

## **Synopsis Of Lessons From Solomon Islands:**

### **General:**

It is difficult to identify what is generic and what is specific to one site or project, but as a rule all communities that have enough forest resources to consider commercial exploitation on any scale are in remote places. History has ensured that all the more readily accessible forests have been harvested. The Solomons typifies this. Even within the country actually getting to the forest to harvest timber is a major problem. Once extracted from the forest, the timber still remains a very long way from international markets. In such situations, marketing is always a major problem.

Small producers face many barriers to market access. The international timber market in all sectors is currently very poor and cyclical, competition is cut throat and there is no indication of recovery in the medium term. The industry standard in terms of quality, delivery times, species specification and overall customer expectations is very high, especially in Europe. Economies of scale mean that large operations are paying a smaller percentage per cubic metre of timber sold on capital equipment, marketing, management and any additional costs, such as certification.

Looking at the two certified operations in the Solomons, KFPL, a plantation operation producing 4,000m<sup>3</sup> or more of exotic species round wood logs per month, and the SWIFT operation, that produces 200m<sup>3</sup> per annum of local species from natural forests, there seems little room for useful comparison. However, they do highlight some of the common advantages and problems of timber production and marketing, relating to: -

- social capital
- natural capital
- human capital
- physical capital
- financial capital

Traditional livelihoods in the Solomons have been subsistence based. Fishing, subsistence farming and use of local resources have been far more important than the cash economy until relatively recently. This is even more true in the Western Isles, where much of the wage labour has come from other parts of the country. Levels of schooling and literacy rates are low. Familiarity with the demands and expectations of the international market has not really existed. In case of both KPLF and SWIFT, this has led to heavy reliance on expatriate personnel to interpret, implement and administer the certification process at management level. The types of quantifiable and empirical data that certification demands reflect the type of scientific rationalism of those that designed the FSC system. This approach is proving very difficult to interpret.

For an expatriate, the attraction of either being funded externally or voluntarily in the Solomons makes it possible to recruit people with enough experience or training. For any local people with the relevant education, the prospects and rewards for working in this

area are poor compared with opportunities further afield. The main attraction for many is the prospect of linking closely with the international community, the possibility of overseas travel and the status that goes with that. It will be very difficult to attract high calibre people without that. Finding a way to make this possible will always be a major challenge. (The notable exceptions to this prove the rule.)

### **Social Capital:**

Just as the demands on human capital are often too complex within the certification process to be appropriate, social criteria are often too simplistic. This again reflects the order and rationale of those who designed the systems. Clear legalistic interpretation of notions of land ownership do not easily transfer to societies where land ownership and use rights follow very different rules and fulfil very different functions to those expected within the minds of those designing FSC. Ownership, rights and occupation are much more fluid, especially in matriarchal societies where land claims can remain dormant for generations and the validity of any claim depends on the sphere of influence of different households at any one time.

Comprehending the complexity of such systems is not possible for many outsiders. What becomes important is that the scale of any management system is large enough to accommodate such situations in a flexible way. Work should be undertaken at the level of whole communities or clans, rather than households. It should also be recognised that the transparency sought by certification may be in conflict with the obscurity of rules that traditional communities can have to allow flexible responses to dispute resolution.

Within larger operations, this can be very problematic. Certification demands continuity of response and outcome but this may not be possible. Instead, transparency of process may be all that can be delivered, although this may result in inconsistent outcomes. It is interesting to note that SWIFT has 2 main types of members, family groups, that on average may have 25 hectares of forest and community groups which are much larger. The field staff have often found it was easier to set up the small operation initially but in the longer term though it took much longer to discuss and get agreement within the larger groups after the setting up phase the numbers of disputes about boundaries and access and use rights were much less because there had been collective agreement at the start.

The main danger is that certification is, on the one hand, seeking homogenous approaches and solutions whilst, on the other, trying to protect the heterogeneous nature of different societies and their approaches to resource management.

When planning and describing the social aspects of a management system, particular thought should be given to ways of achieving the highest levels of outputs – community cohesion, acceptance within the wider society and intergenerational access to the forest resource. There is a trade off in the minds of assessors between technical competence and social goals when auditing an operation. It is often easier for community groups to improve their chances of getting certified by being explicit about the social benefits.

### **Natural Capital:**

The contrast between the environmental context of the two operations is vast. KFPL is one contiguous block of plantation, growing exotic species. The SWIFT members are working in small blocks of natural forest scattered over a number of different islands. In terms of getting certified this has raised very different problems for each operation. The highly controlled operation in the plantations has many technical advantages, having inherited a site where the majority of the natural forest had been felled the management objectives are focused on biomass production. Though there are residual stands of natural forest apart from trying to enhance them where possible all the silvicultural activity is concentrated identifying the types of tree that will grow best. In the context of certification this level of control allows the management to demonstrate how planned objectives are being achieved in a very clear way. There is an ongoing debate within the FSC about the role of plantations but it seems that they will remain in the system. It is much easier to comply with the letter of the FSC system in such an environment where all the inputs and outputs are defined and controlled.

