



Certified integrity? Forest certification and anti-corruption

Tina Søreide
Aled Williams

U4 is a web-based resource centre for development practitioners who wish to effectively address corruption challenges in their work.

U4 is operated by the Chr. Michelsen Institute (CMI) – an independent centre for research on international development and policy – and is funded by AusAID (Australia), BTC (Belgium), CIDA (Canada), DFID (UK), GIZ (Germany), Norad (Norway), Sida (Sweden) and The Ministry of Foreign Affairs Finland.

All views expressed in this Issue are those of the author(s), and do not necessarily reflect the opinions of the U4 Partner Agencies or CMI/U4. (Copyright 2013 - CMI/U4)

Certified integrity?

Forest certification and anti-corruption

Tina Søreide
Aled Williams

U4 Issue
January 2013 No 1



Contents

- Abstract iv**
- Acknowledgements..... iv**
- About the authors iv**
- Introduction 1**
- 1. Forest certification as anti-corruption..... 3**
 - 1.1 Certification as a forest protection device 3
 - 1.2 Risks to certification objectives 3
 - 1.3 What are the prospects for anti-corruption effects? 4
- 2. The Forest Stewardship Council 6**
 - 2.1 Does the FSC operate in settings of perceived high corruption? 6
 - 2.2 The FSC’s Principles and Criteria..... 7
 - 2.3 Internal governance, management of accreditation, national standards 7
 - 2.4 The certification process and its control 9
 - 2.5 FSC guidance for assessing corruption risks 9
- 3. The FSC in practice: Can we observe anti-corruption effects? 10**
 - 3.1 Involvement of important actors..... 10
 - 3.2 Certification influences decisions 10
 - 3.3 Anti-corruption effects are created through controls 10
- 4. Implications for donor anti-corruption policy and practice 13**
- References 15**

Abstract

Forest certification schemes regulate forest exploitation and trade across many countries. In the absence of a multilateral agreement on limiting deforestation, they provide a framework of rules to balance the social, economic and ecological values of forest resources, bringing together stakeholders such as environmental NGOs, local forest managers, and major buyers of forest products. Expansion of these schemes into tropical forested countries that display poor governance and high levels of perceived corruption has raised questions about these schemes' performance in such contexts. This U4 Issue Paper asks whether forest certification is capable of addressing issues of corruption in poor governance settings, referring throughout to the case of the Forest Stewardship Council. We find that forest certification is not primarily geared towards detecting and preventing corruption in the forest sector. In country settings where corruption is sporadic but not systemic, certification may have some anti-corruption effects due to its role in documenting forest management practices and applying third-party monitoring. Its piecemeal implementation coupled with limited engagement with national forest policy-makers and -frameworks means certification efforts in settings where corruption is systemic is likely to make few, if any, anti-corruption contributions. In such settings, donors can help build a more explicit anti-corruption focus by ensuring certification is complemented by other policy initiatives aimed at improving national forest governance.

Acknowledgements

The authors would like to thank Marion Karmann (Monitoring and Evaluation Programme Manager, FSC International Centre), Simon Rietbergen (Senior Forestry Specialist, AFTEN, The World Bank), Daniel Tiveau (WWF Regional Forest Programme Coordinator/Regional GFTN Manager for Central Africa), Saskia Ozinga (Campaign Coordinator, Climate Change, Export Credit Agencies, and Forest Peoples, FERN), Erik Wijkström (Counsellor, Trade and Environment Division, WTO) for sharing their experience with and insights on forest certification schemes in developing countries. We also thank Melissa Othman (European Forest Institute) and Nora Heil (GIZ) for their comments and suggestions on an earlier draft of this paper.

About the authors

Dr Tina Søreide is a senior researcher at the Chr. Michelsen Institute, currently on leave to fulfill a post-doctoral engagement at the Law Faculty of the University of Bergen. Søreide's research focuses on incentive-structures in governance institutions. For more information please see <http://www.cmi.no/staff/?tina-soreide>

Aled Williams is a political scientist working at the Chr. Michelsen Institute as an Advisor for the U4 Anti-Corruption Resource Centre. His work focuses on development aid policy, corruption, institutional governance arrangements and the management of natural resource endowments. For more information please see <http://www.cmi.no/staff/?aled-williams>

Introduction

Expanding forest certification to tropical regions has been viewed as a promising policy prescription to simultaneously address poor forest management and to enhance revenues from the forest sector in developing countries. Bilateral donors such as DFID and GIZ provide technical assistance aimed at enabling forest managers in developing countries meet the requirements of certification schemes, for instance in Ghana through WWF's Global Forest and Trade Network.¹ Yet the expansion of forest certification to countries that display high perceived levels of corruption has brought to the fore questions about the relationship between forest certification and corruption in these countries' forest sectors. In 2011, for instance, Greenpeace International called for a moratorium on forest certification in the Congo Basin, highlighting that it was "[...] compounding corrupt de facto land-use planning and resource allocation via discretionary procedures [...]".² This U4 Issue Paper addresses whether forest certification is equipped to deal with issues of corruption in the forest sector, and discusses what donors could do to build a more explicit anti-corruption perspective into their engagement on certification in forested developing countries.

Forest certification schemes are international non-governmental mechanisms for regulating forest product exploitation and trade. In the absence of a multilateral, intergovernmental agreement on deforestation, they ostensibly provide a framework of rules to balance the social, economic and ecological values of forest resources, bringing together stakeholders such as global environmental NGOs, local forest managers, and major buyers of forest products in consumer countries. Though only a few systematic evaluations of these schemes' impacts exist, several of these studies point to their mixed performance in securing improved forest management, particularly in the tropics. Garrets and Flitner (2010), for instance, note that the "...paucity of good examples from large parts of Africa and Asia raises some doubts about the value of this approach under unfavourable conditions". Comparing forest certification in Ecuador and Bolivia, Ebeling and Yasué (2008) concede that the success of such schemes depends on a "conducive governance environment", with the quality of law enforcement being of particular importance.

