



Responsible Enterprise, International Cooperation and Tropical Forest Management. Are we on the right track?

Seminar Report

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1. Background, objectives and programme

The development policy of the Netherlands considers the active engagement of the private sector a key priority in achieving sustainable development and poverty alleviation. International cooperation should be geared towards catalysing inclusive growth which is subsequently sustained by the domestic private sector. At the same time, development funds should be invested in generating knowledge, building capacities and creating enabling conditions for domestic enterprises to prosper. The role of public money may best be used to leverage private investment and facilitate public-private partnerships. Business linkages between the Netherlands and developing countries are manifold and diverse and their local presence and expertise are strong assets but for the private sector to play their role in achieving sustainable development and poverty alleviation it is important that they take social and environmental responsibility abroad throughout their production and value chains, hence contributing to a “Green and Equitable Global and Local Economy”.

Companies are increasingly aware of the need and opportunities to develop and implement Corporate Social Responsibility (CSR) policies and strategies in their daily business. Societal demands and environmental concerns, reputation, risk mitigation and long term resource access are among the factors that drive this development. Internationally, the Dutch private sector is profiled as a frontrunner in CSR. In the Netherlands, many companies and business sectors directly or indirectly have an impact on tropical forests, their management and conservation: including through forest concessions, agricultural and timber production and trade chains, financing and investment.

Purpose

The seminar analysed the experiences, dilemmas and perspectives of the Dutch private sector in shaping their international Corporate Social Responsibility policies. It took a particular focus on the impact of the private sector on tropical forests and their role in the Netherlands development cooperation. The seminar addressed the following questions:

1. What specific measures have companies taken to mitigate their footprint on tropical forests and/or to promote sustainable forest management?
2. What can realistically be expected from companies and what should governments and NGOs take up?
3. What are the main dilemmas, needs and opportunities for putting CSR into practice, and how are these addressed by different actors?

Programme



The seminar was chaired by **Mrs. Sophieke Kappers** of *Kubita Economic Empowerment*.

The programme consisted of two *key note presentations* followed by an *Entrepreneurs panel*. Subsequently participants broke out in *working groups* discussing dilemmas and perspectives on the basis of a specific case or theme. At the end of the seminar the participants reconvened in a plenary session and formulated some take-home messages.

Mrs. Tineke Lambooy, Associate professor at Nyenrode Business University, presented the first key note with the title: *CSR and tropical forests: status, insights, developments and perspectives*.

Mr. Paul Schoenmakers of the *Ministry of Foreign Affairs* presented his key note presentation on: *Development Cooperation and the Private Sector: Are we on the right track? Perspectives & Dilemma's*.

The entrepreneur panel consisted of **Mrs. Karin Verstralen**, *FMO - Entrepreneurial Development Bank*; **Mrs. Petra Westerlaan** *Form International*; **Mr. Jan Maarten Dros**, *Solidaridad*; **Mr. Henk Flipsen**, *Foundation Chain Transition Responsible Soy*; and **Mr. Robert Jan Dekker**, *Royal Dekker*. The panel shared their experiences en views from the perspective of their organisations.

The group discussion session took place in 6 groups with the following themes and discussion chairs:

1.	Using the momentum of legality legislation to boost sustainable forest management	Mrs. Esther Bosgra , <i>Sustainable Trade Initiative</i>
2.	Enterprise perspectives and dilemmas on CSR	Mr. August Mesker , <i>VNO/NCW/ MKB Platform Biodiversity, Ecosystems and Economy</i>
3.	Perspectives and dilemmas of CSR in Africa	Mrs. Elisabeth van Loon-Muller , <i>Netherlands-African Business Council (NABC)</i>
4.	Perspectives and dilemmas of the timber trade sector	Mr. Paul van den Heuvel , <i>Royal Netherlands Timber Trade Association (VNH)</i>
5.	Supply chain responsibility and sustainable business opportunities	Mrs. Bernedine Bos , <i>MVO Nederland</i>
6.	Using the momentum of legality legislation to boost sustainable forest management	Mrs. Marieke Abcouwer , <i>Sustainable Trade Initiative & Mrs. Sarah Lee Tilly, Ministry of Economic Affairs</i>

Sophieke Kappers chaired the final session and summarized the take-home messages that emerged from the seminar.

2. Participation

This seminar brought together a broad audience of 120+ professionals from international business and finance companies and their umbrella organizations, governments, NGOs and scientific/educational bodies, including students. Participants included technical, economic, financing and social specialists who are directly and indirectly involved in forest and land conservation, ecosystem management and restoration, biomass and carbon, and/or the international production and trade chains of agricultural and forest products, see list of participants. Participants in the seminar took stock of recent insights and developments, shared experiences and identified some key steps to help determine the way forward in policy and business development

This seminar was the sixth in a series of annual events on **Sustainable forest management in the tropics. Are we on the right track?** The seminar takes stock of the latest knowledge, insights and activities on a specific tropical forest theme that are topical both in current Dutch policies, as well as society against the question: are we on the right track?" It is jointly organized by Wageningen University (Forestry Groups), Tropenbos International, Dutch Association of Tropical Forests (VTB), Prince Bernhard Chair of Utrecht University, Nyenrode Business University, the Ministry of Economic Affairs and the Ministry of Foreign Affairs.

3. Highlights of the presentations and discussions

3.1 Key notes



Tineke Lambooy emphasized that the transition of business activities in the real economy towards sustainability is still a long one. The real values of many of the forest goods and services are not properly internalized in decision-making and markets, in particular the less tangible ecosystem services; this makes sustainable forest management less competitive to alternative land uses. This results in wrong price signals, lack of tangible markets and higher commercial values for alternative use of forest land. But there are various promising signs of change. An increasing number of companies recognize their dependency and impact on

forest resources and local livelihoods and take responsibility for that via their CSR policies and practices. More timber companies go for legal and certified production and transparency in the supply chains; multinationals want to mitigate their impact on the environment and nature, offset their carbon footprint and boost livelihoods.

