



# CHATHAM HOUSE

**UN-REDD/Chatham House Monitoring Governance Safeguards in REDD+  
Expert process  
Background Paper Three**

## **Monitoring governance and social issues for REDD+ *Operational considerations***

by

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## **Introduction**

Achieving a reduction in rates of deforestation and forest degradation in developing countries – whether incentivised through a single global mechanism or a series of bilateral and/or regional partnerships, or through private or public finance – will require a significant shift in both policy and behaviour in candidate forest-rich countries. In addition to reducing deforestation, parties to the UNFCCC, and members of the World Bank FCPF, UN-REDD, FIP and the Partnership seek to ensure social and environmental benefits. The UNFCCC has identified a set of safeguards to be pursued in parallel or used to provide a ‘safety net’ to avoid potential negative impacts.<sup>2</sup> The FCPF, meanwhile, is in process of developing a ‘common approach’ for multiple delivery partners to social and environmental standards while UN-REDD is developing a set of social and environmental principles. Past experience, particularly relating to efforts to conserve forests, improve management and tackle illegal logging, demonstrate that the lack of state capacity to create coherent, enabling policy environments, be accountable to local stakeholders or enforce the rule of law – all key elements of good governance - is a major problem in many REDD+ candidate countries, and plays a significant role in current levels of deforestation and degradation globally. The collection of data on policy, implementation/enforcement and impacts on the ground is expected to be part of each candidate country’s REDD+ institutional arrangements – requiring some form of national monitoring system for governance and impacts in addition to the more commonly accepted collection of data relating to greenhouse gas emissions. In developing their national REDD+ strategies, countries are expected to provide information on the system envisaged for governance and social monitoring. However, in the absence of internationally-recognised guidance, concepts of governance monitoring are often poorly understood and inconsistent.

This paper, and the workshop process that it seeks to inform, therefore attempts to move toward such guidance. It follows on from background paper one, which, on the basis of an analysis of existing systems and methodologies, set out what a national REDD+ system might seek to monitor and elaborated an initial set of 15 “principles” to inform how such a system might best achieve transparent, accountable and reliable data collection in order to ensure the national and international credibility of REDD+ and genuinely performance-based payments for activities which also respect relevant safeguards.<sup>3</sup> These “principles”, together with the lessons learned in background paper one on which they were based, are organised further here, deriving a set of three pillars and operational considerations for monitoring, which, once refined through consultation, may be incorporated into a guidance framework.

### **1. Forest carbon resources and income – opportunities and risks**

The principles and institutional options outlined in the paper draw on best-practice precedents established in monitoring across natural resource sectors, since forest carbon, once a payment can be achieved for it, will become essentially just another natural resource income stream, with a number of attendant opportunities and risks.

While natural resource income streams can be an effective route to national growth and poverty alleviation, a ‘resource curse’ has been identified, following the observation that,

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<sup>2</sup> UNFCCC: FCCC/AWGLCA/2009/17, 5 February 2010

<sup>3</sup> Jade Saunders and Rosalind Reeve, ‘Monitoring Governance for Implementation of REDD+’, May 2010. Available at [http://www.illegal-logging.info/item\\_single.php?it\\_id=447&it=presentation](http://www.illegal-logging.info/item_single.php?it_id=447&it=presentation)

paradoxically, many countries and regions with an abundance of natural resources tend to have lower growth and greater income differentials than countries with fewer natural resources. This is thought to be the result of a range of factors including, most notably, volatility of revenues from sectors which are exposed to global commodity market swings and government mismanagement of resources, including weak, ineffectual, unstable or corrupt institutions, often leading to the 'elite capture' of revenues. Ultimately both of these factors may become manifest in a REDD+ market, but while a governance monitoring system is unlikely to be of use in tackling the former, it will be central to avoiding the pitfalls of the latter.

