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Forest Governance Scholarship for the Real World:

Building Strategic Insights through Policy Learning

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Bridging Certification and Community Forestry through NTFPs: A Case Study from Nepal

Version 1.0

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Issue

For a variety of reasons, community forestry is not always well suited to existing forest certification schemes. Using the case of Nepal, this paper considers the extent to which promoting the trade in non-timber forest products can complement, or even provide an alternative to, forest certification for timber while promoting sustainable community forestry. The paper develops recent work on the interaction of transnational business governance (TBG) schemes to suggest how these two approaches to sustainable forest management can work together productively.

Problem Definition

For the last 25 years, forest policy scholarship and practice has been characterized by various broad policy vectors, including biodiversity conservation, carbon sequestration, and watershed conservation. This paper considers how to promote synergies and complementarities between two of these policy vectors: promoting sustainable (or well-managed) forests through forest certification and promoting the human rights of forest-dependent peoples, in particular through community forestry. Community forestry may be defined as forestry where the local community is intimately involved in decisions on forests that are managed primarily for the benefit of the community.

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In principle, community forestry and forest certification for timber can be mutually supportive, with potential synergies between the two (Fischer et al. 2005, Macqueen et al. 2008, Macqueen et al. 2006). Certification can provide an incentive for forestry to meet minimum social, economic, and environmental standards, including respecting the traditional rights of communities and creating access for products in global markets. Certification may also enable communities to achieve greater control over their resource base and derive a new and stable income stream (Cashore et al. 2006, Molnar 2003, Nussbaum and Simula 2004). Forest campaigners argue that certification bodies should be more effective in respecting local cultures while providing local communities with an incentive to sustainably manage their resources (Colchester 2010).

While certification can, therefore, enhance SFM in community forestry, success cannot be taken as a given. In some cases, certification can promote social changes that run counter to traditional ways of life (Markopoulos 2003, Molnar 2003). Despite significant efforts, community forestry institutions may find it difficult to survive in the global marketplace, and forest certification for timber may provide additional obstacles rather than extra support. Many certification schemes are better suited to industrial scale commodity production than smaller scale economic activity (Bass and Simula 1999, Irvine 1999, Markopoulos 2003). Furthermore, in some places — including the more remote mountainous regions of Nepal — the difficulties of adapting existing management practices to meet certification standards, including the costs of audits, may remove any incentives that certification can hope to provide.

Focusing on Nepal we discuss three questions:

1. Can existing forest certification schemes adapt to promote the trade in non-timber forest products (NTFPs) from certified community forests?
2. Can non-forest certification schemes promote the trade of NTFPs from certified community forestry?
3. What are the likely synergies, if any, between different certification schemes, for timber and for NTFPs, from certified community forests?

These questions are important not only for Nepal. The first is relevant for all forested regions where timber certification may not be economically feasible and alternative approaches to sustainable forest management are sought. The second is relevant for several stakeholder groups including businesses interested in promoting certified community products, the forest communities who may benefit from certification, and the consumers interested in buying certified community products. The third is relevant to policy practitioners and scholars interested in whether there is complementarity or competition between SFM, certification, and community forestry.

Background

When the Forest Stewardship Council (FSC) certification and labeling scheme was established, it was expected to enhance community forestry with an expectation that low-impact, locally-based operations

would be more easily certified than large-scale industrial operations (Irvine 1999). The reality, however, is that the bulk of FSC-certified operations are industrial forests, the majority in the global North, and the evidence that FSC certification can encourage sustainable community forestry in the global South is inconclusive at best.

Community forests in Nepal illustrate many of the challenges that forest certification faces. In Nepal, the government retained a centralized control over forests, appropriating and nationalizing forests until the 1970s (Satyal Pravat and Humphreys 2013). The failure of top-down centralized forest management in Nepal, characterized by diminishing economic returns from forestry and in many areas a degraded resource base, led to the systematic transfer of control to community forest user groups (CFUGs). CFUGs are now a cornerstone of forest governance in Nepal, the intention being to increase the productivity and economic returns from forests so as to benefit the state, promote conservation, and enhance livelihood opportunities (Naka, Hammett, and Stuart 2000). There are now 17,687 CFUGs across Nepal that have been granted control over a total of 1,652,654 hectares of national forests. Approximately 22 CFUGs managing 14,145 hectares have been certified (Community Forestry 2012).