She highlighted in particular some developments in the financing sector. For this sector sustainable forestry & carbon credits is an emerging alternative asset class, which some investors are exploring. This is not just for CSR-reasons but investors also see this as an opportunity to diversify their investment portfolio. They want to invest in funds that generate a commercial rate on return. Typically, the revenue of these type of funds is based on multiple revenue streams (not just timber and carbon credits, but also watershed management (water rights), ecotourism, non-timber forest products, biomass). However, other investors claim that the risks in this new sector are too high. They mention risks such as physical risks, technical risks, economic risks, business & commercial, risks, political & policy risks and reputational & sustainability risks. Lambooy and her Nyenrode team performs research in this field. She analyses the barriers and opportunities for investing in the sustainable forestry and carbon credit sector. The perception of investors that this is a risky sector is one barrier. As important other barriers she mentions: investors are not always up to date with the opportunities of ready-to-invest funds, unfamiliarity of investors with forestry in emerging markets, lack of track records of fund managers, lack of management capacity and entrepreneurs to start projects and funds, small projects & low revenues, lack of enabling environment and inability of investors to think “long term”. For these reasons most commercial banks do not show an active engagement in the forestry sector. To move forward we need to increase the understanding of investors of the costs, benefits and risks of investing in the forestry and carbon sector; but foremost public support (national governments, international cooperation) is needed. Governments could make seed money available to entrepreneurs to start projects and to set up funds. Furthermore, they could provide back-up guarantees to funds concerning political and other risks. Additionally, governments can help with supporting meetings and conferences aimed at showcasing good projects and sharing best practices (awareness purpose and match-making goals), and by supporting research regarding the contribution of the private sector to conservation of tropical forests; this should finally lead to the availability of an increasing number of bankable business cases. Collaboration is a must; not just the within the private sector (forest companies, timber traders, small holders/local

farmers, construction sector, multinational companies, investors/banks, fund managers), but also with governments and NGOs. Governments can also contribute via appropriate legislative frameworks and public private partnerships.



Paul Schoenmakers explained that the Netherlands government has redefined its policy by paying more attention to economic growth and self-reliance of countries. Consequently there has been a shift in emphasis from the social to productive sectors and a larger role of the private sector in development cooperation. The focus will be more on private sector development by improving business climate and direct support to companies and financial institutions and entering in public-private partnerships. Cooperation with the (Dutch) private sector will be enhanced, leveraging the strengths of their knowledge and expertise, using their presence and partner networks in the countries. Although there is a change in government, he does not foresee a reversal of the trend towards more focus on productive sectors; the current budget allocation for private sector development – now 9% - is not likely to decrease in future.

Private sector development (PSD) drives economic growth, which is a prerequisite - but not sufficient – factor to drive green and inclusive development. PSD generate employment (self-esteem, empowerment, positive gender effects), income (household well-being, school fees, health care, domestic spending → further growth) and taxes (enabling the governments to provide basic needs as education, healthcare, infra-structure). Companies – similar to NGO, multilaterals, knowledge institutions - bring in specific competencies en knowledge and also provide new and additional forms of funding. To indicate the potential importance of private funds for development he indicates that the current private funds account for 87% of the total financial flows to developing countries; foreign direct investment in Africa rose from US\$ 9 billion (in 2000) to US \$ 90 billion (in 2008).

Critical for the success of the private sector in development (cooperation) is the extent to which they apply sustainability criteria in their corporate strategies and practices. In this respect he highlights the importance of sector wide applied codes of practice on responsible business and investment.

He notes a number of dilemmas. First of all how to deal with leaders and laggards. Whereas there are clear multinational frontrunners, like Unilever and DSM, he notes that CSR practice are still far from mainstreamed at the global level. Particularly small and medium enterprises – usually with less orientation towards developing countries – show difficulties to adapt to international CSR-criteria. Given the overall low level of compliance with OECD Guidelines on CSR for Multinational Enterprises (2011)¹ the OECD advocates a strategy of active engagement and dialogue with companies. While in the North there is increasing awareness of CSR and creating shared value (financial social and environmental), most governments and companies in the South are more preoccupied with growth and other values. He also notes that South-South cooperation often does not show a best-in-class track record as to CSR considerations. A next dilemma is how to strike a balance between local inclusive and sustainable development (the central objective of development cooperation) and corporate interests of Dutch companies; these are not necessarily always at par with each other. For the ministry a challenge will be how to select the right companies to support and to work with.

¹ www.oecd.org/daf/internationalinvestment/guidelinesformultinationalenterprises/

In the plenary discussion that follows participants mention the need to convey the message (of responsible consuming) to consumers; to support companies in developing their CSR practice; to better communicate good examples and best practices; and not to focus only on Dutch companies.



3.2 Entrepreneur panel



Henk Flipsen of Nevedi (The Dutch Feed Industry Association; 100+ companies) and chair of the Foundation Chain Transition Responsible Soy, explained that the Dutch feed sector is aiming to use soy from non-deforestation areas only by 2015. For this zero-deforestation policy the trade chains have to be changed. For that reason they actively participate in the Round Table for Sustainable Soy (RTSS) and the development of a credible certification scheme including a widely endorsed standard of criteria and Indicators. He

highlights the importance of a PPP-strategy and the engagement of the producer countries. The transition towards sustainable soy is paid by the companies and IDH, the government sponsored sustainable trade initiative. In his view the PPP on soy is a very good example how a PPP can work effectively. He also notes the role of big companies as frontrunners for making the necessary changes.



