

**Forest Trends and PROFOREST
Forest Certification Assessment and Gap Analysis Project**

Concept Note May 2007

Background: Since the early 1990s, consumers and markets have been looking to independent third party players to verify that wood comes from legal or sustainably managed forests. Independent certification processes have helped to meet this need. In today's world not only consumers, but also governments, multilateral development agencies, and financial institutions (FIs) are looking at certification processes as a means to ensure that their clients have cost-effective ways to ensure legal and/or sustainable operations.

Using existing national or international certification schemes is likely to remain a valuable tool for the assessment of due diligence by 1) procurers of forestry products (e.g. individual consumers, governments); 2) companies utilizing forestry products in their supply chains; and, 3) FIs providing project and corporate financings of forestry operations, as well as for all stakeholders promoting the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and economic development priorities. Furthermore, public and private financial institutions such as the International Finance Corporation (IFC), export credit agencies, and Equator Principle Financial Institutions (EPFIs) wish to find a cost-effective means to ensure that the clients with whom they work have ways to ensure legal and/or sustainable operations – helping them to assess due diligence in project and corporate financing as well as promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and / or economic and social development priorities. However, in the forest sector a number of different initiatives have developed, making it necessary for all associated institutions to assess which of these schemes adequately meet their needs.

Objective: Through this project, we hope to provide a tool which companies, financial institutions, and other stakeholders can use to develop and/or implement their own internal policy using certification as just one of the tools available to them; and better engage with clients and national and international certification bodies to better understand how their standards and performance meet up to their requirements. While several partial comparative assessments have been completed in the past few years, they have only assessed a small range of the existing schemes.

Comparative assessment and gap analysis of the major national and international certification schemes existing around the world: This transparent and rigorous assessment would measure each of the estimated 14 certification standards against criteria that the banks themselves would agree upon. For emerging markets, the assessment and gap analysis would be closely based on the IFC Corporation's Performance Standards, particularly Performance Standard #6: Biodiversity Conservation and Sustainable Natural Resource Management (April 30, 2006).

This comparative assessment/gap analysis would build upon existing studies such as those done for the UK Central Point for Expertise on Timber (CPET) prior to the initiation of the UK Public Procurement Policy, a TFD (The Forest Dialogue) comparative assessment in 2004-5, and other existing research. The technical assessment and review would include organizations which work at both field and policy levels with various certification schemes and experience in this field will serve a dual purpose in ensuring that the results of this study will be broadly accepted.

EXPECTED OUTPUTS

Expected outputs:

- 1 A set of criteria summarizing the main requirements of the IFC Performance Standards relative to the identified components of an acceptable certification scheme identified in PS6¹.
2. An assessment of the extent to which each identified certification scheme delivers the requirements of the Performance Standards.
3. A summary of the main areas where schemes exceed the Performance Standards, as well as an outline of the main gaps, and their implications. This may include advice on additional due diligence which could address gaps identified.
4. The final output will be a report on each certification scheme--setting out compliance with the Performance Standards, gaps identified, and additional due diligence where appropriate. (NB No conclusions will be drawn about the overall adequacy of any particular scheme in relation to the performance standards).

¹ IFC Performance Standard 6 includes some guidance on acceptable certification scheme which is further elaborated in Annex C of the IFC Performance Standard 6 Guidance Note. This will be used as the basis for reviewing the full content of the performance standards.