In contrast the community based SWIFT operation is working in a highly complex diverse set of natural forests. There is very little site-specific baseline information to allow one to know what the full extent of the natural capital is. The management system used to carry out the basic inventory used in the management plans has been reduced to the barest minimum. This has been necessary to allow it to be used by people who are very unfamiliar with producing written plans. It is a system that is appropriate to scale, working as it does on planning only 4-hectare blocks. Because the overall impact is very low this is acceptable but it would not be possible to scale the method used by SWIFT up to use in much larger areas of forest. What the certification process has done is bring an increased understanding of what natural capital is available to the SWIFT producers.

It is always going to be a problem for small operations to provide the level of baseline data needed to provide the rationale for their management plans. Large operations have access or know where to start looking for secondary data. KFPL has been financed by the CDC, which has plantation operations all over the world; it carries out its own research and development as well as drawing on others. SWIFT, like many other small operations, has not been too clear where to start and has tended to start from first principles rather than identifying what information is available.

The assessors are not looking for very complex primary research, what they are looking for is a clear rationale for the management regime being used, the more simple the presentation is the better. SWIFT and other projects have over time developed very simple management approaches for carrying out inventories, monitoring and working out the annual allowable cut on different sites. Though these may need to be adapted for different locations it would be worth reviewing the methods that are already being used before starting from scratch.

## **Human Capital:**

The contrast between the two approaches is very marked, KFPL has brought in the expertises and technical knowledge needed to run the plantation, SWIFT is using the local population. In both cases it was expatriate staff and input that drew up the management systems and plans that achieved certification. The systems and management expectation demanded by the certification process do reflect a very particular way of thinking. Even for people who come from a western educational background it can be difficult to interpret exactly what the FSC standards are demanding in particular circumstances.

To start planning an operation, setting up procedures and methodologies and then to find out late in the day that the approach does not fit into the required framework can lose a great deal of time, money and effort. Starting an early dialogue with certification bodies at the earliest stage to fine out exactly what is needed is worthwhile and it may well prove cost effective to hire in external help if necessary.

For the plantation operation the implementation system did not involved much alteration to the management structure that was already in place. CDC the parent company was already familiar with ISO systems, and the whole of senior management are familiar. Where it has made a difference in terms of the human capital development is first in the level of transparency throughout the organisation, responsibilities are much more clearly defined than they were. Second certification has led to a little more job security, though given the current economic conditions have led to 50% of the workforce being laid off this may seem hard to believe. But it is important to note that because of the terrible economic state of the Solomons very few freight ships were available, it was partly due to the demand for certified timber that made it worthwhile to charter a boat to come and pick up a cargo of logs. The 30% premium KFPL were getting for the certified timber made it possible to keep on as much of the workforce as it has.

For the SWIFT operation the assessing the impact of certification on the level of human capital and skills is somewhat more subjective. The core staff of 6 plus 2 volunteers from the Netherlands certainly has built up a good understanding of the complexity and fragile nature of the international timber trade. This level of knowledge would not have been built up if they had been selling to local traders. But it should be noted that the cost of the marketing operation was extremely high and was very heavily subsidised from external funding. This core group of staff have also gained a lot of international exposure and experience due to the project. Being one of the first community based certified operations there have been a constant stream of visitors over the years. This has been quite a financial burden as SWIFT has born most of the cost of hospitality and showing people around.

Beyond the core staff the skills developed by the 12 forest officers and other field staff have been targeted at specific skills and tasks, inventory work, chainsaw maintenance, felling, scaling and sorting timber etc. This has led to an increase in an understanding of the need for quality assurance, record keeping and general awareness of formal work

structures. But the need for these types of skill has meant that most of the people recruited to do this kind of work already have some experience, often people returning to their own communities from working in the formal sector elsewhere. It is possible to see that the communities that have individuals who have external experience have been more successful.

The most interesting thing that became evident during the field study was the potential for synergy between the 2 organisations. SWIFT seemed to spend nearly half their budget on trying to market the relatively small amount of timber that they produce. These costs would have remained pretty much the same had they sold 10 or 20 times as much timber. KFPL has a marketing department and customers for whom these small volumes could easily be absorbed for very little extra cost. They had the skills and the expertise and for some of their customers it was a great advantage to be able to get hold of these small volumes of natural forest timbers in addition to the less interesting exotic timbers from the plantations.

For the staff at KFPL the prospect of finding ways of identifying closer links with the natural forest and community based management had a great deal of appeal. For them it was a way to demonstrate to the certification bodies their wider commitment to natural forest management. They had many of the technical skills lacking within the community-based project.

These synergies had not been explored very far at the time of writing as it was during the fieldwork that the management teams came together. This did result in the rapid purchase of timber from SWIFT by a client of KFPL. Certainly in terms of human resources the more that small community projects can link with larger commercial operations the greater the potential benefits can be. Though this might be difficult because the 2 parties are often very suspicious of one another, there is no getting away from the fact that the larger operators often are the people with the technical skills.