Maarten Jan Dros – on Solidaridad's views and experiences - hints at the poverty-environment nexus in the rural landscape and the importance of "bringing governance to those areas" as an essential condition to address the main threats to the rural production, socio-economic development and the environment and the competing interests between different actors. It is important bringing together all stakeholders to negotiate the desired landscape; investing development money in such processes is the best investment. He warns for a too

narrow focus on forests as agriculture is the main driver of deforestation and that investment of REDD-money in agriculture may in some cases be more effective. He calls business to dive deep into their supply chains, governments to work with each other to create level playing fields and NGOs to engage more with companies as the private sector drives change.



Karin Verstralen explains that for a development bank as FMO dealing with sustainability and the environment is a must, given the impacts and dependencies of business and investment. Forestry is a new and high risk investment category, but it also presents opportunities; FMO has recently engaged in 3 forest investment transactions, to learn from and explore this market further. Key for FMO is that projects are financially solid but also accountable on Environmental, Social and

Governance (ESG) standards, like those of the OECD. Forest certification is a requirement. Given the (real and perceived) high risks of (tropical) forestry there is a need for mechanisms that lower the risks, like guarantees, specific fund structures for high risk investment in order to mobilize private capital.



Petra Westerlaan presents some experiences of Form International's Ghana Teak reforestation project (€ 10 million; started in 2007 with 2 Ghanaian partners; now 400 ha planted, but planned to expand up to 6000 ha; 500 people employed). The project is FSC-certified and also seeks VCS- carbon certification. Workers have been trained in technical, ecological and safety aspects of plantation management. Critical to the success of the project is their commitment to establish good relations with the local population and local authorities from the very beginning in the business. Besides providing income and employment to neighbouring farmers, the latter are allowed to intercrop agricultural crops and there is a benefit sharing arrangement. In addition a number of social services are provided. She emphasizes that co-investment of the Private Sector Investment Programma (PSI) of the Dutch government has been very helpful in the start-up phase of the project, being a good model of public-private partnership.



Robert Jan Dekker explained that for his timber company FSC certification is a logical choice because "we depend on the forest", but emphasizes that currently investing in sustainability does not pay off. Royal Dekker has worked on vertical integration of the production chain to secure supply of certified wood. In his view creating a level playing field for sustainable timber is key for scaling-up. The EU Timber Regulation creates just a playing field for legal timber with taxing and price levels that differ from sustainably produced timber. He calls for companies to set higher standards for their operations than those required by government. He also calls upon the government to create a framework for frontrunners to increase their standards. Only by increasing the demand for sustainable timber, supply will follow ("Buy FSC!!"); taking away the barriers of additional costs of certification at the supply side is also effective way to increase the production of certified wood.



3.3 Working group sessions

The presentations and discussions in the group sessions are summarized in the annexes A1 to A5. In the plenary the session chairs reported the following issues:



August Mesker - on enterprise perspectives - emphasized the need to internalize the values of global public goods (including forests) into policies and markets and get fair prices. Business cannot do that alone; there is also a need for policy arrangements and public-private arrangements and partnerships. He stressed the importance of partnerships between NGOs and business, as together they make a more convincing case for sustainable business. There is a need for more education and a well informed electorate

both in producer and consumer countries. He calls for practical approaches (“ethics are scary for business”).



Esther Bosgra/Marieke Abcouwer – on legal and sustainable timber production – emphasized that growth of demand and scaling up is key in the way forward. Tropical timber sustainability should be the standard and there is a momentum now to make it happen. There is still a bad business case for SFM as long as there is no level playing field and unfair competition from illegally produced timber. Creating a broad coalition of front runners is a good strategy that was widely endorsed in the working group. However, it

should be made sure that such a EU sustainable tropical timber coalition, FLEGT and the EU TR strengthen each other. Finally practice what you preach: integrating sustainability in core (private/public) policies is a very important first step, but focus should also be on implementing them and to start in the Netherlands.



Bernedine Bos – on supply chain responsibility and sustainable business opportunities – focused on small and medium enterprises in the Netherlands, of which many have a link with tropical products of which they are not always aware. There is a need for raising awareness for example through storytelling and product marketing. Green public procurement is a big trigger. To make a change it is important to focus on sector and trade associations so that they invest in their supply chains. She stressed the importance of knowledge

sharing between actors; to more actively engage with companies, including in trade missions.



Elisabeth van Loon-Muller – on the perspectives of CSR in Africa – notes the importance for a better connection between knowledge and companies and to operate in consortia. We have to be more proactive (including embassies) in combining international cooperation with business. Knowing the local context is crucial for responsible business development. She still observes a lack of vision and strategy on such an integration, and especially the translation to the local scale is lagging behind. It is important

to think holistically on responsible business development; key is to connect people with different expertise. International standards on sustainability and responsible business are not readily known and applicable in developing countries; this is an issue to work on. CSR is not core in NABC, but most companies are well aware of CSR (e.g. also for their own interest). Forest related issues are new to NABC and she sees no embassy support for these issues, but many connections exist with forest related fields. The generally weak institutions present challenges in many African countries.



Paul van den Heuvel (presented by **Chris Geerling**) – on the perspectives of the timber trade sector – mentions that the Royal Netherlands Timber Trade Association (VVNH) and the Dutch Association of Joinery Manufacturers (NBvT) formulated the action plan “Wise with Wood”. Members of both associations have made a commitment that by 2015 50% of the imported hardwood, 85% of the sheet material and 100% of the softwood traded by them are from sustainably managed forests. These targets are

expected to be met without major problems. However, the real challenges are to extend 100% sustainably produced timber to all parts of the Dutch timber market, to increase worldwide the current share of 16% of certified forests and to engage the 84% that is not as yet certified. This requires the involvement of all players and specific measures that create a stronger competitive position of the certified wood compared to uncertified timber and wood substitutes, such as aluminium, steel and plastics (certification is costly and substitute products often do not have to meet similar sustainability standards). In particular more efforts are needed outside the European Union.