Looking in more detail at the forest sector, UN-REDD, among others, has identified a number of social and environmental risks inherent in REDD+ activities.<sup>4</sup> Specifically they are:

- The conversion of natural forests to plantations and other land uses of low biodiversity value and low resilience
- The loss of traditional territories, natural resource rights and ecological knowledge
- The loss of traditional and rural livelihoods
- Social exclusion and elite capture in the distribution of benefits from REDD+
- The creation of contradictory or competing national policy frameworks
- The other benefits of forests are traded-off at the expense of maximizing the carbon benefits

Furthermore, it notes that in many cases, those most exposed to the impacts of these risks are marginalized and vulnerable social groups, such as Indigenous Peoples, other forest dependent communities, the poor and women.

## **2. Why monitor governance for REDD+?**

Given the range of economic, social and environmental risks associated with REDD+ activities, combined with the need to achieve genuinely transformative change across the forest and/or wider land-use sectors, the collection, analysis and publication of credible data through systematic monitoring will be vital. Specifically, a national monitoring system would help governments and national stakeholders to:

- Provide data to facilitate iterative improvements in national REDD strategy design and implementation
- Identify appropriate policies to tackle the complex political and economic incentives which have resulted in a lack of forest law enforcement, high levels of deforestation, forest degradation and unsustainable management practices in many forest-rich countries

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<sup>4</sup> UNREDD/PB5/2010/12

- Identify pragmatic and nationally-appropriate criteria for performance-based payments in ‘pre-carbon’ REDD+ phases (phases 1 and 2)
- Identify country-specific potential for additional progressive social and political outcomes from REDD+ investment, activities and income streams
- Track progress in relation to REDD+ achievements in terms of safeguards and additional social and environmental outcomes
- Track pragmatic proxies for early or ‘fast start’ emissions reduction performance given that governance improvements will be an essential prerequisite to reducing deforestation in the medium- to long-term.
- Ensure meaningful accountability to domestic stakeholders.

In addition, transparent monitoring would allow for credible reporting in international bilateral or multilateral fora, which would help to maintain the credibility of the REDD+ concept within the context of a broader set of abatement and mitigation activities.

International reporting would be particularly helpful in:

- Demonstrating global progress towards the goal of measurable reductions in GHG emissions – either within the context of the UNFCCC process or through other parallel bilateral or multilateral arrangements – again using improved governance as a pragmatic short-term proxy for longer-term impacts.
- Demonstrating the implementation of all relevant safeguards identified within the UNFCCC process and by relevant multilateral agencies
- Demonstrating improvements in governance in relation to REDD+ implementation
- Supporting equitable systems of genuinely performance-based payments
- Facilitating continuity of medium- to long-term financing, whether public or private
- Ensuring meaningful accountability to international stakeholders and fulfilling international reporting requirements

### **3. Lessons/principles for national monitoring systems**

As noted above, background paper one identified a wide range of practical lessons for any government seeking to establish an effective, credible national governance and social monitoring regime for the REDD+ sector. The lessons were derived from initiatives within the forest sector and, where relevant, outside it, and can be grouped under three pillars on which any credible national system should be built.

1. Transparency
2. Appropriate accountability

### 3. Cost-effectiveness

Pillar	Operational considerations
Transparency	<ul style="list-style-type: none"> <li>• Clarify and publish relevant laws and policies, including tenure and land/forest use rights</li> <li>• Clarify and publish institutional roles and responsibilities</li> <li>• Include field-based element of monitoring to reconcile policy and practice</li> <li>• Report publicly and in a timely manner</li> <li>• Establish benchmarks against which to demonstrate progress/change</li> <li>• Establish robust financial accounting for REDD+ financial flows, with full reconciliation and stakeholder oversight</li> </ul>
Appropriate accountability	<ul style="list-style-type: none"> <li>• Establish institutions to facilitate multi-stakeholder participation</li> <li>• Collect data/opinions from broad-based sources as well as expert opinion</li> <li>• Develop capacity both within and outside REDD+ institutions to facilitate accountability, with particular attention given to enabling the vulnerable groups highlighted above</li> <li>• Develop appropriate peer review mechanisms Establish conflict-resolution/complaints mechanisms at national and international levels</li> <li>• Establish independent and consistent financing for monitors</li> </ul>
Cost-effectiveness	<ul style="list-style-type: none"> <li>• Avoid waste through fraud or corruption with effective auditing</li> <li>• Enforcement monitoring should be ‘intelligence-led’</li> <li>• Systematic information gathering should build on existing data sets wherever possible</li> <li>• Data gathering should be based on complementary national and international concepts and needs</li> </ul>