Corruption is a well-established issue in the management of tropical forests and one which it is recognized needs to be addressed by national and subnational policies and practices if sustainable forest use is to be achieved.³ Indeed, forest certification schemes operating in poor governance environments readily acknowledge corruption as an important issue. The claim is that forest certification establishes procedures that facilitate enhanced management of particular tracts of forestland where all applicable laws and treaties are respected, and which are regularly monitored by independent bodies. Given persistent and serious problems of corruption in the forest sector in some developing countries, we focus on the ways in which forest certification might be expected to contribute to detecting and preventing corrupt practices in poor governance settings. We refer throughout to the case of the Forest Stewardship Council (FSC): to date the forest certification scheme with greatest geographic reach and the one to have developed the most advanced framework for certification, accreditation and monitoring.⁴

Our analysis is based on a number of different sources: recent literature on forest certification schemes and forest sector corruption; interviews with key informants with practical knowledge of FSC-certification in countries where corruption is considered a feature of the forest sector; and a review of publicly accessible information made available by the FSC. In what follows, we discuss criteria for

¹ See: http://gftn.panda.org/about_gftn/

² Greenpeace (2011).

³ The FAO recognized corruption as a pressing policy issue for tropical forest management in 2001.

⁴ Another forest certification scheme with international reach is the Programme for the Endorsement of Forest Certification (PEFC).

judging whether forest certification could hold potential to address issues of corruption, referring in particular to the schemes' ability to change stakeholders' incentives in poor governance settings. Second, we provide an overview of the mandate and methods of the FSC as a specific case, assessing the extent to which this particular scheme operates in countries where corruption is an observed phenomenon. Third, we address the FSC from an anti-corruption perspective as it appears to operate in reality. We conclude with reflections on opportunities for international donors to maximise the potential anti-corruption effects of forest certification schemes.

1. Forest certification as anti-corruption

1.1 Certification as a forest protection device

The origins of contemporary forest certification can be found in the United Nations Conference on Environment and Development (UNCED) held in Rio in 1992 (Garrelts and Flitner: 2010). Though international attempts to address global trends in deforestation - particularly in the tropics - began in the early 1980's,⁵ it was the inability of UNCED negotiations to develop a binding agreement on the protection of the world's forests that provided a catalyst for the birth of non-governmental forest certification (Pattberg: 2005). Certification is generally presented as a market-based forest policy instrument. It seeks to exploit market mechanisms (i.e. consumer preference for ethically-sourced forest products) to incentivize stakeholders to make decisions in line with forest protection plans. By specifying codes of conduct for producers and applying monitoring regimes involving third party auditors, the schemes aim to improve sustainable forest management in certified areas. Moreover, the certification process aims to create a network for dialogue and awareness of the potentially harmful consequences of unsustainable logging practices.⁶ By stressing compliance with the rule of law, clarification of land tenure issues, development of clear forest management plans, engagement in monitoring and evaluation work, and by emphasizing transparency, the schemes also appear to contribute to factors that may reduce opportunities for corruption.⁷

1.2 Risks to certification objectives

Without the enforcement mechanisms that stand behind governmental initiatives, the prospects for certification schemes to improve forest protection are not obvious. Certification, it has been argued, may work only in settings where it is needed least i.e. where the forest sector is already operating in line with well-developed and soundly enforced management plans. Nebela et al. (2005) note that most certified areas are managed by large corporations that were also among the best forest managers before certification was introduced.

The certification process, on the one hand, and consumer demand for certified forest products, on the other, provides large producers an opportunity to strongly influence timber markets. Certified forest products can be sold at a higher price than non-certified wood and, for larger firms, the additional revenue may exceed the costs associated with a certification process. For smaller-scale and community-based enterprises, engaging in certification represents a significant cost. This is why several donors support small-scale forest managers to meet the requirements of certification schemes.⁸ Large certified timber producers may still, however, be the main beneficiaries of higher prices (in line with demand for certified products) and manage to strengthen their market position and gain consumer support for their "ethical" performance. The salient point is that, from a commercial perspective, there are clear reasons to engage in certification which may not be linked to the quality of forest management or protection a particular scheme provides.

⁵ An example of these early attempts is the Tropical Forestry Action Plan (TFAP). Operational since 1987, TFAP was based on previous work by the FAO, WRI, World Bank and UNEP.

⁶ Rickenback and Overdevest (2006) describe various beneficial impacts of certification schemes including their role in extending market mechanisms and creating important learning mechanisms for exchanging information about how the forest sector performs locally.

⁷ The FSC states on its website that it requires foresters not to engage in corruption. See: www.fsc.org/faq.html

⁸ An example of this is DFID's now completed project from 2002-2003: "Increasing Access to Forestry Stewardship Council (FSC) Certification". The project was aimed at making FSC certification more accessible to those managing small forests. See: <http://www.dfid.gov.uk/r4d/Project/60476/Default.aspx>

As with many other natural resource-related initiatives, forest certification schemes are often steered by a multi-stakeholder group (MSG). In MSG dialogues, government representatives, local stakeholders, the private sector, and civil society groups, bring their different interests to the table. Yet there are no automatic guarantees that involvement of these various actors will result in outcomes where all their interests are balanced and taken into account. Søreide and Truex (2011) note that MSGs often include actors with widely different bargaining powers and that some local stakeholders can become dependent on the funding they receive for their participation.⁹ The quality control provided by an MSG should not, therefore, be taken for granted and is a matter for further analysis.