Discussion

Speakers participating in the closing discussion once again emphasized that the market economy alone is not the solution to the challenges of sustainable forest use and conservation. To sustain forest resources, public support, for instance in the form of the private-public partnerships, is important. Targeting big companies make sense, however extra attention should be given to small and medium enterprises. They need financial, but also know-how support. Another form of help could be special certification schemes for smaller companies and implementation green public procurement policies.

4. Take-home messages

Based on the presentations and discussions during the seminar a number of *general observations* were made on the relevance and perspectives of responsible private sector engagement in development cooperation and sustainable markets for forests products and services:

- Private sector involvement in development cooperation is important given the size of their investments relative to public funding and for their potential to generate employment, income and taxes. Their potential in development cooperation depends on its success in stimulating local economic development.
- The influence of private sector involvement on poverty reduction must be analysed.
- Many Dutch SMEs (small and medium sized enterprises) have a supply chain starting in tropical developing countries. Initiatives of the private sector in development and sustainable use of natural resources should therefore also include these enterprises.
- For many forest ecosystem services markets or other payment mechanisms do not (yet) exist, are difficult to materialize (e.g. most forest regulation services), are only operational at pilot scales (e.g. water, biodiversity) or cannot reach yet the scales required because of a lack of regulatory frameworks (e.g. carbon). There are no proper price signals to incentivize the private sector towards sustainable production.
- In many companies CSR is still very much project-based, with a charity approach. To make a real difference in the companies' daily practices on sustainability an integrated, company-wide approach is needed.
- In many developing countries extreme poverty is a persistent problem. Approaches are needed that combine the experiences of development cooperation and the strengths of private business. To be successful the private sector should think more beyond trade, and the NGO community beyond aid.
- EU policies need to create a level playing field for (tropical) timber. Legal and /or sustainably produced timber has higher costs than illegal and/or non-sustainably produced timber.

Messages

There was a common agreement that in Europe sustainably produced timber should become the standard and that the Netherlands could take a frontrunner position.

In moving forward a number of take-home messages were formulated for Governments, NGOs, and the private sector. Although messages below are listed separately for each group, most of these messages apply to all of them, reinforcing the need for collaborative action. Governments, NGOs and the private sector have different roles to play but there was a common understanding among participants that by working together they would generate more impact.

Enterprises

- Join forces and agree on sector-wide Codes of Conduct, not just for individual enterprises.
- Integrate and organize all market actors in the chain towards the common goal of sustainability.
- Look at the impact of companies beyond the trade chains.
- Develop less costly certification schemes, in particular for small-scale companies.
- Use Story Telling as a marketing tool to enhance consciousness of consumers to buy sustainable products.

NGOs

- Given the importance of the private sector in achieving sustainable development, NGOs should more actively associate with enterprises (incl. offering their expertise, assisting in capacity-building and education).
- NGOs can help in creating a level playing field for private sector actors that wish to produce and trade sustainably produced goods.
- NGOs should use their influence to raise awareness among consumers to buy sustainable products and lobby governments for level playing fields. In producer countries they can facilitate stakeholders to organize for dialogue and negotiation for sustainable use and production of resources.

Governments

- Create a more favourable business environment for frontrunners who apply highest sustainability standards for their operations.
- Make seed money available to entrepreneurs to start projects and to set up funds concerning sustainable forestry and forest carbon.
- Provide guarantees to mitigate (political) risks for sustainable forestry and forest carbon funds that operate in developing countries.
- Support events aimed at showcasing good projects and sharing best practices of sustainable forestry funds and forest carbon funds to create awareness and to stimulate match-making.
- Finance research that helps to increase the contribution of the private sector to sustainably manage tropical forests.

Two final messages to all participant were:

- Work together, share knowledge and make contact, everybody is important!!
- And: buy certified timber!!

Based on the outcomes of this seminar the Dutch Association of Tropical Forests (VTB) has sent a letter to Mr. Henk Kamp and Mr. Wouter Bos, who were tasked with the formation of the new Dutch government coalition.



Annex 1: Summary reports of breakout group sessions

A1. Summary report sessions 1 & 6: “Using the momentum of legality legislation to boost sustainable forest management”

Convenors: Group 1: **Esther Bosgra**, IDH; Group 6: **Marieke Abcouwer**, IDH & **Sarah-Lee Tilly**, Ministry of Economic Affairs

Reporters: **Fieke Maas Geesteranus**, freelance; **Rosalien Jezeer**, UU; **Herman Savenije**, TBI

Introduction

Both breakout groups discussed the question whether we have the right strategies and sufficient efforts in place (in Europe) to ban illegal timber production and associated trade and speed up the process from illegal to legal and finally to sustainable timber, given the present market and policy trends.

It is concluded that on the road towards legal and sustainable timber production we are quite on the right track in the temperate zones, but much less so in the tropical forest areas (and boreal zones).

- Despite a large jump since 2004, only 6% of global area certified is in the tropics
- 19m ha of tropical forest is certified of which 80% is natural forest: 80% of this in Malaysia, Brazil, Gabon, Bolivia.
- The growth certified and legal timber from the tropics in recent years has been due to both an increase in demand for certified timber products from key EU markets and progress in legal and institutional frameworks that have encouraged more sustainable forestry (e.g. Gabon, Brazil).
- However the trend in export volumes from producer countries to EU is very clearly downwards (50% of 1993). Imports of tropical hardwood for buyer countries are declining due to recession and changing trade flows.
- China now imports almost four times the volume of hardwoods as our buyer countries combined; China depends on imports for more than 50% of its supply, much of it from developing countries with poor forest governance records
- Although ‘legal’ in many countries does not equal ‘sustainable’, it is generally acknowledged that the EUTR that enters into force in 2013 (reinforced by FLEGT), could facilitate an increase in minimum standards if sustainability criteria are progressively phased in. However there are some opportunities and risks, see table.

