



FINAL

Review of Independent Forest Monitoring

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Philippines

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EXECUTIVE SUMMARY

This study reports on a review of independent and external forest monitoring undertaken by the Forest Policy and Environment Group at the ODI, on behalf of DFID's Policy Division.

The background to the study is the growing importance of international initiatives to combat illegal logging, including the G8 Action Programme on Forests, the US President's Initiative against Illegal Logging and the European Commission's Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT). Initiatives such as these acknowledge the severe governance problems which affect the forest sector in many countries, and which impact negatively on livelihoods, the environment and external trade. The low credibility of established accountability and enforcement mechanisms, including government law enforcement agencies, is seen as one dimension of a problem which urgently needs to be addressed. The UK has played a prominent role in efforts to control illegal logging and associated trade, and has provided support for a number of instances of external monitoring.

The main focus of the review was on monitoring of enforcement activities within the official command and control regime (referred to here as 'independent monitoring'). Other instances of third party monitoring of forest operations were also examined; these are referred to in a broader generic category of 'external monitoring'. Voluntary industry-led initiatives, such as forest certification, were not addressed in the review. Programmes of interest included the independent monitoring of government enforcement activities in Cambodia and Cameroon by the NGO 'Global Witness', and external monitoring of forest operations in Indonesia by the NGOs Environmental Investigation Agency and Telapak, all of which have been supported, *inter alia*, by DFID. Investments by other governments and donors were also covered, including two further instances of independent monitoring in Cameroon (one NGO, the other private sector), and the 'Multi-sectoral forest protection committees' in The Philippines. The aim was to determine how effective such investments have been in improving the availability of information and stimulating and sustaining change on the part of enforcement agencies.

This was a formative review to prepare recommendations for future support. It was recognised that the situations covered were often problematic, and that the initiatives were to be considered as pilots, and hence useful learning events.

Among the objectives, the study team was asked to determine:

- a) the *effectiveness* of the initiatives covered in changing enforcement practices;
- b) their *acceptability* to different stakeholders;
- c) their longer-term *sustainability*;
- d) the impact of such initiatives on *wider international forest policy debate*.

The review was based on two months' work, including visits to the four main countries (Cambodia, Cameroon, Indonesia and the Philippines), as well as interviews in the UK and USA and elsewhere. Four local consultants were engaged for the country reviews. Research methods were essentially interview-based, supported by literature reviews.

The report is in four sections.

Section One reviews the initiatives covered, and identifies a range of contextual variables which need to be taken into account in assessing monitoring performance. National contexts differ significantly, as do the interests which monitoring is expected to serve. Where multiple goals exist, it is unlikely that all of them can be met simultaneously.

Section Two assesses experiences to date, focusing on the four priority issues set out in the terms of reference.

A number of positive effects are identified:

- There had been an increase in the levels of information and knowledge, as well as in public accountability and transparency.
- In management terms, there was evidence of increased discipline within both the state enforcement agencies and the timber industry, and in some cases the quality of official reporting had improved.
- Partners had gained policy leverage, and there was added momentum for forest sector reform.
- In terms of global processes, there had also been a useful injection of new information to support international debate, and there was growing interest, at inter-governmental level, in the idea of independent monitoring.

There was rather less confidence, however, that these benefits would be sustained in the longer-term.

- The biggest gains had been felt by external rather than domestic constituencies.
- The efforts of the monitors had not necessarily generated a broad national constituency for change, and ownership at this level was low.
- The initiatives had not been very effective in addressing the economic role of forests, and had made little progress in developing a supportive constituency within the industry.
- They had often depended heavily on donor conditionalities, and declining international recourse to this instrument indicates the need to search for other more responsive and conciliatory means to reform.

These observations have implications for sustainability.

Section Three considers the lessons to be learnt from the pilot experiences.

- **An important distinction is made between independent monitoring - third-party monitoring of the regulatory regime - and other forms of external monitoring.**

Independent monitoring has a particularly demanding brief. It needs to conform to exacting standards of independence and impartiality and to build towards national ownership, while not compromising on the search for truth. **'Independence' has a number of aspects, including freedom from conflicting associations, interests and outcomes, as well as from external perceptions which might diminish credibility.** Given the many interests that converge on the forest estate, and the heavy dependence

of the monitor on limited sources of funding, considerable thought needs to be given to the institutional structures and processes that should be put in place to safeguard these principles.

- **Except in specialist areas (such as monitoring of the award of concessions), the preference of almost all observers was for an NGO rather than private sector provider.**

NGOs tended to be preferred on the grounds both of their positive qualities (at least potentially) and because of their lack of some negative qualities. Examples of the former include strong social values and motivations, the spirit of public service and self-sacrifice, and commitment to a cause. Examples of the latter include the absence of a profit motive and potentially conflicting relationships with the forest industry and government.

- **There was wide recognition that involvement of an international agency (usually an NGO) was often beneficial.**

This was not to doubt the competence of many local providers, but merely to recognise their vulnerability in what has proven to be quite a hazardous field. An external perspective was also regarded as essential to public credibility. Industry-led initiatives with no recourse to external validation were not regarded very enthusiastically by most observers.

- **An important area of contention is campaigning and advocacy. The view is taken that, by and large, campaigning and advocacy are incompatible with independent monitoring, though sometimes useful attributes for other forms of external monitoring.**

The very limited range of potential service providers in the field of forest monitoring encourages a somewhat permissive approach, to the extent that few if any of the likely candidates will be free of all interests in the forest estate. Campaigning and advocacy are recognised as in many ways the natural counterpart of NGO identity, and their complementary strengths (in terms of increased commitment and motivation, external credibility, and ability to internationalise the debate) need to be recognised. At the same time, combining oversight and advocacy is also prone to subordinate the monitoring role to the advocacy agenda, to inhibit relations of trust from developing with the official partners, and distort the national debate. A strong advocacy agenda focused on a substantial portion of the client profile represents a significant threat to independence and credibility. Thus, greater attention should be given to the structure of the delivery, including the mix of external agencies. Wherever possible, the evidence favours multiple provision, with independent monitoring figuring as but one component among several, marked out by its focus on 'monitoring the monitor' and by the high standards of impartiality and credibility which this implies.

- **There are strong grounds to argue for procurement of independent monitoring by competitive tender.**

Whatever the character of the provider, such sensitive operations should be procured under terms which ensure maximum national and international legitimacy. This would have other beneficial secondary effects.

- **The development of an exit strategy for the independent monitoring operation, right from the inception stage, may help create a positive working environment, and ensure that capacity building functions are not marginalised by high-profile detective activities.**

It is recognised that verification is a field which requires specialist skills, and little is to be gained by requiring monitors to take on functions for which they are ill-adapted or which might compromise their impartiality. Excessive preoccupation with other activities, such as local capacity-building, may likewise be inappropriate. At the same time, long-term crime detection can impose great strains on local actors, particularly enforcement agencies.

- **Developing a constructive profile for independent monitoring that recognises positive developments in the sector, as well as focussing on the negative forest crime aspects, is a challenge that needs to be addressed**

One of the effects of focusing the monitoring function on the issue of forest crime is that the monitor becomes tied down to the act of verification to the exclusion of a wider vision of sectoral development. Negative measures of forest crime are an essential part of the picture when it comes to securing the legality of forest products. But there are more positive indicators of management performance which do need to be tracked – and given some prominence – if the sector is to advance and the underlying aim of improved forest governance is to be realised. These include the positive steps taken by progressive forest operators to invest in management planning, consult with local populations, and limit negative impacts on the environment. A tendency to conceive of problems in terms of criminality can also divert attention away from the wider institutional context and constraints, resolution of which may be equally as important as crime detection in advancing sectoral reform. These issues represent problems for the sector as much as for the monitor.

Consideration is given to other elements which may be required to create a positive momentum for change:

- The regulatory function needs to be monitored at all pertinent stages, if the overall effectiveness of the system is to be secured.
- The simultaneous presence of one or more external monitors, in addition to the official independent monitor(s), may facilitate the circulation of information, and keep up the pressure for systematic reform.
- The reporting framework within which the monitor works, and the validation of its findings through appropriate fora, is of equal importance to the forms of the provision.

A number of possibilities are reviewed, which might provide this institutional buffer and information filter. These have two broad sets of aims:

- to share responsibility for the information generated, apply high standards of quality control, and enhance public transparency and accountability;
- to routinise the reporting operation, so that decision-making processes are depoliticised. In these ways, public credibility and participation can be maximised, and monitoring used to best effect to advance sectoral reform.

The fourth and final section of the study considers some matters arising of relevance to the donors. A range of options for future funding is reviewed.

- **Donor involvement to support independent monitoring is likely to be required in the foreseeable future in most cases**

It can be anticipated that some of the added costs can be covered from the additional revenue streams accruing where monitoring operates effectively. However, given the size of the governance problems in the sector and the innovative nature of the instrument, these sources are unlikely to be sufficient.

- **A range of additional and complementary strategies need to be considered to develop sectoral policy and practice.**

These may include other approaches to increase revenue capture, and ensure that revenues are put to good effect. Linking sector revenues to poverty reduction strategies through local government decentralisation is one such strategy, where monitoring can play an important supportive role.

As regards partner selection, influences such as the important and growing international trade constraints call for a consistent treatment of this topic by the donor community, particularly as regards country partnerships.

The review concludes with a tentative typology which seeks to marry variations in the character of the provision with differences in the operating environment. These variables are laid out in a decision-matrix, to help identify the circumstances in which different forms of monitoring are most appropriate.

There is a paradox in IFM in that situations commend themselves for action when forest management has reached crisis point, not because of the likelihood of a rapid improvement in performance or move to legality. In such circumstances, it is difficult for external monitoring to function to develop the sector, but rather easy for it to do the reverse. The governance challenge is thus particularly complex, and the starting point not ideal. The overall picture which emerges is one in which independent monitoring plays an important – but inevitably incomplete – role in the promotion of legality and the suppression of illegality. Agencies undertaking this function need to be protected in the discharge of their tasks, and to be equally protective of their own integrity. Institutional rules and structures need to be put in place to enhance both of these elements. Independent monitoring needs to be complemented by other activities which will contribute to good governance. The particular forms which such activities take will be conditioned to a significant degree by the national context, and its trading relationships.

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LIST OF ACRONYMS

| | |
|--------|--|
| BRIK | <i>'Badan Revitalisasi Industry Kayu'</i> (Timber Industry Revitalisation Agency). |
| BWI | Bretton Woods Institutions |
| CG-I | Consultative Group - Indonesia |
| CPP | Cambodian People's Party |
| CITES | Convention on the international trade in endangered species |
| DENR | Department of Environment and Natural Resources (Philippines) |
| DFID | Department for International Development (UK) |
| DFW | Department of Forestry and Wildlife (Cambodia) |
| EIA | Environmental Investigation Agency |
| EIA/T | Abbreviation for the EIA/Telapak alliance |
| EU | European Union |
| FCFA | <i>Franc de la Communauté financière Africaine</i> |
| FCMP | Forest Concession Monitoring Project (Cambodia) |
| FMCU | Forest Monitoring and Crimes Unit (Cambodia) |
| FMCRP | Forest Crime Monitoring and Reporting Project (Cambodia) |
| FLEG | Forest law enforcement & governance (E.Asia & Africa Ministerial Conferences) |
| FLEGT | Forest law enforcement, governance & trade |
| GIS | Geographical information system |
| IFM | Independent forest monitoring |
| IFM-EM | Abbreviation for independent forest monitoring – Enforcement monitoring |
| MAFF | Ministry of Agriculture, Fisheries and Food (Cambodia) |
| MOE | Ministry of the Environment (Cambodia) |
| MFPC | Multisectoral forest protection committees (Philippines) |
| MINEF | Ministry of Environment and Forests (Cameroon) |
| NGO | Non-governmental organisation |
| ODI | Overseas Development Institute (London) |
| PRS | Poverty reduction strategy |
| PRSP | Poverty reduction strategy paper |
| RIIA | Royal Institute of International Affairs (London) |
| RIL | Reduced impact logging |
| SAC | Structural adjustment conditionality |
| SEC | Securities and Exchange Commission (USA) |
| SECAL | Environment and Natural Resources – Sectoral Adjustment Loan (Philippines) |
| SFM | Sustainable forest management |
| ToR | Terms of Reference |
| UCC | <i>Unité centrale de contrôle</i> (Cameroon) |
| UFA | <i>Unité forestière d'aménagement</i> (Cameroon) – i.e. forest concession |
| WWF | Worldwide Fund for Nature |

PART ONE: THE STUDY

1.1 Background to the study

This study reports on a review of independent and external forest monitoring undertaken by the Forest Policy and Environment Group at the ODI¹, on behalf of DFID's Policy Division. The review was asked to focus mainly on verification activities, in the sense of obligatory monitoring on behalf of the state, rather than voluntary industry-led initiatives (such as forest certification). Areas of interest included the various initiatives supported by DFID in Cambodia and Cameroon co-financed by the host government and other donors, and a programme of external monitoring in Indonesia, where DFID was the sole funder. Investments by other governments and donors were also covered, most notably the World Bank-supported Multi-sectoral forest protection committees in The Philippines. The aim was to determine how effective such investments have been in improving the availability of information and in stimulating and sustaining change on the part of enforcement agencies. This was a formative, rather than evaluative, study to prepare recommendations for future support.

The background to the review is the growing importance of international initiatives to combat illegal logging. These initiatives include: the G8 Action Programme on Forests (1998), which aims to combat illegal production and trade in wood and wood products; the US President's 'Initiative against Illegal Logging', to assist developing countries address the harvest, sale and export of illegally harvested timber and products, and to tackle corruption in the forest sector in three critical regions (Congo Basin, Amazon Basin and Central America and South and South East Asia); the European Commission's Action Plan on forest law enforcement, governance and trade (FLEGT); and bilateral programmes such as DFID's work to improve forest governance, including the control of illegal logging and associated trade.²

The forest sector in tropical countries has long been recognised as particularly problematic from the perspective of governance. Operating in isolated areas and employing expensive capital in a high-risk but potentially very profitable industry, tropical timber producers have proven difficult to discipline by the state, and prone to 'capture' its agents and instruments. Such governance problems have led to a lack of reliable and transparent information on forest operations. The low credibility of established accountability and enforcement mechanisms, involving government law enforcement agencies, has contributed significantly to these difficulties.

1.2 The range of initiatives covered

To address these issues, DFID and other donors have supported external forest monitors in several countries. Most of these investments have had a capacity building component, to help central authorities improve the quality of their control activities and the credibility of the information generated. A particular area of interest has been 'independent forest monitoring' - that is, independent monitoring of government enforcement agencies. Such independent surveillance has been viewed as an important safeguard on the functioning of the traditional command and control regulatory regime.

¹ The review was led by Dr. David Brown, supported by Dr. Cecilia Luttrell and four in-country consultants - in, respectively, Cambodia, Cameroon, Indonesia and The Philippines.

² DFID's work supporting this programme is described in the document: *Illegal logging and associated trade: Tackling the underlying governance, policy and market failures*.

The review covered both ‘independent forest monitoring’ (IFM) in this sense, as well as other forms of ‘external monitoring’ (EM) – a broader category covering all forms of third party monitoring (see **Box One**).

Among the objectives of the review, the study team was asked to determine:

- a) the *effectiveness* of the various initiatives covered in changing enforcement practices;
- b) their *acceptability* to different stakeholders;
- c) their longer-term *sustainability*;
- d) their impact on *wider international forest policy debate*.

1.2.1 The agencies reviewed

The main focus of attention was three projects directly supported by DFID:

- a) Global Witness in Cambodia (independent monitor of enforcement operations, December 1999 - April 2003)
- b) Global Witness in Cameroon (independent observer of enforcement operations, from July 2001 [following pilot visits in 2000], ongoing)
- c) Environmental Investigation Agency in Indonesia (external monitoring, particularly of national parks [2000-4])

In the case of Cambodia, a private sector firm, SGS Forestry, has been contracted to succeed Global Witness, as from December 2003. This new contract was not yet fully operational at the time of the review. Thus, where there is reference to the independent monitoring in Cambodia in this report, Global Witness is normally implied.

The two Global Witness projects provide a particular focus of learning for this report. This reflects both their high international profile and the controversy which has surrounded them.³ In some senses, they provide a benchmark against which other, often less controversial, approaches can be judged. They are referred to generically as ‘independent forest monitoring of enforcement monitoring’ or ‘IFM-EM’.

Besides examining these three DFID contracts, the review team was also asked to consider a range of other initiatives, including:

- a) The agreements signed by the Government of Cameroon with other agencies for:
 - i. Independent Observer - Public Contracts (i.e. concession allocations); this contract has always been held by a private sector provider, initially Cabinet Behle [1999-2000]⁴, subsequently Cabinet Bloch-Kölle Mensah.
 - ii. Independent Observer - Forest Operations (Global Forest Watch, 2003-ongoing)
- b) The ‘Multisectoral forest protection committees’ established by the Government of the Philippines, as part of the World Bank supported SECAL programme (1992 - present); this programme has been running for almost ten years, and hence might shed interesting light on the issue of long-term sustainability.

³ See the Global Witness website, www.global-witness.org/press_releases

⁴ Cabinet Okalla was also involved in one round of reviews.

The main features of the four central initiatives are compared in **Table One**. **Boxes Two, Three** and **Four** summarise the four case studies in more detail (Box Three covers all three monitors in Cameroon).

Table One: The Four Main Case Studies

| | Global Witness Cambodia | Global Witness Cameroon | Environmental Investigation Agency | Philippines Multisectoral forest protection committees |
|--|--|---|--|---|
| <i>1. Independent Monitor</i> | ✓ | ✓ | ✗ | ✗ [more of a support to the monitoring activities of the DENR] |
| <i>2. Dates of DFID contract(s)</i> | 12/1999-4/2003 [Contracted discontinued by GoCb] | 6/10, 2000 [pilot visits]; 4-11, 2001 [transition phase]; 11, 2001 – ongoing [extended transition phase] | | 1992- ongoing |
| <i>3. Monitoring production forests</i> | ✓ | ✓ | ✗ | ✓ |
| <i>4. Monitoring protection forests</i> | ✓ | ✓ | ✓ | ✓ |
| <i>5. Working with local partner</i> | ✗ | ✗ | ✓ [Telapak] | Entirely a national partnership with multiple local actors |
| <i>6. Capacity building function</i> | ✗ | ✓ [[intended – however, in practice minor; complaints on both sides as to the lack of progress.] | ✓ [Yes, for main partner and national/local NGOs] | ✓ [though not a training programme] |
| <i>7. Previous history in the country?</i> | ✓ [Campaigning NGO since 1995] | ✗ | ✓ | A new national system under the established DENR |
| <i>8. Other programme components</i> | Functioned within World Bank-supported 'Forest Crimes & Monitoring Project' [FCMP] | Parallel contracts also awarded to: - Private sector (concession allocations) - Global Forest Watch (forest operations) | | World Bank ENR-SECAL Programme |
| <i>9. Main funders (this project)</i> | DFID/Danida/GoCb Formerly also AusAid | DFID/GoCn | DFID | World Bank, then national sources (DENR & NGO) |

Box One: Some issues of terminology

In this report, independent forest monitoring (IFM) is taken to be activities undertaken by third parties (NGO or private sector) on behalf of the state, to monitor official processes of resource utilisation and assessment. In the case of independent monitoring of enforcement operations (IFM-EM), this implies 'monitoring the official monitor' (ie. the government law enforcement agency/ies), with the aims of vetting and improving its performance. 'External monitoring' is a broader and more inclusive category, implying monitoring by external agencies of forest operations in production and/or protection forests without necessarily an official cachet or the immediate intention of verifying the activities of the official agency or any other intermediary. In practice, these two types are likely to be combined: to do their jobs effectively, independent monitors need to have some independent information on the operations of the forest industry, while external monitors are also likely to find themselves examining the effectiveness of official monitors, at least to some degree. In one of the cases of IFM-EM under review (Cambodia), the terms of reference offered to the monitor were extremely broad, and reviewing forest monitoring operations was only one element among many. In the other case (Cameroon), the original terms of reference were fairly narrow, but these were later broadened to give the monitor a more independent role. Both of these are nevertheless classed as 'IFM-EM' in this report.

The term 'verification' is interpreted in the audit literature as 'reporting and verifying of information about an organisation's performance for parties external to the organisation' (Porter *et al*, 2003: 535). 'Audit', on the other hand, is concerned with checking the operation of an organisation's environmental management systems for internal management purposes (*Ibid*). These terms are applicable independently of the status of the monitor, whether internal or external to the organisation or society under review. In the situations considered in this report, the distinction between assessments undertaken on behalf of external and internal parties may not hold with any precision, as they tend to be the result of complex processes of negotiation involving various interests and objectives, in both the public and private sectors. Thus, in several of the cases under review, the assessment was ostensibly for internal purposes, but heavily donor influenced, and oriented both to securing external market advantage and responding to international policy pressures.

Independent monitoring has a number of features in common with *forest certification*, including the fact that it involves third party verification; both also represent attempts to link forest governance to environmental and other standards. However, it differs in a number of ways:

- Certification is a voluntary procedure on the part of industry; IFM involves verification of the state services which exert obligatory supervision over the industry;
- Certification is initiated by the industry for its own purposes; IFM is initiated by the state to assure legality and basic government control within the national territory;
- Certification has an enterprise focus; IFM focuses on legality in the national forest estate;
- Certification systems vary, but they often have a strong systems audit dimension; IFM tends to have a narrower aim – monitoring forest crime;
- Certification is additional to government requirements, IFM is aimed at ensuring that the basic legal requirements set by the government are met;
- The costs of certification are borne by the industry, the costs of IFM are largely borne by the state;
- Certification has mainly commercial aims – to provide a green label, or move in that direction; at least in theory, IFM has no commercial focus;
- At least one of the major certification systems (FSC) has an advocacy focus; IFM arguably should not;
- Certification has tended to be framed within an orientation to sustainable forest management; IFM has more limited aim – to ensure that timber and products are legally sourced.