1.3 What are the prospects for anti-corruption effects?

That there is a relationship between corruption and illegal harvesting of forest resources, or illegal logging, has been recognized for some time.¹⁰ Factors that contribute to corruption in the forest sector are identified by Contreras-Hermosilla (2002) as: the proliferation and complexity of regulations that govern the forest sector; the remoteness of forest resources from political decision-making centres; and discrepancies between the high value of forest resources and the low salaries of public officials formally responsible for their control. Forms of corruption in the industrial forest sector include bribery or the application of undue influence in the allocation of licences, in the determination of concession terms, in the application of royalty payments, and in the application of monitoring systems (Søreide: 2007). Some measure of the relative importance of corruption as an impediment to effective formalized responses to illegal logging has been provided by Lawson and MacFaul (2010). Reviewing progress in addressing illegal logging in five timber producing countries,¹¹ they find poor responses to countering corruption and promoting transparency in the forest sector to be the most important obstacles to effective action. Given these linkages, it could logically be argued that for certified forests to be protected from illegal harvesting, the potential effects of corruption on the forest in question must also be addressed. Yet, when we consider (as in Table 1) the basic concepts of certification, on the one hand, and corruption, on the other, the relationship between them is not immediately clear.

Table 1: Basic concepts behind certification and corruption

Certification =	<ul style="list-style-type: none"> Actors are certified if they operate in line with a country's forest management plans, its legal framework, and the listed principles for forest protection
Corruption =	<ul style="list-style-type: none"> Actors pay a bribe to deviate from official regulations and procedures, usually for financial gain and personal benefit on the side of the decision-maker

At first glance, we seem driven into a *Catch 22* situation: certification may potentially work only where the incidence of corruption is low; likewise corruption in the forest sector may be reduced only if certification works. At the very least, for a certification scheme to have an anti-corruption effect, it would need to engage with key sector actors and influence some of their decisions. In addition, elements of monitoring and control are often decisive in anti-corruption. Below, we consider these three criteria to appreciate how forest certification could be expected to address corruption in theory.

⁹ "Sitting allowances" (compensation for attending meetings) or generous travel compensation may represent significant sources of income for some local stakeholders.

¹⁰ See: Callister (1999); Newell et al (2000); Scotland (2000); Lawson (2001); Palmer (2001); Siebert (2001); Contreras-Hermosilla (2002); Tacconi (2007).

¹¹ Brazil, Cameroon, Ghana, Indonesia, Malaysia.

A) Important sector actors are involved

Loggers play a central role in any forest certification scheme but are also potentially involved in several forms of forest sector corruption. Their propensity to offer bribes in exchange for better opportunities to produce and transport timber is likely to decrease if they are serious about certification: bribery to deviate from forest regulations simply does not match the ideas behind certification. With fewer industry actors offering bribes, levels of corruption in the forest sector may be expected to decrease. It should be borne in mind, however, that there are many “grey zone” forms of exercising pressure for commercial benefit, and that some of these practices may not per se involve violations of certification rules. Forest management plans that extend a timber firm’s production limits can, for instance, be altered at a political level. The risk that initiatives for forest protection are undermined at this level is likely to be particularly high where members of the political elite have ownership shares in the sector.¹² For certification to have potential anti-corruption effects, therefore, such schemes must do more than engage with timber producers and forest users: there must also be some level of engagement with important political decision-makers beyond the sector itself.

B) There is influence on decisions

Whatever impact a certification scheme has will depend on its influence on decisions, i.e. does it change forest stakeholder decision-making? A key incentive for those involved to adopt a strategy of forest protection is interest in the marketplace for certified forest products. This includes the price and reputational premium for loggers balanced against the additional costs of certification. However, if a majority of certified firms qualified for certification before the scheme began, certification cannot be assumed to have changed forest management practices. On the other hand, if a certification scheme communicates the values of forest protection and sound management in the sector, this may well create additional demands for accountability and transparency that could enhance the reputational risks of engaging in corrupt practices.

C) Controls increase the likelihood of anti-corruption effects

A certification scheme with some elements of external or independent control of decision-making processes and activities in the sector is more likely to have an anti-corruption effect, compared to initiatives that primarily encourage self-regulation and awareness-raising. The former will usually have to document the extent to which the firm or area to be certified meets specified requirements – and to some extent, there is control.¹³ However, there may be significant gaps between the concerns of international (or even national) watchdogs primarily interested in forest protection and the way a scheme is controlled at local level. The closer the relationship between international/national policy work and “on the ground” performance, the more likely instances of corruption will be tracked and caught. Further, the greater the variety of controls on actual performance (i.e. combining satellite data with local fieldwork or stakeholder observations) the more challenging it will be to deviate from agreed certification standards.

For certification schemes to have anti-corruption effects, we should expect all of the above three “criteria” to be met. To get a sense of how this works in practice we need to reflect on empirical evidence. We do so by investigating the performance of the FSC in particular.

¹² Davis (2004) reports that the government in Cambodia deliberately facilitated logging outside a reformed regulatory framework in order to allow representatives of the political elite to profit personally. The concession system was described as “a total system failure.” See also Amariei (2004).

¹³ Ebeling and Yasué (2008) find that forest certification works very differently in Bolivia and Ecuador. They argue that Bolivia, the poorer country with more widespread corruption, has better (ex ante) enforcement systems for forest regulation, compared to Ecuador. The authors conclude that there are many pre-conditions for certification to work in countries with limited governance capacity, and that these pre-conditions are rarely met.