### **Physical Capital:**

The level of basic infrastructure required for a conventional operation and a certified one to carry out the everyday practices are very similar. For the plantation operation at KFPL the roading and harvesting equipment did not need any major up grading. What the certification process and the external monitoring has done is increase the level of checks and record keeping. It has brought forward routine repair work, where a wharf might have been left for another 2 or 3 years before major renovation the certification auditors asked for work to be carried out sooner. But more significantly the process allowed local communities to make demands for improvement in areas such as water treatment and pollution control.

In terms of the specific demands of the certification process does not stipulate the need for any specific equipment or infrastructure, it purely looks at the quality of the forest management. But the market for certified timber is a premium quality market; buyers

and end users all expect the timber to be of the highest quality, as they tend to be paying over the market price. Therefore to ensure the best care is taken in the harvesting, storage and transport of the timber extra investment has to be made, even by small community operations. SWIFT has had to ensure that stacking sheds are built by all the producers; chainsaws and walk about saw mills need to be maintained to the highest standard and the transport of sawn timber to Europe all has to be containerised. All of this has an impact on the level of physical investment required by those wanting to be certified.

### **Financial Capital:**

The headline cost of certification is always seen as the cost of the certification body carrying out the main assessment and subsequent surveillances and in a country such as the Solomons where there are no local assessors and travel costs are high this cost can be a lot. But the real cost can be in getting the management system up to the necessary standard. For KFPL the process of adapting its previous management structure to one which was compliant with the standards required was minimal. It broadly consisted of integrating all its planning systems and demonstrating that there was a common goal and consistency throughout all its practices. The discipline of going through this process was able to demonstrate management savings rather than costs in a short period of time.

In contrast for SWIFT where there was no real management system in place the cost of designing and applying a management system was very costly. Staff and consultants worked for 2 years on trying to develop a planning and management system that could be easily adopted by the community members. Though the system was considered adequate at the time of certification weaknesses in the monitoring and a lack of the need to maintain the standards have led to continuing high costs.

For KFPL financing the certification process was not a major problem, the capital was available and getting certified fitted into the greater strategic thinking of the CDC, the controlling share. In terms of marketing their products having the logs certified has been a benefit BUT only for the highest quality logs, the cheaper low value logs have not seen any premium. It is very easy to highlight the fact that a percentage of the timber sold has made a 30 – 50% premium but this has only been for the highest quality logs and to date this represents only 20% or so of overall production.

For the SWIFT operation the certification process has been wholly funded by money coming from external sources, both for the certification process and for bringing the management up to the necessary standard. This has been very costly and is never likely to be recovered from the sale of timber, but given that the external funding has been available access to premium markets has meant the producers have sold their timber for up to twice the market price. SWIFT have had to heavily subsidise the marketing operation that has achieved these higher prices. The main problem has been when the external funding is withdrawn which looks very likely the forest management and harvesting operation will not survive in its current form and the certification is likely to lapse.

## **Conclusions:**

The Forest Stewardship Council Certification Scheme is not designed as a development tool, it was conceived as a means of promoting good forest management. It was understood that sound social policies needed to be in place for this to happen. Because it has been reasonably successful in this regard the expectations on the social impact have often been raised higher than originally intended.

For the commercial organisation that already had a robust management system in place and whose senior management were already familiar with Environmental Management Systems and ISO adapting to the required standards of FSC was not a problem. Certification has brought a number of market benefits and has added to the overall asset which is important as CDC is looking to sell the plantation. Certification has led to improved clarity of management objectives and a more coherent strategic set of objectives throughout the organisation. It has also ensured that there are clear channels of communication between the local community and KFPL.

For SWIFT certification has the certification process has been costly, but it has given a clear framework for the management of the forest resource that was not present before. It is unclear how sustainable the structure will be if external funding is withdrawn. One of the first assumptions that was made was that a certain volume of timber would be produced, only 10% of the projected volume has ever been realised and this has made the operation financially unviable.

The most interesting lesson has been how effective the project is at environmental protection. The criticism has been that the external funding has subsidised each cubic meter of timber by US \$ 1,000 and there is very little way to see this being reduced. But looked at in terms of how much it costs per hectare the cost comes to US \$ 8.00/ha. In the UK the woodland grant scheme that is given to all woodland owners get US \$ 50.00/ha even for managing plantations of exotic trees.

For 16% of the cost of managing very simple and well-understood forests in Europe SWIFT are protecting 25,000 ha of the most complex under research forest in the Pacific. Or it costs as much to support 4,000 ha of conifers in Scotland as it does to support 25,000 ha of tropical forest in the Solomon Islands.

The FSC was set up as a market based instrument, those who are familiar with markets make the best use of it. Commercial organisations have the experience and skills to do this where community organisations can make appreciate links with larger operations many benefits can be derived at low cost and with high value.