Table One: principles and operational considerations for REDD+ governance monitoring. See background paper one (sections 4 and 5.4) for full description of the 15 principles and the ‘lessons’ from which they were derived.

#### 4. Existing forest governance monitoring – linkages and opportunities for REDD+ monitoring

As noted, the pillars and operational considerations outlined in the table above are reflections of best practice from many of the forest governance and other natural resource monitoring

initiatives that have been established in different countries.<sup>5</sup>

While no single country has all of them, almost all serious REDD+ candidate countries will be aware of them and, if not already involved, considering engagement. As a result it would be sensible for those countries that have already established/engaged with one or more of these initiatives to develop REDD+ monitoring activities and institutions in coordination with whichever initiatives are most relevant to them, in order to avoid unnecessary cost and confusion. Similarly those that are not yet engaged in any relevant governance monitoring initiatives are likely to benefit from understanding what has been achieved and how in the different sectors, before developing their national REDD+ institutional arrangements. A number of initiatives have specific institutional arrangements designed to deliver key operational considerations, so these are highlighted again here.

### ***FLEGT voluntary partnership agreements (VPAs)***

Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPAs) are now under development by ten forest-rich countries. The voluntary negotiations are with the European Union, and at their heart is a legally-binding bilateral agreement which covers timber and wood products, requiring that the two parties trade only in verified legal products. Agreements have been signed with Ghana, Cameroon and Congo, all of whom are now establishing implementation institutions and activities; and are presently in negotiation with Malaysia, Indonesia, Liberia, CAR, Gabon, Vietnam and the DRC.

The trade in legal products is facilitated by each country developing a national Legality Assurance System (LAS). Each LAS has five elements, the design of each of which reflects national circumstances and is appropriate to the national context, while meeting key 'output' criteria for credibility, established by the European Commission.<sup>6</sup> They are:

1. A clear, stakeholder-endorsed definition of legal timber against which to verify compliance
2. A mechanism to control timber as it moves around the country
3. A government-endorsed institution to verify that all relevant laws have been complied with and the control system is being applied with sufficient rigour
4. A licensing authority
5. An independent institution to monitor the functioning of the whole system

In order to achieve transparency and accountability, national legality definitions include the clarification and publication of the legal framework including all forest-relevant policies and regulations and the clarification and publication of all institutional roles and responsibilities in relation to that legal framework. In addition, all VPAs agreed to date include wide-ranging transparency commitments and their negotiation processes have resulted in the identification of specific opportunities for governance reform in order to improve environmental and social outcomes from the forest sector.<sup>7</sup>

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<sup>5</sup> See background paper one for detailed descriptions of initiatives and lessons from which the principles and operational considerations have been derived.

<sup>6</sup> See EC FLEGT briefing notes, available at:  
[http://ec.europa.eu/development/policies/9interventionareas/environment/forest/forestry\\_intro\\_en.cfm](http://ec.europa.eu/development/policies/9interventionareas/environment/forest/forestry_intro_en.cfm)

<sup>7</sup> See Ghana, Cameroon and ROC briefing notes, available at:  
[http://ec.europa.eu/development/policies/9interventionareas/environment/forest/forestry\\_intro\\_en.cfm](http://ec.europa.eu/development/policies/9interventionareas/environment/forest/forestry_intro_en.cfm)

With respect to monitoring, VPAs include three separate monitoring functions:

1. An independent audit of legality assurance system for wood and forest products.
2. A 'joint implementation committee', with representatives of the EU and partner country, plus relevant stakeholders on a voluntary basis, which considers the ongoing implementation of the whole agreement, including transparency and other governance commitments.
3. Impact monitoring, with scope and institutional arrangements to be confirmed in each country but reporting to the joint implementation committee.