2. The Forest Stewardship Council

Shortly after the Rio conference discussed above, a founding general assembly meeting of the FSC was held in Toronto, drawing 130 participants from 26 countries (Overdevest: 2010). The Worldwide Wildlife Fund (WWF) in particular played a key role in the FSC's early years, and the first national forest certification standard emerged in Sweden, followed by a regional standard for Canada and the United States. The FSC presents itself as an independent, non-governmental and not-for-profit organization established to promote responsible forest management. It is an international body which accredits national certification organizations in order to underwrite their authenticity. Its overall goal is to "[...] promote environmentally responsible, socially beneficial and economically viable management of the world's forests, by establishing a worldwide network of recognized and respected Principles of Forest Stewardship" (FSC: 2002).

2.1 Does the FSC operate in settings of perceived high corruption?

The FSC certifies forests in 80 countries spread across all continents, with just over a thousand individual certificates. Though its original stated intention was to limit deforestation in the tropics, FSC-certified forests today lie mostly in upper income countries in Europe and North America, with the ten largest FSC certificates to be found in Canada, Russia, Sweden, Croatia, and the United States. At the same time, a quarter of all FSC certificates are found in tropical or subtropical forested regions. Around 30% of all FSC forests are to be found in countries that score relatively poorly on formal cross-country corruption indicators. Table 2 shows FSC forested countries that hold the ten lowest scores on the World Bank's 2011 Control of Corruption indicator.

Table 2: FSC certification in ten low-scoring control of corruption performers¹⁴

Country	No. of FSC Certificates	OECD-DAC Aid Recipient Category	FSC National Standard Status	World Bank Control of Corruption Score	FLEGT Status
Venezuela	3	Upper middle income	-	-1,22	-
Papua New Guinea	8	Lower middle income	National standard under development	-1,12	Pre-negotiation stage
Congo, Rep. of	5	Lower middle income	Regional standard agreed	-1,11	Developing VPA systems
Côte D'Ivoire	1	Lower middle income	-	-1,1	Pre-negotiation stage
Russia	239	n/a	National standard agreed	-1,09	-
Laos	12	Least developed	-	-1,06	Pre-negotiation stage
Pakistan	9	Lower middle income	-	-1	-
Bangladesh	11	Least developed	-	-1	-
Ukraine	41	Lower middle income	-	-0,98	-
Cameroon	17	Lower middle income	National standard agreed	-0,97	Developing VPA systems

¹⁴ "Control of Corruption" is an individual indicator forming part of the World Bank's Worldwide Governance Indicators (WGI) project. Countries are scored on a range from -2,5 to 2,5 where higher values correspond to better governance. See: info.worldbank.org/governance/wgi/index.asp

2.2 The FSC's Principles and Criteria

Central to the FSC's activities are its ten Principles and Criteria (P&C), summarized in Box 1 below. The P&C are articulated at an international level and are noted to apply to tropical, temperate and boreal forests, as well as to plantations and partially replanted forests. There is recognition by the FSC that contextual variations in the scale and intensity of forest activities mean that more detailed national and local standards are required to address "[d]ifferences and difficulties of interpretation..." of its core principles (FSC: 2002). Considerable flexibility is built into the FSC's application of its standards and FSC-approved certification organizations "... do not insist on perfection in satisfying the P&C" (FSC: 2002). It is in major breaches in any of the individual standards that the FSC claims disqualification from certification, or decertification, may occur. FSC Principle #1 states that, in order to be FSC-certified, a particular forest must fall within a management regime that respects all applicable national laws, international treaties, and agreements. To the extent a particular country has passed anti-corruption legislation and is a signatory to global or regional anti-corruption agreements - such as the UN Convention Against Corruption (UNCAC) - one might take this to imply that corruption would not be tolerated in forests managed in that country within the FSC framework.

2.3 Internal governance, management of accreditation, national standards

As a membership-based association, the highest decision-making body of the FSC is its General Assembly at which members gather every third year to make strategic decisions. The current list of members includes over 800 organizations and individuals, structured into separate chambers intended to represent three main interest groups: economic, environmental and social. Each chamber is in turn divided into two sub-chambers in an attempt to represent the respective interests of Northern (high income) and Southern (lower income) countries, divided according to World Bank definitions. The FSC membership also appoints by vote members of a Board of Directors who must unanimously adopt new rules and procedures. An expert group facilitates the development and review of FSC rules. Any new policies and standards must go through a minimum of two rounds of public consultations, while their adoption is decided by the Board of Directors. National FSC standards are adaptations of the international rules and are developed by National Standard Working Groups to address country situations more specifically. Since the FSC does not issue forest certificates itself, it must accredit independent organizations to do so on its behalf. This accreditation process is not directly organized by the FSC General Assembly or Board of Directors, but is managed by a private firm: Accreditation Services International.¹⁵ The FSC defines accreditation as "the procedure by which an accreditation body gives written assurance that a certification body conforms with the requirements of an accreditation system" (Pattberg: 2005).

¹⁵ See: www.accreditation-services.com

BOX 1: THE TEN FSC PRINCIPLES**Principle #1: Compliance with laws and FSC Principles**

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.

Principle #2: Tenure and use rights and responsibilities

Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.

Principle #3: Indigenous peoples' rights

The legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognized and respected.

Principle #4: Community relations and worker's rights

Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.

Principle #5: Benefits from the forest

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

Principle #6: Environmental impact

Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique fragile ecosystems and landscapes, and, by doing so, maintain the ecological functions and the integrity of the forest.

