3.5 Where next for forest governance reform?

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The Chatham House assessment

In 2010, Chatham House published a major report documenting ten years of progress in tackling illegal logging and associated trade.[1] The ambitious and wide-ranging report was the culmination of a number of years of work by Chatham House to develop and implement a practical methodology for measuring illegal logging and associated trade and the response to it.

The study looked at efforts by both the public and private sector, and examined countries that process and consume illegally sourced wood products as well as the countries of origin of these products. The methodology included a detailed and structured assessment of relevant policy measures, perceptions surveys and other measurement tools, including media reviews, wood balance modelling[2] and import source analysis.[3] So far, Chatham House has assessed five timber producer countries (Brazil, Cameroon, Ghana, Indonesia and Malaysia), two processing countries (China and Vietnam) and five consumer countries (France, Japan, the Netherlands, the UK and the U.S.). Table 1 summarizes the indicators and results.

IT IS ESSENTIAL THAT THE CLIMATE CHANGE AGENDA FOR FORESTS SERVES TO REINFORCE THE EXISTING RESPONSE TO ILLEGAL LOGGING AND POOR FOREST GOVERNANCE RATHER THAN DISTRACT FROM IT.

One overall conclusion — that illegal logging has decreased considerably in a number of key countries (Brazil, Cameroon and Indonesia) — received substantial attention from the media and relevant stakeholders. Much less attention has been paid to the report's more detailed findings and their implications. This includes the detailed findings for specific countries, the general implications for future efforts to address the problem, and lessons for how best to measure illegal logging and broader forest governance.

The work has important implications for policy processes and interventions, including the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) initiative and various new measures to reduce emissions from deforestation and forest degradation (such as REDD+). Although the work was branded as an assessment of illegal logging, key indicators — such as the policy assessment and perception surveys — assess and inform forest governance more broadly.

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Table 1. Chatham House illegal logging indicators

Trends in countries assessed to date

	Brazil	Cameroon	Ghana	Indonesia	Malaysia
High-level policy					
Legislative framework					
Checks and balances					
International trade cooperation*					
Supply and demand					
Tenure and use rights*					
Timber chain of custody					
Transparency					
Resource allocation*					
Law enforcement					
Information management					
Financial management					

Percent of maximum score: 25% or below 25–50% 50–75% 75% and above

*In calculating overall percentage scores, all policies and sub-policies have been treated equally, although some are arguably more important than others.

Source: Chatham House assessment: Section 2.1 of Appendix A and subsections 3.1.1–3.1.12 (see endnote 1)

Lessons for efforts to improve forest governance

The main lesson from the study is that illegal logging and associated trade can be effectively reduced and forest governance can be improved. Tackling these problems is a cost-effective means by which to reduce deforestation and forest degradation — and thereby reduce climate emissions — while also protecting the environment and forest-dependent livelihoods. The study estimated that the reductions in illegal logging observed in Brazil, Cameroon and Indonesia over the last decade may have avoided 1.2 billion tonnes of carbon dioxide emissions, possibly for as little as ten cents a tonne.

This achievement is not a justification for complacency; in fact, it is quite the opposite. As anyone who works on forest issues knows, there remains a great deal of room for improvement. Decision-makers don't just need to be persuaded that a problem needs to be solved; they also need to be shown that it can be solved. Now that CO_2 reduction has been demonstrated, it should provide renewed impetus to make further improvements.

Unfortunately, the report sounded one negative note: attention to illegal logging and poor forest governance appears to be waning as focus shifts to the role of forests in mitigating climate change and the development of financing incentives for forest retention. As the report notes, if further improvements are to be obtained "it is essential that the climate change agenda for forests serves to reinforce the existing response to illegal logging and poor forest governance rather than distract from it."

There are many more country-specific lessons and implications from the work than could possibly be mentioned here. The following discussion includes some key general lessons for supply- and demand-side actions.

Supply-side lessons

One of the largest parts of the Chatham House study involved a structured assessment and scoring of the policies, laws and regulations in the five timber-producing countries (Brazil, Cameroon, Ghana, Indonesia and Malaysia). The analysis sought to measure the extent to which each country's government was doing the things generally considered necessary to ensure good forest governance. The countries were assessed against 48 individual questions and sub-questions, arranged under twelve headings.

Under the heading "allocation and management of rights to harvest," for instance, one question asked whether an open and competitive award process was used to allocate such rights. Under the heading "transparency," on the other hand, one question looked at the availability of concession maps and forest management plans. Up to three individual scores (on scales of 0–2 or 0–5) were given for each country against each question.