In addition, with respect to the operational considerations outlined in the table above, VPA processes also result in a number of documents that could provide a partial basis for REDD+ activities and monitoring:

- A clear, coherent, stakeholder-endorsed document setting out the legal framework for forestry activities in the country.
- A public document setting out all relevant institutional responsibilities.
- A thorough assessment of the scope, nature, impact and future vision for the timber sector.
- A list of governance reform commitments that have been identified as priorities by civil society and other relevant stakeholders.

### ***Independent Forest Monitoring / Observation***

Independent Forest Monitoring (IFM), also known as Independent Observation, is the field-based collection and publication of data about the enforcement of relevant laws in the forest sector. In addition to performing this function, they are also themselves seen as a tool of good governance – employed by governments that wish to increase transparency and public accountability in the forest sector, or between Ministries.

IFM scoping missions and full investigations have taken place in fourteen individual countries (Cambodia, Cameroon, Central African Republic, DRC, Gabon, Ghana, Honduras, Indonesia, Liberia, Mozambique, Nicaragua, Peru, ROC and Tanzania) as well as under a small number of regional contracts, since the concept was first developed in 1999. Currently monitors are operating in Cameroon, Honduras and Nicaragua.

While all IFM contracts differ as a reflection of national circumstances, the fundamental rationale of IFM is to collect and publish information about the relationship between policy and practice, targeting the role that compliance and enforcement play in effective sectoral regulation. In order to do this credibly and constructively, IFMs have a unique status of being independent of the Ministries and companies that they monitor, but embedded in a participatory contractual relationship with the government in question. In part this is achieved through the institutional arrangements set out in their Terms of Reference (for example relating to the process by which reports are endorsed and/or made public), and in part through financing, which is often sought direct from donors or through sector budgets which are managed collaboratively with development partners.

IFM is often carried out by international NGOs in partnership with local groups and/or staff. In addition to monitoring, many IFM contracts have explicitly included a commitment to



building the capacity of local actors to perform monitoring functions. Similarly, in engaging so closely with enforcement and other government agents in the act of monitoring (for example travelling with them when visiting concessions or collating data), there is also, in many cases, a positive capacity-building effect on the administration.

***Monitoring legality in the Indonesian Forest Products Sector – coordinating national and international functions***

The Indonesian wood-based products sector had an export value of over USD9 billion per year at its peak in 2008;<sup>8</sup> however since the late nineties, high levels of illegality and poor sectoral governance led many companies, particularly those in reputationally-sensitive markets in Europe and north America, to avoid Indonesian products or investment in the sector. This trend has been compounded by recent import controls developed in the USA and EU to increase financial risks to importers of illegal timber.<sup>9</sup>

As a result, producers wishing to access these markets or seek finance from global investors have found it necessary to invest in certification or legality verification systems and independent audits at the individual company level. Anecdotal evidence suggests that companies which achieved either FSC Certification or internationally-recognised legality verification have seen demand increase despite the global downturn.

In light of this trend, the Government of Indonesia (GoI) has recently developed a national legality verification system, and at the same time has been negotiating a FLEGT Voluntary Partnership Agreement (see below) with the European Union, for which the system will form a basis.