Principle #7: Management plan

A management plan – appropriate to the scale and intensity of operations – shall be written, implemented, and kept up to date. The long term objectives of management, and the means of achieving them, shall be clearly stated.

Principle #8: Monitoring and assessment

Monitoring shall be conducted – appropriate to the scale and intensity of forest management – to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

Principle #9: Maintenance of high conservation value forests

Management activities in high conservation value forests shall maintain or enhance the attributes which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of the precautionary approach.

Principle #10: Plantations

Plantations shall be planned and managed in accordance with Principles and Criteria 1-9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

Source: Forest Stewardship Council.2002. FSC Principles and Criteria for Forest Stewardship, FSC, Bonn. Available at: http://www.fsc.org/fileadmin/web-data/public/document_center/international_FSC_policies/standards/FSC_STD_01_001_V4_0_EN_FSC_Principles_and_Criteria.pdf

2.4 The certification process and its control

In order to obtain the benefits associated with joining the FSC, private forest managers must apply to become FSC-certified. This certification process is entered voluntarily by the forest manager in order to gain recognition of the long-term application of good forest management practices. Certification bodies accredited by the FSC audit each forest certificate at least once each year. These audits seek to establish whether the forest management operation in question is adhering to the agreed criteria. If, during an audit, the certification body finds that a firm is not compliant, a Corrective Action Request (CAR) is issued and changes are prescribed within a given timeframe. This timeline can vary from one year for minor administrative infringements to less than three months for major infringements. If the requested changes are not forthcoming by the deadline given, the private firm loses its FSC certificate.

FSC stakeholders can make complaints and dispute a particular certificate. Environmental NGOs concerned with how a certified forest is being managed are encouraged, for example, to contact the relevant forest manager, certification body or national working group, to discuss a solution. Should the complaint be about the certification audit itself, stakeholders are encouraged to file their grievance directly with the relevant certification body. If concerns surround the certification body, complainants are directed towards the accreditation manager, Accreditation Services International. Further complaints can be made about the quality of particular FSC standards. These are directed towards the FSC's national standards working groups and fed into a five-yearly review process.

2.5 FSC guidance for assessing corruption risks

In order to address shortages in the supply of normal FSC-certified timber, the FSC has introduced a "mixed label" which allows manufacturers to combine FSC-certified timber with non-FSC certified material. Non-FSC certified material must comply with the FSC's Controlled Wood standards. In terms of its formal advice to certification bodies on Controlled Wood, since April 2009 the FSC has required that Transparency International's Corruption Perceptions Index (CPI) be used by certification companies when conducting risk assessments. While acknowledging that the CPI does not specifically measure corruption in the granting of legal permits for logging, the FSC notes its expectation that widespread corruption in the public sector "...will include the forestry sector in countries where harvesting and wood trade activities are regulated and controlled by government authorities" (FSC: 2011). Its guidance is that a precautionary approach be used, with any country scoring less than 5 (on a scale of 1 to 10, with 1 indicating most corrupt) classified as being of "unspecified risk" (i.e. at some level of risk from corrupt practices) for the Controlled Wood category. Since the CPI is updated each year, it is noted that this assessment should be repeated at least annually.

3. The FSC in practice: Can we observe anti-corruption effects?

Its presence in 80 countries and on all continents suggests that the FSC is a successful model for sustainable forest management with global applicability. Yet the FSC's expansion to forested areas in poor governance settings has precipitated questioning of the model's robustness in such environments. To what extent do the incentives underpinning FSC certification and the systems of control established to promote them equip the scheme to detect instances of corruption in certified forests? Do these systems reduce the opportunities for corruption by their presence? Or are they largely ineffective in deterring and detecting instances of forest sector corruption? We respond to these questions in the following section, reflecting on our three criteria discussed earlier.

3.1 Involvement of important actors

The FSC is steered by a multi-stakeholder group comprised of environmentalists, timber producers and importers, and indigenous peoples' groups. Important stakeholders in the forest sector are indeed involved in the initiative. Yet timber producers can be seen as the primary "target category" of actors addressed by the FSC. It is producers' actions that are monitored and controlled to ensure that they meet the agreed criteria, and not those of other stakeholders. At the same time, corruption afflicting the forest sector is often to be found at the frontier between public agencies responsible for forests, law enforcement agencies, and private logging firms (Tacconi: 2007). The extent to which forest certification engages with those actors who are perhaps best placed to influence modes of forest governance where management and control are at their weakest – national public authorities and agencies in forest rich, but governance poor countries – is quite limited.

3.2 Certification influences decisions

Certification increases the amount of information available both about forest resources in certified areas and the terms of forest management in those areas. The FSC website includes, for instance, a database of all valid certificates worldwide and documents relating to national certification standards in various countries.¹⁶ To the extent this information permeates to the national and local level in forested countries that display characteristics of weak governance, it could play a role in improving forest management decisions. The application of ad-hoc "fines" by public officials, for example, may be more difficult in situations where local forest managers have more information about standard regulations, processes and fees. Certification may also give rise to incentives for longer-term planning on the part of forest managers and encourage them to pay taxes. Where the pull of external markets is sufficiently strong, the prospect of exposure of high risk practices may lead some forest managers along a path of formalization and legitimacy, although this is far more likely in situations where overall forest governance standards and the quality of the rule of law are relatively high.

3.3 Anti-corruption effects are created through controls

Depending on transparency and information flows in isolation from other policy reforms is recognized as an unreliable means of addressing corruption (Lindstedt and Naurin: 2010). The extent to which monitoring and evaluation mechanisms (of whatever kind) produce actual accountability for decisions is also important. There are at least three levels on which FSC certification exercises control of forest management practices which may have knock-on anti-corruption effects.