Other programmes examined

A number of additional monitoring and audit programmes of a comparable nature were identified by the team in the course of the review, and the most interesting of these are:

- Forest Practices Board (Province of British Columbia, Canada)
- Forest Audit Process (Province of Ontario, Canada)
- The 'Outsourced Forestry Supervision System' (Ecuador)
- *BRIK*⁵ - a voluntary industry-initiated system, recently introduced in Indonesia).

Note was also taken of comparable intra- and extra-sectoral initiatives, such as:

- The Kimberley Process (diamonds)
- CITES (trade in endangered species of endangered species of plants and animals)

1.2.2 The influence of context

An important contextual variable for the study is the national and international environment in which the monitoring activities take place. The context of production and commerce imposes significant constraints on the operation of the monitors. Challenging questions are posed as to the performance improvements which monitoring should be able to deliver, given the other extraneous influences with which it has to contend.

In terms of international context, the trade dimensions are particularly influential. Proximity to green or non-green markets has effects on the incentives for investment in legal enterprise. The societies of South East Asia, for example, are all heavily influenced by the Japanese and Chinese markets, which have not hitherto been very eco-aware. These and a small number of other Asian markets (Malaysia, South Korea and Taiwan) absorb the vast majority of Indonesia's timber exports. Cameroon's trade, on the other hand, is strongly focused on Europe, a trading environment which is increasingly eco-aware, and the country thus has an immediate incentive to invest in verification. In both cases, however, impending EU FLEGT Action Plan is likely to increase the pressures for reform, as countries which sign up to 'voluntary partnership agreements' will be required to show that all timber sold to Europe has been legally harvested. Even where the export trade of a country is not predominantly Europe-oriented, there may still be some producers for whom such credentials are crucial, and this may have positive knock-on effects.

The taxation rules which govern forest exploitation also impinge directly on the level of respect for the command and control regime. Where royalty rates are excessively high to the point of precluding or severely hampering profitable trade, then there will be an incentive to circumvent the law. Similarly, where the transformation industry is out of balance with the sustainable harvest (as is arguably the case in countries like Cameroon and Indonesia, where installed capacity now exceeds the allowable sale quantity), then verification is likely to face an uphill struggle, however theoretically effective are the systems which are put in place.

Other extra-sectoral influences impinge directly on timber production and trade. For example, political decentralisation is liable to create competing jurisdictions over the timber estate, with both national and local authorities able to allocate rights over the

⁵ BRIK = '*Badan Revitalisasi Industri Kayu*' (Timber Industry Revitalisation Agency).

same area of the resource. In tropical environments, an added complication tends to be the complexity and uncertainty of the tenurial regimes governing both land and trees. Tenurial systems established under the colonial regimes were often unfavourable to the small producer, and post-colonial governments have rarely significantly modified the rules that they inherited. In such contexts, the effect may be to render an already unsatisfactory situation even more complex and hazardous. Paradoxically, partial decentralisation of resource management could well increase the incentive at the centre to invest in verification in that, where central authorities have lost their control over the now-decentralised forest estate, they may have increased need for external information to bolster their authority.

Appendix One provides further information on the main contextual variables, and some of the key questions which are posed for this study. **Appendix Two** provides basic statistics on the timber trade in the main countries under review.⁶

⁶ Note that these statistics provide only an approximate indication of the levels of legal timber trade. The illegal trade may well be considerable.

Box Two: Independent forest monitoring in Cambodia

Global Witness began advocacy-oriented work in Cambodia in 1995, and in the ensuing four years published a number of hard-hitting and influential reports on the political economy of the country, with particular reference to the forest sector. In December 1999, it was selected by the donors and appointed by the Royal Government of Cambodia (RGC), as the independent forest monitor with the objective of ensuring reporting accuracy and validation of reports on forest crimes. It figured as one component of the 'Forest Crime Monitoring and Reporting Project' (FCMRP), which had been launched the previous month as part of a programme of international technical assistance to the RGC. UNDP was designated as fund manager, and FAO the executing agency. Global Witness' contract was with FAO, though with the expressed aim of supporting the government. The objective of the FCMRP was to improve the institutional capabilities of the Ministry of Agriculture, Food and Fisheries (MAFF) and the Ministry of Environment (MOE). Its brief was to record and track action against forest crimes, to strengthen forestry law enforcement and set up independent monitoring of RGC progress in addressing forest crimes.

The establishment of the FCMRP was motivated by a context of sharply declining forest cover and depletion of forest resources; the absence of a transparent and effective forest concession policy; increased instances of illegal and anarchic logging; lack of adherence to management plans; low revenue capture from forestry activities; and lack of broad consultation on forestry issues. It was becoming untenable for the donors to provide funds to a government that was rapidly depleting one of its primary assets, without accruing any benefit to the wider population. SAC loan conditionalities required appointment of an independent monitor of enforcement operations.

The FCMRP was made up of three components:

1. The Forest Crime Monitoring Office (FCMO) based in the Department of Wildlife and Forestry (DFW), MAFF, which was to monitor forest crimes in production forests.
2. The Department of Inspection (DI) based in the MoE, which was to monitor forest crimes in protected areas.
3. Global Witness as the IM of the performance of both the FCMO and the DI.

The Forest Crime Monitoring Unit was designed so that the two government offices would operate parallel information tracking systems. Their provincial and district offices would feed information, on a monthly basis, into the monitoring units. Capacity building for forest crime monitoring was a major focus of the FCMRP but not part of the ToRs of the IM.

The specific objectives of the IM were to:

1. Provide independent oversight to ensure that the Ministry of Environment and Ministry of Agriculture Forestry and Fisheries were in compliance with all provisions of the 25 January 1999 Declaration on Management of Forest and the Elimination of Forest Illegal Activity.
2. Provide for audit and monitoring mechanism to ensure compliance with established guidelines eliminating forest illegal activity.
3. Provide to the Prime Minister objective and factual activity reviews of achievements by MOE and MAFF.
4. Provide the international community documentation of achievements, weaknesses, constraints and/or instances of non-compliance.

At the outset, it was assumed by all parties that Global Witness would work independently. However, following encouraging results in Cameroon, joint missions (government/IFM-EM) were

also proposed for Cambodia, only to be turned down by the government.

The IM mechanism was designed to be independent of the ministries which were being audited. The aim was to undertake regular monitoring and audits to verify that any crimes were properly reported and that claimed official actions had actually been accomplished. A 'Focal Point' set up by the Prime Minister in the Council of Ministers (RCG's highest executive body) was used by the project to bring information on forest crimes formally to the attention of government authorities. The role of the Focal Point was to 'facilitate management and oversight of experts'; to receive periodic reports from the FMRP and pass them to Ministries, the PM, the donors and the press; and to resolve conflicts between the various parties.

Despite the intention that this should be a multi-donor initiative, funded through a trust fund, few donors were forthcoming, and the initial funding came only from DFID and AusAID (c. US\$750,000 in all). Following a series of problems and delays with fund management involving FAO and UNDP, Global Witness sought bilateral funding from DANIDA, and operated on this basis from December 2000. This led to further delays as the RGC required re-drafting of the contract to acknowledge the funding change. It also had the effect of further distancing the initiative from the initial multi-donor orientation, and diminishing the level of inter-donor support.

Reporting protocols were produced in 2001 which required that crime reports be forwarded to the Director of DFW and DI with copies to the Ministers of MAFF, MOE and the Focal Point Coordinators. They then had a maximum of 5 working days to respond in writing to the IM. 30 days after this, the government was to provide a status report detailing investigative findings and plan of action. From then on, the government was required to prepare status reports every 30 days after until the investigation was completed, forwarded to the courts or closed. The IM could then release information to the public - though only after 'consultation with the concerned authority'.

In terms of access to information, the TOR included a clause granting the IM 'direct access to government records and files relating to concessions, parks and protected areas and other State forest-lands'. Access was also granted to customs records on information 'pertaining to detecting, reporting, monitoring and suppressing of illegal or unauthorized forest activities'.

An evaluation of the FMRP was carried out in 2002, and this noted that the project design was based on the assumption that the RGC could not be trusted to handle forest crime information correctly. During the early stages of Global Witness's involvement there were attempts to separate its role as an advocacy organisation from that of an official monitor. However as non-cooperation by the DFW and the logging industry increased, the separation of functions became less and less evident. When minimal efforts were made by the government to respond to the reports forwarded by Global Witness, the latter began to conduct its own investigations, through field visits and over-flights, to gauge level of crime in the concessions and to compare these with the findings reported by the DFW. Much of this information was then used in Global Witness' advocacy work.

Following a period of very profound conflict and hostility between the RGC and the monitor, the Global Witness contract was discontinued by the RGC. This was announced in April 2003, four months after an incident in which Global Witness had reported on police violence against demonstrators outside the DFW. Global Witness was subsequently accused by the DFW of provoking the confrontations.

After the termination of Global Witness as the independent monitor, the RGC found itself in breach of World Bank conditions for further disbursements of the Bank's US\$ 30 million Structural Adjustment Credit (SAC). In December 2003, the private sector company, SGS was appointed as the new IFM. SGS was already operational in the country, mainly on customs controls.

Box Three: Independent forest monitoring in Cameroon

IFM in Cameroon commenced with a contract for an independent observer to support the process of forest concession allocations ('IFM-public contracts') in 1999. Until 1997, concessions (*'unités forestières d'aménagement'* [UFA]) were allocated administratively. Under pressure from the Bretton Woods institutions, an auction system was introduced in 1997. However, the first round of awards was widely viewed as unsatisfactory; UFA did not necessarily go to the highest bidders, nor to those who met the technical specification. High performing companies with significant installed capacity missed out, while less proven firms were awarded major concessions. The requirement to accept the placing of an independent observer within the Inter-ministerial Committee for the allocation of concessions was a condition of a multi-sector tranche within SACIII which was released in 1999. For the first four rounds of allocations (UFA and the smaller *ventes de coupe*), the small Douala legal and accountancy firm, Cabinet Behle, was used on three occasions, and Cabinet Okalla on one. Behle withdrew in 2002, and the monitor has since been Cabinet Kohle Mensah of Yaounde. This component of monitoring is widely held to have played a very positive role in rendering a highly subjective process much more objective, particularly on the technical criteria. It also led to the introduction of formal verification systems on the financial side (as regarding the authenticity of bank guarantees, for example).

The acceptance of the two other independent monitors rested on an interpretation of the requirement for field oversight of forest management plans which had been written into the forestry floating sector tranche of the SAC III conditionalities. There was a serendipitous element in this process. In 2000-2001, the Ministry of Environment and Forests had accepted a small DFID-funded pilot in the area of enforcement monitoring, involving the UK NGO, Global Witness. The proposal from DFID to use this provider was a direct result of DFID's experience with Global Witness in Cambodia. The USA NGO Global Forest Watch had been working in Cameroon for some years, in its specialist area of GIS (concession boundary verification, forest cover change). These two initiatives were then re-packaged as a form of forest management plan oversight, and official (but donor-funded) contracts awarded, respectively, to Global Witness (for enforcement monitoring) and Global Forest Watch (for forest operations). Global Witness' official contract commenced with revised terms of reference in May 2002, for a period of up to three years, until such time as an official *appel d'offre* (invitation to tender) was organised.

The work of Global Witness benefited from very close support and supervision in the early months by the donors, particularly DFID and the World Bank. After a shaky start (for example, rather patchy support from the MINEF partner, the *Unité centrale de contrôle* and some of the MINEF external services, as well as a controversial case of release of information to the international community by the provider, without the agreement of the GoC), the programme is now working more smoothly. It is aided by continuing strong donor interest, and also a fairly effective supervisory body, the *Comité de lecture* (which brings together MINEF senior staff, the two services [UCC/IFM-EM] and the donors, to check and validate the plans of the monitor and its monitoring reports). There has been pressure to widen participation in this committee, though this has been resisted by the donor community, on the grounds that the present system works well and flexibly; any enlargement (for example by bringing in NGOs and/or the private sector) would risk a distortion of its function.

The programme of the IFM-forest operations has been slower to get going, and has suffered some criticism as a result. It aims to work in partnership with local providers; its style is markedly more low-key than the IFM-EM, and more oriented to building local capacity and ownership. Both aim to make authoritative information available to national and international users regarding the industry's respect for forest management plans.

Box Four: Indonesia – EIA/Telapak

The Environmental Investigation Agency (EIA) is an international campaigning organisation with a mandate to investigate and expose environmental crime. EIA has been engaged on forest issues in Indonesia since 1997 and works closely with the Indonesian environmental NGO Telapak, based in Bogor, as well as regional partners in Papua, Kalimantan, Sumatra and Sulawesi. EIA is also active elsewhere in the sub-region, including Malaysia and Singapore. EIA/T were included in a group of organisations (predominantly NGOs) involved in monitoring of forest issues who received funding from DFID Indonesia's Multi-stakeholder Forestry Programme. With this funding, EIA/Telapak (EIA/T) have undertaken investigative work around the issue of illegal logging. Their activities provide an example of 'external monitoring' without an official relationship to the state. EIA/T's TOR with DFID do not contain the phrase 'independent monitoring'. Rather, their aims are stated as "to build the capacity of local NGOs by providing equipment, training and strategy to participate in providing and disseminating accurate information on illegal logging of areas of high biodiversity in Indonesia." The project is "designed to enhance the capacity of members of forest fringe communities and grassroots NGOs to systematically document evidence of forest crimes and to use this information to seek justice through recognised channels."

The new era of political freedom in Indonesia during the *reformasi* after the fall of Suharto has allowed NGOs to exert increasing influence over Indonesian forest policy and this environment has been crucial to the influence which EIA/T have been able to exert. They have used techniques such as releasing reports and video footage on illegal logging activities, participating in relevant international meetings such as FLEG and the CGI, lobbying donors and government and harnessing domestic and international media. The use of the international media has also been an important feature in the impact of EIA and Telapak.

EIA and Telapak primarily monitor illegal logging in national parks and the illegal smuggling of tropical timber by the sea route. They also provide some information on issues such as corruption and police/military involvement in illegal logging. Telapak and EIA have drawn attention to illegal logging in prominent national parks such as Leuser National Park and Tanjung Puting National Park. The kidnapping and mistreatment of two of their personnel in Tanjung Puting National Park by associates of a prominent timber tycoon brought their work into the international spotlight. Their activities led to the issue of a presidential decree (IMPRES 5/2001) instructing a clamp-down on illegal logging within the park prior to the April 2001 Indonesia Consultative Group meeting. They have also played a role in pressing for the inclusion of Ramin by the GoI on CITES Appendix III.

EIA and Telapak have established good relationships with the Indonesian Ministry of Forestry, particularly at national level, partly because of the reliability and credibility of the information they are able to generate. This information is particularly useful to central authorities, as, under the influence of decentralisation and other forces, its own resources and sources of information have been severely cut back. District governments have become less inclined to report to the Ministry of Forestry on a regular basis about logging operations (a situation which has been aggravated by the central government's rescinding of district level powers to issue small-scale logging concessions). In addition about half of Indonesia's wood processing mills have failed to submit reports on realised annual consumption of timber to the central government, so the Ministry is similarly uncertain about the amount of timber being consumed by these mills. EIA/Telapak's relations with the district level are largely mediated through their local partners, and are thus only indirect.

The relevance and sustainability of centrally focussed monitoring activities, in a context of decentralisation, is well illustrated by the example of EIA/T. However, the fact that decisions are increasingly being made at the district level draws into question the future value of a lobbying approach focused on central government. It also risks pitting EIA/T against district governments which increasingly resent central government interference in their affairs.

Box Five: The Philippines Multisectoral forest protection committees

The Philippines' Multisectoral Forest Protection Committees (MFPC) evolved at the time when the economic and political landscape of the Philippines was moving toward greater participation of the people in forest and environmental governance. In this sense it is the product of a very particular context. It can be considered as more of an internal monitoring system which involved external players, than as true 'external' monitoring.

The MFPCs were established in 1992 by the Department of Environment and Natural Resources (DENR) under the Monitoring and Enforcement Component (MEC) of the World Bank-funded ENR-SECAL Program. Numbers of committees grew from 15 in 1993 to 314 in 1999. In 1994, an MFPC Manual of Procedures (MOP) was adopted and the National MFPC Coordinating Group and the National Technical Working Group (NTWG) were formed. In 1995, the National Federation of MFPC was organized and accredited by the DENR as the umbrella organization of all the 31 MFPC then existing.

The first 15 MFPC were pilots selected by the ENR-SECAL Program but later, at least one regional MFPC was established in each region and thereafter, others at provincial, municipal and *barangay* (community) levels. Members of the MFPCs were initially chosen by the DENR Consultants from various government organizations, non government organizations, the media, church, indigenous communities, local communities, local government units, academe, youth groups and civic groups.

Officially, the MFPCs were the monitoring arm of the DENR. Operationally, confusion was common, especially when the MFPC turned their attentions to monitoring the DENR itself. This was not universally welcomed.

The MFPC was composed of DENR leaders and representatives of other bodies, as well as individuals concerned with the protection of forest resources. Almost all the line agencies of government were originally listed as prospective players in the MFPC. Among these agencies the most active (as judged by the number of representative who served as MFPC chairs) was the Department of Interior and Local Government.

NGOs were quite active in most MFPCs. In addition, there was often representation from People's organizations, the media, the church and forest industry.

The MFPC was (and remains) directly under the supervision of the DENR Undersecretary for Field Operations. In the early stages, the DENR played a direct role in the MFPC with its top officials acting as chairs or co-chairs of MFPC. Eventually, the chairmanship of MFPC was relinquished by the DENR to non DENR members. The DENR is still represented in the structure by either the top DENR officials or members of the Technical Working Groups at the national, regional, provincial and municipal levels.

Individuals invited to be members of the MFPC were required to have a locally or nationally established reputation for integrity and impartiality. Operationally, each concerned sector was responsible for choosing its representative to the MFPC in line with specified selection criteria.

To provide technical support to the MFPC, technical working groups were formed at the national, regional, provincial and municipal levels. The members of the technical working groups came from the DENR offices concerned with forest protection, law enforcement, planning, information and education, and livelihood development.

The stated goals of MFPC were:

- to improve law enforcement and forest protection activities of the DENR;

- to provide extension services to upland and lowland populations; and
- to support upland community development through the development of alternative livelihood projects.

The common functions of all MFPC at various levels were to:

- serve as a collection point for information on illegal activities, tapping into the independent networks of its members.
- act as special monitoring arm of the DENR;
- information and education campaign;
- mobilize members' networks in support of forest protection; and
- publicise the committee's discussions and findings except where confidentiality is required.

MFPC accessed information from field offices of the DENR including attached agencies such as the National Mapping and Resources Information Authority (NAMRIA). They were also supposed to have access to the database of all government agencies and organizations represented in the MFPC. Verification of the information on illegal activities was the responsibility of the DENR field offices.

The primary sources of information on illegal activities were the sector networks of the MFPC members. The request for monitoring forestry violations might emanate at any levels from the DENR Regional Executive Director (RED) all the way down to the community sector head or it may simply be an initiative of any member of a sector. Any information gathered on suspected forestry violations could be directly forwarded to any MFPC representative who in turn would bring it to the attention of the MFPC for verification before feeding it to the RED.

MFPCs are still operational, though with much reduced coverage. The ending of the SECAL project cut off much of the financial support which had been channelled through the DENR. The continued functioning of MFPCs now depends on the presence of motivated individuals and NGOs working on a voluntary basis. This makes them rather vulnerable to capture by sectional interests.

1.3 The aims of IFM

In assessing the achievements of these various initiatives, account has to be taken of the diverse influences which led to their establishment. This raises question regarding both their manifest aims and the other latent interests to which they also responded. The former was the subject of public policy discourse. The latter were more often tacit and unstated, but nevertheless important in ensuring their acceptance by the various stakeholders involved.

At the manifest level, three areas of concern have been paramount:

1. The need to move industrial forestry onto a more sustainable basis;
2. The need to accommodate changes in international markets which are becoming increasingly environmentally sensitive;
3. Associated with both of these aims is a widespread concern at the typically very poor governance of the forest sector in the contexts under review.

However, a number of latent interests can also be identified. In the two main cases reported here (Cambodia and Cameroon), the immediate pressures to accept an independent forest monitor came from World Bank and IMF conditionalities and allied pressures from the donor community. The former were themselves the result of a long process of dialogue with the two governments, relating to macro-economic performance and the need to bring the forest sector, as a major revenue earner, within a rational approach to governance. In each case, there were strong pressures to put a verification system in place as a short-term expedient and very much in pilot fashion without too much regard for long-term effects. However, once this role was accepted, it became an arena in which competing interests could exert their claims for policy influence. Different parties had various aims and aspirations for it, and not all of these proved compatible. These aspirations included:

- [on the part of the central government] to improve its image internationally;
- [central government and donors] to improve the levels of revenue capture;
- [central government and donors] to provide leverage for pro-reform voices (for example, in relation to sector programme development);
- [donors] to increase accountability over the use of their funds;
- [donors] to force government to face up to a perceived problem, and to internalise environmental concerns;
- [donors] to provide external justification for the allocation of aid funds;
- [opponents of government] to find evidence to challenge the government's performance;
- [industry] to ward off a boycott of tropical timber, in a largely defensive posture;
- [industry] not only to protect but also to improve market shares;
- [NGOs] to maintain pressure for high environmental standards and/or protection of forest-dwelling peoples;

The juxtaposition of such variable and often incompatible aspirations has proven problematic, particularly in relation to IFM-EM, as will become apparent in this review.