The barriers to achieving certification for wood and wood products from forests controlled by CFUGs are high while the economic rewards remain largely unrealized in the absence of access to markets where sustainably produced forest products are valued. Specific factors include the following (Macqueen et al. 2008):

- Problems meeting quality standards developed for industrial-scale forestry
- Difficulties achieving the economies of scale and value added products that will make certification pay
- Lack of capacity to achieve the technical conditions necessary for certification
- Consumer resistance to paying premiums for certified wood products, especially in regional markets
- Inability to interest major buyers with access to global markets because of unreliable quality and supply

Given the problem associated with timber certification, the government of Nepal has taken a greater interest in working with communities to scale up the harvesting of non-timber forest products (NTFPs). NTFPs are a large component of Nepalese forest systems and local forestry practices due to the country's diverse geography, climate, and culture. There are long established markets for NTFPs, including bamboos (for mats and basket making), bark (for lokta paper production), and fibers (for alloo cloth production). Examples of NTFPs used in the domestic industry are resin tapping from *Pinus roxburghii* and paper made from sabai grass (Edwards 1993).

However, the domestic market for these products is limited, and the vast bulk of NTFPs are traded to India for commercial use and international marketing. Trading routes have varied over time.

Traditionally, there have been at least four different exchanges along the way: the village trader, the roadhead trader, the Terai middleman, and the Indian wholesaler. Indian wholesalers sell internationally as well as domestically, but the informal trade economy leads to the exports being labeled as Indian, even though a significant portion are Nepali in origin (Edwards 1996). Products manufactured in India from Nepali NTFPs include oils and ayurvedic medicines.

NTFPs have potential to promote poverty reduction. For example, a government program initiated in 2001 assisted the people of the remote, mountainous Darchula district in transitioning from a subsistence lifestyle to an enterprise approach based on conservation, poverty reduction, and scaling up the trade in NTFPs (Subedi, Sapkota, and Binayee 2005). This generated enough returns for poverty reduction programs, such as livestock husbandry and house construction. Similar results were found in Ilam district (Subedi, Sapkota, and Binayee 2005). Comparable successes were also found in a macro-level study of 37 CFUGs that had adopted an enterprise approach (Subedi 2006).

NTFPs can be particularly important in relatively inaccessible high-altitude forests, where timber time scales are too long to provide sufficient returns to villagers, and where local timber species are often unknown in the global market. Many CFUGs in mountainous areas are increasingly focusing on NTFPs, which can be more easily transported and consistently harvested with a lower ecological impact than timber (Banjade and Paudel 2008, Kandel 2007).

For all these reasons, there has been an interest in bringing NTFPs into certification schemes that would promote the sustainable management of the forests and protect the livelihoods of those who have come to depend upon them. In Nepal, these efforts have included seeking FSC certification for forests where NTFPs are a significant source of income. FECOFUN, a national federation of community forest user groups (CFUGs), hosted a multistakeholder process that generated a new alliance — the Nepal Non-Timber Forest Products Public-Private Marketing Alliance — of industry, government, NGOs, 21 CFUGs, and the FSC.

This process resulted in the award of a FSC group certificate covering 24 NTFPs. The alliance aims to promote resource conservation by increasing incomes and employment opportunities for NTFP producers and promoting responsible buying practices within the industry. A study of CFUGs covered by the group certificate in Bajhang and Dolakha districts (Acharya 2007) provides evidence that the scheme has generated some social and environmental benefits (Acharya 2007).

Nonetheless, the NTFP trade faces some barriers relative to the timber trade. First, not every NTFP is suited for value-addition at the village level, and when this is possible, many Nepalese harvesters are unable to compete with the economic power of Indian processors (Edwards 1996). Second, there is a risk that women may be forced out of their traditional roles when the primary usage of a species changes from household to market (Banajade and Paudel 2008). Third, NTFPs cannot always be managed the same way as a timber-oriented community forest. NTFPs are harvested over a different

scale than fuelwood and timber, requiring a larger land area and a variety of user groups for harvesting and cultivation (Edwards 1996, Irvine 1999). Not all community forests will be large enough, hence NTFP harvesting will not suit all CFUGs, at least those acting alone.