¹⁶ See the FSC Certificate Database at: <http://info.fsc.org/>

First, international conservation NGOs focused on forest certification can engage in whistleblowing when they perceive social and/or environmental criteria to be compromised by a particular certificate-holder. Some observers consider such interventions to be virtually automatic when new certificates are issued in poor governance settings, and this could be viewed as one means of controlling for corruption in such contexts. Yet those forest managers who are first to engage in certification in poor governance settings are unlikely to be among the worst offenders in corruption terms, and indeed may be among those most motivated to raise forest management standards. Moreover, most NGOs engaged in monitoring forest certification do not have an explicit anti-corruption focus.¹⁷

Second, the annual audit process forming part of FSC certification procedures offers a relatively regular local check on forest management practices in certified areas. This practice is likely to reduce certain types of logging activity (potentially facilitated by corruption) which are contrary to the established FSC criteria. “Clear-cutting” trees in a certified area contrary to the agreed criteria would, for instance, probably be made visible through such audits.¹⁸ Observers note that not all illegal forest activities potentially linked to corruption would be detectable via FSC audits, however. The practice of “creaming” a forest concession – where the forest is deliberately and selectively thinned prior to establishment of the baseline data forming part of the forest management plan – would be much harder, if not impossible, to detect via annual audits.

Third, by rationalizing forest management accounting practices and applying regular audits to financial accounts, FSC certification may raise standards of financial management among certified operators and narrow the scope for off-budget expenditures potentially linked to corrupt practices. At the same time, the explicit anti-corruption effects of financial audits should not be overstated and there are numerous examples of fraud and embezzlement on public record in instances where audits have been implemented.¹⁹

¹⁷ WWF and Greenpeace International are two of the most prominent NGOs engaged with the FSC process. Both are conservation-centered organizations, although Greenpeace has also addressed issues of tax evasion related to forest certification in the Congo Basin. For a critique of WWF’s approach to forest certification via its Global Forest and Trade Network see Global Witness (2011).

¹⁸ Clear-cutting is a controversial silvicultural method where all or most trees in a specific area are felled.

¹⁹ Jansen (2009) explains how large scale mismanagement of Norwegian aid to Tanzania was made possible in part through Norwegian acceptance of the Tanzanian Ministry of Natural Resources and Tourism’s auditing system.

BOX 2: THE FSC IN THE DRC - READY FOR CERTIFICATION?

In March 2011, Greenpeace International issued a formal call for a moratorium on FSC certification in the Congo Basin. Though an active member of the FSC, the global conservation NGO argued that expansion of certification into forest regions with poor governance and high levels of corruption was leading to "...a number of logging companies that fail to comply with FSC standards being awarded certification" (Greenpeace: 2011). Of particular concern was the awarding of an FSC Chain-of-Custody certificate to Sodefor, referred to by Greenpeace as a controversial logging company in the Democratic Republic of Congo (DRC) with "...a track record of social conflicts that have resulted in violence, arbitrary arrests and human rights violations" (Greenpeace: 2011). It was further suggested that the certification process in the Congo Basin was "...compounding corrupt de facto land-use planning and resource allocation via discretionary procedures" (Greenpeace: 2011) and that a moratorium on certification should be introduced pending development of an appropriate regional FSC standard.

In response to this call, the FSC commissioned a report on "...the challenges and prospects of FSC certification in the Congo Basin" (Igué: 2011). Based on a review of background documents, interviews with FSC stakeholders (in Cameroon, the Central African Republic, The Republic of Congo, the DRC, and in Europe), as well as a set of field visits, the report addressed "...rising concerns expressed by some stakeholders as to how certification is implemented within the sub-region". The report considered the call for a moratorium to be a secondary issue in comparison with what it identified as more strategic issues for the FSC: the controversial performance of certification bodies using their own interim standards; the poor ability of governments to put in place (or to effectively monitor implementation of) a reliable legal framework; and complex national contexts. The report highlighted significant variations in the positions of different stakeholders. For example, in the DRC, civil society calls for a moratorium were based on what it referred to as "...the weakness (not to say absence) of the national legal framework allowing the private sector to operate in a kind of 'darkness'". To firms in the DRC, on the other hand, the report noted that a moratorium seemed "...a non-sense to the private sector which belief is FSC should do his job and avoid projecting of nurturing the feeling of being threatened by a "single NGO" trying to put pressure on it (sic)". To representatives of the DRC's government, the idea of a moratorium was "...seen as a 'game' between national NGOs and International ones which are "manipulating" their national counterparts to push their own agenda (sic)". The Chairperson of the FSC's Board of Directors, in a subsequent letter to Greenpeace's Deputy Forest Network Director dated 31st March 2011, noted the report had found only limited support for a moratorium in the Congo Basin, but suggested that a meeting be held to discuss, among other issues, "...potential cessation of certification activities for certain types of certificates or in certain subregions" (FSC: 2011).

4. Implications for donor anti-corruption policy and practice

Forest certification is not primarily a mechanism for reducing corruption in the forest sector and should not be viewed as such by international donors. Certification schemes are, rather, initiatives for enhancing economic gains from sustainable logging activities, while attempting to ensure adherence to a set of social and environmental standards through a multi-stakeholder governance model. Yet, if performed well, certain aspects of forest certification appear to lend themselves to reducing opportunities for corruption. Increased documentation and information dissemination about forest management goals, regulations and procedures, the professionalization of forest managers' financial management practices, increased field presence by third party monitors in certified areas, as well as scrutiny from international and national conservation NGOs, are aspects of forest certification that could contribute to reducing corruption risks in certified areas.