These scores examined in turn whether a policy or regulation existed, how well designed it was, and how well implemented it was in practice. For example, the assessment looked at whether transparency of concession maps and plans is required by regulations, how well defined and strong any such requirements are, and the extent to which the documents are actually obtainable in practice. A summary diagram showing the results of the policy assessment for the five producer countries is provided in Table 2.

The assessment demonstrated how ineffective the policy response continues to be in most countries. While illegal logging has decreased considerably in Cameroon and Indonesia, this has largely occurred in spite of and not because of these countries' laws, regulations and policies, which remain very poorly designed and implemented. In Indonesia, for example, improved political will and subsequent enforcement have been key, while in Cameroon both the independent monitor and European market demands have been important.

For this reason, any improvements seen have focused largely on those issues — such as the most blatant forms of illegal harvesting and concessions that directly supply the most sensitive markets — that respond most easily to simple increases in enforcement or to market pressure. As these issues have declined, the relative importance of other, more intractable, aspects has increased. This includes illegal logging by smaller concessionaires, domestic producer-country markets for illegal wood products, illegal issuance of licences to harvest, failure to gazette forest concessions, illegal logging by companies with harvesting licences within their licensed area, illegalities related to the clearance of forest for agricultural or timber plantations or for open-pit mines, and failures to respect local rights and obligations to communities.

Table 2. Chatham House producer country policy assessment: summary results

	Producer					Process		Consumer				
	1	2	3	4	5	6	7	8	9	10	11	12
Attention												
Volume of international media coverage												
Volume of domestic media coverage												
Government policy development and implementation												
Policy assessment												
Enforcement and revenue capture data												
Expert perceptions of government response												
Private-sector policy development and implementation												
Certification and verification schemes												
Diversion to less sensitive markets due to response												
Expert perceptions of progress by private sector												
Levels of illegal logging and associated trade												
Balance between legal supply and demand												
Trade data discrepancies												
Import source assessment of illegally sourced imports												
Expert perceptions of scale of illegal logging and trade												

Improving Worsening Not relevant/not assessed Inconclusive/only baseline available

Producer: 1. Brazil; 2. Cameroon; 3. Ghana; 4. Indonesia; 5. Malaysia; Process: 6. China; 7. Vietnam; Consumer: 8. France; 9. Japan; 10. the Netherlands; 11. UK; 12. U.S.

Tackling these more intractable issues will require a much more profound improvement in general governance, including widespread changes to how laws, regulations and policies are defined and implemented. Some recent positive developments have been made in this regard. They have often been influenced by research and negotiations taking place under the auspices of the EU's FLEGT Voluntary Partnership Agreement (VPA) programme.

Further improvements need to be encouraged by countries with which the EU engages. Though such basic reforms arguably already fall within the scope of REDD+ readiness programmes in some countries, these programmes usually focus on REDD-specific requirements such as carbon accounting methods or the development of systems for establishing baseline and reference emission levels. Yet without improvements in governance, REDD is unlikely to be successful. It is therefore important that REDD+ programmes more actively support such improvements.

Demand-side lessons

Chatham House's research demonstrates that actions in some consumer countries to address demand-side drivers of illegal deforestation and forest degradation have led to improvements. Together, consumer campaigning by NGOs and procurement policies implemented by governments have prompted many companies to make greater efforts to improve timber and wood-product supply chains. There are limits to what these measures can achieve, however, since most purchasing is non-government and campaigning by NGOs tends to focus only on the largest companies.

Further reductions in the consumption of illegal wood in sensitive consumer markets will likely depend on new regulatory measures governing import and sale, such as the EU's VPAs and Timber Regulation, and the U.S. *Lacey Act* amendment.[4] The lesson from other relevant trade measures, such as those under the Convention on International Trade in Endangered Species (CITES), is that if they are to be effective, it is essential that these provisions be well implemented and properly enforced. Provisions for strong penalties are important, but these alone cannot be relied on to ensure compliance. Training and information dissemination are also required, and competent authorities must be provided with the resources needed to carry out inspections and undertake prosecutions. Meanwhile, if the diversion of illegally sourced wood elsewhere is to be avoided, it is also critical that these measures are emulated in other key consumer markets, such as Japan.

Unfortunately, ensuring the legality of wood supplies has become much more difficult over the last ten years, as supply chains have become more complex. In 2008, more than half of the illegally sourced wood estimated to have been imported by the consumer countries studied had been processed in third-party countries (mostly China), up from just 15% in 2000. This presents real challenges for demand-side measures. More concrete measures by governments of processing countries, especially China, are key in overcoming the challenges involved.

