

# Governance and Risk Building Confidence in REDD

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# Governance failures

- Weak institutions and unclear laws
- Corruption
- Lack of transparency & accountability
- Poor or non-existent forest law enforcement

# Forest law enforcement

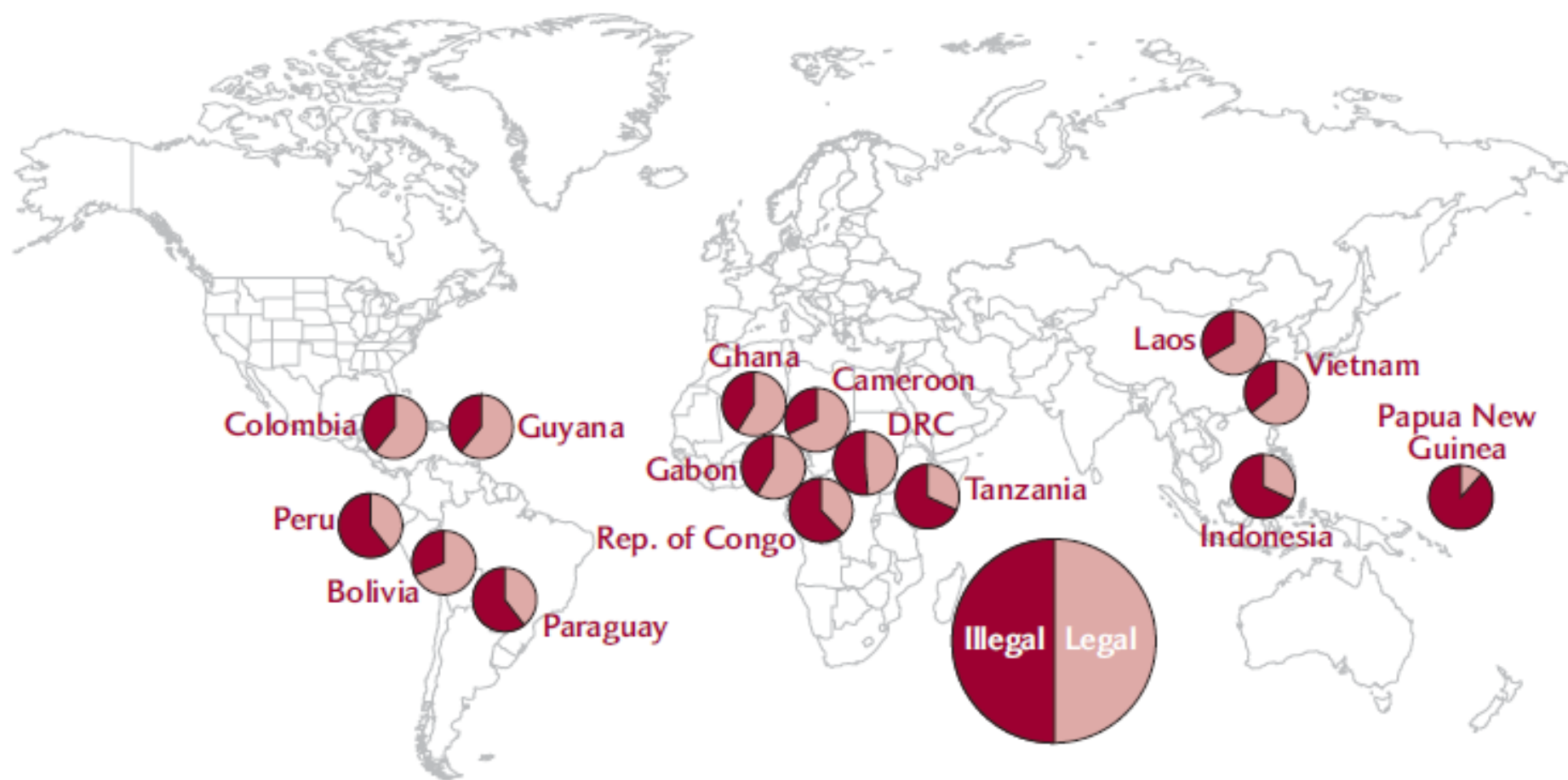
2007 Chatham House comparative study of enforcement  
- fisheries, wildlife, forests, ozone -

- Forest law enforcement emerged as **weakest**
- In 7 REDD countries: **“the general picture that emerges is one of widespread corruption undermining attempts to strengthen forest law enforcement”**
- “...found a few examples of successes, often associated with Independent Forest Monitoring (IFM) conducted by NGOs or following publicity surrounding investigations by NGOs.”