On the other hand, intentional collusion between third-party auditors, forest managers and public officials would, for instance, be difficult to detect by the above means. Indeed, overall, our analysis and interviews support earlier findings that forest certification may work best (including in anti-corruption terms) where national forest governance standards are already quite high. The piecemeal manner in which certification operates, engaging directly with private forest managers but only in a limited manner (if at all) with national forest policy-makers and –frameworks, limits its potential impact on overall national forest governance standards. Where these standards are undermined by systemic corruption, it is unlikely forest certification will make much difference. In settings where corruption is more sporadic, however, the prospects for certification to help raise forest sector standards may be somewhat improved.

A number of opportunities present themselves to international donors both to improve the internal anti-corruption characteristics of certification schemes themselves, and to increase the likelihood that they contribute to a general raising of national standards in forest governance. These opportunities can be divided into four main areas:

- **Encourage the use by forest certification bodies of more sophisticated corruption diagnostic tools**

It is recognized within the development policy and practitioner community that cross-country corruption perceptions surveys (such as TI's CPI) are useful tools for macro-level understanding of corruption risks. But there is also awareness that such tools do not offer detailed guidance on corruption risks affecting particular sectors because they are unable to diagnose specific challenges involving particular groups of actors. Given overall levels of corruption risk in countries where forest certification presently takes place, it is insufficient for certification bodies to rely on cross-country perceptions surveys as their main data source for assessing corruption. In contexts where more sophisticated corruption diagnostic tools and findings are available for the forest sector donors can encourage their use by certification bodies.²⁰ Though it may not be suitable or even possible for certification bodies to conduct sophisticated corruption diagnostics themselves, they should integrate others' findings into their own deliberations on the feasibility of certification in particular contexts. Where such diagnostics are not available, donors can consider supporting their generation.

²⁰ Examples of corruption diagnostic tools at the sector level are victimization surveys, corruption risk assessments, and political economy analysis.

- **Encourage the introduction of national certification standards in poor governance settings**

Forest certification bodies recognize that development of local, national or even regional standards for certification is highly beneficial in terms of adapting generic certification criteria, making them more suited to particular contexts. The forest management challenges inherent in poor governance settings make the development of national certification standards in such contexts particularly important. Yet, as shown in Table 2, the presence of agreed national standards for forest certification in countries that score particularly poorly on formal corruption indicators is more the exception than the rule. The multi-stakeholder dialogue on forest management practices necessary to arrive at an agreed national standard of certification is likely to be particularly challenging in poor governance settings. Donors can play a convening and/or funding role to encourage this potentially difficult dialogue with various national and local forest stakeholders.

- **Facilitate broader forest governance initiatives, such as the EU's FLEGT, in poor governance country settings where certification takes place**

Since forest certification depends on forest managers voluntarily seeking certification, the whole process as seen from the national level is piecemeal. A certified forest does not exist in a vacuum, however, and forest managers will engage with a host of other actors in a particular economic, social, cultural, ecological and political setting. This setting may have as great an influence on forest management practices in certified areas as the economic incentives of certification. Even as certification may be viewed as a driver of improvements in certain geographic areas or with regard to certain forest management practices, without a commensurate push for improvement in the overall framework for forest governance in a particular country, the potential anti-corruption effects of certification will, at best, be limited. Donors can help enhance these effects by working to improve overall national forest governance standards via initiatives such as the EU's Forest Law Enforcement Governance and Trade (FLEGT) process.²¹ FLEGT offers a useful avenue for direct financial and technical support to timber-producing countries for fostering improvements to national forest governance structures, laws and regulations. As shown in Table 2, some countries engaged in forest certification that score poorly on formal corruption indicators are already engaged in the FLEGT process (notably the Republic of Congo and Cameroon) but more countries could be encouraged to do so.

- **Monitor the outcomes of multi-stakeholder group deliberations on forest certification**

The resolution of the call for a moratorium on certification in the Congo Basin described in Box 2 is illustrative of the constraints of a multi-stakeholder approach in settings where corruption is considered to be systemic. Corruption often involves collusion between the public and private sectors, and the forest sector is no exception. In a multi-stakeholder approach, where stakeholders disagree it is common to resort to upholding the majority view. Whether this is an appropriate means of dealing with important certification decisions in settings where the general risk of collusion between the public and private sectors is high should be carefully considered. Donors can play a role in encouraging such considerations and in monitoring not only the form but also the outcomes of multi-stakeholder deliberations on certification decisions where corruption risks are perceived to be considerable.

²¹ Unlike forest certification schemes, the EU FLEGT Action Plan prioritizes direct advice and support to national authorities in timber-producing countries. An important element of this work is the development of a legality assurance system (LAS) which aims to define, control and verify legally-produced timber in the country of origin before export to the EU can be licensed. See: <http://www.euflegt.efi.int/portal/>