Less sensitive end-markets (of which China is also one) are a further challenge. An increasing proportion of illegally sourced wood is now consumed outside of the western markets where concerns over legality and sustainability are greatest. VPAs provide opportunities in this regard. Although the agreements are designed to be bilateral and need only to encompass production destined for Europe, the agreements so far include all production and all exports from the partner country concerned. To maximize this opportunity, it is important that other key importing countries are encouraged to put regulations in place that recognize the licenses produced under the legality assurance systems in EU VPA producer countries, and refuse entry to shipments which do not have the relevant paperwork.

The increasing relative importance in producer countries of illegal clearance of forest for agriculture and of consumption of illegal wood in domestic markets also have demand-side implications. Even if all the timber and wood products imported by consumer countries were legally obtained, these countries might continue to drive illegal deforestation by importing agricultural products (such as palm oil, soya, beef or

plantation timber) grown on land which was illegally cleared of forest, with the timber sold off locally. If consumer countries are to fully eliminate all drivers of illegal deforestation and forest degradation, action will also be needed on agricultural commodities.[5]

Lessons for efforts to measure forest governance

Chatham House's indicators are not the only ones that have been developed to try to measure forest governance. Other notable work has been carried out by the World Resources Institute (WRI)[6] and the World Bank,[7] among others. The demand for practical means with which to measure illegal logging and associated trade and broader forest governance has increased in recent years, in response to international forest policy developments. The most notable are the European Union's FLEGT action plan and the various new REDD+ initiatives. Improving forest governance is a central goal of the former; for the latter, such improvements are seen as both a necessary prerequisite and a key safeguard. Both FLEGT and REDD+ initiatives require practical means with which to measure forest governance over time (see Section 2).

Balancing robustness and practicality

Due to the nature of illegal logging and forest governance, no method of measurement will ever be perfectly accurate or objective. Even the best methods are unlikely ever to be affordable. All measurement methodologies are therefore by necessity compromises between robustness and practicality, and their results are subject to criticism. Too often, the lofty goals of those commissioning or involved in efforts to develop such methodologies have been out of touch with the realities facing those charged with implementing them. There is little point in developing incredibly complex and labour-intensive systems for assessing governance, involving full multi-stakeholder engagement, if these systems are too onerous to ever be practical.

Recent experience has shown that aiming too high can actually be counter-productive: in the absence of feasible solutions, policy practitioners end up falling back on whatever is readily quantifiable (such as seizure volumes), however useless such figures might be. The Chatham House indicators provide an example of a practical solution. The methodology is not as complete, bespoke or robust as some others, but the indicators have been designed to be applicable in all countries. In addition, they can be assessed relatively rapidly and at a reasonable cost. This demonstrates that it is possible to balance practicality and robustness.

There are two main ways in which to improve practicality: sacrificing rigorousness or sacrificing completeness (Table 3). Those developing monitoring systems are unlikely to be able to have everything, and will need to decide what to sacrifice. It is better to be realistic and make sacrifices at the design stage than aim too high and end up with nothing.

Table 3. Options for measuring forest governance over time

		Completeness	
		Addressing only that subset of forest governance aspects considered most important, which perhaps act as proxies for other aspects	Complete, addressing all aspects of forest governance in detail
Rigour	Less rigorous measurement methodology, building on existing methods, but with some adaptation based on input from country stakeholders	Option 1: The worst option, though still better than nothing and better than aiming for option 4 and not achieving it	Option 2: Sacrifice rigour for completeness
	Highly rigorous measurement methodology, custom designed from scratch with full multi-stakeholder engagement and buy-in	Option 3: Sacrifice completeness for rigour	Option 4: Very expensive, unlikely ever to be funded; certainly not likely to be funded repeatedly over time so that improvements can be tracked

Qualitative over quantitative

Another key lesson is the need to counter the "fact fallacy" — the common yet false belief that the most important thing is that an indicator be objectively quantifiable. This fallacy may stem partly from a desire to avoid criticism of results by those with an interest. Policy-makers tend to focus on measuring what is objectively quantifiable (and therefore difficult to criticize), even though such measures may be very poor proxies for the real problems and thus effectively meaningless. In the area of forest governance, objectively quantifiable indicators that actually measure what is intended are rare; it is better to use qualitative indicators, however imprecise and subjective. Both the Chatham House policy assessment scoring methodology and the perceptions survey demonstrate how the qualitative can also be transformed into the quantitative to enable monitoring of change over time.