Non-state sponsored initiatives (for example, external monitoring in Indonesia) have usually not been constrained in this way, because they have not claimed or sought to address so many competing agendas.

1.4 Theoretical frameworks and models

While the particular experiences of external and independent monitoring which are the main focus of this report have not been heavily theorised, various streams of comparative understanding can be brought to bear, and these may help to generate knowledge of the principles and strategies at stake. Among those which have been found useful in the present context are perspectives such as the following:

- The theory and practice of external auditing, and concepts which have a particular legal meaning therein, as represented in the accountancy literature (see for example, Porter *et al*, 2003).
- Studies of forest governance and trade (such as the various studies of the RIIA [for example, Brack *et al* 2002], and the literature on certification [for example, Upton & Bass, 1995]).
- The literature on public service governance and accountability (see for example Paul, 1991; Goetz and Jenkin, 2001).
- The sociology and anthropology of environmentalism (see for example, Brosius, 1997; Brosius, 1999; Keck and Sikkink, 1998; Pendleton, 1997; Pendleton, u/d).
- Studies of the political economy of resource extraction, such as le Billon (2000); Bottomley 2003).
- Inter-disciplinary studies of the links between forest governance and livelihoods (such as the four studies, overview and synthesis reports commissioned by DFID from CIFOR [2003]).
- The 'drivers of change' (DOC) literature (see, for example, Unsworth, 2001; 2002; Khan, 2002a, 2002b; Olson, 2000).

The DOC literature is of particular interest in the present context, as it adds a strategic dimension to the governance theme, and provides a context to operationalise such concepts as accountability and ownership. The concept of 'ownership' is of concern both in its own right, as a moral imperative and aspect of long-term sustainability, and also because of its centrality to the new architecture of international aid (the World Bank-supported 'Poverty Reduction Strategies', for example).

1.5 Methodology of the research

This study is based on two months' work, including visits to four tropical countries, as well as interviews in the UK and USA and (by telephone) elsewhere in Europe and beyond. Four local consultants were engaged on a short-term basis for the country studies. Research methods were essentially interview-based, supplemented by literature reviews, review of newspaper cuttings and web searches. Attendance at the World Forestry Congress in Quebec City, in September 2003, gave the lead author the opportunity to interact with staff of monitoring and audit systems in N. America and the tropics.

Confidentiality was offered for interviews, and thus views reported here are not attributed to individuals. Care was taken to ensure as wide a coverage as possible, to include all parties with an interest in forest management issues – the host government, bilateral and multilateral donors, the forest industry (and producer associations connected with it), national and international NGOs, civil society (to the extent that this was possible in studies almost exclusively localised in the national capitals), and other relevant private

sector interests. The initial brief put strong emphasis on the importance of fully representing these local voices. Interviews were undertaken jointly and/or separately by the two ODI staff members and the four local consultants. The ODI staff separately visited the three countries in SE Asia (respectively, in November-January 2003-4, and January – February, 2004), and the research leader also visited Cameroon (in January, 2004).

The main limitation of the research relates to the issue of attribution. It is clearly not possible with this methodology or time frame to pronounce with certainty on issues of attribution (concerning, for example, the extent to which a change in behaviour can be attributed primarily to the monitoring activities, rather than to some other proximate cause). Nor was it possible to come to clear conclusions as to the preferability of short-term and long-term strategies. Only in one case (the Philippines MFPCs) was the initiative of such long duration (over 10 years) to allow anything approaching long-term effectiveness to be assessed.

1.6 Key issues for review

As the introductory section has underlined, the review subsumed a variety of delivery arrangements in variable national and international contexts. These were subject to differing levels of donor interest and investment. Assumptions as to the comparability of national arrangements should thus be treated with caution.

A number of issues emerge from the research, however, that are of more general validity. These include:

- The character of the institutional provider
- The nature and terms of the provision
- The underlying aims of the provision
- The role of capacity building
- How the provision might be structured.

All of these are contingent on, but separable from, the four central questions of impact identified in the Terms of Reference (effects on quality of enforcement/ acceptability/ sustainability/ international impact). They introduce a practical, comparative dimension which needs to be addressed when questions of future aid policy are considered. They will be briefly reviewed, in turn, indicating some of the key questions that are raised. These themes will subsequently be re-visited in the second part of the report (see Part II, 'Matters Arising').

1.6.1 The character of the institutional provider

To date, the providers with the highest profile internationally have been international NGOs. Other providers have also been used, however. These have included a succession of local private sector *cabinets-conseils* for the monitoring of concession allocations in Cameroon. The contract of the NGO provider was withdrawn by the Government of Cambodia in 2003, and a Swiss-based private sector provider has recently been appointed to take its place. In the Philippines, the preferred option has been for a multi-stakeholder forum, which has maximised participation across a broad range of activities and sectors, and generated strong local ownership.

Key questions for review are thus:

- NGO or private sector or multi-stakeholder provision? Are there grounds to favour one of these, as a matter of policy, or should each be considered on its merits, situationally?
- National or non-national provider? Are there arguments to favour a truly 'external' agency (in the sense of a non-national agency, with no links into the national society)?

1.6.2 *The nature and terms of the provision*

In three of the cases under review (IFMs-enforcement in Cambodia and Cameroon; external monitor in Indonesia), the provider has not only been an NGO but also one closely associated with human rights issues and the environmental movement. In two cases (Cambodia and Indonesia), the NGO had a track record for advocacy, in-country, before it was contracted, using aid funds, to provide monitoring services; in one of these two cases (Cambodia), the NGO in question was hired as an independent monitor, operating on behalf of the state. In the other case (Cameroon), the NGO that was hired as the independent monitor was new to the country, and had no advocacy background there (although its international advocacy orientation was presumably already known in some quarters). Thus, questions for review include:

- The role of advocacy: can a provider combine advocacy with monitoring, and still retain its independent status? Is advocacy an asset or a liability (or neutral) in the contexts under review?

Regardless of the nature of the provider, there are also important issues regarding the terms of the provision; thus:

- Under what contractual terms should monitors be engaged (regarding procurement of monitoring services, for example)?

1.6.3 *The underlying aims of the provision*

In all the cases under review, the terms of reference have focused on forest sector issues, with a strong orientation towards forest crime. These have not necessarily been the sole or major interest of the provider, however. In some cases, monitoring reports have had a strong orientation to the wider political economy, and the role of forest exploitation as an extractive industry.

This perception has tended to sit rather uncomfortably with the underlying interest of the state to improve the external image of the country, particularly its forest industry. With regard to the IFM-EM contracts, this objective was arguably the major incentive to the host governments concerned.

These factors introduce a potential for conflict in the execution of the monitoring contracts which needs to be recognised. In each situation, key questions for the review thus include:

- The balance of interest in reporting between the negative (forest crime and forest offences) and the positive (progress in forest management; improving the nation's image and the saleability of its forest products);
- The balance of competence in the provision between intra- and extra- sectoral concerns;

- The scope of reporting (as regards the wider political dimensions uncovered by monitoring activities).

A related question is the type of issues monitored. There tends to be less debate about the key variables and standards in this kind of monitoring than there is in temperate forest monitoring and environmental audit. This is perhaps because illegal practices in tropical forests are usually the more obvious ones – logging out of concession boundaries, undersized trees cut, misrepresentation and over-extraction of species. By contrast, in temperate forests the issues tend to have more to do with environmental pollution, silvicultural practices, infrastructure and its environmental effects, etc.

One area of debate is whether tropical forest monitors should extend their coverage into more subjective areas of industry provision – such as social welfare delivery, quality of bridge and road building, and so on. Thus an additional set of questions concerns:

- Criteria and standard setting, and the balance between objective and subjective monitoring.

1.6.4 *The role of capacity building*

In two of the three cases co-funded by DFID, capacity building was seen as a central component of the contract. In one of these two (Indonesia), this fitted well with the self-image and intentions of the providers, and capacity building has remained integral to the services delivered.⁷ In the other case (Cameroon), the provider was not known for its capacity-building skills, and this element of its brief has been gradually played down. It has complained of lack of support from government for its capacity building efforts to support the national counterpart (2003: p.9). It has recently been encouraged by the donors to concentrate solely on the monitoring of enforcement, to the exclusion of capacity-building work. This has not been well received by some of its local partners. In the remaining case (Cambodia), capacity building was included in the over-arching programme of work, but handled by other agencies, albeit with only very limited success. The monitor was thus free to concentrate on its core objective of independent monitoring.

Thus, the key question in this reference is:

- What should be the relationship between monitoring (of enforcement agencies and/or the forest industry) and capacity-building (of the enforcement agency and/or other local providers and civil society)?

1.6.5 *Structuring the provision*

The various core and supplementary case studies present a wide range of possible systems of provision. The two models presented below display two variant approaches both of which seek to generate local ownership (**Figures One and Two**).

⁷ Telapak considers capacity building to be an essential component of its illegal logging programme which primarily seeks to develop local community capacity to carry out forest crime monitoring in Indonesia's forests. EIA is more oriented to investigating and exposing environmental crimes, but has played a role in joint activities that seek to increase local NGO capacity to monitor forest crime through video-taping, investigative reporting and advocacy.

Figure One: Independent monitor and verifying national enforcement body, both reporting to a governmental committee

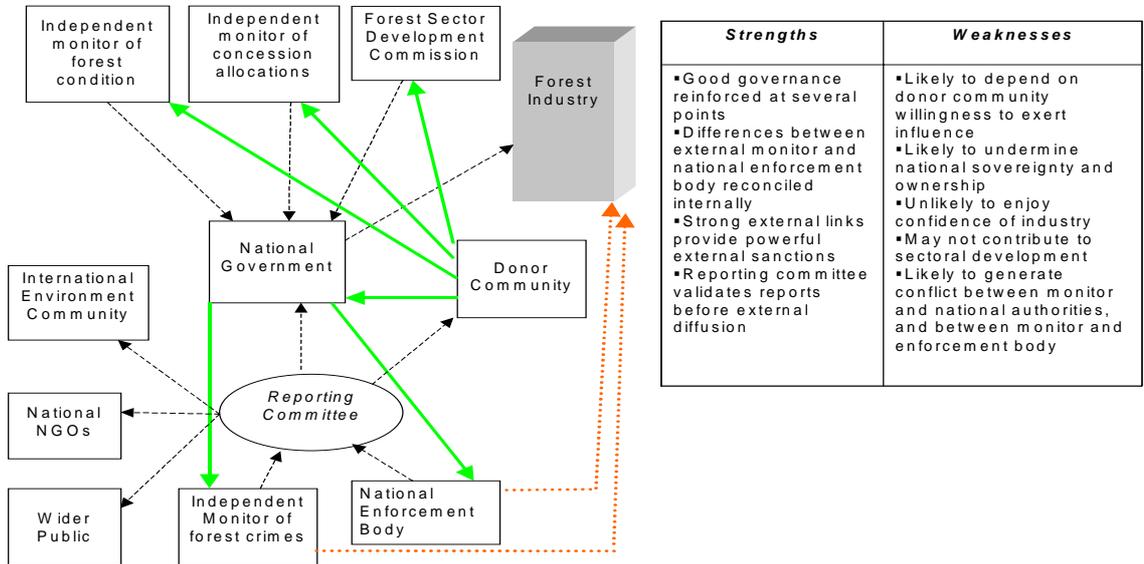
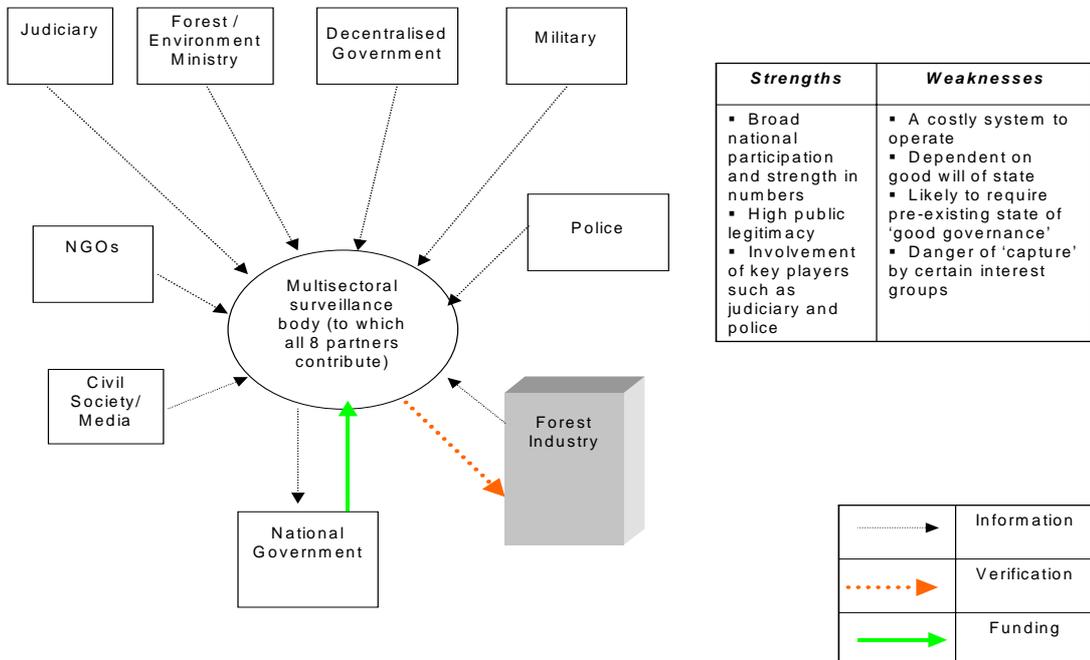


Figure Two: Multisectoral surveillance body



In relation to such questions of institutional architecture, important variables include:

- the numbers of agencies involved
- the range of sectors involved (including, potentially, the judiciary, trade ministry, social welfare department, etc.)
- the reporting structure (whether there is a 'buffer agency' in the form of a board or reporting committee between the monitor and its wider public, with a report validation role)
- relationships with the structures of government, including the supervisory authority (for example, the Ministry of Forests for production forests, and Ministry of Environment for protection forests)

Thus, the key questions in this reference include:

- What are the broad architectural options for the delivery of verification and audit services?
- Can generic structures be identified, or are these situationally specific?
- What should be the requirements in terms of reporting authorities and committees? When is a 'forest practices board approach' indicated, for example?
- What levels of intra- and extra- participation should be sought? Are particular forms and levels of participation to be regarded as 'ideal'?

We will return to these questions later in this report (Section 3).

PART TWO: FINDINGS

2.1 Findings of the study

The study's findings will be presented, in the first instance, according to the four priority areas identified in the Terms of Reference. This is followed by a more general discussion of issues arising.

2.1.1 Findings~1: Effects on enforcement practices and forest management

Informants identified a number of positive effects of the monitoring investments made to date. Those cited were broadly in three areas – information, management and leverage – and included some or all of the following:

Information:

- The quality and range of information available on the concession system
- Information on sub-regional and international trading patterns
- Quality of the information available for decision -making by sector agencies
- Understanding of the political economy of forest extraction
- The public availability and transparency of the information available

Management:

- Procedures of national enforcement bodies
- Quality of reporting by national enforcement bodies, and improved follow-up
- Discipline of enforcement bodies and of the private sector

Leverage:

- The public profile of forest governance (nationally and internationally)
- Commitment of the private sector progressives to 'getting their house in order'
- Deterrent effects on fringe operators
- Momentum for forest sector reform
- Policy leverage

The overall impression was that, while not necessarily universal or consistent (nor attributable solely to monitoring activities), the positive effects were significant and important, and quite apparent in the shorter term.

a) Independent monitors in Cambodia and Cameroon

The most notable and public effect was on the quality of information available to the national and international community in areas such as:

- the structure of forest exploitation
- levels of delinquent practice
- the beneficiaries of the forest industry
- the financial and other benefits derived by beneficiaries
- the benefits and disbenefits for forest communities.
- patterns of international trade, legal and illegal.

There was widespread recognition that the work of the independent monitors had had a disincentive effect on fringe operators,⁸ and had increased the discipline of both the official enforcement agency and the industry at large. Where the will existed for reform, it had also contributed to a significant improvement in the quality of surveillance by the official state monitor, and in the quality and timeliness of its reporting.

In the case of Cameroon, this has given significant policy purchase to those wishing to see greater positive impact from forest exploitation on the society, particularly the poor. There were two policy-related effects. Though not necessarily entirely welcomed at the time, both may have positive effects in the longer term:

- a) Firstly, the level of malpractice revealed by the monitoring reports (joint and independent) was one of the factors that encouraged the World Bank and other multilateral agencies to modify their hitherto rather optimistic stances regarding the state of the sector; this led the World Bank to withhold the forest sector floating tranche of SACIII funding, pending evidence of significant improvements. In itself this added substantially to the pressures for reform.
- b) Secondly, the evidence provided by the work of the independent monitor was fed into an influential donor-funded consultancy study on the revenues lost to the nation through illegal logging activities ('The Costs of Illegality' study, Auzel *et al*, 2002). By connecting up with major inter-ministerial policy processes (specifically the *Programme de securisation des recettes forestières* of the Finance Ministry) this has also provided significant policy leverage to those seeking to improve forest law enforcement and good governance and to ensure that activities in the sector serve the national interest.

A similar improvement in the quality of the information available for decision making (albeit less high profile) was provided by the independent observer of public contracts in Cameroon, whose meticulous and painstaking work in identifying objective assessment standards facilitated bid appraisal by the concessions committee. Judged by two objective standards – the elimination of technically weak companies from the bidding process, and the progressive hike in the financial offers that good companies were willing to make to secure productive concession areas⁹ – the work of the observer can be judged a considerable success.

Potentially, these improvements are likely to have a positive effect both on image and reputation of the industry, and the long-term quality of its management.

A degree of caution is required, however, in assessing even the short-term positive effects. For example, the effects on the quality of information would appear to have been

⁸ For example, Global Witness reports (22 April 2003) that "Independent monitoring ... has, over the past three years, produced some very positive results, notably the cancellation of forest concessions held by companies which were logging illegally. Particularly significant, in this regard, was the cancellation in 2002 of the two concessions operated by the Malaysian company GAT".

⁹ Offer prices increased from 96 FCFA per ha. in 1996 (under the old administrative bidding system) to an average of 2,600FCFA under the first round of auction bids (in 1997) and an average of 4,000 FCFA in the second round. While competition was no doubt the underlying influence driving prices up, it seems most unlikely that, without some confidence in the underlying fairness of the concession scrutiny process, reputable companies would have been willing to increase their bid prices in this way.

much stronger than on the quality of actual enforcement. And even when enforcement has been effective in disciplining forest operators, there is a view that the deterrent effects have been exercised mostly on the 'low-hanging fruit' – those who were already vulnerable – and that other, not necessarily more respectable, operators have been able to continue with impunity. Support for this view is provided by the fact that serious sanctions against major acts of illegality are still very infrequent, and the fines imposed are rarely commensurate with the gains to be had from criminality. Where sanctions are applied, there is often uncertainty as to the identity of the operator in question, and their significance within the industry.

Similarly, where significant elements of the government were already hostile to the work of the monitor, then there is much less evidence of positive effects on their operations. Cambodia is a case in point.

Questions of timing are also pertinent. In the case of Cambodia, it is arguable that Global Witness' most influential work was done in the period prior to its appointment as independent monitor, and that relatively little was achieved by way of increments to understanding or changes in the behaviour of the enforcement agency after its official contract was signed.¹⁰ This was not the case in Cameroon, where Global Witness had no prior history in the country, except for a reconnaissance phase which can be treated as the preliminary stage of its official pilot activities.

Some reservations must also be expressed as to whether the generally positive short-term effects are likely to translate into major improvements of behaviour in the longer-term. In the case of the two IFM-EM, relationships between the monitor and the national authorities were always sensitive, and in Cambodia, this led to the monitor's eventual dismissal. The immense conflicts generated around this issue have had negative effects on levels of donor interest and support. In Cambodia, few donors are now willing to support enforcement work.

Allied to this is the wider issue of the effects of the preoccupation with crime and illegality (which was implicit in the IFM ToR) upon the international media, and the implications of this for international perceptions not just of the political domain of the countries under review, but of the societies at large.¹¹ There is a tendency (particularly in the Asian cases) for the presentation of the issues to resolve into a rather simplified struggle between an allegedly corrupt politico-cum-entrepreneurial class and idealised and generalised forest-dwelling and forest-dependent 'traditional communities'. This in turn encourages a distillation of the policy options into either forest exploitation or forest preservation. In the real world, it is arguable that the choices are rarely so stark or clear.

¹⁰ It is noted that 11 out of 16 major reports on Cambodia were produced by Global Witness in the four years prior to the award of the IFM contract in December 1999, and only five in the three years since. There are a number of ways in which this might reflect its change of status, and so the contrast should not be over-interpreted; but it does underline the importance of its early experience, prior to the contract award.