Positive impacts of EUTR	Negative impacts of EUTR
<ol style="list-style-type: none">1. The Regulation could strengthen overall controls on forest management which in several countries include environmental and social safeguards. Alignment with REDD+ and multilateral development banks could leverage this impact.2. It might raise the performance bar across the industry, those pursuing certification could see less negative impact on competitiveness from illegal logging.3. Could even engage China in a greening of the supply chain as the Regulation covers secondary producers (China has less CoC certificates than an average EU buyer country, despite importing 3x the group total).	<ol style="list-style-type: none">1. Although FLEGT licensed imports will achieve compliance with the Regulation, certified imports won't have this advantage.2. Producers may feel legality is what is most important for market access, so may neglect to invest in working towards certification.3. Perceptions and realities of higher costs and challenges of proving legality of tropical hardwood may discourage those who do not need to continue importing from the tropics.

While many good things are happening, their speed is too slow to achieve a situation in which the market only asks for sustainable timber. The possibility of legal timber becoming the standard is real, but legality isn't good enough, especially for tropical timber, and sustainability should be the end game; it is important to create a level playing field and push the legal standard towards a sustainability standard.

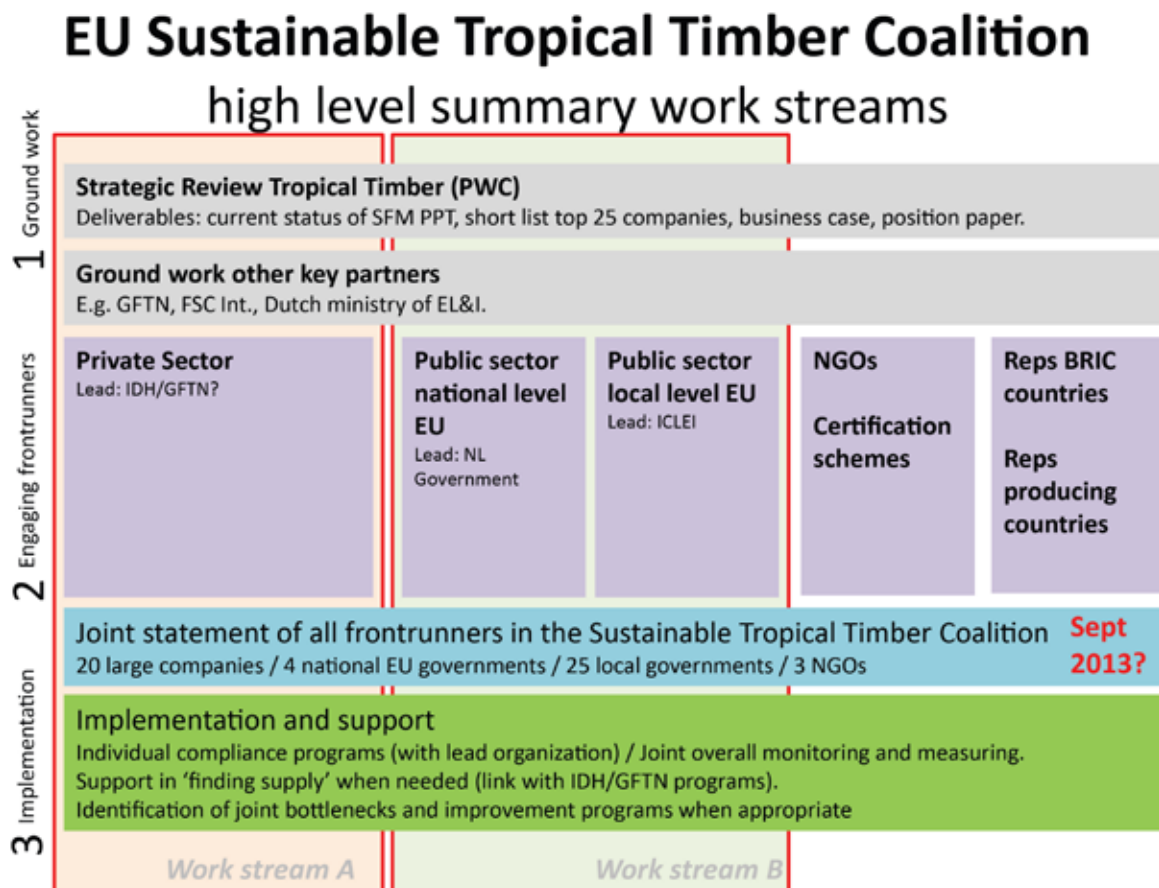
A central question forwarded by the convenors to the breakout group participants was how to build on the momentum created by the EUTR and other legality initiatives to raise the bar to sustainable tropical timber. Sustainable timber should become the standard within a few years. The reasons for this are 3-fold:

- Increase the standard for forest management: to prevent further deforestation of natural tropical forests
- Risk mitigation: such as reduction of the risk for supply certainty
- Relatively little additional costs (cost analysis is currently being executed)

The convenors presented an **emerging initial idea** to establish an EU Coalition for Sustainable Tropical Timber, consisting of front runner EU and producer countries, companies, NGOs, certifying schemes, etc. to bundle the powers of existing initiatives. The goal of the Coalition is to reach a situation in which the EU private sectors and governments will deal with sustainable timber only.