Discussion

The discussion above makes clear that the barriers facing Nepali forest communities in scaling up their earnings from NTFPs suggest that these communities need to explore new ways to cooperate, both with each other and with other actors. It also suggests that certifying bodies should consider how they can best reposition themselves to label NTFPs as well as timber and that actors supportive of community forestry and certification should consider how they can constructively intervene in forest policy and governance. All of these challenges will involve new, and redefined, interactions between actors and some degree of negotiation. Hence, in order to answer the three questions posed at the start of the paper, this section draws from two fields in the political and policy sciences: interaction theory and negotiation theory.

Interaction theory focuses on how different actors involved in governance interact with each other and with state-based regimes. This area of theoretical enquiry is relevant for Nepali forestry, which involves a wide range of actors from government, businesses, certification schemes, NGOs, and communities. In a recent study, Eberlein et al. adopt an analytical framework of actor interactions that encompasses constructivist explanations and rationalist explanations (Eberlein et al. 2013). Constructivism focuses on the language, ideas, discourses, and ideologies that shape policy and governance and how actors interpret, make sense of, and relate to the world around them. Rationalist explanations explain interactions in terms of the cost-benefit calculations that different actors make when bargaining with each other.

Negotiation theory focuses on the question of rationality and how self-interested actors interact and can realize gains through bargaining. A key distinction is that between positional bargaining and principled bargaining. Positional bargaining starts with the assumptions of a “fixed pie,” with actors competing for relative gains in relation to each other in a zero-sum game. Positional bargaining is characterized by moves such as take it or leave it, divide and rule and good cop/bad cop. Actors seek to find a shared position through concession trading. Principled bargaining, in distinction, is characterized by a search for innovative and mutually beneficial solutions. It takes aim at expanding the “win set” (where the concerns of different actors overlap) and increasing both the number of actors that can benefit from a negotiated outcome and the gains that are available. Rather than a fixed pie, the aim is to enlarge the pie so that absolute gains are available for all in a positive-sum game (Fisher, Ury, and Patton 1999).

Eberlein et al. (2013) distinguish between four categories of interaction:

- Competition (e.g. for resources, regulatory authority, and legitimacy)

- Coordination (involving a quest for coherence, division of labor, learning, and including deliberative collaboration)
- Cooptation (recruiting other actors to a policy where there is scope for convergence on norms and interests)
- Chaos (where interactions are unpredictable and unstructured)

Mutual gains are most likely with modes of interaction that lend themselves to principled bargaining, namely coordination or cooptation. Mutual gains are unlikely where there is competition (which tends towards positional bargaining) and impossible where there is chaos.

These two areas of theory inform the following discussion of the three questions addressed in this brief.

Can existing forest certification schemes adapt to promote the trade in non-timber forest products (NTFPs) from certified community forests?

In Nepal, access to the international market is limited in part by geography and in part by the historical NTFP trade with India. Nepalese CFUGs and their allies could approach this problem from a position of positional bargaining, competing to achieve relative gains at the expense of middlemen, perhaps by cutting out the Indian link and selling direct to the international market. But this would involve potentially high transaction costs, and CFUGs may find it difficult to directly access the international market without significant external help (e.g., a broker to establish a direct link between the harvesters and potential buyers overseas). Approaching the problem from a position of principled bargaining would entail looking at ways that all actors, including the Indian middlemen, could benefit from the certified trade, for example, through an expansion in the trade beyond India to the global market.

From an interaction theory perspective certification schemes can be analysed along two dimensions. Scope refers to the policy problems that the scheme seeks to regulate while domain is the group of actors that is targeted by the rules of the scheme (Auld 2013; Cutler et al. 1999).

In 2001 the FSC introduced the Small and Community Label Option (SCLO). In doing so the FSC expanded its scope to address more fully the problems that forest communities face. While the FSC has never excluded community forestry, creation of the SCLO represented a realization that the scheme previously had been skewed toward larger businesses and a desire to focus more on interactions with community groups and the specific problems they face.