¹¹ One way to view this would be in terms of what Snow refers to as 'frame alignment' and 'frame resonance'; the former refers to the way in which cognitive frames serve to order experience, largely through processes of organisation and simplification; the latter refers the way in which social movements are able, through their interpretative work, to influence broader public understandings (Snow *et al*, 1986:484).

There are other considerations. For example, there are some celebrated examples in the literature of cases in which what appears to be a victory in the short term turns out to be rather the reverse at a later date (see, for example, Stern 2003). Several respondents spoke of a change of scale in forest operations (specifically in Cambodia), so that, while several big operators had pulled out (for a combination of reasons, not necessarily just the result of IFM), they had tended to be replaced by greater numbers of smaller local ones, which were not necessarily any more disciplined and certainly more difficult to monitor. In such instances, the effect may thus have been the 'decentralisation of bad practice' rather than its eradication.

There is also a danger of perverse effects. In the case of Cambodia, the view was expressed that several investors had merely moved their resources from the sensitive forest sector to other less high-profile ones, such as fisheries (a sector which is almost certainly more important to the poor, in terms of breadth of impact on livelihoods). The overall welfare of the population is not necessarily improved by such inter-sectoral changes in investment patterns.

An issue of wide concern was that, while the monitors were generally felt to have been very courageous in their detective work in the area of political economy, and had significantly increased national and international understandings of its ramifications, they had not necessarily been able to do anything to improve the situation. As a result, an information flow which had initially been sharp and challenging had begun to appear formulaic and repetitive (an example of 'monitoring fatigue'). This brought into relief the significant imbalances in power relations in the contexts under review. In such situations, power is not necessarily diminished merely by being identified. A more likely effect perhaps is increasing instability at the administrative level, as individuals are put under irreconcilable pressures from various quarters to denounce alleged abuses and yet to turn a blind eye to them. Even quite senior officials might find themselves walking a precarious tightrope, aware of the allegations (often against senior politicians or members of their families) but unable to do anything concrete without putting their own positions seriously at risk.

b) Other cases reviewed

Outside of the IFM-EM contracts, similar forces were at play. Thus, the EIA/Telapak initiative was widely agreed to have heightened the profile of trade-related issues (including a decision of the GoI to voluntarily classify *ramin* in CITES Appendix III). The Indonesian authorities carried out a crack-down on timber barons operating illegally in Tanjung Puting National Park in Jan 2003. The UK made its largest seizure of protected Indonesian Ramin in 2002, and the US authorities seized over 120,000 ramin products shipped from China in 2003. Indonesian informants were nevertheless doubtful that illegal logging had been seriously affected in the Park, and those named by it are reputedly continuing their logging and export activities unrestrained.

Because EIA/T have not had a formal relationship with the state, they have been free to carry out its own investigations. The Ministry of Forestry has come to appreciate the information produced from these investigations as both credible and reliable. However, EIA/T do not have any ability to follow through their investigations and can only report their findings to the Ministry of Forestry, which then carries out its own investigations and decides whether or not to act upon them. It is said that very few of the cases reported by EIA/T have resulted in prosecutions.

The MFPCs in the Philippines had variable success, depending on the context (generally positive impacts on Luzon, for example, but less so on Mindanao). The major accomplishment of the MFPC was the collection of critical information and intelligence reports that led to the neutralization of over 900 illegal logging hotspots in the country between 1995 and 2001. The MFPCs are said to have been instrumental in reducing the number of timber licensing agreements. Implicit in the development activities of the MFPCs was the recognition that illegal logging could not be tackled without thinking about the impact on local livelihoods. This led to initial support even from communities where illegal logging was a common source of income. However such support waned through time, as SECAL finance dried up. The livelihoods component did not materialize due to lack of funds. The extent to which the system was able to deal with the more powerful interests in illegal logging is debateable. The tendency which is apparent in most forest verification systems for attention to gradually percolate down to the smaller operators was apparent in this case (cf. Pendleton, n.d). The dependence of the MFPCs on good relationships between the stakeholders encouraged this trend, as the smaller level crimes were less politically risky to confront. Efforts to control illegality in the forest sector in the Philippines are now shifting towards community-based forest management, which is a more ambiguous area and harder to monitor. The extent to which MFPCs will be able to address these new challenges is as yet unclear.

2.1.2 Findings-2: Acceptability to stakeholders

A characteristic of all but two of the interventions reviewed (the exceptions being the IFM-public contracts in Cameroon, and the Philippines MFPCs) is that they have crossed sensitive cultural and political boundaries. They have, at least to a degree, sought to bring international influences to bear on activities and resources located firmly within the boundaries of sovereign states. Interesting issues are therefore raised regarding questions of appropriation and ownership in the host societies.

Responses of stakeholders on the issue of the 'acceptability' of the monitoring arrangements present a mixed picture, and reveal an often complex set of attitudes. It is particularly difficult to generalise across national boundaries, and different types of monitoring also generate different responses from the various stakeholder categories.

An assessment of the acceptability of the independent monitoring activities needs to acknowledge, at the outset, the extensively documented and reported position of the monitor, which is that its activities in both countries have been hampered at almost every stage, particularly by industry but also by the government officials and authorities with whom it is required to work. In Cambodia, there would appear to have been an almost total breakdown of trust between the monitor and the forest authorities, from early in 2001. In Cameroon, the situation was better (and has tended to improve over time), but extensive examples of obstruction on the part of the authorities are nevertheless claimed by the monitor as regards (for example): objections in principle to the work of the IFM; failures to involve the monitor in enforcement operations per the contract; obstructions to its work; failures to make necessary documentation and other evidence available to the monitor, required by it to fulfil its role; failures to follow up on findings with appropriate

actions and sanctions against delinquent operators. (see '*Forest Law Enforcement in Cameroon, December 2001 – June 2003*')¹²

Thus, while the emphasis in the following is on the acceptability of the monitor to others, this must be balanced with the monitor's view that, in very numerous instances in both countries, it has not been supported by its national partners.

The immediate focus of attention in the following paragraphs is on the two independent monitors of enforcement operations, and the other classes of monitoring will be reviewed subsequently, and contrasted with these.

The two instances of IFM-EM present rather different pictures on the surface, though with underlying similarities. In the case of Cambodia, relations very rapidly polarised, and this polarisation is reflected in the contrasting attitudes of the forest authorities and the international NGOs to the work of the monitor. Representatives of the former generally express a favourable attitude to the principle of independent verification, but very little enthusiasm for the actual practice. This also characterises the industry attitude. Representatives of international NGOs tend to be much more forgiving of the monitor, more sympathetic to the frustrations which led it to behave in the ways that it did, and altogether much more sceptical of the state and industry.

In the case of Cameroon, support was widely volunteered for the principle of involving an international NGO as independent monitor-enforcement (though, again, there was almost universal concern about the actual practice). The ability of an NGO to 'internationalise' the debate was widely cited as an important attribute, and a key factor in improving the discipline of the industry.¹³ The view was widely held that an NGO was better placed than a private sector operator for such work on the grounds that:

- An NGO would not be so influenced by the profit motive and a 'financial bottom line';
- An NGO would be more motivated by values and principles, and by the spirit of public service and self-sacrifice;
- An NGO would be able to more easily tap into a supportive international environmental network, and more committed to sharing its experiences;

¹² As an example of the difficult working conditions indicated by the monitor, this report is instructive. A tally was made for the review of instances of positive and negative reporting in the main body of text of this report. Both objective statements (e.g. reports of non-compliance) and subjective statements (e.g. judgments by the monitor as to who might be to blame for a particular situation or obstruction, where proof is lacking) were included; the tally was confined to past and present matters (not conjectures by the monitor as to what might be required in the future). On this basis, the 19 pages of substantive text in the report include 18 positive statements, and 91 negative ones. As a statement of progress over a two-year period (three years if the pilot phase is included) – and even allowing for the artificiality of the tally - this must be of concern.

¹³ Expressed in cybernetic terms, NGOs were likely to be more effective than private sector agencies in mobilising the range of levers available, including *information politics* (ie. the ability to generate and deploy usable information); *symbolic politics* (ie. to translate situations in ways which external actors can understand); *leverage politics* (to affect the situation through their activities); and *accountability politics* (ie. to hold powers to account). [see Keck & Sikkink, 1998: 17]

- An NGO would have better contacts with local NGOs and community groups, and probably find it easier to enjoy the confidences of communities and other ‘whistle blowers’;
- While the NGO style was not always appreciated, there was a positive side to this, in that it drew upon the spirit of international voluntarism; an NGO provider would thus be likely to ‘go the extra mile’, to get information that a less ideologically-driven operator might not seek to unearth.
- An NGO would be less likely to have prior and potentially conflicting relationships with the industry (in-country or in influential situations elsewhere) than would a private sector operator;
- NGO-generated data was thus likely to be more reliable and credible, nationally and internationally, than that generated by the private sector.
- NGO delivery is likely to be a much cheaper option than private sector provision.

The view was very widely held that a local NGO would be too exposed politically to handle such a contract unsupported, because of its national identity (and hence vulnerable legal status), and also because its staff might more easily be put under political and financial pressures. There was wide recognition that tackling forest sector issues could be dangerous,¹⁴ and that international status and the networks and diplomatic relations that this entails, could be an asset of considerable practical value. This is notwithstanding the fact that some local NGOs and private sector organisations were operating in cognate areas, and recognised as doing good work.

As regards the activities of the actual monitors (IFM-EM), a particular concern on the government and industry side was the overwhelmingly negative tone of reporting.¹⁵ It was accepted that there might be some good reasons for this. There was nevertheless disquiet over the tenor of the monitor’s reports.

The style of IFM reporting is not necessarily consistent, either in relation to the individual context, or over time within one context. Some reports have been notably restrained in tone, acknowledging ambiguity and recognising conflicting interests and aims (for example, the GW report on Cambodia ‘*Chainsaws speak louder than words*’ in May, 2000). But some of the reports make little effort to compromise with the organisation’s official status and they can be quite personalised. Statements on the Global Witness website tend also to be fairly frank. A particularly telling example is the press release made by Global Witness when the IFM contract was signed:

**“Press release: Global Witness Appointed Independent Monitor of Forestry Sector
02/12/1999**

British environmental and human rights group Global Witness have been appointed as the official independent monitor of Cambodia’s forest sector. The appointment of a watchdog NGO to this kind of role is probably unique in world terms.

¹⁴ EIA’s experience in East Kalimantan (when several of its male and female staff were kidnapped and mistreated) and Global Witness’ experience in Cambodia (where its female project leader was badly beaten) underline this point.

¹⁵ Indeed, the names of some of the projects – for example, ‘*Forest Crimes Monitoring and Reporting Unit*’ – were essentially negative in orientation. Some informants expressed reservations at the choice of what they saw as inept and prejudicial labels.

'This is a great day for us', said Patrick Alley of Global Witness. 'This role gives us a direct formal feed into the enforcement process, and full access to timber related RGC and concession records. If we report forest crime, the RGC has to act. This means that illegal loggers might actually get arrested. The RGC's actions will be reported to Hun Sen through the Council of Ministers, and to the quarterly meetings of the international donors.'

[The funds will allow Global Witness to open an office in Phnom Penh.] 'We will simply do more of what we already do', said Alley.

'Forestry reform has a long way to go, but the fact that the RGC have accepted us, a thorn in their side for years, as the monitor, is an indication of the new mood in the government. Impunity has always been the problem in the forest sector, so this deal will test the RGC's resolve, because they have to investigate and take action on reported crimes', said Alley. 'And a lot of the perpetrators have friends in high places.'¹⁶

This perhaps warns of some of the problems to come. The lack of enthusiasm of many government officials for involvement in the work of the independent monitor can easily be imagined.

Attitudes did not necessarily soften as the work progressed. For example, the following press report is posted on the Global Witness website in 2002:

"Watchdog blasts World Bank, companies on logging reform – Associated Press

An environmental watchdog group on Friday accused the World Bank of shirking its responsibility by failing to call for the cancellation of contracts of logging companies the group considers unscrupulous.

Lond-based Global Witness said in a statement that the World Bank should not go along with Cambodia government reform plans that allow logging companies with poor records to keep operating.

"Cambodia's forests are being stolen from under the nose of the World Bank", Global Witness said in a statement.

Logging is viewed as a potential source of steady national income, but substantial revenues to state coffers have failed to materialize because unscrupulous businessmen and corrupt officials undermine reform, Global Witness said.

"The concessionaires are not moral entities, if they know they can get away with logging illegally, they will," said Global Witness's John Buckrell in the statement." [15/11/02]

A similarly negative, though usually less strident, tone marks Global Witness reporting on Cameroon, particularly in the early months:

"Global Witness, the Independent Observer for the forest sector, undertook a field mission between 4 and 6 of July 2001 in the Lomié region of Cameroon. The purpose

¹⁶ This release compares interestingly with that issued when Global Witness was contracted to undertake the role of IFM-EM in Cameroon; the latter is markedly more restrained in tone, even to the point of congratulating the Minister for 'his support to this project and for his appointment of Global Witness to the role of Independent Observer' (see: www.globalwitness.org/press_releases/display2.php?id=98).

of the mission was to identify the different types of legal infractions (offences), to determine their causes, establish liabilities and to propose actions to be taken. This mission was undertaken as part of the programme for the support of forest sector control in Cameroon.” [Extract from Report 001]

“One joint mission briefly entered the area [of some specified concessions] in July 2001 and stopped before uncovering any illegal activity....” [2nd. Summary Report, 2003:p.20]

It is not difficult to extrapolate from such writings to a view – even if an exaggerated one - that loggers were being presumed guilty in the absence of any proof of their innocence, rather than the reverse. The Global Witness external reporting style rather confirms this tone. For example, the tendency is to identify the offences that it believes to have occurred, whether or not an official notification (*procès verbal*) was issued, whether or not a joint report was agreed with the Central Control Unit, and whether or not the case in question was brought to official resolution (see, for example, First Report of the Independent Monitor, November 2001). While the grounds for the Monitor’s distrust are well documented, this approach has the effect of estranging the monitor from the service to which it is contracted, and offering little possibility of future compromise.

There is only the most basic differentiation of offences in the IFM-EM’s work (two classes - ‘major’ and ‘minor’ offences - have been introduced in Cameroon, though without the level of discrimination common in environmental audit); this only adds to the depressing tone of most of their reports.

At issue here are concerns not just about the government’s expectations of the monitor, but the industry’s perception of the monitor’s sympathies and allegiances. The opinion was widely proffered by industry representatives and their sympathisers that the IFM in both countries was institutionally hostile to logging in old growth forests, and there was a belief that it was opposed to legitimate, as well as illegitimate, enterprise in such environments. In the case of Cameroon, the IFM’s supporters felt that, while the tone of its reports was necessarily often rather negative (a reflection of the fact that illegality was widespread), the good operators could be identified by the absence of charges against them, and thus could be located by default with a careful reading of the reports. They argued that it was not the IFM’s role to present a general overview of the operation of the sector, or to congratulate the better performers. The monitor was seriously short-staffed (the IFM contract did not allow for expansion), and was not in a position to generalise its findings. In the case of Cambodia, the view was more that the prospect of any timber company conforming to the label of ‘good operator’ was so distant in that country that the thought need hardly detain one, even as a theoretical construct. Indeed, this possibility was met with derision in some quarters.

Neither of these approaches strike one as a very confident basis on which to build a constructive relationship between an official independent monitor and what is - like it or not - an important industry. This in turn raises the question of the incentives for the institutionalisation of verification operations, to which we return in the section which follows (2.1.3, ‘Sustainability’).

Such concerns about the underlying intentions of the monitor were not expressed in relation to other forms of independent monitoring (specifically the IFM-forest operations and IFM-public contracts, both in Cameroon), and no complaints of a similar nature were

made against them. This was no doubt partly a result of the rather different mandates that these various agents held, though there were clear differences in style and professional orientation as well. The other two Cameroon monitors saw their role in a longer time-frame than the IFM-EM, and regarded themselves as acting much more in a supportive capacity, and under less pressure to deliver substantive change themselves. Their style was restrained. Neither depended for their core fund-raising on performing an international crime detection role.

The external monitor in Indonesia operated in a rather more restricted framework (at least as regards the DFID contract) - training activities and monitoring of national parks (in which any form of logging is against national law) - and thus was not directly open to this accusation. Concerns were expressed about its failure to appreciate the complexity of claims over resources in protected areas and the fact that the law as stated often made it difficult for poor people to gain an honest livelihood. It had made some attempt to take these issues on board, albeit in a not very penetrating way. Regional stakeholders also expressed concerns about its investigative methods in the field. EIA/Telapak's investigations sometimes resulted in turbulence at the regional level, which was felt to adversely affect the activities of local NGOs, particularly those trying to build effective relations with local stakeholders. Again, a desire for more balanced reporting, that noted positive developments as well as the negative ones, was expressed by some informants who argued that consistent negative reporting did little to facilitate effective working relations with critical stakeholders such as local government.

The other verification model currently in operation in Indonesia (in incipient form) is the industry-initiated, but government-supported BRIK system. While this is said to enjoy the confidence of the industry, it appears to offer very little by way of external credibility. Much greater steps would need to be taken both to secure the information trail (the official transportation documents intended to establish legality are said to be available for purchase on the open market), and also to invite external scrutiny (for example, by publishing information on its database).

The MFPC approach in the Philippines operated under the umbrella of the DENR, and enjoyed generally good relations with it. Even despite sensitivity to criticisms emanating from the MFPCs in some areas, the DENR continues to regard them as an effective instrument for enforcement and improved forest management. However this sympathy has not been matched in financial terms. The MFPCs did face questions as to their impartiality, objectivity and independence, particularly as regards their non-governmental members (who often took an overtly anti-commercial logging stance). This issue was recognised by the DENR, but it was argued that the multiplicity of stakes in the system helped to balance out interests and keep partisanship in check. Interestingly, specific provision was made by the Committee in Region Two (one of the main centres of timber transformation and furniture making) to accommodate the needs of the industry, and efforts were focussed on fringe operators, not on what was accepted to be legitimate enterprise.

2.1.3 Findings~3: Sustainability

The notion of 'sustainability' was interpreted by the review team largely as a sub-set of 'acceptability', viz.:

- whether the contracts in question had been conceived and implemented in a manner commensurate with the local financial and institutional capacity, and local ownership;
- the extent to which the various monitors had then succeeded in convincing influential constituencies of the value of their work and the governance benefits it might offer, leading to a positive atmosphere for its continuation.

‘Sustainability’ in the more restricted sense – sustainability of the operations of a specific monitor – was less of an issue, as it was rarely the intention for the agency to continue in operation indefinitely on its existing terms.

In order to appreciate the potential for sustainability, consideration must be given to the factors which led to the initial decision to accept the monitoring role, and the incentives which now exist to sustain it.

In the case of the two IFM-EM contracts, the initiatives were largely donor-driven, and linked to World Bank SAC conditionalities (in the case of Cameroon, two conditionalities were involved, one of them a floating forest sector tranche; in the case of Cambodia, the forestry component was part of a general structural adjustment conditionality). In both cases, the government was also encouraged to accept the risk of an IFM operation because of the additional benefits that this might offer for its projection internationally. Cameroon, for example, was seeking to rehabilitate its international image following two very damaging appearances on the Transparency International annual perception index as allegedly ‘the most corrupt nation’ (in a sample of 100 countries). There was added pressure on the Cameroon President arising from the country’s decision to host a major international forest conference in 1999. In Cambodia, political evolution had, by 1998, reached a point where the ruling CPP needed to consolidate its electoral authority through increased international legitimacy, and was no longer so dependent on the ‘parallel budget’ to sustain its power base (Le Billion, 2000: 793). While both governments accepted that such international rehabilitation could not be achieved without some pain and hardship, it is unlikely that either was quite prepared for what actually ensued. There is a view in both cases that the government took a significant risk but has gained little in return. Other nations were cited which had not taken this risk, and had not exposed themselves to international scrutiny as a result.

In both cases, it is doubtful that the IFM contract would have been accepted by the government without the pressure of SAC conditionalities, and in each case SAC conditionalities were also influential in overcoming subsequent crises in the progress of monitoring, and in generating official tolerance of what was sometimes seen as a highly contentious style of operations. The first question to be asked, therefore, is whether the conditions which led to the establishment of the original contracts are still operative, and if not, what the implications for future verification activities are.

With the new philosophy and architecture of international aid, ‘conditionalities’ play a much reduced role. The current PRS philosophy is geared to national ownership and commitment. Coercive pressure from donors is discounted as a poor instrument to build such ownership, being viewed as incapable of generating domestic commitment and thus, as unsustainable. While PRS credits do have an element of conditionality, this is very much a ‘soft’ conditionality, and one based more on *ex-ante* intentions than performance, *ex-post*. Thus, the potential for financial leverage is very much less. It follows that a significant component of the forces which led to the setting up of the

original contracts probably no longer applies. Any future monitoring arrangements are going to require a high degree of local ownership and buy-in – both of which have not been much in evidence in the two cases of IFM-EM to date.

This being the case, consideration needs to be given to the other incentives which might help to sustain the initiative. One of these might be the interest at Ministerial level in reliable information on the conduct of forest operations; this was said to have been a factor in Cameroon, where the Minister was under pressure to defend the industry but lacked faith in the information he was then receiving from his in-house enforcement unit. (It was also a factor in Indonesia, where decentralisation had seriously weakened the central government's information base.) But a more positive incentive would be likely to come from the interests of progressives within the forest industry itself. The argument here would be that, having invested heavily in sustainable forest management, progressive enterprises have a need both to capitalise on their investments and to exclude delinquent operators whose lower cost-base undercuts them massively on price.