# A symptom of governance failures

Environmental crime

**Illegal logging**



**Figure 2: Estimated proportion of illegal and legal timber exports from 15 REDD countries in 2007**

Source: based on estimates from <http://globaltimber.org.uk/IllegalTimberPercentages.doc> except Columbia (World Bank estimate)

# COFACE Risk Ratings

- French export credit insurance company – provides State guarantees for French exports
- Supports business operating in high risk markets
- Assesses sovereign risk and assigns ratings to countries

# Ratings

- 2 types
  - Country ratings – macroeconomic political data
  - Business climate ratings – legal & institutional framework good for business?
- 7 levels - A1 (least risk), A2, A3, A4, B, C, D (highest risk)

# Business climate in REDD countries

- 80% of 40 REDD countries in FCPF and UN-REDD rated at B or below

B = unstable, largely inefficient, company transactions run appreciable risks

- 33% of countries rated at D

D = highly risky, company transactions very difficult to manage



Table 2: Coface risk ratings assigned to 41 REDD countries <sup>11</sup>					
REDD countries*	Business climate rating	Country rating	REDD countries*	Business climate rating	Country rating
Chile	A2	A2	Paraguay	C	C
Thailand	A3	A3	Uganda	C	C
Costa Rica	A3	A4	Zambia	C	C
Brazil*	A4	A4	Bolivia	C	D
Mexico	A4	A4	Nicaragua	C	D
Panama	A4	A4	Mozambique	D	B
Columbia	B	A4	Papua New Guinea	D	B
El Salvador	B	B	Tanzania	D	B
Peru	B	B	Ethiopia	D	C
Argentina	B	C	Republic of Congo	D	C
Sri Lanka	B	C	Cambodia	D	D
Gabon	C	B	Central African Republic	D	D
Guatemala	C	B	DRC	D	D
Indonesia	C	B	Equatorial Guinea	D	D
Vietnam	C	B	Guyana	D	D
Cameroon	C	C	Lao PDR	D	D
Ecuador	C	C	Liberia	D	D
Ghana	C	C	Nepal	D	D
Honduras	C	C	Suriname	Not rated	Not rated
Kenya	C	C	Vanuatu	Not rated	Not rated
Madagascar	C	C	* All countries are members of the FCPF and/or UN-REDD except Brazil		

# Reducing risk

## Building confidence

- Transparency
- Monitoring performance

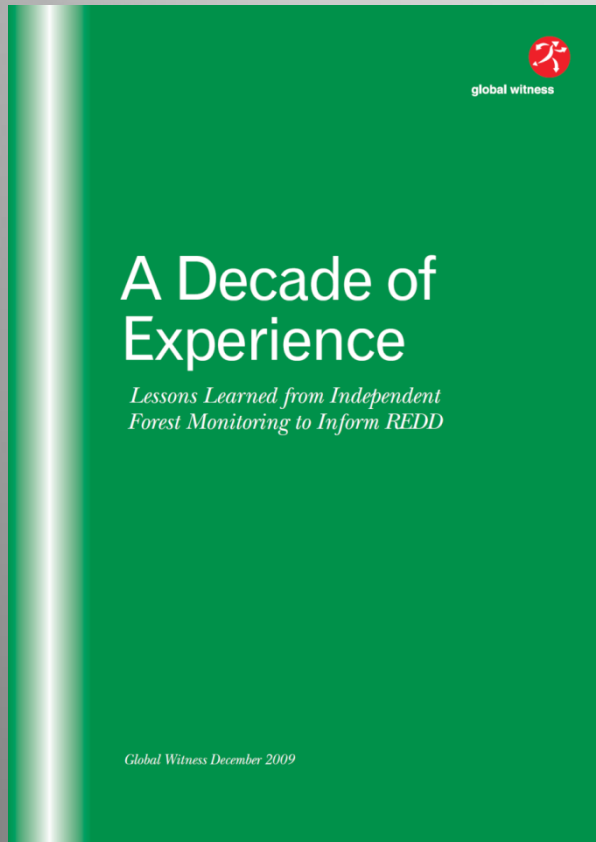
### **BBC Hardtalk**

*Have you got sufficient anti-corruption measures in place?*

### **President Jagdeo**

*if we want to make this model replicable there are a few things, principles, we would have to enshrine in the model... it must have a complex system for monitoring performance and... a transparent financial mechanism*