Constructivist explanations of actor interactions emphasize the role that new research and evidence can play in generating new policy strategies and alliances. By introducing the SCLO label, the FSC was responding to market research from the International Institute for Environment and Development (IIED), which revealed a growing international demand from forest industries for distinguishing community forest products in the market (Macqueen et al. 2008). This research also revealed increasing customer demand for knowledge on the source of forest products. Communities that successfully apply

for the FSC SCLO scheme will be awarded a FSC label option stating, “From well-managed forests of small or community producers.” This marks a point of departure for the FSC, which, like other certification schemes, was until then interested primarily in promoting sustainably managed, or well-managed, forests rather than ensuring communities were rewarded for responsible practices (Macqueen, Dufey, and Patel 2006: 7).

A forest certification scheme may realize certain advantages from expanding its scope to embrace new problems. The more comprehensive a scheme is, the better equipped it will be at dealing with complex problems and actor interactions (Auld 2013). The scheme may also improve its legitimacy and market appeal by catering to the needs of forest communities. However, there are disadvantages. The more a scheme expands its scope, the more its internal administration costs can be expected to increase.

In Nepal, transport remains difficult even for NTFPs, and the market still requires a consistent and quality-controlled supply. Profits often do not trickle down to the poorest due to distributional inequalities within communities. Should a community that is dependent on external financial support lose that support, there is a risk of CFUGs losing their certified status. However, CFUGs can, of course, continue to trade in non-certified products, and the balance between timber and NTFPs in Nepal, as elsewhere, will vary from region to region depending on ecology, social conflicts, and use rights (Guariguata et al. 2010).

Certification may incentivize community forestry by providing premium prices for local products, but markets for certified NTFPs have been slow to materialize (Subedi, Sapkota, and Binayee 2005). Market access also continues to be a problem in the remote areas of the country, and it is difficult to see how certification can address this. There are high returns in the east of the country due to favorable conditions, such as harmonious relations at the village level, competition from buyers at the roadhead, and proximity to the main market, India. The opposite is true in the west (Edwards 1996).

Can non-forest certification schemes promote the trade of NTFPs from certified community forestry?

Interaction theory suggests that a proliferation of certification schemes could lead to competitive or chaotic interactions between actors and that existing schemes should, therefore, coordinate their activities and explore areas of complementarity. Indeed, while the IIED revealed a growing demand for distinguishing community forest products in the market (see above), the IIED report did not advocate further proliferation of labels, calling instead for the FSC and fair trade bodies to provide a community forest products label (Macqueen et al. 2008).

Like the FSC, fair trade organizations work through the market but rely on a politically aware consumer base (Wilkinson 2007). The values that underpin fair trade certification are social justice and poverty alleviation. Such values are not unimportant to the FSC, although more important is forest conservation and minimizing environmental impacts. Fair trade bodies, such as Fairtrade Labelling Organizations

International (FLO, also known as Fairtrade International), operate in a different market niche to that of timber. Products that have received fair trade labeling include coffee, cocoa, fruit, honey, bananas, and rice. Fair trade aims at better working conditions, wages, and prices for farmers and workers.

Both Fairtrade International and the FSC can stake a legitimate claim to certify NTFPs from sustainably managed community forests. Given the possibility of competitive interactions if both schemes operated in isolation, the two schemes entered into a pilot project on a fair trade standard for forest management in 2009. Forest products certified by both schemes are labeled “100 percent from small or community-based forest enterprises that are both FSC and Fairtrade certified.” The project should be seen as a coordination interaction with the two schemes cooperating to provide coherence, an agreed division of labor, and shared learning. Participants in the project must already be FSC-certified before they are assessed for fair trade criteria not covered by the FSC. Producers must be classified as “community, small, or low-intensity timber operations” (Forest Stewardship Council 2013b). Advantages to the producer are “entrance to new markets, agreed upon minimum prices, and guaranteed price premiums, which will go to Social Fund for use by the producers” (Forest Stewardship Council 2013b). So far, a community forestry operation in Honduras and small/low-intensity producer groups in Chile and Bolivia have been certified.