What kinds of incentives has IFM offered to such progressives, and how might these benefits be reinforced? The notion of a price advantage is inapplicable in the present context, to the extent that it implies a continuing market for unverified (ie. illegal) timber – which would be internationally unacceptable in principle (if not always in practice). More promising, perhaps, is a more defensive approach, aimed at securing a stable market image and niche.

'Progressive timber operators' are most readily identifiable in Cameroon, where some (usually international) companies have invested heavily in SFM in recent years, very much with a view to securing their international markets, particularly in Europe. The fact that the Asian markets served by Cambodia are less 'eco-aware' at the present time has tended to limit the investments in SFM there, though it is probably a mistake to treat the Cambodian loggers as if they were homogeneous, as has arguably been the tendency.

There is little evidence of any real progress in terms of such differentiation between the progressive and delinquent operators. As was noted in the previous section, there is a widespread perception in both societies that the IFM is hostile to all forms of enterprise in old growth tropical forests, and not sufficiently discriminating in its attitudes. To date, IFM operations have been more successful in adding to the already poor reputation of the industry than in improving its public image. It is arguable that neither Cameroon nor (particularly) Cambodia was a promising environment for an IFM pilot, in that illegality was suspected of being so generalised and rampant in both environments that almost inevitably, the monitor would find itself drawn into an oppositional style of reporting, and thus become rapidly estranged from the industry. It has not been helped by the lack of strategic thinking within the government services, and an unwillingness on the part of those services to engage in coherent forward planning. And where the NGO has made progress in putting in place systems which would allow a more rational system then progress has often been slow and hard won. A case in point would be the case tracking system in Cameroon, where some progress has been made, though very patchily.

As regards sustainability of the delivery, one avenue would be to reinforce local NGO capacity. This is not applicable in all situations (for example, it would be inappropriate for the work of the IFM-public contracts, which is highly technical and commercially confidential), though it might be possible elsewhere. The record to date is uneven. EIA has supported a local partner in Indonesia, and conducted extensive trainings for local

NGOs. The IFM-forest operations in Cameroon (Global Forest Watch) works closely with local partners such as Cameroon Environment Watch and the Limbe Botanical Gardens to build up their GIS skills. In the two instances of IFM-EM, collaboration with local partners has been very limited, and in Cameroon, this has led to some resentment on the part of local providers. An international dimension can certainly be helpful in this work, but greater local participation would not come amiss, and this is perhaps something that donors ought to promote.

For their part, the Philippines' MFPCs did involve NGOs from the start, and indeed, NGOs have remained the most active category of participants in the post-World Bank phase. This has not been without its difficulties. The underlying problem of sustainability for the MFPCs was that the ambitious design of SECAL was too much to be handled by DENR. Many of the early successes can be attributed to World Bank financing (for example, the hiring of competent but expensive lawyers). Participants in the committees were also paid for their time. As funds have dried up, so has interest waned. In many cases it is the critical mass of environmentally conscious and concerned NGOs which sustains the operation, though at some cost to the original ambition of a balanced multi-sectoral and multi-stakeholder profile.

2.1.4 Findings-4: Impact on international processes

External monitors have undoubtedly had a significant impact on wider international forest policy debates and initiatives in recent years. Monitoring organisations have been prominent in this arena, and are widely acknowledged to have transformed the debate, most notably in Europe and the USA, and (to a lesser extent) in Africa and Asia. Their influence has been particularly felt among western environmentalists, though with processes such as FLEG, they are also influencing the regional debates. They have had an important role in drawing out regional and inter-regional trade links, and showing how illegality is embedded in sizeable elements of the international trade. Early initiatives – such as the Multisectoral forest protection committees in The Philippines – may well have helped to create a demand for the kind of services which organisations like Global Witness, EIA and Telapak have offered, and the high degree of continuity of personnel in the donor community would appear to back this up.

Indonesian NGOs, and their international counterparts, were particularly influential at Asian FLEG meetings, profiting from the fact that most of these meetings were held there. Independent monitors, such as EIA and Telapak, significantly raised the profile of illegal logging at these events. Similarly, EIA and Telapak are said to have quite an influence on a donor statement on forests presented at a CG-I meeting in 2002.¹⁷

¹⁷ Some informants, it should be said, expressed doubts as to whether these influences were entirely positive; the danger of distorting international trade flows and alienating key consumer constituencies (in countries such as Malaysia and China) were cited as areas of concern, as was the risk that, by focusing on areas of particular interest in a western frame of reference, attention was diverted away from more pressing issues of forest governance, including tenurial reform. Tacconi *et al* (2003) note that Indonesia's CITES Appendix III listing of ramin was not entirely positive, in that (unlike the UK and USA – see *Para 2.1.1*) Malaysia then entered a reservation, absolving it of any responsibility to regulate the trade in ramin products into and out of its territory. This reservation did not apply to sawn timber, however, for which a paper trail was still required.

The clearest evidence of take-up of the theme of independent monitoring on international processes in Africa is provided by the Africa FLEG meeting which was held in Yaoundé in October 2003. Thirty one African nations were present at the conference, as well as representatives of nine bilateral donors. The ‘Ministerial Declaration’ of 16 October, which emanated from the conference pledged members to:

“explore the ways and means of demonstrating legality and sustainability of forest products to encourage consumer market confidence and thereby enhance legitimate trade for a greater financial return to producer countries”.

Among the indicative actions listed in were the following:

“
 ➤14. *Further considering that law enforcement institutions should effectively operate in the field and that governments should internalise independent and rigorous monitoring of those operations.*

Law enforcement and monitoring:

- Seek collective responsibility in forest law enforcement and governance at local, national, regional and international levels;
- Improve conditions of service of field staff and of enforcement services to ensure forest law enforcement and governance;
- Develop monitoring and audit capacity of forest and legal authorities;
- Encourage independent monitoring;
- Encourage decentralised forest law enforcement and empower people and local governing bodies for forest law enforcement and governance; “

The strong endorsement of the principle of verification at this conference was no doubt the result of numerous factors, but Cameroon’s leading role in putting monitoring systems in place, and the evidence of its three monitoring programmes, surely played a part. There was certainly a strong perception to this effect. Assuming it then leads to coherent national and regional level actions, this can be identified as one of the positive outcomes of the Cameroon experience. It is still early days, though there are some quite encouraging signs.¹⁸ A number of countries have expressed interest in using independent monitors.

¹⁸ See, for example, the recent press release, ‘Timber companies agree to oversight in Africa’ [<www.enn.com/direct/displayrelease.asp?objid=D1D1364B000000FBE4C2AFAC8E0017D0>](http://www.enn.com/direct/displayrelease.asp?objid=D1D1364B000000FBE4C2AFAC8E0017D0)

PART THREE: THE WAY FORWARD

3.1 Taking Stock of the Existing Initiatives

The reviewers are convinced that the investments recently made in forest monitoring have had some positive effects. Independent and external monitoring activities are by no means solely responsible for these improvements, but almost certainly have contributed. In particular, shared international understanding of the dynamic of tropical logging has been increased, and both national and international constituencies are focussing down on ways to ensure that the benefits of the industry are more equitably shared, and the harmful effects contained. The better industrial operators are exhibiting a seriousness of purpose which was rarely evident previously, and this is a refreshing and commendable development. The principle of verification is now widely accepted, and while the reality may well be still below expectations, the direction of change is positive.

At the same time, there are some less encouraging signs, particularly as regards IFM-EM. The balance of reporting of enforcement operations has been very much towards the negative, and destructive forces have been unleashed with uncertain effects in the longer term. Enormous energies have been expended on boundary demarcation and contractual issues, to little discernable effect. This reveals a paradox: the situations under review commended themselves for action largely because forest management there had already reached crisis point, not because of the likelihood of a rapid improvement in performance or move to widespread legality. In such circumstances, it is difficult for external monitoring to function to develop the sector, but rather easier for it to do the reverse. The governance challenge is thus particularly complex.

Should the result of the unremitting criticism of the sector generated by some of these activities be to drive the better operators out, then the effect could be to devalue the resource and hasten its destruction, not to improve its condition or the quality of its management. It is arguably more in the interests of the poor for progressive operators to exist, even if their performance disappoints, than for them not to exist at all.

This is not a situation in which a preferred course of future action is easy to identify.¹⁹ One reason for this is the dearth of providers and the lack of 'redundancy' in the delivery system. While there are some societies in which a reasonable market exists for monitoring professionals (Canada is one), this is not the case in most of the societies studied here. In the first instance, the way in which support institutions in the forest

¹⁹ Some observers have argued that the concession system is at fault and needs to be abandoned (this is particularly the case in Cambodia, though Indonesia and Cameroon have also been mentioned in this regard). However, the alternatives are far from clear. Community forestry might provide a viable alternative to industrial forestry in some circumstances, but nowhere is it yet in a position to substitute for it on a substantial scale. Were it to be promoted in this vein, then it must be wondered whether the movement would have the political authority to ward off the powerful commercial interests that would be drawn towards it. And in countries like Cambodia, emerging from decades of turmoil, the existence of strong, coherent communities, able to manage their forests on an industrial scale for the common good, may be an admirable goal, but not one which should too readily be presumed (cf. Le Billon, 2002). Even in Cameroon, where community forestry is much further advanced, the movement would be quite incapable of substituting for the industry on a substantial scale in the short-medium term, however desirable that might be. The obstacles are as much political as ideological.

sector have developed in forest-rich tropical societies has often tended to thwart rather than encourage the development of private sector providers, so that the expertise just does not exist outside of the administration and industry. And secondly, professionals who are already working in such countries do not tend to welcome the turbulent effects which such negative exposure would have on their public profiles or interests. One notes that, in the limited cases that work has been put out to tender in the area of enforcement, very few professional bodies have responded to the call.

An additional area of uncertainty concerns what is expected of the monitors. A distinction must be made between the performance of the monitor and changes in the sector and services which effective monitoring may help to bring about. A balance needs to be struck between high-profile activities and more modest capacity-building initiatives. The former derive considerable force from their ability to feed an external public, though they are prone to alienate important local constituencies. The latter are stronger on capacity-building but may be much weaker at leveraging the sorts of impacts which international donors are increasingly pressured to deliver. An added complication is the fact that the former has been strongly associated with external activist organisations claiming a global mandate to intervene in sovereign states. This has tended to pit responsibility against sovereignty in ways which are redolent to some of neo-colonialism. There is a danger that preoccupation with one or the other of these styles of operation will inhibit, rather than encourage, generalised improvements in forest management. At the same time (and as will be discussed below), it may be misleading to see them as alternatives, rather than complementary. Thus, comparing styles may be a useful exercise, but it need not necessarily imply the triumph of only one.

It is necessary, therefore, to recognise that a review of this type has to focus on the art of the possible not the ideal, to make recommendations on the basis of the limited options available and the impracticality of many of the options which would ideally be preferred, and to recognise that development of the sector may involve a combination of mandates and styles.

The following discussion is structured around the key themes and questions identified in Section 1.5 (above). In each case, the criteria identified in the terms of reference (particularly, effects on enforcement activities and acceptability to stakeholders/sustainability) provide the underlying points of reference.

3.1.1 The character of the institutional provider

- *NGO or private sector or multi-stakeholder provision? Are there grounds to favour one of these, as a matter of policy, or should each be considered on its merits, situationally?*
- *National or non-national provider? Are there arguments to favour a truly 'external' agency (in the sense of a non-national agency, with no links into the national society)?*

A number of different providers have been employed in the case studies under review, both NGO and private sector, and all of them have had their merits.

The case of the independent monitor for public contracts in Cameroon is an instructive one in the present regard. On the one hand, this provider was both a national organisation and a private sector provider, and yet by both objective and subjective

criteria, is held by well-placed observers to have operated effectively. Allowing for the specificities of this particular case, there is evidence here that a private sector provider can make a positive contribution, even when it is local to the society in question. This needs to be said, as some observers of the forest scene have been dismissive of the capacity of the private sector to provide credible and disinterested advice, more or less in any cognate field, public contracts included. Of particular interest in the present reference is the complementarity between this observer and the two other forms of Independent Observer (Enforcement and Forest Operations). While one measure of success of the IFM-public contracts was the steady rise in bid prices which concessionaires were willing to pay, this did create a pressure to over-exploitation of the resource (to recover the outlay) which needed to be held in check. Thus, effective field monitoring of the implementation of forest management plans was a necessary complement of the changes in concession allocations.

However, in areas other than public contracts, the preference of most respondents was unquestionably for an NGO provider. Respondents from a range of backgrounds were doubtful that a private sector firm could provide this particular service as well as an NGO. *Inter alia*, plausible private sector providers were felt likely to already have a track record in the society, and hence to have unhelpful links to the industry. Even those who were dissatisfied with the existing provision did not usually deviate from the line that an NGO was, in principle, the preferred option for these tasks.

There was also wide recognition that involvement of an international partner could be beneficial in this hazardous area. This was not to doubt the competence of local providers, but merely to recognise their vulnerability.

An external perspective was also regarded as essential to public credibility. Industry-led initiatives with no recourse to external validation were not regarded very enthusiastically by most observers. The BRIK initiative in Indonesia is a case in point.

In summary, there are no off-the-shelf answers to the question of institutional provider, though NGOs are probably indicated in most instances, particularly as regards enforcement verification. Whatever the choice of provider, however, this should not deflect attention from other equally pressing issues, such as the terms of the provision, the reporting structures in which this should operate, and the overall structuring of supervisory activities. Some principles in this area are set out below (Sections 3.1.4 and 3.2).

3.1.2 The nature and terms of the provision

- *The role of advocacy: can a provider combine advocacy with monitoring, and still retain its independent status? Is advocacy an asset or a liability in the contexts under review?*
- *Under what contractual terms should monitors be engaged?*

Advocacy is in many ways a natural counterpart of NGO involvement, all the more so as it is unlikely to be associated with other types of provision. Combining oversight and advocacy does offer certain advantages, and in some ways accentuates the benefits of NGO identity. For example, it may well:

- increase commitment and motivation;

- internationalize the debate (and hence, shift the political balance in favour of the monitor and away from the industry);
- increase the credibility of the information, at least to some parties;
- Increase the 'threat potential' of the monitor.

These may be important considerations, given the danger that 'neutrality' can easily become a vehicle for complacency and non-transparency, an accusation which has been levelled at horizontal (intra-governmental) enforcement operations (Goetz and Jenkin, 2001).

But arguably, combining advocacy and oversight is also prone to:

- accentuate the negative in reporting;
- subordinate the monitoring role to the advocacy agenda;
- inhibit relations of trust from developing with the official enforcement body;
- distort the balance in the assistance role away from supporting the development of effective systems towards detection of individual criminal acts;
- distort the national debate, through a form of 'mission creep' which favours themes that are attractive in the countries which are targeted for campaigning and fund-raising, not necessarily themes which are most pertinent in the host society;
- decrease the credibility of the information to other parties;
- compromise the provider's status as an 'independent' observer.

In the two cases of IFM-EM under review, there was also a widespread perception that the provider's underlying human rights orientation made it vulnerable to the accusation that it is fomenting dissent and rebellion in the society. This was said to come about by the way in which the monitor interacted with rural populations and (allegedly) encouraged them to pursue their grievances against not only the industry, but also the government.

One of the problems in combining monitoring with advocacy where governance is problematic is that the campaigns are very likely to be directed against the government itself. This makes for some difficult relationships. An official contract may seem a rather implausible vehicle for denunciations of government. The situation has the added disadvantage of polarising all debates into two camps, pro- and anti- government. Donors may find this uncomfortable, but it creates an impossible dilemma for the civil servants who are supposed to work with the monitor. Unsurprisingly, perhaps, there is a tendency in such circumstances for civil servants to obstruct the monitor's work. This may be an indication of corruption but not necessarily, and this should not be presumed.²⁰

The issue of advocacy has been a particular preoccupation in relation to IFM-EM, because of the special circumstances of the two cases under review. However, it is but one aspect of a more complex set of issues relating to the principle of independence

²⁰ Bureaucratic resistance is a well-documented phenomenon, and may have many causes. There is a danger that an over-simplified interpretation of it might end up appearing to 'criminalise' the whole public service.

which is central to IFM. This is of such importance in the present situation as to merit further analysis.

Monitors' Independence

The case studies discussed in this report were conceived very much as pioneering ventures. Their experimental nature has to some extent insulated them from comparison with other activities, and encouraged an innovative, trial-and-error approach. However, the dilemmas which they raise are not unfamiliar in other disciplines, and external auditing in particular, offers many useful insights. For example, the principle of independence is of critical importance in external auditing, and the audit literature offers useful guidance as to what this should entail.

That auditors must be “independent both in fact and appearance” is a central tenet of audit practice. In the audit profession, perceptions are regarded as of comparable importance to ‘factual’ relations. All necessary steps have to be taken to ensure that the auditors are independent of their clients and all other influences which might impair their objectivity and impartiality (Porter et al, 2003: 72). Professional guidelines (such as the SEC ‘Guide to Professional Ethics Statement’ in the USA) identify a number of potential threats to auditors’ independence, which can be grouped into four broad summary categories:

- *the ‘self-interest threat’*: threats to independence resulting from financial or other relationships which would create conflicts of interest;
- *the ‘self-review threat’*: threats deriving from the need to retain objectivity in relation to previous audit or non-audit decisions;
- *the ‘advocacy threat’*: threats which arise where the auditor has acted as an advocate against – or for – the interests of the client;
- *the ‘intimidation threat’*: threats of a personal nature.

The advocacy threat can be considered as not dissimilar to the threat associated with ‘non-audit services’ (i.e. other relationships with the client), in that both draw into question the auditor’s impartiality. Though roundly condemned in some quarters, non-audit relationships are defended in others (for example, on the grounds that they increase familiarity with the nature of the business). Ultimately, however, boundaries are set by the existence of binding professional rules which specify the kinds of services that auditors can and cannot provide to their clients. Additional criteria may exist to increase credibility, such as mandatory auditor rotation, appointment of auditors by shareholder panels and oversight by audit committees. Provision usually exists to temper principle with realism, and audit practice is in important respects permissive (in the view of some critics, overly so). Thus, while strict application of audit rules would call for the income from any one client not to exceed a specified percentage of total practice income, special provision may be made for new entrants to the profession and other special cases.

The debates contained in this literature are of considerable relevance to the cases under review, albeit rendered more complex by the lack of a professional body to arbitrate on standards when interests are in conflict. In some areas, a permissive approach commends itself in relation to IFM. For example, a degree of latitude would seem advised in relation to income criteria, because of the innovative nature of the IFM endeavour, and the gains to be made by drawing new entrants into the field. However, it is arguable that less discretion would be advised in relation to the issue of advocacy,

because of the risk to the core monitoring function. A strong advocacy agenda focused on a substantial portion of the client profile would seem, on a *prime facie* basis, to represent a significant threat to independence and credibility.

On this view, the fundamental essence of 'independence' with regard to the performance of the IFM function is strict independence from all interests in the forest estate, including – but not restricted to – funding agencies.²¹ This implies objectivity of judgement, regardless of funding and other relationships, as well as a lack of partisan interest in the outcomes of the monitoring activity. All reasonable steps would need to be taken by the monitor and its staff to manifest their independence from the various interests with which they must deal – and they would need also to take all reasonable steps to ensure that they are *perceived* as acting in this way. There would be an equally strong obligation on other parties – most notably the government and its international donors – to provide the appropriate financial and other guarantees that independent functioning requires. The early months of the contract are likely to be a particularly crucial period, for it is at this time that the monitor establishes its profile, and, by demonstrating its fair-mindedness and non-partisanship, convinces the sceptics and detractors of its true independence of all interests. The primary concern of the independent monitor should be to put the best evidence before those by whom it is contracted, as dispassionately and non-judgmentally as it can and in strict accordance with its terms of reference.²² The responsibility then lies with the contractor and (in the instances under review) its international partners to respond accordingly. The key interface is a democratic one on both sides, in line with the commitment to good governance and public accountability.

If this is accepted, then an organisation that is actively campaigning on policy issues relating to the forest sector, and involved in the denunciation of parties that are central players in that sector, needs to think very carefully before putting itself forward for the role of 'independent monitor'. Equally, the funders and other sponsors need to think very carefully before taking such an organisation on. An IFM contract, properly executed, implies considerable restraint on the part of the monitor in terms of its public behaviour and utterances, its release of information and the ways in which its findings are phrased. These restrictions are likely to have wider effects, in that campaigns in one environment may well be perceived (rightly or wrongly) as affecting other areas of activity. They may well compromise the organisation's relations with its primary constituency. In this instance, as is the case with audit, perceptions need to be protected quite as much as factual relationships.

Holding to such a strict interpretation of the meaning of 'independence' could imply that some of the positive outcomes which have been noted in the two instances of IFM-EM would not, in the event, have come about. However, the argument is not that all forms of external monitoring should be suppressed, but rather that the two functions of independent monitor and advocate cannot easily be joined without severely restricting one or other activity. Clear restrictions on function are implied in the designation of official 'independent monitor', and these are constraining on the provider as well as the parties it is to monitor.

²¹ The British Columbia Forest Practices Board instructions on this matter appear to set an appropriate standard here (see Para 2.1.2, above).

²² In this reference, one notes that the reporting style in Cameroon has been criticised as over-emotional and needing to be more *'froide'*.