The finer details of the system in question, known as the SVLK (Sistem Verifikasi Legalitas Kayu) is still in development, but draft documentation identifies a number of layers of monitoring:

- A Comprehensive Evaluation (CE) performed in collaboration with EU partners under the FLEGT VPA, to monitor legality compliance and the robustness of supply chain controls, including field-based activities such as spot checks and volume reconciliation. Performed by accredited third parties (i.e. independent of government Ministry or commercial activities in the forest sector). To be appointed by the GoI and EU jointly. A full report will be made for the EU and GoI with a summary of key findings and system failures to be published, allowing appropriate accountability to International stakeholders and market credibility for wood products. Financing for the evaluation will come from the EU.
- An IFM (see below) function performed by a coalition of civil society groups operating under a code of conduct, with accreditation. Facilitated through a complaints/conflict-resolution mechanism. Allows appropriate accountability to domestic stakeholders and improvement of implementation and policy through collaboration and iteration. Financing is yet to be decided, but is likely to come, in the short-term at least, from bilateral donor funds.

<sup>8</sup> Pers. Comm. James Hewitt, Consultant, Globaltimber.org

<sup>9</sup> See the revision to the US Lacey Act at <http://www.justice.gov/> and the EU Illegal Timber Regulation at <http://www.europarl.europa.eu/en/pressroom/content/20100706IPR77920/>

- A Periodic Evaluation (PE) of effectiveness to allow for systemic improvements.

In order to ensure cost-effectiveness and efficiency, the terms of reference of the IFM will be developed to be complementary to the CE, although with a wider scope, and will provide information to the groups carrying out the CE. Data from both monitoring functions will inform the findings of the PE.

### 5. Applying the principles – an indicative national system

Below is an indicative institutional structure for REDD+ governance and social safeguards monitoring, reflecting the pillars of transparency, appropriate accountability and cost effectiveness as a starting point for discussion. The structure is intended to be schematic rather than a blueprint, therefore to show functions, relationships and a practical application of the operational considerations outlined above.

Once refined, in countries with existing REDD+ institutions such a structure should not be suggested as an alternative, but the characteristics, functions and reporting relationships might be usefully considered. Similarly in countries that are only now starting to build REDD+ institutions, reporting committees etc should be embedded in existing political structures and hierarchies to as great an extent as possible, in order to ensure appropriate domestic accountability – something which can be missed when new institutions are established to deliver on standalone / ‘donor’ projects.

Characteristics	Institution and reporting information flows		
Partnership/hosted by REDD lead Ministry with representatives of all relevant policy and implementing agencies plus domestic and international stakeholders.  Functions: decision-making and reporting/publication. Also possibly national-level ‘Ombudsman’.	↑↑↑ Reporting to International level  NATIONAL IMPLEMENTING COMMITTEE		
Multi-stakeholder, chaired by relevant implementing Ministries.  Functions: receiving and peer reviewing input data from monitors, detailed deliberations, recommendations to NI Committee.	↑↑↑ ↑↑↑ ↑↑↑ ↑↑↑ WORKING GROUPS Social impacts Environmental impacts Policy design and implementation Law enforcement and judicial issues Financial transparency		
<b>Monitoring Mechanisms</b>  Characteristics described below.	↑↑↑ Regular independent implementation and enforcement monitoring	↑↑↑ Periodic policy, implementation and impact assessment. Undertaken by relevant research institution and/or	↑↑↑ Reconciliation and audit of REDD+ financial flows and benefit

	(civil society). ⇒ ⇒ ⇒	Government agency. Based on existing data sets wherever possible.	sharing (EITI- like model). ⇐ ⇐ ⇐
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⇒ = reporting information flow

## 5.1 Periodic policy, implementation and impact assessments

All REDD+ actors have identified the need for a diagnostic process, assessing drivers of deforestation and key institutional challenges, in order to identify cost-effective policies and activities aimed at reducing deforestation and degradation, and increasingly this includes opportunities for tackling critical issues, such as corruption, conflicting land rights or law enforcement, which fall under the heading of ‘poor governance’. In addition there is also now a recognition that this exercise should not be a one-off, but rather to set a benchmark against which periodic assessments can be carried out to demonstrate progress and facilitate iterative improvements. Combined, a benchmarking exercise followed by periodic assessments, constitute one key mechanism for monitoring governance and social issues over time.