It should focus on a strong engagement and implementation trajectory that is monitored; it should aim to create growth of demand for sustainable timber, enhancing the scaling up of activities, addressing joint bottlenecks and the creation level playing fields for sustainable timber producers and traders

The general idea for such a front runner coalition has been encapsulated in following scheme:



Highlights from the discussions

- Participants in general acknowledged the need for additional collaborative initiatives/ impulses to keep the momentum to stop tropical deforestation and to go from legal to sustainable timber production, also to avoid that front runner companies are not frustrated in their endeavours.
- Participants were positive on the rationale and relevance of the idea of a front-runner coalition, but felt the need for further information and reflections to give straightforward responses. Questions were raised on the scope and objectives, strategy, value added and operation of such a coalition.
- Participants agreed that any additional initiatives should depart from a collaborative and joint effort between private sector, governments, NGOs and knowledge organisations. For such cooperation two factors were considered critical:
 - *Timing*: the requirements of the forthcoming EUTR will enhance that timber procuring parties (companies, governments) will pay more attention to the source of origin. They will buy wood only from undisputed legal sources. Certified timber may be a sound alternative against little additional costs or in case of supply shortages of FLEGT licence timber. So, this is now the momentum to collaborate.
 - *A long term perspective*: real collaboration is only possible if parties see and acknowledge the long-term effects of their actions. Whereas certified timber nowadays still is the more expensive alternative, this will altered in future. Parties must that have a clear understanding of that in order to formulate joint objectives and actions.
- The need for a clear definition of sustainable timber/certified timber was mentioned; to be based on technical specifications. In the coalition the country definition for sustainable timber will be used.
- An important remark was made that the such a coalition shouldn't neglect the on-going FLEGT partnership processes, both should strengthen each other
- Further it was discussed to not lose focus on arranging sustainability as the minimum standard in the Dutch market first. Only then we can be a true frontrunner and best practices and lessons learned.
- It is important to include the sourcing countries and other countries like China. But, approach them carefully; don't impose, make it a 'tea drinking party'. This of course raises the question; Is there enough trigger for producing countries to raise the bar from illegal to legal and finally sustainable at this point in time?
- Watch the back-door! Keep a close watch on the timber entering in different parts of the European border; this is very complicated in implementation. If not done carefully, there's a risk illegally harvested timber may slip through.
- Don't forget the importance of knowledge and research
 - Example in Brazil were there were no good seeds available to produce good quality tree plantations, therefore no competition on the market.
- What should get the priority focus : developing the market or enhancing consumer demand?
 - "Don't leave the choice with the consumer, just offer certified timber" (RJ Dekker, Royal Dekker)
 - Step up the consumer demand for sustainable timber (E. Lammerts van Bueren, ISAFOR)
- As for the engaging frontrunners: balance, reinforce each other, don't compete!!
- The Coalition shouldn't underestimate what politics can do. It is an important component of frontrunner collaboration.
 - Example, 10 years ago with mad cow disease and the Philippines.

- Participants identified some key roles for the different stakeholders to increase the demand for legal/sustainable timber:
 - Private sector
 - » *Retail*: Offer only certified wood to clients; don't offer consumers a choice between certified and non-certified (note: this is only possible if all conditions for a level-playing field are being met)
 - » *Building sector*: In this sector there are additional problems (both in public and private projects). The persons in charge of procurement do not always implement the organisation's policy. They have been trained for years to buy the highest quality products at the lowest prices. Usually that are not certified products as these tend to be more expensive. That's why at the procurement level problems occur.
 - NGO's
 - » Keep track of the implementation of the EUTR and show-case violations ("naming & shaming"). This is considered important as it helps to ban illegal timber from the EU market; presence of illegally sourced timber on the market causes unfair competition to legal and sustainable produced timber
 - Research Institutes
 - » *Support to timber procurers with proper information. Not all timber species are yet available with a certificate. Procurers that have been tasked to buy only certified/legal timber occasionally have to find certified alternatives with the same qualities. Researchers could provide the necessary information for that.*
 - Governments
 - » Develop a common procurement policy at all government levels. Government bodies are an important buyer of tropical timber. Concerted efforts in government procurement can strongly influence the demand for sustainable timber from the tropics
 - » The government can help to stimulate collaboration between parties by addressing barriers for such cooperation; as an example the discussion between FSC and the Dutch retail sector was mentioned.

Take-home messages:

- We all feel that for tropical timber sustainability should be the standard, there is a momentum now to make it happen.
- Make sure the EU sustainable tropical timber coalition, FLEGT and the EU TR strengthen each other.
- Practice what you preach: integrating sustainability in core (private/public) policies is a very important first step, but focus should also be on implementing them.

A2 Summary report group 2: Enterprise perspectives and dilemmas on CSR

Convenor: **Mr. August Mesker**, VNO/NCW/MKB Platform Biodiversity, Ecosystems and Economy

Reporters: **Herman Savenije**, TBI with **Ronald Lubberts**, RespEquity

The *Platform Biodiversity, Ecosystems and Economy* (BEE) is a joint initiative of IUCN Netherlands and Confederation of Dutch Industry and Employers VNO-NCW. **Partners include** companies and their umbrella organizations (f.e. Shell, FrieslandCampina, DSM, Agricultural Federation LTO, Recron), IDH Dutch Sustainable Trade Initiative, Nature conservation organizations (Natuurmonumenten, Wetlands International, Natuur & Milieu, Sovon), International Development Aid organizations (Hivos) and science (Wageningen UR). The Platform BEE essentially is a public-private partnership

Purpose of the Platform BEE is the conservation, restoration and sustainable use of ecosystems, biodiversity and natural resources ('green growth') by:

- Dialogue and cooperation between stakeholders
- Raising awareness and willingness to act in business
- Better understanding of dependencies on ecosystem services and dynamics of ecosystems
- Pilot projects (for which it has a budget)
- Generate consensus for sensible public policies
- International cooperation, private sector and public sector (ODA)

Sustainability is increasingly a corporate concern in doing business:

- CSR is increasingly gaining ground as a 'license to operate'
- People - Planet - Profit: concept now widely accepted
- Growing awareness of dependency of economy on biotic resources and ecosystem services ('bio based economy', TEEB-studies)
- Agri- and aquaculture basis for food, feed, fibres, fuel, pharmacy and materials (wood, bio plastics)
- Impact of economic activity on climate and ecosystems, locally and globally
- Global competition for scarce resources; food versus fuels
- Ecosystems/biodiversity gaining weight in CSR and reporting
- Sustainable economy is circular: recycling of materials and nutrients

However there are also several challenges to overcome to mainstream CSR:

- In the OECD CSR-guidelines environment should get more attention
- Reporting: must it be voluntarily or mandatory
- There are uncertainties about specific impacts of companies and sectors on ecosystems
- Measuring, monitoring and valuing impacts; what are the appropriate indicators?
- What is good (enough) practice?
- Many initiatives (IDH, MVO, WBCSD, Global Compact, BBOP, GRI, GDI, REDD, DSGC, IUCN Leaders for Nature, CoP, ...). Which one(s) to join?
- Labeling, certification: standardization?
- What is the individual company's responsibility in production chain
- What are the costs? Is there a business case for change towards sustainability?

It's becoming increasingly clear that CSR is a critical component of risk management

Mr Mesker mentions several issues and dilemmas that need to be sorted out in the road towards scaling-up CSR in daily business of companies:

- Risk areas: labour/human rights, environment, corruption
- Business case/ costs versus competitiveness (what if compliance by competitors is doubtful)
- Will consumers pay for better than minimum CSR-quality?
- Self-regulation vs. regulation and enforcement by government
- Labour conditions, safety: different regions, different standards?
- Integral global standards or sectoral and situation specific?
Example: certificate for eco-friendly forestry denied due to non-compliance with general housing requirements for employees
- Origins of commodities/inputs often unknown
- Supplier claims compliance, but is not willing to allow inspection

To spur the group discussions he formulated 10 statements:

1. Sustainability is simply too costly, consumers are not willing to pay
2. Retailer is responsible, no matter what the chain of production looks like
3. Labels should be voluntary and established by business itself
4. Labels should be controlled independently, by accountants/government
5. Certification should be obligatory
6. Trade restrictions for non-certified products will do the job
7. Certification is a barrier for small farmers for access to markets
8. Certification leads to cartels
9. 'Green economy' is a pretext / euphemism for protection
10. Green economy requires international governance

Highlights from the discussions:

In the discussions that followed following points were raised:

- The need to internalize the values of global public goods (including forests) into policies and markets and get fair prices.
- The complexity of the issues to unite conservation and growth remains overwhelming and challenging.
- The importance to recognize that the perspectives taken by actors on CSR much depends on their position and related economic dependencies (producer, consumer, citizen; environmentalist or participant in the sustainability value chain);
- With regard to 'green growth' it was raised whether this is a real call for change or just a survival strategy for the continuation of an old business paradigm.
- Business cannot do it alone; there is a need for policy arrangements and private-private and public-private arrangements and partnerships.
- Particularly the importance of partnerships between NGOs and business, as together they can make a more convincing case for sustainable business.
- The development of CSR, voluntary labelling and certification, new alliances between business and NGOs, etc., is creating a complete new industry and market mimicking business processes, with new efficiency, reporting and operation criteria while creating new interdependencies.
- The need for practical approaches ("ethics are scary for business").
- Given the above observations there was a general call for good education, information and knowledge and a well informed electorate.

A3. Summary report session 3: “Perspectives and dilemmas of CSR in Africa”

Convenor: **Mrs. Elisabeth van Loon-Muller**, Netherlands-African Business Council (NABC)

Reporter: **Frans Bongers**, Wageningen University

Policies are developed by governments and local institutes and unfortunately, in many countries, the private sector is not (yet) a stakeholder in the debate on improving responsible business development. There is much more need to start at bottom of the entrepreneurial pyramid. Connections are crucial and connections need to be locally embedded. The Netherlands African Business Council (NABC) is a private sector organization started in 1947 and is driven and funded by its members with the objective to stimulate and promote Dutch-African bilateral trade and investment fostering local private sector development in a sustainable way. NABC provides effective support for member firms that are or want to be active in Africa. The often negative image of Africa causes numerous Dutch firms to neglect thorough investigation of the tremendous business opportunities in the continent. In collaboration with African partners the NABC delivers effective promotion and utilization of economic opportunities in Africa, by:

- Actively supporting firms with our dynamic network of Dutch and African business contacts;
- Cooperating intensively with Dutch and African authorities and Chambers of Commerce;
- Improving Africa’s image as a trade and investment destination.