This interpretation would not necessarily appeal to the trade lobby in western consumer societies for whom IFM undertaken by an NGO with a strong environmental profile is attractive to the extent that it offers the prospect of a very powerful eco-label. The argument has been advanced that a positive endorsement from an NGO which has hitherto been seen as very much 'in the enemy camp' would be of much more value as a market tool than endorsement by a more neutral (probably private sector) provider, with little reputation or credibility with the western public. It may be wondered whether it is in the interest of advocacy-oriented NGOs to put themselves forward as quasi-certifiers of this type. In any event, present realities would seem very far distant from this ideal.

If these arguments are accepted, then more attention would need to be given in programme design to validating the evidence and then ensuring its availability to the public through appropriate institutional arrangements, rather than leaving it to the IFM to champion its cause unaided and consuming the time and effort of other parties (the donor community particularly) in limiting the collateral damage which results. Among other things, in the cases under review this may well have deflected attention from ensuring that the other parties – particularly the government's own enforcement body/ies and the industry – held adequately to their own contractual agreements.

A particularly problematic dimension of the two enforcement cases concerns the very poor state of governance of the forest estate that was recognised to exist at the time the IFM contracts were signed. On the one hand, senior authorities of the forest and environmental ministry/ies were starved of reliable information as to the state of forest operations. On the other, those operations themselves were suspected – and later shown – to be in a state of fairly generalised indiscipline. There is a strong argument that such a situation demands extraordinary measures, and that tying down a highly motivated monitor to a fairly narrow 'independent monitoring role' may not be a particularly productive approach. This view has considerable force. But it is arguably more profitable for donors to negotiate with the host government to allow access to a committed and energetic external monitor, with strong international links and good powers of penetration, outside of the restrictions of a state-sponsored contract, than to attempt to force such an agency into an excessively constraining relationship. Indeed, it may well be the case that the presence of one (or preferably more) external monitors is likely to be a necessary condition for the effectiveness of an independent monitor, operating on behalf of the state, and that the most promising donor strategy may be to promote both forms of provision in tandem. Here again, the evidence appears to call for multiple provision, with each form of monitoring complementing and reinforcing the others.

Whether multiple provision need also be *simultaneous* provision would depend on the context. In some circumstances it might be preferable to allow a lower profile agency to take up the independent monitoring role, and then to employ an external monitor of the 'watchdog' type in parallel, as a form of external check. The ideal would be for both of these to function as routine checks upon the performance of a pre-existing and confident internal enforcement body. This would remove the emotion from the situation (as is common practice, for example, with financial audit procedures). More likely in present circumstances might be a short-term reconnaissance mission by an external monitor, so that the size of the problem can be scoped out before other measures are planned, with

subsequent re-visits to assess the progress made, by way of spot-checks.²³ In yet other circumstances, it may be preferable to encourage different providers to operate simultaneously. Whatever the preference, the critical interface would again be between the host government and its international bi- and multi-lateral partners, with local and international NGOs and private sector providers functioning to reinforce structures of public accountability, not to pre-empt them.

One of the consequences of such an arrangement might be to limit the frequency of the inputs of the contracted independent monitor. This would in part be compensated by complementary actions of the external monitor(s), operating in a more restricted role. Such a restriction might well not meet with the approval of all parties, as the long-term presence of an advocacy-oriented monitor does help to ensure that issues of crime remain strongly in the frame on international negotiations in the forest sector. The ability of advocacy organisations to internationalise the issues also provides a ready handle for policy leverage. However, it does so only so long as the government and the donors are willing to remain engaged. The evidence is that, for several of the key parties, such engagement cannot be taken for granted. Indeed, one sure-fire way to diminish it is for the monitor to behave in ways which the donors find difficult to defend.

A clearer separation between monitoring and advocacy roles would also strengthen donor interest to the extent that it separated out the financing of the two activities. Funding of independent monitoring is not, of itself, especially controversial, though it may become so when powerful interests are at stake. International advocacy is inherently sensitive, given the sovereign nature of the forest resource. Involvement of a stable donor consortium seems preferable in both cases, ideally in a trust fund arrangement. This would help to share responsibility, diversify provision and increase donor influence over the process. Sponsorship by individual donors is particularly problematic where there is an advocacy dimension, as this tends to pit the donor on the side of the advocate even over matters where it wishes to guard its neutrality.

Whatever the nature of the provision, there are strong grounds to argue for its procurement under terms which ensure maximum national and international legitimacy. Competitive tender would help to secure the legitimacy which such sensitive operations require, and it would have other beneficial secondary effects. For example, it would tend to lengthen the time frame for the provision, and would be likely to encourage wide participation in the design of terms of reference.

3.1.3 *The underlying aims of the provision*

- *The balance of interest in reporting between the negative (forest crime and forest offences) and the positive (improving the nation's image, and the saleability of its forest products);*
- *The balance of competence within the provider between intra- and extra- sectoral concerns;*

²³ Whether the sorts of organisations which are currently involved in external monitoring work would be interested to operate in these ways is an interesting question; the concern here is only with contracted inputs. The assumption is that demand for external monitoring services will grow substantially in the near future, and one effect of this may be to create a more demand-led service.

- *The scope of reporting (as regards the wider political dimensions uncovered by monitoring activities);*
- *Criteria and standard setting, and the balance between objective and subjective monitoring.*

Judgements as to the scope of the provision are largely conditioned by the arguments in the section immediately above. From an international perspective, there is value in drawing out the connections between forest sector dynamics and underlying issues of political economy, and it is likely that donors will be interested to fund such work. But to do so within the framework of an official IFM contract is fraught with difficulty. The principle of independent monitoring, in the sense of external verification of enforcement operations, can only apply where it is confined to forest sector issues, for the public services under scrutiny do not themselves have any wider brief. It is unrealistic to expect anything else of civil servants working within hierarchical and sectoral bureaucracies, and to involve them in these ambitions would be inappropriate and unjust.

An additional difficulty is that the methodology of IFM makes it difficult to go beyond specific acts of forest crime, and develop a broader oversight of progress within the sector. One of the effects of the routinisation of the monitoring function around the theme of legality is that the monitor becomes tied down to the act of verification to the exclusion of a wider vision of sectoral development. Monitors are understandably reluctant to take on any oversight function which they fear might compromise their judgements on the specific case in hand. Their tendency is, therefore, to avoid generalisation and to focus on the individual event.

Negative measures of forest crime are self-evidently an essential part of the picture when it comes to securing the legality of forest products. But there are more positive indicators of forest management performance which do need to be tracked – and given some prominence - if the sector is to advance, and the underlying aim of improved forest governance is to be realised. Such indicators include:

- Investments made by operators in management planning (staffing units involved in SFM; quantity and quality of plans produced);
- Investments in field monitoring (respect of management plans; log tracking systems and technologies; supervision of field staff; RIL methods investigated and employed);
- Consultation processes in place (local communities, forest authority, other ministries and services);
- Staff performance assessments in the field (quality of field supervision; staffing and incentives policies; numbers of staff sanctioned for poor performance and failure to respect plans, and staff rewarded for good performance);
- Other efforts by government to improve forest governance, in areas such as local rights and tenurial change.

The interest lies not just in the raw data but trends in all of the above. Such indicators would help to build a more positive picture of progress within the sector, and would allow the monitor to function more effectively to help build up its credibility, offering its committed official counterparts a more constructive interest.

Bringing such indicators within the purview of the monitor is desirable but not unproblematic. The element of subjectivity involved is challenging to a degree, but would be manageable provided the overall balance is right. The essential requirement would be a constructive dialogue with the government and the industry, with a view to gaining a consensus on the indicators that could be assessed with some precision. In this regard, the performance of the IFM-public contracts in Cameroon provides a useful reference point, as it is in this area that its contribution has been greatest, and the credibility of the concession allocation system most clearly enhanced. Other more subjective indicators might also be brought within the remit of the monitor, such as the social investments (schools, clinics, bridges) which industrial operators are required to make by the terms of their concession agreements, and which the industry uses as proof of its beneficial welfare roles. These standards are rarely systematically assessed. Such information is of interest not only on its own merits, but also in relation to cognate activities such as assessment of public tenders. Evidence regarding the quality of the social infrastructure that a logger claims to have put in place may be an important criterion of technical merit.

In principle, bringing these subjective dimensions into the monitoring system would have much to recommend it. However, here as elsewhere, a judgement will need to be made as to the likelihood of a shared basis of understanding and assessment being developed between monitor, enforcement body and industry. Where the relationship between independent monitor and government enforcement agency is not yet on any sort of mutually supportive footing, it may be wiser to leave aside the more highly subjective aspects of monitoring (concerning, for example, the quality of social infrastructure). On the one hand, excessive amounts of scarce staff time might have to be invested in establishing monitoring standards in such areas; on the other, relations between the monitor and the industry would need to be marked by a degree of mutual trust for either side's assessments to be accepted as legitimate. Other and more time-bound forms of assessment – for example, investigation committees reporting to an inter-ministerial Concession Allocation Commission – may be preferable. But no hard and fast rule can be offered, and where the possibility of a meaningful dialogue between the parties does exist, then arguably this provides the basis for a more constructive relationship, to the ultimate benefit of the society at large.

In this regard, the verification movement might do well to learn from the debates which have accompanied the rise of forest certification, specifically concerning the balance to be struck between the promotion of certification through the development of performance standards, to judge a set of forest operations, and of process systems standards, which have more of an orientation to enterprise policies and to management systems and processes (Bass, 1998). Whether it should be the task of the specific independent monitor to broaden its perspective may be doubted. But there is a strong case for IFM to be conceived within a wider approach to verification, in which monitoring of forest crime is balanced with other, more positive interests, to encourage development of progressive systems, and create a more creative vision of the role of the forest sector in societal development. The implications are thus primarily for the donors and their government partners as regards the design of the broader governance programmes of which IFM is part.

Whatever the precise nature of the monitoring tasks, it is essential that these are appropriate to the resourcing of the contract, and compatible with the capacity of the associated government agency. The exact terms of reference in any one situation will depend on the circumstances. However, experience suggests that the initial tasks for an

IFM-EM should be tightly specified and fairly restricted, with other functions added only later as trust is built and capacity permits. Useful and important, but time consuming, work such as checking border crossing routes and reviewing the overall performance of external services (i.e. provincial and district forestry departments) could perhaps be shared among local NGOs and other providers.

3.1.4 *The role of capacity building*

- *What should be the relationship between monitoring (of enforcement agencies and/or the forest industry) and capacity-building (of the enforcement agency and/or other local providers and civil society)?*

In this area, as elsewhere, a tension does exist between the short-term aims of the IFM, which are largely focused on uncovering and publicising instances of forest crime, and the long-term aim of increased national capacity and the creation of credible systems which can be managed internally. The development assistance framework in which all of these initiatives have been developed inevitably (even if not always overtly) creates an anticipation that national capacity building will result. That the course of events to date has been so heavily biased towards forest crime reporting reflects the governance challenges both at the beginning of the process and still, to a significant extent, today.

There are broadly two options in relation to capacity-building. On the one hand, it could be argued that capacity-building should only, if at all, be offered to providers external to the government service. In this way external credibility will be maximised. Whether it is worth contemplating long-term capacity building of external domestic providers, rather than leaving the provision entirely in the hands of international providers, is a judgement which would have to be made by the government and its partners. There is a case for the international option, and this has been accepted in some circumstances, albeit not without difficulties (the 'Outsourced Forestry Supervision System' in Ecuador is a case in point). The alternative view is that, without some longer-term vision and some expression of faith in the capacity of the official structures to manage their own affairs, there is little prospect that any meaningful level of national 'ownership' will ever be achieved.

The way in which the existing IFM contracts were conceived poses a number of dilemmas which are not easily resolved. In both instances, the aim was for fairly long-term provision, rather than occasional, time-bound inspection missions (such as are common in financial and educational audits). This has imposed strains upon the government enforcement bodies which have been the prime subject of monitoring. If these strains are to be mitigated, it could be argued, then an element of national capacity building has to be built in. On the other hand, amalgamating the two functions of monitoring and capacity building does risk 'polluting' the monitoring function, to the extent that it might encourage a conflict of interests. Capacity building may also sit rather uncomfortably with the core skills which are integral to the monitoring brief.

It is difficult to offer off-the-shelf answers to such problems. Suffice it to note the contradictory tendencies and the need for them to be carefully weighed up. What is called for above all is for IFM to be conceived in a way which offers a clear exit strategy for the independent monitoring operation. This exit strategy would need to specify, right

from the inception stage, the handover arrangements which are to be put in place, and the skills profile which needs to be built up for this to be effective.

Independent field missions by the IFM

An issue which, while not strictly speaking ‘capacity building’, nevertheless has important implications for it, is that of independent field missions by the IFM-EM. In the case of Cambodia, field missions were always independent. In Cameroon, joint missions are undertaken, but the Global Witness contract also permits it to undertake field missions independently. These are of two broad types: ‘freely-undertaken’ missions by the monitor, and verification missions to confirm or invalidate reports produced by the government enforcement body following a field visit in which the monitor did not participate.

Joint missions would seem well advised, and should normally be built into the ToR. The status of the independent missions can be problematic to the national authorities, in that they lack legal validity. Legal summons (or their precursors) cannot usually be issued without the presence of an authorising officer, so these missions are always incomplete. They can also widen the distrust between the monitor and its official partners. That said, such evidence may well have a vital role to play in exposing wrongdoing within the industry, particularly where official enforcement reporting has completely broken down.

In situations where illegality is rife in the forest sector, and very serious doubts are entertained about the effectiveness of significant elements of the national enforcement service, it would seem important that the possibility of independent missions by the IFM is accepted in principle, and that some such missions are undertaken. While the IFMs under review have not been the primary enforcer themselves, rights of entry and inspection are so fundamental to enforcement operations that it would be counter-productive to categorically deny such rights, on an independent footing, to the IFM. Provided the form of the missions is agreed with the government and the other sponsors involved, and provided their conduct conforms to precise public reporting standards, it would seem reasonable that they should take place. An essential requirement is that such missions should report to an appropriate supervisory authority. Given the sensitive legal dimensions, the status of separate mission reports should be made fully clear whenever information deriving from them is used by the monitor.

3.1.5 Structuring the provision

- *What are the architectural possibilities for the delivery of verification and audit services?*
- *Are particular structural arrangements indicated in particular circumstances, or should these be purely situationally defined?*
- *What are the requirements in terms of reporting authorities and committees? When is a ‘forest practices board approach’ indicated, for example?*
- *What levels of intra- and extra- participation should be sought? Are particular forms and levels of participation to be regarded as ‘ideal’?*

While experience of verification is relatively little advanced, particularly in the tropics, we do now have the benefit of a number of existing systems from which useful models can be abstracted, and wider lessons learnt. Individual situations will vary according to the legal context (for example, dependent on whether there is a right of *locus standi*, and

whether that right applies to the external monitor), but some general principles do emerge.²⁴

After a difficult gestation, the Cameroon IFM system is now functioning reasonably effectively (though far from perfectly), and several features of it commend themselves more widely. These include the part played by the *Comité de lecture* ('Reading Committee') as a filter for IFM reports, and the tri-partite delivery of monitoring functions (of, respectively, enforcement, public contracts and forest operations) in a coordinated and mutually reinforcing way.²⁵ The Reading Committee has played an important role, not only as a buffer between the IFM and its counterparts, but also in providing a degree of legal authority to the IFM activities and a means of generating ownership.²⁶ Where IFM reports are approved by the Committee, then this gives them de facto legal authority. The IFM is free to publish reports which have not been validated by the Committee (though this is not favoured); however, in such cases, the onus would be on the IFM to defend its own decisions without the support of the legal authority.²⁷ The Cameroon terms of reference are also of wider interest, in that they allow for independent investigation by the monitor, and they set out the time frames within which the government must respond to the monitor's findings and the rights of the monitor regarding publication. Certain elements are lacking in the present arrangements which, were they to exist, would ensure more effective functioning. For example, meetings of the *Comité* have to be convened by the Minister (ideally they would be automatic, with an agreed and predictable frequency). Likewise, their present remit is arguably excessively restricted (they should ideally include supervision of the whole judicial process, to provide transparency and public accountability of all stages in the legal process, from *procès verbal* through summons to sanction, and proof of compliance). But the principle of a reporting panel is a useful starting point.

British Columbia's Forest Practices Board is of interest in a similar framework of institutional governance. In its functioning, this is closer to a conventional audit system with an orientation to industry compliance than is an enforcement monitor, and its preoccupations are fairly broad, including environmental pollution issues as well as technical forestry operations. However, its origins were not dissimilar to the cases under review. Though British Columbia does benefit from conditions which are absent from most of the cases reviewed in this report (much greater numbers of qualified professionals on whom to draw for monitoring services, for example, and a thriving and

²⁴ *Locus standi* provides the right to pursue a case on a public interest basis, whether or not the agency in question is directly affected itself.

²⁵ It should be stressed that the Reading Committee is certainly not performing perfectly; though intended to meet quarterly, it would seem that not more than four meetings have been held since December 2002, two of them in the first month.

²⁶ Terms of reference for this committee have proven somewhat problematic, as there is only one legal authority (the Ministry). The main requirement is for clear, even if non-binding, ground rules.

²⁷ There has been pressure from other quarters – most notably NGOs – for involvement in the Reading Committee, but this is resisted by the donor side which argues that, after an uncertain start, the present structure is now working and should not be modified. The fear is that widening public involvement will turn the committee into more of a forest forum than a validating committee; at the same time, an open door to NGOs would have to be complemented by similar openness to the industry, which could create difficulties. If anything, a reduction in the size of the committee may be indicated; at present all the staff of the *Unité centrale de contrôle* attend meetings, along with all staff of the independent monitor-enforcement.

independent press), its experience may still be relevant. For example, the ways in which the monitors are deployed contributes to the workings of a system which, while still with its detractors, offers quite a high level of credibility. Temporary teams of monitoring professionals are constituted by the Board according to the specific demands of each mission, and they make their reports against a set of standards which are quite precisely defined. The monitors then report to the Board, which has legal authority for the version which is submitted to the Provincial government. Here again, a key dimension is a filter between the field monitors and the state, in a way which introduces an important buffering role. Strict guidelines are provided to ensure independence of both the monitors and of the Board.

The 'Outsourced Forestry Supervision System' model in Ecuador has, at the time of writing, been blocked by the country's Supreme Court (the remit of one of the partners [SGS] is alleged to be non-constitutional). But this nevertheless offers an interesting model, in which authority derives primarily from the broad participation of a number of services in a mutually reinforcing way. Responsibility for technical log tracking is in the hands of a private sector provider recruited by open competitive tender (this is the role for which SGS Forestry was selected); three NGOs, the forestry service, police and military are collectively involved in control of the transport of logs and products; and certified professional foresters (working to contract as individuals with concessionaires) validate the legality of the process at field level (these not only stand to lose their accreditation if they act unprofessionally, but also a sizeable cash bond which they have to post as surety). The three NGO representatives were selected from the national NGO forum by its membership. Computerisation of the whole system facilitates the process (as logs pass down the chain of custody from production to transformation site, they are checked off electronically so that no individual is held liable for criminal acts beyond his/her control). In this system, 'verification' derives not from specific audits of the enforcement agency, but from wide participation alongside it in the whole process of timber management.²⁸

A rather similar arrangement occurs in the Philippines, where various partners come together with the Department of Environment and Natural Resources to manage the process (these vary, but can include universities and civic associations, NGOs, the judiciary, police, military and others – see **Box 5**). In its gestation, this system depended heavily on the positive momentum created by the 'people's revolution', and the rapid improvements in overall standards of public governance contingent upon that experience. It worked most effectively in areas where the timber resource was already manifestly degraded, and environmental issues were subjects of broad public concern. This is not always the case in the other societies under review in this report. The Philippines also benefits from a strong press and media, which are able to guarantee a high degree of public accountability and transparency.

In some cases (the Canadian provinces would seem to offer a number of examples), the governance of the system is assured partly by the professionalisation of the audit and monitoring discipline. This is hardly feasible in most of the societies under study. In the shorter term, any attempt to generate industry standards through support to an overarching professional body or bodies would almost certainly not be cost-effective in

²⁸ A somewhat similar model is said to have been adopted by WWF in Riau Province, Indonesia, with regard to the monitoring of SGS' contract to audit the chain of custody arrangements of the RAPP subsidiary of the country's largest paper and pulp mill, APRIL.

such cases. However, this would be the ideal, and should be retained as a long-term goal.

In summary, while the high variability in even the small sample of cases under review would preclude any standardised solutions, a number of principles are indicated which collectively or in partial combination would appear to offer the prospect of a delivery system with a high level of public credibility, enjoying the confidence of all the parties involved. These principles might include:

- i. Broad and continuous participation in the verification system, possibly cross-sectorally;
- ii. Participation to include wherever possible, key public services that are likely to be implicated in down-stream activities (for example, the police, the military and judiciary);
- iii. Involvement (with controlled but legal status) of organs of civil society, including NGOs (chosen on a representative basis, with due regard to principles of good governance);
- iv. Guaranteed rights of access to information to all participants.
- v. A management buffer to broaden responsibility and accountability, and to plan and authorise the field monitors' activities and channel their findings;
- vi. A reporting filter to validate findings, and provide a legal check.
- vii. Complementary systems of verification to ensure that the whole commodity chain (including concession allocations and other aspects of industrial operations) conforms to national standards and has public legitimacy.
- viii. In development assistance-funded situations, a prominent role for the donor community – preferably operating on a collegiate basis – which relieves the pressure on the IFM to conduct its own diplomacy.
- ix. Clear protocols for the monitor, binding on it and the host government, covering access to and sharing of information, and dissemination rules.
- x. Well-defined provision for conflict resolution, in the event of differences between the parties as regards both information generated and operating procedures.