If the dual pilot project continues, it allows for the possibility of dual-labeled NTFPs. Fairtrade’s target consumption pattern is suited to community-produced NTFPs in Nepal, such as handmade lokta paper. Fairtrade certification can help to address distributional and equity issues at multiple levels because it specifically targets unfair trade relations, seeking to ensure that all levels of the supply chain are equitably compensated (Taylor 2005). In Nepal, this could enable the three layers of middlemen (village, roadhead, and Terai traders) to maintain their place in the NTFP economy without economically disenfranchising the harvesters.

Fairtrade certification can help stimulate consumer demand by appealing to virtues such as responsibility and social justice. Labeling of products can re-establish connections between producer and consumer and encourage a “politics of caring” whereby consumers feel empowered to improve the welfare of producer communities in distant places (Barnett et al. 2005; Archer and Fritsch 2010). In effect, Fairtrade, like other forms of certification, seeks to transform the interactions between consumers and producers from a relationship that is less anonymous to one that is more personalized and humane.

However, challenges remain. There are different fair trade labeling organizations and some confusion on what fair trade actually means, leading to different understandings of the concept between consumers in different parts of the world (Hira and Ferrie 2006; Kim, Lee, and Park 2010; Raynolds, Murray, and Heller 2007). There is also the risk of business coopting fair trade standards, weakening them in the process (Jaffee and Howard 2010; Jafee 2012; Gendron, Bisailon, and Rance 2009). However, the risks

of business cooptation need to be balanced against the role that major business corporations can play in rapidly extending the market in fair trade goods (Reed 2009).

To take advantage of the fair trade movement, Nepali forest owners could prioritize access to markets where there is a developed or developing ethical consumer base. The support of major retail chains can play a major enabling role in marketing community forestry products in the global North. However, very few Nepali NTFPs reach the global market; most are processed or sold in India. The importance of local markets within Nepal should also not be neglected.

What are the likely synergies, if any, between different certification schemes, for timber and for NTFPs, from certified community forests?

Certification schemes such as FSC and Fairtrade International and its variants are intended to bypass gridlocked interstate negotiations, improving global governance and on-the-ground outcomes. However, different schemes can lay claim to the same issues. The FSC-Fairtrade dual project is a case where the two actors have chosen cooperative interactions rather than risk the net losses that would likely ensue from competitive or chaotic interactions.

If schemes were to proliferate this would pose new coordination challenges and raise the specter of a new kind of governance gridlock. The challenge is not a simple one of persuading actors to recognize common issue boundaries and identify agreed divisions of labor. Coordination is not necessarily beneficial; it may involve significant transaction costs, lead to problems of incomplete coverage, and create a convergence on lowest-common-denominator standards. And competition between different forms of regulatory governance can raise (rather than lower) standards and increase the coverage of certification schemes themselves as competing schemes seek out niches where they have a comparative advantage (Auld 2013). Schemes may best serve the common interest not by seeking areas of complementarity with other schemes, but by contracting their policy focus to enable a better fit with other schemes. This insight from interaction theory tends to contradict one of the tenets of negotiation theory, namely that actors should negotiate on principles so that both benefit. But some losers may be necessary to enable a more coherent model of certification governance across diverse issues. Sometimes fewer is better.

Way Forward

This paper has used the case of whether increasing the trade in NTFPs can enhance Nepali community forestry to trigger a debate on certification schemes informed by interaction theory and negotiation theory. The analysis suggests the following strategic options for consideration by policy makers and other actors.

Option 1: Increase Culturally Appropriate Education, Capacity Building, and Training

Informing communities about the ecological conditions and economic viability of their resources is a first step towards self-sufficient and sustainable forestry. Capacity building and training can help. However,

constructivist theories of interaction suggest that ideas, norms, and social practices that may seem rational and appropriate in one cultural space can undermine traditions in another. The introduction of experts from outside forests concerned with the technical problems of sustainable forest management may risk undermining traditional lifestyles and the cultural basis for community forests. This is an example of how interactions between actors from different cultures and at the boundaries of different issue areas may generate unanticipated effects.

Despite the risks, a range of scholars and practitioners have found that certification has enhanced social and environmental quality and increased awareness of best practices (Archarya 2007, Kandel 2007, Subedi, Sapkota and Binayee 2005), although some institutional barriers to social equality remain (Banjade and Paudel 2008). Although the specifics will vary from place to place, it is likely that the same will be true worldwide, though there should be safeguards against the risks that training could be culturally inappropriate.