References

- Amariei, L. 2004. *Capacity Building for Law Compliance in the Forest Sector Case study: Cambodia, report prepared for FAO/ITTO*. International Tropical Timber Organization.
- Callister, D.J. 1999. *Corruption and Illegal Activities in the Forest Sector: Current Understandings and Implications for World Bank Forest Policy*, Forest Policy Implementation Review and Strategy Development: Analytical Studies. World Bank Group.
- Contreras-Hermosilla, A. 2002. *Law Compliance in the Forest Sector*. World Bank Institute Working Paper, Washington D.C.
- Davis, M. 2004. "World Bank caves in on forestry reform", Phnom Penh Post, Issue 13/01, January.
- Ebeling, J. and M. Yasué. 2008. "The effectiveness of market-based conservation in the tropics: Forest certification in Ecuador and Bolivia". *Journal of Environmental Management*.
- European Commission. 2007. *Legality Assurance Systems: Requirements for Verification*, FLEGT Briefing Note No. 5.
- Forest Stewardship Council. 2002. *FSC Principles and Criteria for Forest Stewardship*, FSC International Center, Bonn.
- Forest Stewardship Council. 2011. *Future of Forest Certification in the Congo Basin*. Letter to Pat Venditti, Deputy Forest Network Director, Greenpeace. Available at: http://pre.fsc.org/fileadmin/web-data/public/document_center/Stakeholder_updates/FSC_response_to_Greenpeace.PDF
- Forest Stewardship Council. 2012. *Global FSC Certificates: Type and Distribution*, FSC, Bonn.
- Garrelts, H. and M. Flitner. 2010. "Governance issues in the Ecosystem Approach: what lessons from the Forest Stewardship Council?", *European Journal of Forest Resources*. 5 January 2010.
- Greenpeace International. 2011. *The case for a moratorium on FSC certification in the Congo Basin*, Greenpeace Briefer, March 2011. Available at: http://www.greenpeace.org/africa/Global/africa/publications/FSCMoratorium_BrieferFINAL.ENG.pdf
- Global Witness. 2011. *Pandering to the loggers: why WWF's Global Forest and Trade Network isn't working*. Global Witness Briefing. London.
- Igué, F.O. 2011. *Congo Basin Survey: The Challenges and Prospects of FSC Certification in the Congo Basin*. Forest Stewardship Council. Available at: http://pre.fsc.org/fileadmin/web-data/public/document_center/Stakeholder_updates/FSC_response_to_Greenpeace.PDF
- Jansen, E.G. 2009. *Does aid work? Reflections on a natural resources programme in Tanzania*, U4 Issue 2009: 2, Chr. Michelsen Institute: U4 Anti-Corruption Resource Centre, Bergen. Available at: <http://www.u4.no/publications/does-aid-work-reflections-on-a-natural-resources-programme-in-tanzania/>
- Lawson, S. 2001. *Timber Trafficking, Illegal Logging in Indonesia, South East Asia and International Consumption of Illegally Sourced Timber*, Environmental Investigation Agency, London.

- Lawson S. and L. MacFaul. 2010. *Illegal logging and related trade: Indicators of the global response*, Royal Institute of International Affairs (Chatham House), London.
- Lindstedt, C. and D. Naurin. 2010. "Transparency is not enough: making transparency effective in reducing corruption". *International Political Science Review*. 3 No. 31 (2010): 301-322.
- Newell, J.A. Lebedev, D. Gordon. 2000. *Plundering Russia's Far Eastern Taiga. Illegal Logging, Corruption and Trade*, Friends of the Earth Japan.
- Overdevest, C. 2010. "Comparing forest certification schemes: the case of ratcheting standards in the forest sector". *Socio-Economic Review*. 8, 47-76.
- Palmer. C.E. 2001. *The Extent and Causes of Illegal Logging: An Analysis of a Major Cause of Tropical Deforestation in Indonesia*, Department of Economics, University College London, Centre for Social Economic Research on the Global Environment, University College London and University of East Anglia.
- Pattberg, P.H. 2005. "The Forest Stewardship Council: Risk and Potential of Private Forest Governance", *The Journal of Environment and Development*, 14; 356.
- Rickenback, M. and C. Overdevest. 2006. "More than Markets: Assessing Forest Stewardship Council (FSC) Certification as a Policy Tool". *Journal of Forestry*. Volume 104. Number 3. April/May.
- Scotland, N. 2000. *Indonesia Country Paper on Illegal Logging*. World Bank-WWF Workshop on Control of Illegal Logging in East Asia, 28 August, Jakarta, Indonesia.
- Siebert, U. 2001. *Benin's Forest Corruption*, Free University of Berlin, Department of Social Anthropology, Berlin.
- Søreide, T. 2007. *Forest Concessions and Corruption*. U4 Issue No. 3. Chr. Michelsen Institute, Bergen. Available at: <http://www.u4.no/publications/forest-concessions-and-corruption/>
- Søreide T. and R. Truex. (forthcoming). "Multistakeholder groups for better sector performance: A key to fight corruption in natural resource governance? *Development Policy Review*. Vol. 31 (2013) No.2.
- Tacconi, L. (ed.) 2007. *Illegal Logging: Law Enforcement, Livelihoods and the Timber Trade*, Earthscan Forestry Library, London.

U4 Anti-Corruption Resource Centre
Chr. Michelsen Institute (CMI)
Phone: +47 47 93 80 00
Fax: +47 47 93 80 01
u4@u4.no
www.U4.no

P.O.Box 6033 Bedriftssenteret
N-5892 Bergen, Norway
Visiting address:
Jekteviksbakken 31, Bergen

This U4 Issue is also available at:
www.u4.no/publications

INDEXING TERMS:
Anti-corruption
Corruption
Forest governance
Certification

Cover image by
Max Shirley on flickr.com

Forest certification schemes regulate forest exploitation and trade across many countries. In the absence of a multilateral agreement on limiting deforestation, they provide rules to balance the social, economic and ecological values of forest resources. Expansion of these schemes into tropical countries that display poor governance and high levels of corruption has raised questions about these schemes' performance in such contexts. Referring to the case of the Forest Stewardship Council – a global forestry certification system – the authors looked at whether forest certification schemes can address corruption issues. While forest certification is not primarily geared towards detecting and preventing corruption, they may have some anti-corruption effects in countries where corruption is sporadic but not systemic. This is due to their role in documenting forest management practices and applying third-party monitoring.