.

At the local level, the project will concentrate on pilot testing FSC certification for ecosystem services in 10 pilot sites in the four countries. This will require full stakeholder participation in the development of ES indicators, evaluating of the viability of such indicators by FSC accredited certification bodies, and identifying potential local markets for the certified services where relevant. A critical factor in the process will be ensuring access to the biological resources and the sharing of any benefits accruing from their use by local stakeholders in accordance with the Nagoya Protocol of the Convention on Biological Diversity (2010).

At the international level, a number of actions will take place, in particular:

- International generic ecosystem service indicators will be developed
- An FSC ecosystem services strategy will be defined
- Guidance documents for standards development will be published
- An impact monitoring methodology to track FSC certification impact will be designed
- New certification business models will be designed and tested in various habitat and landscapes based on FSC Principles and Criteria
- Market promotion of ES-based forest certification will be undertaken through communications campaign, partnership building in countries, training and technical services
- Information and didactic materials will be produced for public outreach

Integral to the research is developing the compliance indicators for FSC standards. Such indicators at national level, while conforming to FSC Principles and Criteria, must relate to the diverse local conditions. Thus stakeholder participation in the process, including by marginalized communities, is essential. Moreover the indicators need to be based on sound scientific and practical bases, requiring expert advice. Therefore the involvement of experienced researchers is invited, not only for indicator development but also to consider market aspects. In fact, FSC has a tried and tested system for developing national standards (see *FSC Standard 60-006 Process requirements for the development and maintenance of National Forest Stewardship Standards*) which relies on local input and consensus through broad multi-stakeholder consultation with expert input within a Standards Development Group. In addition, local field-testing will be carried out with the full participation of local populations and other interested parties. There will need to be comprehensive

mapping of these sites for ecosystem service identification and international expertise will be available for this.

At the termination of the project, it is expected to have enabled a global system of expanded FSC forest certification targeting a few key ecosystem services with (present or future) market potential, established a few certified sites for ecosystem services and to have successfully proven the (monetary as well as non-monetary) benefits through the mechanism of FSC certification, such as revenue generated through PES for forest operations and local communities. The models which are shown to be viable will be replicated elsewhere as appropriate and the experiences disseminated widely through the FSC's global reach. In the longer term, it is expected that FSC certification will incorporate expanded and enhanced international and national standards which are applied to emerging markets for additional ecosystem services, so providing fully integrated measures of responsible management for whatever purpose within the forest management unit and the wider landscape. Thus FSC certification would be the system of choice as a basic requirement for verifying responsible forest management for payments for all environmental services.

### **Literature:**

FSC (2002): Forest Stewardship Council Principles and Criteria for Forest Stewardship STD-01-001. [www.fsc.org](http://www.fsc.org)

FSC (2009): FSC Standard 60-006 Process requirements for the development and maintenance of National Forest Stewardship Standards. [www.fsc.org](http://www.fsc.org)

Green Facts Initiative (2009): FSC Step-by-Step Guide: Good practice guide to meeting certification requirements for biodiversity and high conservation value forests in small and low intensity managed forests. [www.greenfacts.org](http://www.greenfacts.org)

UNCBD (2010): Nagoya Protocol of the Convention on Biological Diversity. [www.cbd.int/abs/](http://www.cbd.int/abs/)

ProForest (2003): The High Conservation Value Forest Toolkit.

Lundin, Hans (2010): FSC certification as a policy instrument to promote successful co-management: a case study on community forestry in Guatemala. Umeå University, Sweden

### **Links:**

ANSAB: [www.ansab.org](http://www.ansab.org)

CIFOR: [www.cifor.org](http://www.cifor.org)

CONSEJO DE MANEJO FORESTAL: [www.fsc-chile.org](http://www.fsc-chile.org)

FSC: [www.fsc.org](http://www.fsc.org)

FOREST TRENDS: [www.forest-trends.org](http://www.forest-trends.org)

GEF: [www.thegef.org](http://www.thegef.org)

HIGH CONSERVATION VALUE RESOURCE NETWORK: [www.hcvnetwork.org](http://www.hcvnetwork.org)

RECOFTC: [www.recoftc.org](http://www.recoftc.org)

SNV: [www.snvworld.org/en/countries/vietnam](http://www.snvworld.org/en/countries/vietnam)

UNEP: [www.unep.org](http://www.unep.org)

WWF Indonesia: [www.wwf.or.id](http://www.wwf.or.id)

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