Coordination

No single set of indicators will ever be suitable for all needs at all times, so there is little value in attempting to gain wholesale agreement for everyone to use the same ones. On the other hand, there is a danger that different processes will duplicate each others' efforts in trying to measure forest governance.

In order to help minimize this, and ensure that different parties were coordinated to the greatest extent possible, the World Bank/Profor and FAO facilitated a series of meetings in 2011 between key practitioners, including the World Bank, WRI and Chatham House. Participants agreed on a standardized framework for assessing forest governance (see

article 2.1 in this issue), which was published along with guidance on best practice.[8] The framework has three major pillars, each of which has three to five components. Each component has a number of sub-components. Various indicators can be used to measure each sub-component; these are not defined in the framework, but are left to individual practitioners to choose. The framework was developed in conjunction with some complementary guidance on REDD+ governance produced by the UN-REDD programme.[9]

Next steps

Although only a relatively small number of countries have been assessed against the Chatham House indicators, they represent a very large proportion of global illegal timber production, processing and consumption, and a significant proportion of global deforestation and forest degradation.

With support from the UK Department for International Development, Chatham House will soon be expanding the assessment to cover additional countries, and in time will also re-assess those countries already examined. In order to make the full set of data more accessible and useful, Chatham House will be developing an on-line interactive web site. This will allow those interested in specific subsets of information — on a particular country, or particular indicator, for instance — to more easily obtain only the information they want. Chatham House will also develop and pilot a methodology for conducting detailed micro-level assessments of individual districts in producer countries. These could potentially be carried out in parallel to the existing macro-level indicators and thereby provide deeper understanding.

Chatham House hopes that the results of its work will be useful to NGOs, governments and the private sector and to specific processes such as the EU VPAs and REDD+. There is also scope for the methodology to be taken up more broadly. Different practitioners can choose to implement only certain indicators, and the methodology can also be tweaked to suit individual country contexts and purposes through, for example, additional perceptions survey questions or policy questions. For instance, TRAFFIC, the wildlife trade monitoring network, is considering applying the methodology in additional Latin American countries, but allowing for some amendments based on multi-stakeholder input in each country.

As its work on the topic is expanded, Chatham House will seek to ensure maximum coordination with the other bodies involved in developing indicators and monitoring methods, both within FLEGT and REDD+. In the meantime, Chatham House will continue to spread the word on its findings, in the hope that the results and lessons learned can be applied to forest governance.

Endnotes

1. See Chatham House, Illegal logging and associated trade: indicators of the global response, July 2010, www.illegal-logging.info/uploads/CHillegalloggingpaperwebready1.pdf. A shorter briefing document summary, and one-page report cards for each country assessed, are available at www.illegal-logging.info/approach.php?a_id=186.
2. The extent to which total wood demand (domestic consumption + exports) exceeds legal supply (licensed logging + imports) is used as a measure of illegal logging.
3. This method for estimating imports of illegally sourced timber and wood products multiplies trade volumes by estimates of illegality in individual trade flows, by source and product type.
4. The U.S. *Lacey Act* was amended in 2008 to include plants. The law now makes it an offence to import or sell timber or wood products that were illegally sourced in the country of origin.
5. VPAs negotiated thus far have incorporated the production of timber for domestic consumption within planned legality assurance systems, and might therefore help address illegal clearance for agriculture by preventing the timber produced from reaching a market. Sales of timber are rarely the most important driver of such clearance, however. Often, remnant wood is simply burned or buried, or consumed locally without ever entering formal chain of custody systems. For this reason it is unlikely that additional controls on timber alone can be expected to address illegal forest clearance.
6. The WRI Forest Governance Toolkit was developed and piloted in Brazil, Cameroon and Indonesia in 2009. See http://pdf.wri.org/working_papers/gfi_tenure_indicators_sep09.pdf.
7. See *Roots for Good Forest Outcomes: An Analytical Framework for Governance Reform*, 2009, http://siteresources.worldbank.org/INTARD/Resources/forest_governance_combined_web_version.pdf.
8. Profor/FAO, Framework for Assessing Forest Governance, 2011. www.fao.org/docrep/014/i2227e/i2227e00.pdf.
9. UN-REDD/Chatham House, Guidance for the Provision of Information on REDD+ Governance, July 2011. Draft. www.unredd.net/index.php?option=com_docman&task=doc_download&gid=5336&Itemid=53.