In NABCs vision increase of trade and foreign investment will lead to higher overall investment levels in Africa, higher productivity, increased employment, and higher income levels. Moreover, through knowledge exchange associated with foreign direct investment, there is a positive effect on the development of the private sector in Africa, including the strengthening of corporate governance. Last but not least, the utilization of economic opportunities in Africa is beneficial for the Dutch economy and the international position of Dutch businesses. For more information, see: www.nabc.nl

In the discussions following points were highlighted:

- Building consortia between business companies, institutions and universities is crucial for further development. (see also: .
- CSR is not an explicit core element in NABC as they feel it is integral part of all companies strategies. Without proper CSR companies cannot work.
- Forestry is new in NABC but forestry related connections are widespread. Embassies are not supporting forestry related issues.
- A major dilemma is the quality of the institutions in many African countries. Property rights are unclear, corruption is a major issue.
- Finding the right experts is another major issue. The Dutch government could do a better job there, e.g. through the embassies. Quality of people in African countries is different from what is expected in the Netherlands and the way business is acted is also different. Flexible, broad people are needed. NABC can help in that sense as well. They create connections. NABC creates hubs in African countries.
- All companies are fully aware of the importance of CSR, if only for the interest of the continuity of the company.
- Bankability is another issue as this creates confidence (two-sided). Social security is becoming an increasing issue, and insurances are increasing now.
- More pro-active policies are needed, e.g. from the government, in view of future possibilities and developments
- There is more vision needed on integration of various issues, and translation to local

situation is still weak. The Dutch government may increase these aspects, support further development and may interact more with companies in strategy development.

- International standards and agreements change (too) regularly and are difficult to follow in the local context.

A4. Summary report session 4: Perspectives and dilemmas of the timber trade sector

Convenor: **Mr. Paul van den Heuvel**, Royal Netherlands Timber Trade Association (VNH)

Reporter: **Chris Geerling**, Carnbee Consult

Paul van den Heuvel gave an overview of initiatives started by the VNH to stimulate the production and trade of sustainable timber towards the use of 100% certified wood (FSC and PEFC); awareness-raising campaigns involving all chain partners aiming at consumers with a common message are an important element of this. The VNH members – in total covering approximately 65 % of the Dutch market – want to realize the 100% certified ambition by 2020. To realize this ambition the supply of FSC and PEFC certified wood must be increased; demand side measures include the use of financial instruments, stimulate engagement of all chain actors and establish sustainable timber as the norm in public and private procurement policies. See also Bewust met Hout website: www.bewustmethout.nl/. Currently a “Green Deal” is explored between private sector, government and certifying bodies and NGOs to further stimulate certified timber, to bundle efforts, streamline communication and facilitate frontrunners.

On a global scale only 16% of the production forests are certified. A big challenge is how we can influence the 84% of the production forests areas that aren't certified yet, most of which are companies and markets that are beyond our reach. This requires at least coordinated international action and a more active engagement of all stakeholders. We need international (public and private) policies and measures that create level playing fields and incentives for certified wood and that also take into account the environmental impacts and hidden costs of production of wood substitutes, such as aluminium, steel and plastics.

In the discussions participants agreed that conservation of forest resources requires hand in hand cooperation between companies, NGOs and public sector.

They also noted the problem of the limited profitability of the sustainable management and conservation of forest resources. Certification is expensive. Given the difficulties to attract commercial investors in forest management and conservation, public and private support of the national and international donors is still important. Their role should focus on providing seed money for forest companies that are operating responsibly. At the same time it is important to recognize the multiple values of sustainable forest management beyond timber and other marketable goods and services. Market incentives need to be created to encourage frontrunners setting the standards that guarantee sustainability.

Take-home messages:

General

- Join forces within all actors in the chain
- Coordinate all 'chain' initiatives and communicate one message.
- Join forces with all stakeholders (NGO's and government institutions) and re-focus efforts. The forest industry is a part of the solution, no longer the problem.
- Story telling is an effective market tool

The normative quality aspects

The quality part works – e.g. FLEGT, certification-, but there is no level playing field yet , so

- Simplify the certification process, this could lower the costs considerably
- Stimulate demands per branch, not per enterprise
- Apply the same quality criteria for competing products and materials

Working in producer countries

- Provide seed money to help and facilitate initiatives at the initial stages of the chain
- Make CSR an example of quality of the Dutch private sector working overseas
- Mobilise all players, in particular the “Civil Society”.

A5. Summary report session 5: Supply chain responsibility and sustainable business opportunities

Convenor: **Mrs. Bernedine Bos**, MVO Nederland

Reporters: **Mark van Oorschot**, PBL & **Pieter Zuidema**, Wageningen University

MVO Nederland (CSR Netherlands) is the national knowledge centre and network organisation for corporate social responsibility (CSR) with the mission to actively engage with companies wishing to make their commercial operations sustainable. MVO Nederland provides tangible substance to CSR by translating sustainability into market opportunities, tips, practical examples and contacts, for every entrepreneur. The key elements are a triple-P approach, stakeholder engagement and transparency on decisions. MVO is financed by public and private sources.

The following 4 issues emerged from the discussions

1. There are many SMEs (small and medium sized enterprises) in the Netherlands involved in supply chains that are linked to forests:
 - Logging companies,
 - Building companies,
 - Garden centres (furniture),
 - Paper factories and publishers,
 - Retailers.
2. Barriers for SMEs to further engage in SFM include:
 - High costs of certification,
 - Complexity of getting certified for small SMEs,
 - Lack of knowledge on why and how,
 - Lack of demand (either from individual consumers or governmental).
3. How can one activate these SMEs to get involved in sustainable forestry?
 - Make certification easier – create group processes to lower the effort,
 - Raise awareness by offering Information on the importance of forests and SFM,
 - Educate the consumer and SMEs (function of storytelling),
 - Stimulate demand for sustainably produced wood,
 - Approach companies through sector initiatives, not individual approaches,
 - Facilitate and reward fore-runners,
 - Think of other instruments than certification,
 - Define a common bottom-line.

4. How can investments in (sustainable) forestry be stimulated:

A variety of companies can be identified: flower and orchid growers; pharmaceutical companies; cosmetic suppliers; food industries; farmers; tourism sector, etc.

Key words here are:

- Activate by engaging, and inviting companies to come with solutions and innovation.
- Create commitment by inviting companies to participate in for instance the Borneo initiative.