In theory, there is an argument to favour location of the management buffer and/or conflict resolution mechanism (points 'v' and 'x' above) outside of the Ministry whose performance is under review. It has been suggested, for example, that the Finance Ministry would be the proper institutional location, to the extent that forest taxes are an important component of government revenues, and thus the Finance Ministry has a clear interest in the case. The Auditor-General's office would be an alternative location. Such arrangements would have high external credibility, and would avoid accusations that the forest Ministry has a vested interest in controlling the management agenda. But there are likely to be at least two difficulties:

- a) where the Minister of Forests is the legal authority, with the relevant powers of enforcement (regarding entry and examinations, seizure, compliance measures, authorisations and remedial actions), then such an external supervisory body may undermine this authority.
- b) Given the highly sectoral structure of most governments, inviting external scrutiny by one ministry of another, which is formally speaking of equivalent status and authority, is likely to generate unhelpful inter-ministerial rivalries, the net effect of which will probably be dysfunctional.

Such decisions would have to be made situationally but, in practical terms, the counter-arguments would seem quite strong. An exception would appear to be where a system of parliamentary scrutiny exists (broadly along the lines of the UK select committee model). This would have the advantage of broad and inclusive participation, involving democratically-elected representatives of the range of major parties, with an official mandate to pursue the public interest. This would broaden participation within the management buffer, to evident public benefit.

It has also been suggested that the independent monitoring system should encompass all aspects of Ministry performance, not just the control of the logging industry. Again, this is a commendable aim, but one which would demand a high level of public participation, and an overall commitment to the principle of public scrutiny, not just of the forest and environmental ministries but universally within government. Where good governance programmes already exist, however (as in Cameroon), a route may already exist to generalise the model.

3.2 Some operational issues

3.2.1 Overall programme design

To summarise the main recommendations to DFID for future strategy development, at the operational level, it is suggested that:

1. donors should be cognizant of the differing requirements, noted above, of independent monitoring and other forms of external monitoring.
2. agencies which are put forward as potential independent monitors should be able to show that they have the necessary independence from all interested parties, in terms of lack of interest in specific outcomes, and that they are prepared to accept the long-term consequences of this requirement. This includes absolute commitment to their contractual obligations.
3. with regard to support of independent monitoring, the host government should be willing to make the necessary *ex ante* commitments which would guarantee accountability and transparency, in such areas as:
 - operational support of government departments and personnel (including incentives for personnel to collaborate with the monitor, and safeguards for whistle-blowers).
 - guaranteed access to baseline information (concession site maps, etc.).

- commitment to the principle of free participation by the monitor in all stages of control, including joint missions.
 - clear specification of the terms under which independent field missions are permitted of the monitor, including verification missions (in general, the preference would be for a responsive approach, in which any interested parties can request such missions).
 - convocation of a supervisory body to act as the mechanism to validate and authorise findings and reports; this should enjoy high public legitimacy and contribute to national ownership and accountability; it will usually be in the form a panel which meets on a regular and automatic basis.
 - declaration that findings will be made publicly available
 - respect for the necessary publications protocols specifying:
 - realistic reporting time frames
 - feedback mechanisms to encourage wide participation of all interested parties
 - guaranteed release of information to the public
 - a commitment to act on the reports and to set up appropriate case tracking systems.
4. Terms of reference which clearly specify the mutual obligations of both parties (these should probably be fairly restricted initially, emphasising the monitor's main mandate and indicating tasks which are compatible with the scale and scope of provision both by the monitor and the official services under review).
 5. DFID and other donors should consider funding simultaneous provision by one or more external monitors, alongside independent monitoring either by institutional providers or specially constituted professional teams.
 6. in future country strategies, capacity building requirements should be given comparable weight by both parties (government and donor) to the immediate goal of detecting forest crime; the actual form which this takes would depend on the specific circumstances, however.
 7. bi- and multi-lateral donors should be encouraged to make long-term commitments to the support of actions in the area of forest governance, to avoid the *hiates* and bureaucratic obstacles which have hampered efforts to date.

PART FOUR: SOME FUTURE OPTIONS

4.1 Alternative funding mechanisms

Promotion of independent monitoring has depended heavily to date on development assistance funds. By its nature, such work is difficult to finance from public revenues, and in those instances where this has been tried (for example, in Canada's British Columbia), it is politically vulnerable. In very few of the cases under review is sole funding from government revenue a feasible option. The Philippines' MFPCs are currently mainly government funded, but not very viable, and prone to capture by partisan interests able to commit their own time and funds to the enterprise. Limited national funding occurs in countries such as Indonesia and Cameroon, though only to a small extent in areas of real controversy.

There appear to be four main options for funding monitoring activities, not all of them equally available in all societies. These are:

- Fiscal sources: general or sectoral taxation
- Hypothecation of fines and penalties
- Transfers from linked sectors (eg. water charges)
- Continued reliance on external funds (aid and/or private)

Fiscal sourcing in the sense of general taxation is probably not indicated in such an innovative area, for the reasons of vulnerability outlined above. Sectoral taxation is a possibility, particularly where a national forest fund exists and/or where part of the 'aid package' has involved increasing revenue capture, but this may well require a greater concession of participation to the industry than some parties would deem prudent, particularly where governance problems are significant.

Hypothecation of fines and penalties would link funding closely to the activities in question, and could easily be managed through a system of key performance measures applied to the monitoring service. But it suffers from an obvious ethical dilemma in that sustainability is conditional on a continuation of illegality, and the service is likely to develop an interest in sustaining the problems that it is intended to resolve. Indeed, there is a view that the present enforcement system in many countries is run on a form of 'privatised hypothecation'.²⁹

Transfers from linked sectors have been mooted in countries such as The Philippines. The most likely of these is water payments, justified by the environmental services that a healthy forest estate provides. However, such connections are not easy to make in all societies, and they seem more appropriate to countries with low forest cover than those with high cover. To the extent that such environmental pressures are increased where forest cover is low, then public acceptance may be relatively easily gained.

²⁹ Global Witness estimated, for example, that between \$40 and \$80 per m³ was paid by concessionaires informally to officials in Cambodia in 1999-2000 (2000:5).

In other instances, there would appear to be few options in the shorter term other than continued donor co-funding, with a balance of responsibilities between bilateral and multilateral agencies in line with the relative importance of national and global benefits.

This being the case, consideration needs to be given to how collective donor responsibility can best be ensured. One of the problematic aspects of some of the cases under review has been uncertain and fickle donor interest in support of monitoring, so that a few donors have had to take on responsibilities beyond their original aims. Uncoordinated donor funding has further undermined collective resolve. And there has been a litany of problems with timely payments, incompatible financial reporting mechanisms and the like which has seriously affected performance in several situations.

Collective funding and responsibility is particularly indicated in the more sensitive areas – most notably international advocacy. But a strong donor community presence is also required to ensure both that the monitor works to a national agenda, and also that no party uses its purchasing power or other advantage to distort the transparency and accountability of the information flow. A coordinated donor presence participating in the institutional buffer which filters reports of the monitor is a likely requirement in this regard. Trust fund arrangements provide one means to encourage this collegiality.

Considerable scope evidently exists for a better coordination of the international presence in this sensitive field.

4.2 Alternative/complementary strategies for improved governance

As regards the activities of the monitors, the overall picture which emerges is one in which independent and external monitoring play important – but inevitably incomplete – roles in the promotion of legality and the suppression of illegality. Agencies undertaking these functions need to be protected in the discharge of their tasks, and to be equally protective of their own integrity and aims.

The wider rights and global environmental dimensions which have most engaged the monitors of enforcement are clearly important facets of a legitimate industry, but they are difficult to contain within the independent monitoring brief. They are also difficult to handle in a culturally sensitive way, particularly where national ownership is low. As monitoring activities gain credibility, there may be potential for independent monitors to help national authorities internalise the wider ambitions of what has hitherto been a largely external monitoring brief. But verification cannot take on board all the functions which are central to social responsibility.

Monitoring needs also to be complemented by other forms of assessment, and other activities which help not only to ensure discipline in the sector, but also to locate its future course in the wider patterns of development of the society. Such a strategy provides the best chance of ensuring that initiatives have real national ownership, and that legality translates into public legitimacy. Again, the implication is that monitoring should be situated in a broader framework of governance reform.

Important work is being done in Cameroon, for example, on tracking the revenues accruing from forest operations and ensuring that these support other aspects of policy

reform such as local government decentralisation and poverty reduction strategies. There are clear synergies between this and independent forest monitoring, though that is not to say that it comes within the latter's brief.

Some of the frustrations which have been expressed by local actors (particularly from the industry) derive from their sense that an understanding of the constraints under which they operate is being suppressed in favour of more morally compelling narratives. For example, in most of the societies under review, the levels of installed capacity are far in excess of the potential of the resource, and this is placing heavy pressures on the industry. While knowledge of this situation is not lacking, it does not fit very easily within the narratives which are currently to the fore. Similarly, understandings of the barriers to legality in forest exploitation which exist in many post-colonial societies, and the effects that competing jurisdictions and conflicting claims have on the governance environment, tend to appear in these narratives only in simplified and distorted forms. Important work is being done on themes such as these two. Ways now need to be found to feed these issues into the debate in a manner which is grounded in local ambitions and interests and which does not subordinate them to allegedly global – but sometimes, more accurately, western – interests.

4.3 Nationalising or internationalising the donor strategy?

To date, the decision to implement a programme of IFM has depended almost exclusively on a process of negotiation between the single host government and some of its donors. Aid conditionalities have been influential. In at least one case, resentments were expressed to the review by a number of parties, at the way in which not only the principle of IFM, but also the specific provider, were seemingly imposed on the government.

Given the controversial aspects of the work of the IFM in the two pilots, some interesting questions are raised as to the future of such monitoring, as a development assistance-initiated strategy. Clearly, on the basis of the evidence currently available, illegal practice is widespread in the forest sector, particularly (though not exclusively) in tropical environments.³⁰

To date, donor strategies have aimed to support systemic development of forest governance arrangements, rather than promoting actions against specific operators or sectors. The incipient EU strategy based on the principle of voluntary partnership agreements follows the same approach. Such initiatives are not vulnerable, therefore, to the accusation that they are potentially discriminatory, could impose a technical barrier to trade or might lead to a trade distortion.

Nevertheless, issues arise in the voluntaristic approach which might have implications for future sustainability. There is need to avoid the situation in which IFM comes, like

³⁰ A recent review conducted for the World Bank, for example, estimates illegal logging as equal to, or exceeding the legal harvest, not only in the countries included in this study (for which the figures are: Cambodia [94%], Cameroon [50%]; Indonesia [more than 51%]) but also in: Bolivia [90%]; the Brazilian Amazon [90%]; and Myanmar [80%]. (Contreras-Hermosilla, 2004; see also Forest Trends, 2004)

certification (though in an inverted sense), to be seen as representing the interests of western industrial nations against those of developing countries (what Bass [1998] describes as the 'rich man's club' syndrome).

Arguably, there is a need for a strategy based on more objective notions of inter-national comparison than the present highly discretionary system.

4.4 Towards a model of decision-making for external monitoring

The multiple interests and agendas which have been brought to bear on the work of the monitors have clearly affected their functioning. It has been difficult for most or all of these interests to be satisfied simultaneously. It seems reasonable to assume that this dilemma will face future investments of this type. An added complexity is that, while forest resources have global public goods aspects, they function within the territories of sovereign states. Thus, whatever the legitimacy of some of the broader interests in question, they exist within a political hierarchy which cannot be circumvented. The approach of this review has been to note these multiple interests and to indicate their consequences, not to attempt to make judgements as to their prioritisation.

That said, governments of the range states, donors and other parties are likely to be faced with questions of choice and prioritisation when taking action on forest monitoring. These pressures will derive from such influences as the EU Action Plan, and its provision for voluntary partnership agreements, as well as the international pressures which are exerted for governments and donors to act to safeguard resources which are valued globally.

The question therefore arises as to whether it is possible to set out a typology for intervention which parties could use as an aid to decision making. It may be useful to present the issues in the form of two sets of polar ideal types, the first dealing with the national context, the second with the provider. The aim would then be to try to reconcile the two in ways which would provide some guidance for decision-making for those seeking to put monitoring systems in place.

A. Context-relevant Decisions

1. PROBLEM DEFINITION:

How localised is the problem to be overcome (i.e. illegality)?

- *Low*: Widespread in the society (to an extent unknown, but perhaps involving state agents and institutions on a significant scale)
- *High*: Limited to particular operators

2. POLICY ENVIRONMENT:

What is the clarity of the policy environment?

- *Low*: uncertain and ambiguous policy environment, in which it is often not possible to identify, with certainty, the legal course of action (or, conversely, when a particular course of action would be illegal).
- *High*: clear and stable regulatory and policy framework, in which it is possible to say with precision what is the appropriate course of legal action, and in which departures from legality are judicable with high levels of confidence.

3. SPECIFICITY:

How specific are the underlying interests that motivate the desire to engage a monitor outside of the state hierarchy?

- *Low*: numerous and diverse
- *High*: limited and specific

4. CONSENSUS

How easily can the interests identified in '3' above be reconciled?

- *Low*: fundamentally in conflict and difficult to reconcile
- *High*: amenable to compromise and easy to reconcile

5. COMPETITION:

How many actors have a significant influence over the processes in question?

- *Low*: few relevant actors (for example, only the forest ministry and one or a small number of donors)
- *High*: many relevant actors (including, for example, various ministries [Forest/Environment/Finance/Trade/Social Welfare/Auditor General]; various donors [multilateral and bilateral]; other parties [e.g. parliament/parliamentary committee; NGOs].

B. Provider-relevant Decisions

1. SPECIFICITY:

Does the provider have its own agenda, and if so, how specific is this?

- *Low*: the provider has multiple interests of its own
- *High*: the provider has a single interest

2. CONSENSUS:

What are the chances that there will be consensus with the contractor?

- *Low*: the provider has interests which it is not prepared to forego
- *High*: the provider is willing to compromise (and in the polar case sees its interests as those of 'the client')

3. COMPETITION:

Redundancy of the provision (in the sense of capacity for duplication) in the system

- *Low*: little, if any, choice
- *High*: many alternative providers, competing to offer the same services

4. PERFORMANCE STANDARDS:

How much is the provider likely to be influenced by external performance standards within its domain of activity?

- *Low*: the provider is subject to few external pressures
- *High*: the provider is restricted to act in limited ways (for example, by a professional body which has the power to confer or withhold professional accreditation)

These various criteria are not necessarily mutually exclusive, there may be overlaps.

Analysis

In terms of both context and provider, the two polar ideal-type conditions are given by the 'low' and 'high' variants in the two sets (A~1/2/3/4/5; B~1/2/3/4).

In purely managerial terms, the most problematic instance is where both A and B are marked by the 'low' variant in every case. In such a situation, the context is the most ambiguous and non-specific, but the provider is subject to minimal pressures to conform to external pressures. In principle, the potential for conflict between the various contracting parties will be highest in such a scenario. By the same token, such conflicts will be most difficult to resolve. It is arguable that this scenario is the most problematic for independent forest monitoring by an advocacy-oriented organisation. The preferred outcome managerially might well be to initiate other forms of external monitoring, perhaps involving multiple and competing providers.

This managerial dimension should not be confused with that of *impact*, however. Thus, while the 'high' variant provider might be considered the most 'biddable' (i.e. willing to compromise), this does not necessarily mean that its impact will necessarily be high. Indeed, one of the findings of this report is that respondents were often very sceptical of positive impacts from highly biddable providers.

A separate, and potentially cross-cutting, set of issues concerns *legitimacy*. This has at least two dimensions: international legitimacy (legitimacy to various external constituencies, including consumers of forest products) and national legitimacy (legitimacy to various internal constituencies, though not necessarily with the same mix of priorities). Some aspects of legitimacy are inter-connected, and subject to change. For example, consumers may be 'neutral' at one point, but subject to campaigning pressures (from environmentalists, for example) which define a new set of interests. Logically, there is a link between impact and legitimacy, in that outcomes with the highest legitimacy on all sides would be likely to lead to the highest impact in the longer-term.

In the types of conditions under discussion in this report, the two dimensions of legitimacy which are likely to be the most critical are:

- Legitimacy to the international public
- Legitimacy to sponsoring governments.

(Legitimacy to the broad national public in the producer country is clearly highly desirable, though it is arguable that this has not been one of the major constraints to date. Legitimacy in relation to consumer markets is largely contingent on the attitudes of international publics, and environmental NGOs play an important intermediary role in this regard).

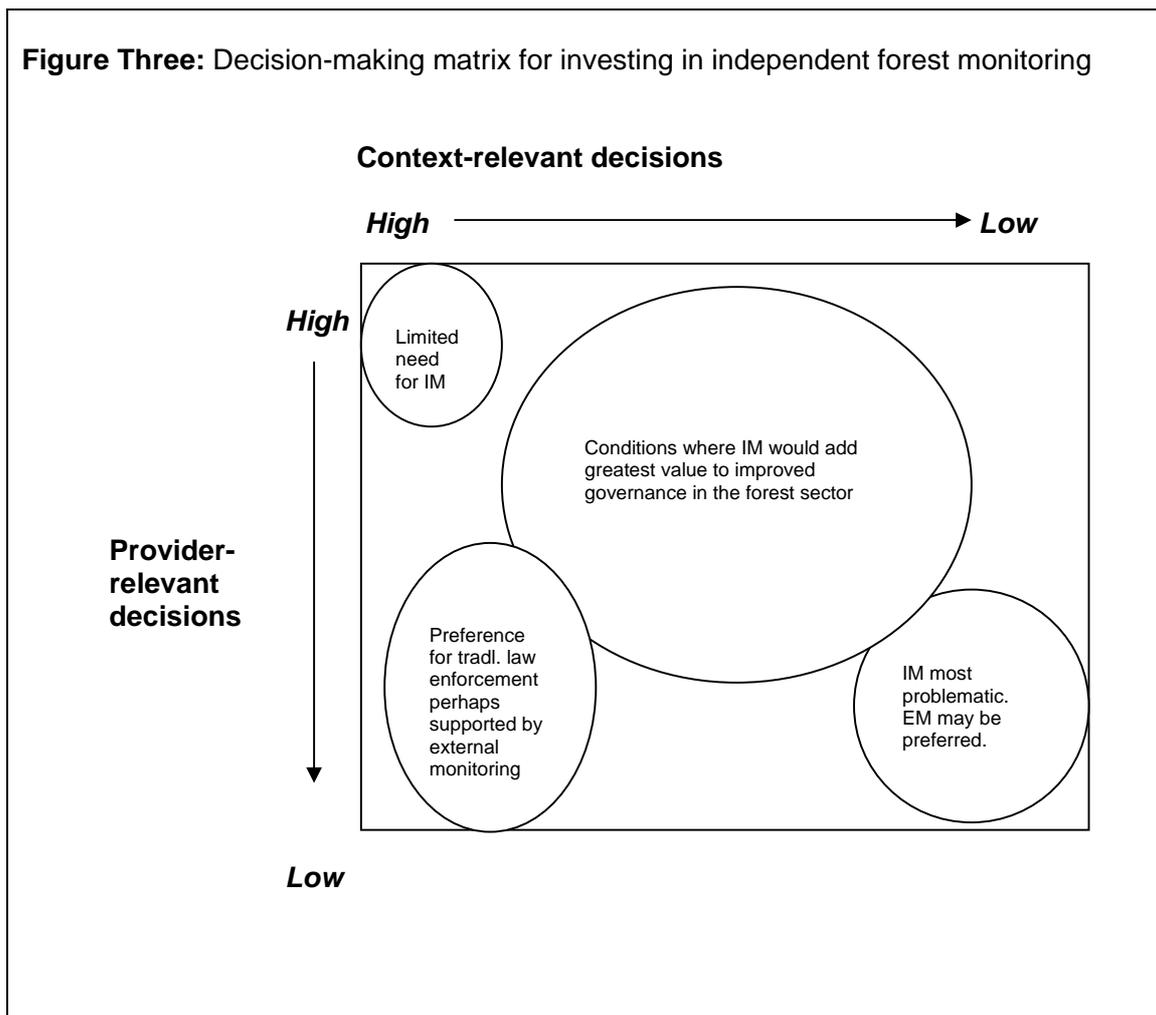
This set of variables adds considerably to the complexity of decision-making processes by donors and others. The 'low' context variant might appear to call for the 'high' provider variant, but this does not necessarily produce the most satisfactory outcomes in terms of impact or legitimacy. Indeed, the legitimacy and impact variables could well prove to be somewhat antagonistic. The highest legitimacy would be likely to derive from involvement of 'low' variant providers (i.e. highly motivated NGOs operating in non-competitive environments, with clearly defined external constituencies and multiple interests which they are not prepared to forego). The need for such legitimacy is likely to be highest where the context is also consistently 'low variant'. (For example, it could be

argued that producer societies which are the least well regulated are the most in need of endorsement by the more radical environmentalist and rights NGOs, if they are to achieve real credibility in western consumer markets; endorsement from less radical quarters would not be likely to convince the consumers.) However, the chances of reconciling the low variant provider with the low variant context may be so low as to predict the least favourable impacts. This is the dilemma of conditionality-driven IFM.

These variables can be put together in a matrix, which may serve as an aid to decision-making when investment in IFM is under consideration as a tool for improved governance (Figure Three).