# How do we monitor performance?



Independent Forest  
Monitoring

1999-2009

# IFM country programmes

## **Cambodia**

1999 – 2005

Global Witness

SGS

## **Cameroon**

2000 –

Global Witness

REM

## **Congo**

2006 –

REM (IM-FLEG)

## **Honduras**

2005 –

Global Witness / CONADEH

CONADEH

## **Nicaragua**

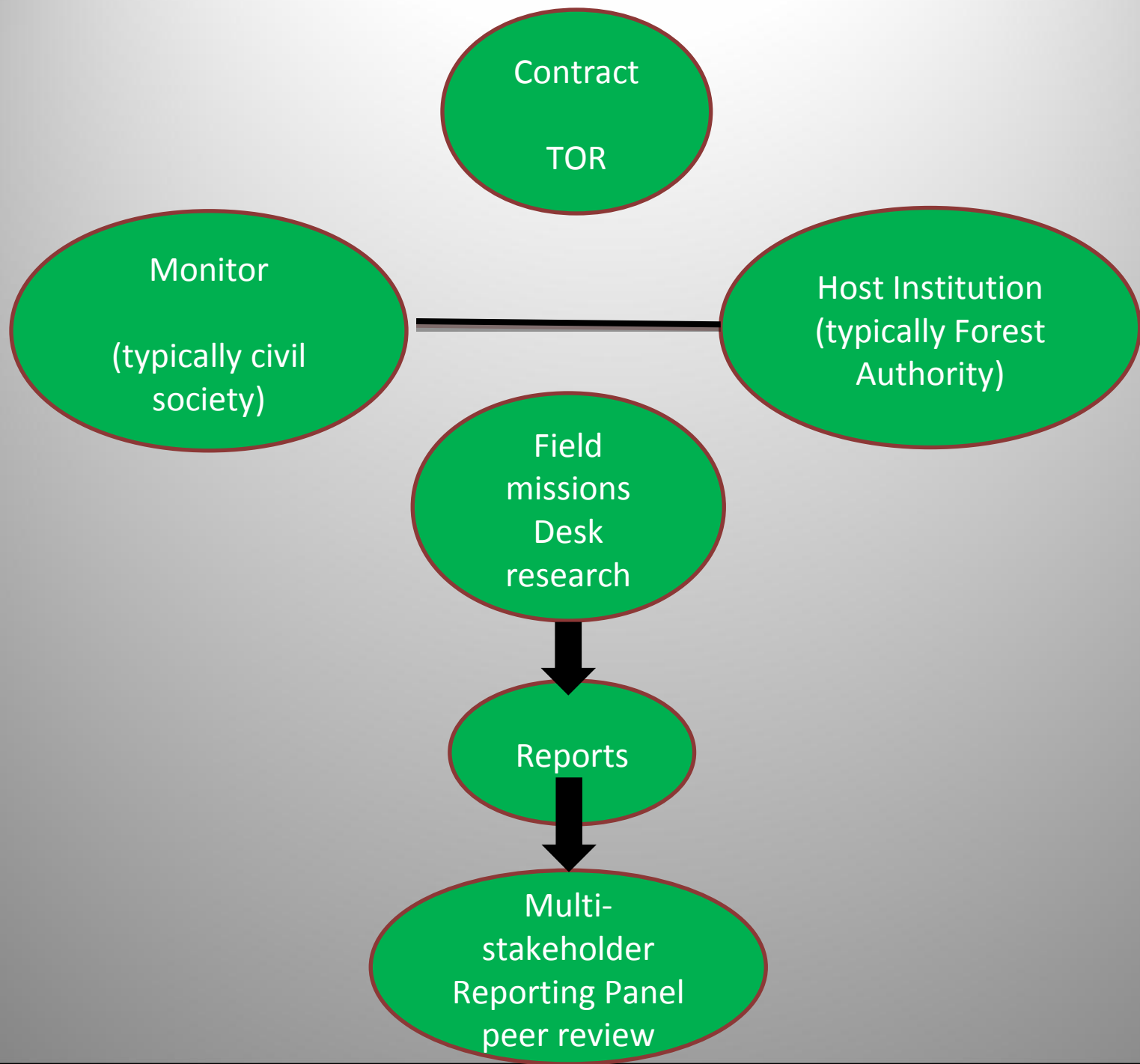
2006 –

Global Witness

District monitoring units

# What is IFM?

Monitors legal compliance and systems for forest law enforcement in the context of concession-based logging



# Outputs

**Monitor**  
Mission reports

**Monitor**  
Periodic reviews

**Monitor /  
Reporting Panel**  
Recommendations

**Enforcement  
Authority**  
Action

- Transparency
- Access to information
- Improved performance

# EU FLEGT Action Plan 2003

- Voluntary Partnership Agreements (VPAs) between EU and timber producing countries
- Ensure only legal timber imported to the EU through

**Legality Assurance System (LAS) – licensing system**



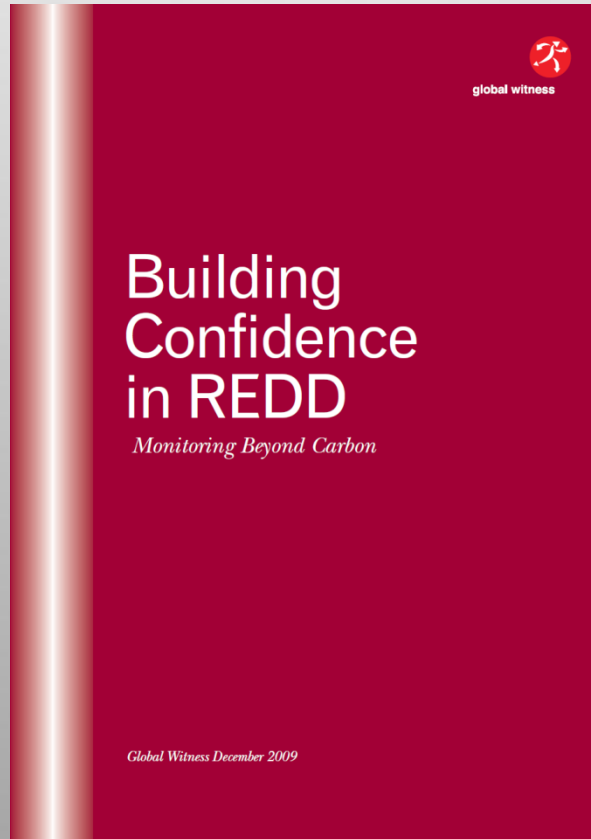
# IM-FLEG

- 3<sup>rd</sup> party independent monitoring integral part of LAS
- Provide assurance scheme is working
- Maintain credibility
- Principles and criteria – 2007
- Congo – REM

# How much does IFM cost?

- Will vary
  - size and make-up of monitoring team
  - scope of the ToR
  - size of the country or forest zone to be monitored
- Set up & run for a year - US\$630,000 (Cameroon)
- More is invested, more coverage, more capacity building
- IM-FLEG – Congo US\$1 million a year (CS training)

# Applying experience to REDD



# IM-REDD modelled on IFM

## Minimum Standards

### Agreement

Monitor – host institution

Access to **information**

Right of **movement** &  
**access to field** for  
missions

### Reporting / review panel

Buffer between monitor  
& stakeholders

Peer review

Right to **publish** once  
approved  
or after agreed time

Right to **observe**  
meetings between  
enforcement authority &  
infractors (eg C fraud)

# What should be monitored?

**Policy  
Regulations**

**Transparency  
Engagement  
Accountability**

**Enforcement**

**Goods & Services**  
Reduced emissions  
Carbon stored  
Biodiversity

**Revenue  
Benefit distribution  
Rights**

# Key monitoring questions?

## Policy & Regulations

**Are ownership, access & use rights clear?**  
**Policies to address drivers?**  
**Safeguards addressed?**

## Transparency, engagement, accountability

**What are information flows?**  
**Who is participating?**  
**Is MS engagement working?**  
**Are all relevant agencies engaged e.g enforcement?**