Both the World Bank FCPF and UN-REDD have outlined these needs,<sup>10</sup> and UNDP’s Country-Led Governance Assessments also have this function. In addition the World Bank and FAO are currently facilitating a process of defining a standard set of internationally-recognised generic governance indicators for the sector, on which such assessments could be, in part at least, based.

In order to achieve the assessments in accordance with the principles and operational considerations outlined above, it may be useful to design them with the following characteristics in mind.

### ***Diagnostic phase***

In the diagnostic phase, the institution conducting the assessment should, *inter alia*:

- Publish a clear, coherent, stakeholder-endorsed policy framework for REDD+ activities and safeguards
- Identify and publish nationally-appropriate (‘satellite’) indicators reflecting social and environmental risks/priorities/standards, derived from, or in addition to, generic indicators developed in the World Bank/FAO process
- Establish, verify/peer review and publish baseline data
- Consult widely to identify opportunities for governance reform

Data for benchmarking should be taken from broad-based surveys as well as expert opinion, wherever possible based on existing data sets in order to limit costs and institutional burdens and demonstrate improvements in the context of broader trends in the sector over time.

Ideally the assessment should be reported to a multi-stakeholder working group/committee, consisting of all relevant policy-setting and implementing agencies plus stakeholders.

### ***Implementation phase***

<sup>10</sup> Guidance on Stakeholder Engagement in REDD+ Readiness, With a Focus on the Participation of Indigenous Peoples and Other Forest Dependent Communities - draft 29/10/10

Once the system is in full implementation, periodic systematic reviews of policy, implementation, enforcement and impacts will support iterative improvements in REDD+ strategies. On-going monitoring of the policy framework and stakeholder-endorsed social / environmental standards will also demonstrate progress and ‘performance’ for payments. Repeat assessments will be, by necessity, more regular in early stages when the policy framework and implementing strategies are likely to require relatively frequent refinement.

The working group/committee to which the reviewing/assessing agency reports should also have a complaint/ conflict resolution mechanism to allow information from stakeholders to be considered at critical points in the process. The assessment should also consider the reports of independent monitors in order to properly reflect the on-the-ground realities.

Institutions undertaking assessments could usefully draw on the following tools and precedents: CCBA Standards, WRI Governance of Forests Initiative, FLEGT VPA preparatory/negotiation phase, World Bank FAO Forest Governance Indicator process.

## **5.2 Regular independent implementation and enforcement monitoring**

In addition to indicator-based assessments, a credible system will require active monitoring of policy compliance, law enforcement and judicial function in relation to REDD+ activities. Precedents have shown that third-party auditing and independent/civil society monitoring/oversight have been necessary elements of legality verification in the timber and forest product sector, and REDD+ is likely to face the same risks of illegality and non-compliance, risking investor confidence, without similar reassurances.

### ***Diagnostic phase***

During the diagnostic phase of REDD+ activities, an IM should undertake field- and desk-based assessments of implementation and enforcement status to establish, *inter alia*:

- Benchmarks for measuring implementation and enforcement
- Capacity building needs in enforcement agencies
- System design for facilitating low tech monitoring networks and channels for participatory monitoring engaging indigenous and local communities, and civil society
- Risk profiling to facilitate ‘intelligence-led’ priority setting

### ***Implementation phase***

During full implementation, an IM should perform intelligence-led monitoring, incorporating broad-based, low-tech information gathering to ensure participation and cost effectiveness.

Monitoring should be ongoing, with the periodicity of missions set to reflect risk intensity and geographical differentiation within countries.

Reporting should be both to the relevant working group/committee and to the institution carrying out periodic assessments. In addition, reports should be made public once peer reviewed and endorsed by government and stakeholders.

Institutions designing IM ToRs and performing IM could usefully draw on the following relevant tools and precedents: IFM/IO, FLEGT Guidelines for Independent Monitoring.