Option 2: "Certification-Lite"

The FSC is attempting to respond to the needs of community groups. As well as the Small and Community Label Option (SCLO), the FSC also operates the Small and Low Intensity Managed Forests (SLIMF) program that reduces costs for eligible applicants. But even with these options, certification remains economically infeasible for many community forestry operations. Fees are high; timber certification costs in Nepal were estimated in 2007 to be approximately U.S. \$35.50/ha, higher than many other countries (Kandel 2007). Yet despite the costs, certification has still enhanced social and environmental quality and increased awareness of best practices.

A principled negotiator would argue that if the costs of certification are prohibitive for some communities, alternatives that are faithful to the aims of certification should be found. On this view, pursuing certification as an end is not important; rather it is the benefits certification brings. The question would then become how communities can gain awareness of the best practices that lead to environmental and social improvements short of full certification. One response might be "certification-lite," in which communities enter a certification process to improve awareness and build capacity on the understanding that full certification is not possible at present but may be an option in the future. The Rainforest Alliance, for example, has introduced a stepwise approach to certification that is geared more toward verification of legality than origin, leading in the future to full compliance with certification standards. This is not ideal, but in the absence of lower certification fees, it may be financially feasible for communities. This would create win-win solutions: Communities would gain awareness of best practices, forest health would most likely improve, and the certification body and any NGOs involved would gain from exploring forests that could be targeted for full certification in the future.

Option 3: Explore How Alliances and Shared Objectives May Emerge From Mixed Values and Mixed Motives

Actors should not limit themselves to pursuing alliances only with like-minded partners. Insights from interaction and negotiation theory illustrate that actors may enter into alliances for a variety of reasons and motives. They may share similar value-based beliefs (e.g., conservation) or similar material interests (e.g., increased access to resources). Actors that share neither value-based beliefs nor material interests may through cooperation successfully realize mutual gains through coalescing around a policy innovation that realizes different benefits for different actors. The FSC was created on this basis, with some actors recognizing that the FSC would realize conservationist aims while timber traders supported the institution for more self-interested reasons. The term “bootleggers and Baptists” coalition describes alliances of actors who may support a policy innovation but for very different reasons (Cashore and Stone 2012).

Option 4: Identify Synergies Between Forest and Fairtrade Certification

There are potential areas of overlap between FSC and fair trade labeling organizations. The two organizations could consider a permanent single system for NTFP and timber labeling that allows consumers to distinguish community-produced products that meet fair trade criteria. The results should be disseminated within the International Social and Environmental Accreditation Labeling (ISEAL) alliance.

This raises the question of when it might make sense for schemes to merge. Certification schemes concentrating on narrow issues can keep their internal administration costs low but may neglect important problems. Dealing with these problems will then require cooperating with other schemes, creating additional coordination costs, as is the case with the FSC-Fairtrade joint project. A more comprehensive scheme (such as, for example, a hypothetical merger between the FSC and Fairtrade) can have the advantage of focusing on different interconnected issues so that important problems are not neglected. Yet this may come at a cost, namely vastly increased internal administration costs (Auld 2013).

These costs would be difficult to estimate in advance. However, any cost-benefit calculation should not simply compare different scenarios of the financial costs of administration within schemes and coordination between them but should also consider the non-financial benefits of different options for communities and forests.

Option 5: Leverage the Local Market

In Nepal the goals of government and forest communities are mostly synchronous, as evidenced by the significant devolvement of forest management to CFUGs. The difficulty in achieving certification and a transition to an enterprise approach lies in creating a viable market for products from CFUG forests. To that end, the local market should be investigated as an alternative to expensive and logistically difficult

international export. However, the potential of the domestic market is restricted by lack of local awareness and knowledge (Irvine 1999). Therefore, growing the market for domestic sustainably produced wood, for example by pairing awareness campaigns with subsidies or 'buy local' campaigns, may be the most feasible strategy for encouraging long-term economic independence for community forests. As noted, entering international markets is difficult without prior local, regional, or national experience (Irvine 1999). Access to and participation in a robust domestic market will also likely lead to later success with exports. By providing communities with reliable returns, a successful domestic market may even increase the economic feasibility of certification.

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