## Enforcement

**Are rules being implemented?**  
**Are safeguards being applied?**  
**Does non-compliance result in legal cases against infractors?**

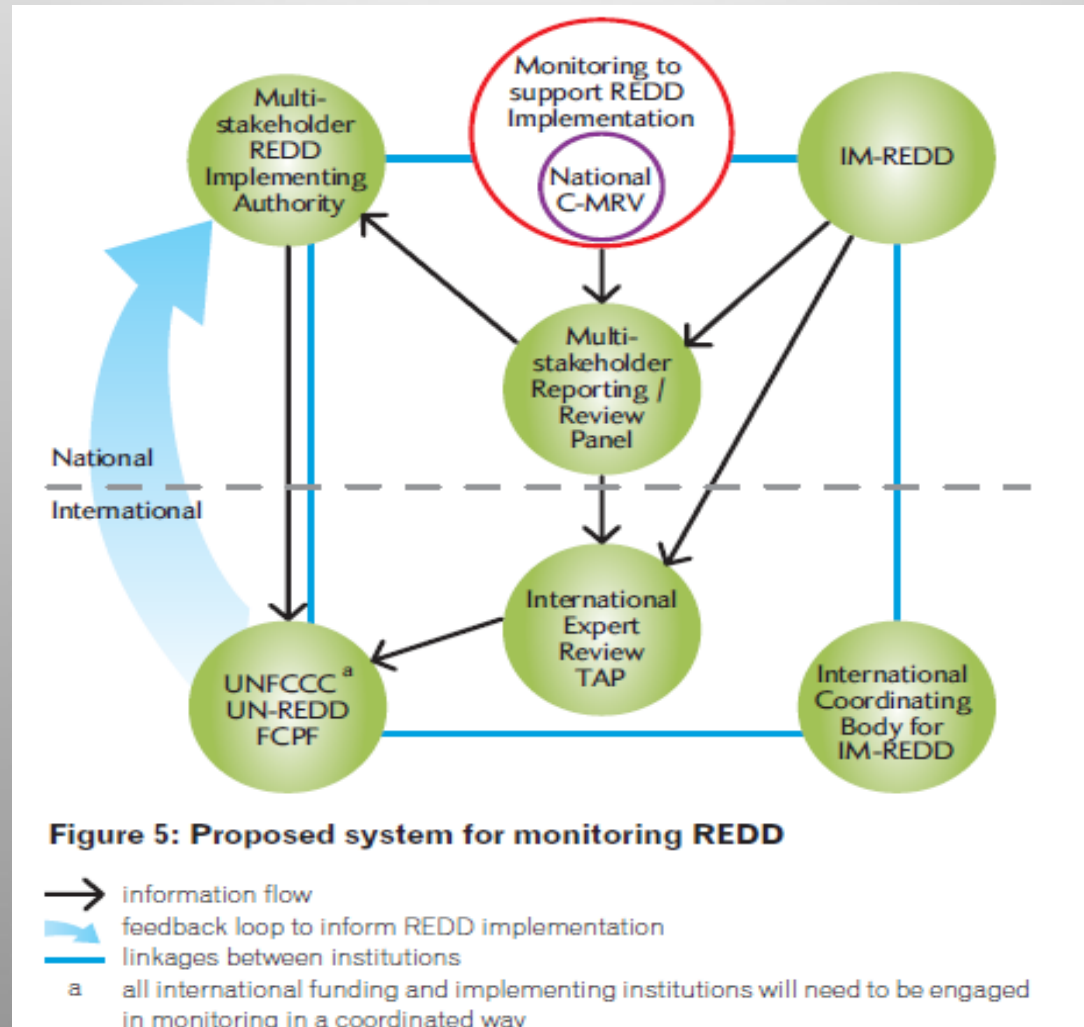
## Goods & services

**How are they quantified & valued?**  
**Quality of the information?**

## Revenue, benefit distribution, rights

**Who is paying what to whom for what goods & services?**  
**Is money reaching beneficiaries?**  
**Are rights respected?**  
**Are tax rules implemented?**

# Where does IM-REDD fit into monitoring system?



# Don't Panic!

- Cost-effective method is available
- Experience exists