In any actual situation, the range of possibilities could be limited. The preferable scenario may well not be the ideal one. Compromise decisions may have to be made which attempt to reconcile somewhat conflicting mixes, as regards context and provider on the one hand, and impact and legitimacy on the other.

A table contrasting three ideal-type scenarios is provided as Appendix Three to this report.



4.5 Concluding remarks

The initiatives covered in this review are fairly diverse, and therefore generalisations should be treated with caution. They have also been associated with multiple interests and aims, and it is unsurprising that not all of these aims and interests have yet been satisfied. The central question, therefore, is whether the initiatives which have been put in place are likely to lead to incremental gains in the longer term. These gains relate to two major areas of policy concern:

- Improvements in governance standards (well-embedded national ownership, and growing pressures for the resource to be managed accountably and transparently);
- Improvements in environmental standards (improvements in the forest condition).

Though not necessarily always acknowledged in monitoring contracts, a third area is increasingly pertinent to donor-funded activities:

- Social improvements (poverty alleviation and increased equity, derived from sustainable management of the resource);

It is not necessarily the case, of course, that law enforcement and regulation will, of themselves, bring about all of these changes. It is a particularly large assumption that control of illegality will offer pro-poor benefits in contexts where the existing policy and regulatory frameworks are ambiguous and conflicting. Indeed, there are arguments that increased regulation is likely to have some significant anti-poor effects, particularly in the shorter term (cf. Kaimowitz, 2003). An obvious conclusion to be drawn is that initiatives focused on the operation of the command and control regime cannot be considered apart from wider institutional changes, including regulatory reform.

Such initiatives need, therefore, to be able to make the necessary links into the policy process, to ensure that these broader issues are properly addressed. One of the findings of this review is that much work remains to be done if these connections are to be made. In the case of IFM-EM, the implications are not just for the work of the monitor, but also for the encompassing frameworks in which this work is conceived. To date, the work of the IFM-EMs has made only a limited contribution to pro-poor policy development, based largely on the assumption that improved legality and improved management will, of themselves, contribute to long-term pro-poor development. Among other things, progress in this area would benefit from a more supportive relationship with domestic civil society, the resources and potential of which have been scarcely drawn upon to date.

Significant challenges also exist regarding the use of international markets as a lever for positive changes in forest management. Again, much work remains to be done if this is to come about. One of the major weaknesses of external monitoring to date has been its failure to address the economic role of forests. These initiatives have made little progress in developing a supportive constituency within the industry, and have sometimes appeared as actively hostile to it.

A particular concern of the review is that there seems to be very little clarity or consensus as to where to go from here. This may be in part (even in large measure) a consequence of the high levels of illegality in the sector. All of the initiatives have been

working in an unpromising environment, and all have had to confront serious obstacles and challenges. Some good work has been done. Many of the challenges relate to extra-sectoral influences. While the monitors themselves have often been keen to address these wider dimensions, it has been particularly difficult for them to do so where their mandate has been to work through the existing structures of government, and carry government servants with them. Whilst there may be virtue in an approach which seeks to identify innovators and change agents, some of these need to be operating at a very high level if a positive incentive structure is to result. High-level sponsorship and ownership may need to be built up at a very early date, and a clear exit strategy defined and agreed. The former will ensure that appropriate signals are provided to the lower-level and less powerful administrators. The latter is essential to ensure that adequate consideration is given not only to capacity building, but also to forging the wider institutional linkages identified above.

There would be value, therefore, in rethinking the institutional approach, separating out different forms of delivery according to the relative importance of national and international interests. The review is not convinced that the balance has yet been struck, most obviously in relation to the two case studies of IFM-EM, but also more generally, as regards other forms of external monitoring. The disjunction between international and national perceptions is a concern, as is the negative way in which public perceptions are being formed. The disjunction is most evident between, on the one hand, the government and industry, and, on the other, the monitors and their supporters. But this opposition does not necessarily reflect the full range or complexity of the interests in each society. A criticism of some of these initiatives is that, rather than enriching the quality of the debate, they have tended to polarise it. This sits uneasily with the reality of national sovereignty over the forest resource and also with the changing rationale of international aid. This may be an appropriate moment to seek ways to move the dialogue forward in a more constructive and locally-responsive way.

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6. APPENDICES

6.1 Appendix One: Contextual constraints & their implications

| <i>Constraint upon monitoring</i> | <i>Typical variables</i> | <i>Indicative issues and questions</i> |
|-------------------------------------|--|---|
| 1. Extractive industry | <ul style="list-style-type: none"> - Size and coherence/differentiation - Employment in industry, and characteristics - Systems for the exploitation of forest resources | <ol style="list-style-type: none"> 1. Is it possible to identify progressive operators who are investing in SFM, and might these be a force for progress? 2. How is access to forest resources allocated and controlled? Is there a concession system? How does it operate? Is it compatible with the long-term potential of the industry? 3. What are the tax regimes governing exploitation of forest resources? Are they conducive to sustainable management? 4. Is the capacity of the industry in harmony with the supply of raw materials? Is the level of installed capacity a force for rational management or over-exploitation? 5. How much do forest-dwelling communities gain from the presence of timber operators in their localities? |
| 2. Resource tenure systems | <ul style="list-style-type: none"> - Clarity and legitimacy of tenure [land/tree] | <ol style="list-style-type: none"> 1. How secure are indigenous rights? 2. Have concessions disenfranchised the former resource managers? |
| 3. Quality of overall governance | <ul style="list-style-type: none"> - Procedural rights: access to information, participation. - Fate of forest sector revenues/transparency and accountability of allocations - Independence of the Press | <ol style="list-style-type: none"> 1. How effective is revenue capture by the state? How transparent? 2. Is the local/national population aware of the extent of sectoral revenues, and do they see the benefits of them? 3. Are there allies in the press and civil society for the drive against illegality? |
| 4. Complexity of social structure | <ul style="list-style-type: none"> - Recent social history (revolutionary movements, civil war, etc.) - Characteristics/independence of civil society | <ol style="list-style-type: none"> 1. What are the origins of the present structure of control over forest resources? Does this structure have antecedents in political struggles which place it outside the limits of current debate? 2. Are there cohesive local communities? 3. Are there structures of representation of civil society which are widely respected as legitimate? For example, does the NGO community speak with a coordinated voice? Is it possible to envisage 'representative' NGOs? |
| 5. Judiciary | <ul style="list-style-type: none"> - Independence of the judiciary - Judiciary's record in dealing with forest cases | <ol style="list-style-type: none"> 1. Is the judicial system an aid or a barrier to SFM? 2. Does the Government win the cases it brings against the industry, and if not, why not? |
| 6. Characteristics of forest estate | <ul style="list-style-type: none"> - Diversity, standardisation and value of the resource (timber and non-timber) | <ol style="list-style-type: none"> 1. Is there a drive to certification within the forest industry? If not, |

| | | | |
|-------------------------------------|---------------------------------|---|--|
| | | - Strength of perceived linkages to other sectors (e.g. water/watershed protection) | why not? 2. Is the structure of the forest estate a barrier to rational management? 3. Is there compelling evidence that the condition of the forest sector is critical to the health of the society at large? |
| 7. Forest markets | | - Location/character of major markets - Production and market trends/ importance of export industry. | 1. Are the major markets environmentally sensitive? For the industry as a whole? For segments of it? 2. How important are 'green markets' in the longer term? 3. Could trade switch to non-green markets? 4. Is there a local industry with a long-term interest in the indigenous timber supply? |
| 8. Environmental awareness | Environmental | - Origins of environmental pressures - Willingness to pay for environmental services | 1. Is the environmental movement strong? 2. Is it independent? From where do its resources derive? 3. Has it led to a growth in willingness to pay a price premium? |
| 9. Cross-sectoral dimensions | Cross-sectoral | - Trade and industry links - Liaison with other NR sectors | 1. To what extent does the Forest Ministry control forest policy? 2. How influential are other sectors and authorities? |
| 10. Political structure | | - Extent of political decentralisation - Competing jurisdictions | 1. Is forest policy made and administered by the same authorities? 2. Are there competing jurisdictions over the forest estate? 3. How much information/control does the central forest ministry have over the national forests? 4. Ditto local government? |
| 11. Poverty profile | | - Distribution of poverty, rural/urban - Dependence of rural poor on forest resources | 1. How large is the rural population dependent on forest resources? 2. How sympathetic are they to the present land use system? 3. Are livelihood interests protected in the system of forest exploitation? 4. Have they been significantly disenfranchised by recent changes in patterns of control over land? |
| 12. Donor interest in forest sector | Donor interest in forest sector | - Forest sector conditionalities - Forest sector highlighted in PRS? | 1. How important is the forest estate in national policy? 2. What is the public perception of this importance? 3. How strong are the conditionalities which donors can apply to forest policy development and management practice? |

Appendix Two: International Timber Trade

| Production, Trade and Consumption of Timber (1000 m ³) | | | | | | | | | |
|--|---------|------------|-------|---------|------|---------|------|-------------|-------|
| Country | Product | Production | | Imports | | Exports | | Consumption | |
| | | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 |
| Cameroon | Logs | 2100 | 1950 | 0 | 0 | 233 | 225 | 1867 | 1725 |
| | Sawn | 645 | 700 | 0 | 0 | 631 | 640 | 15 | 60 |
| | Ven | 33 | 34 | 0 | 0 | 33 | 33 | 0 | 1 |
| | Ply | 21 | 23 | 0 | 0 | 21 | 22 | 0 | 2 |
| Cambodia ³¹ | Logs | 121 | 110 | 0 | 0 | 0 | 0 | 121 | 110 |
| | Sawn | 5 | 5 | 0 | 0 | 5 | 5 | 0 | 0 |
| | Ven | 24 | 23 | 0 | 0 | 24 | 23 | 0 | 0 |
| | Ply | 14 | 14 | 0 | 0 | 14 | 14 | 0 | 0 |
| Indonesia ³² | Logs | 27000 | 25000 | 39 | 39 | 3452 | 2000 | 23587 | 23039 |
| | Sawn | 6400 | 6250 | 20 | 20 | 2248 | 2300 | 4172 | 3970 |
| | Ven | 94 | 94 | 3 | 3 | 5 | 5 | 92 | 92 |
| | Ply | 7300 | 7300 | 1 | 0 | 6336 | 6500 | 965 | 800 |
| Philippines ³³ | Logs | 401 | 390 | 259 | 499 | 0 | 1 | 660 | 889 |
| | Sawn | 199 | 188 | 217 | 325 | 97 | 121 | 318 | 392 |
| | Ven | 255 | 311 | 105 | 127 | 2 | 2 | 357 | 437 |
| | Ply | 348 | 329 | 0 | 8 | 5 | 7 | 343 | 330 |

³¹ Data on Cambodia is hard to obtain. Since 1997 Cambodia has ceased to export logs and crudely sawn timber and in 2001 the production of sawn-wood and wood based products has decreased to a quarter of the volumes in 1997 (EC-FAO, 2002). The export of processed forest products (other than veneer) has also decreased in the years preceding 2001. In 1999 Hong Kong was the largest importer of forest products. Today China, followed by Taiwan are the principal markets for Cambodian timber exports (Forest Trends and CIFOR, 2003 *draft*; EC-FAO, 2002)

³² Indonesia supplies a third of all producer-country exports of tropical timber - second only to Malaysia. It is also the world's leading exporter of pulp, paper, and furniture based on tropical timber (excluding rubber wood). The EU (primarily the North) imports 9% of Indonesia's timber exports (mainly as plywood) and the UK imports approximately 4% of Indonesian timber products (*source*: <http://www.globaltimber.org.uk>).

³³ The Philippines is a major log and veneer importer and in 2002 it nearly doubled its imports. It is a major secondary processed wood product (SPWP) exporter but also imports 16% of the total SPWP imports of ITTO countries (ITTO, 2003).

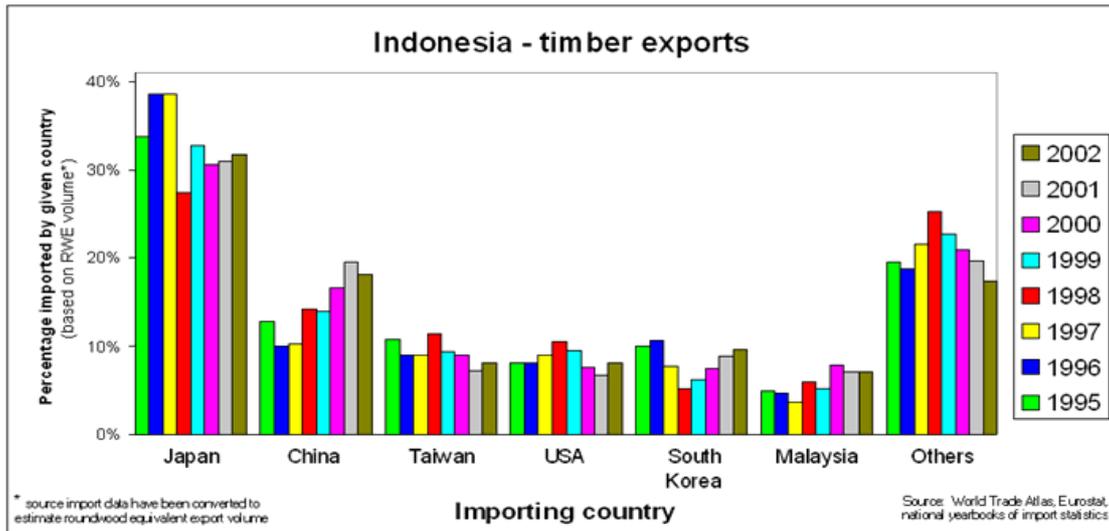


Figure 1

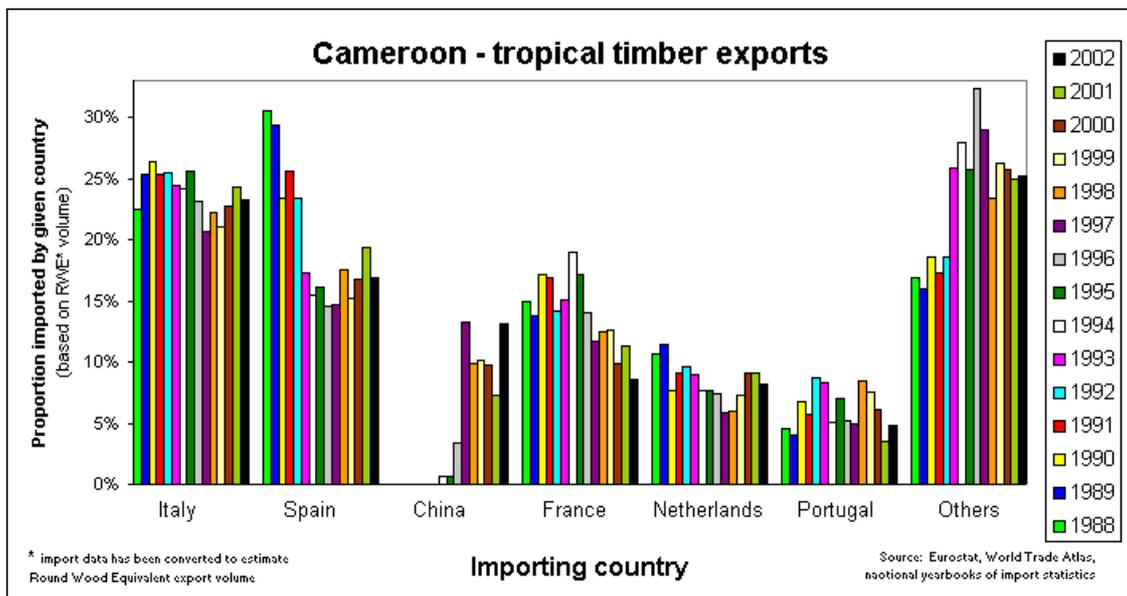


Figure 2

Appendix Three: Decision-making options relating to varying governance challenges: three alternative scenarios

| <i>KEY VARIABLE:</i> | Low governance/ 'failed state' | 'The middle ground' | High governance |
|--|--|---|---|
| <i>Will and commitment of the Central Government</i> | Very low or non-existent | Variable, some commitment to reform, but implementation problematic and few champions at the higher levels | High |
| <i>International standing of government</i> | Low, subject to international sanctions | Has been challenged; government seeks to improve its international image and willing to accept the short-term costs. | High |
| <i>Effective enforcement agency</i> | None. Loyalties of agency suspect, and unlikely to extend beyond the regime. | Uncertain and/or uneven. Too close to the industry. | Good, respects its public mandate, and strong career paths for good performers. |
| <i>Information flows</i> | Poor at both national and international levels. | Much room for improvement. | Good. Supported by free press and well-functioning local government. |
| <i>Industry performance/ respect for FMPs</i> | Suspected to be poor; mostly fringe operators. | Variable, but not monolithic. Some industrials investing heavily in improved management and looking to see a return from their investments. | Generally satisfactory and confident. Strong international links and markets. Delinquency mainly confined to fringe operators. |
| <i>Intervention mandate</i> | International. Sovereignty issues not a major constraint. | Request from a sovereign body, but tempered by explicit or implicit conditionalities. Collective involvement of donors, bilateral and multilateral, would be strongly indicated. Value in donors pledging long-term commitments | Supportive of a sovereign state, and of its international obligations and interests |
| <i>Definition of objectives</i> | A verification exercise. Largely externally defined, to feed international action, and to provide controls over consumer trade relations | Negotiated by the government and its major partners, and representing a clear compromise of the two. Likely to be oriented national needs/national learning processes in the first instance, though may serve external verification purposes in the longer-term. May be need to counter the view that FM will lead to quick improvement in international image. | Largely set by the government. Oriented to external verification, though will also feed national needs. |
| <i>Verification of chain of custody</i> | Not applicable. Presumption that radical change will take place in the short-medium term. | Essential. Need to ensure legitimacy of all stages in the chain. May require heavy donor investments. | Essential, but may not require major investments to validate. |
| <i>Institutional provision – IFM</i> | Almost certainly an NGO, and likely to be an advocacy group. | Likely to be an NGO, though not be an absolute requirement. Respective roles of independent monitor and external monitor(s) need to be well defined. Independent monitor's main role would be to assess performance of government enforcement agency, with limited brief for independent action. | No major requirement for a particular class of provider. Donor involvement may be justified by desire to help national bodies achieve international recognition and legitimacy. |
| <i>Selection of provider</i> | Range of interested parties | National credibility is as | International procurement |

| | | | |
|---|---|---|--|
| | likely to be limited. External involvement essential. National credibility unlikely to be a major consideration. | important as international, and should not be sacrificed to it. | would contribute to public legitimacy but not essential. Partly dependent on trade dimensions. |
| <i>Institutional provision – other monitors/watchdogs</i> | A critical interface is with local counterparts who are likely to be the highest risk-takers; requires a supportive and well-motivated external provider | Other providers would almost certainly include NGOs. A strong IFM would create reporting channels to local NGOs. External monitors would feed information to the monitor. | Interesting possibilities to build the sector, with donors helping to create a well-functioning civil society. Arguments for broad participation from an early stage. |
| <i>Risks</i> | Clear risks to life and limb in the short term. Political risk outweighed by regime change focus. | High risk. Dangers of stigmatising sector and stifling its better operators. Donors need to maintain independence/impartiality. | Low. Need to maintain authority of, and respect for, existing democratic structures, and not to bypass them. |
| <i>Capacity building</i> | Not a major consideration, though may be need to support development of local partners in a low-key and protective way. | In most situations, capacity building would be external to the work of the IFM, though with due regard to the need for the IFM and enforcement agency to work in concert. Where local EMs are not yet operational or effective, the donors may have a role in providing flexible funding to encourage their growth. | Opportunities for a capacity-building orientation in terms of building up national provision and linking it to international markets and legitimacy. |
| <i>Accountability</i> | Donor roles in validation of findings largely related to risk management, and protection of the local interest. Political and diplomatic dimensions unlikely to be very problematic, given the international consensus. | Political and diplomatic dimensions may be problematic. Need for an authoritative management buffer and an effective information filter. Terms of reference need to be agreed at a very early stage, spelling out mutual obligations of parties, and applied from an early stage. | Standards would be set by the national authority; donor's roles would be to press for international standards and to ensure that the right of international disclosure is built into procedures. |
| <i>Performance indicators</i> | Basic concession location and management indicators (concession sites, definition and respect of management standards, species selection, girths). No need for subtlety. | Limited range of key indicators initially unproblematic, but regular review required, to balance negative with positive indicators/prevent over-orientation to former. | Emphasis likely to be on broader environmental standards, and downstream effects. |
| <i>Time frame</i> | Short-term action for the main assessment; donors will need to maintain long-term commitment to support the local provider, particularly in terms of basic security. | Variable, depending on the mix of IFM and other providers. Where a number of other EMs already active, then need for long-term IFM presence may be reduced. Where local enforcement body beginning to build confidence, may be case for IFM to pull back and intervene only intermittently. | Periodic audits likely to suffice. |
| <i>Supporting actions</i> | Mainly oriented to risk mitigation, and international information management. Accessing the national public is essential though not necessarily easily achieved. | Long-term presence of a number of donors would be preferable. Where provider selected which lacks international name and contacts, then donor role would include building up this competence and reputation. | Include ensuring and underwriting the legitimacy of the provider. Donors might provide support to an information-sharing forum to ensure broad inputs into resource assessment process from external providers and NGOs. |