

The challenge of assessing forest governance and implementing reforms towards its improvement

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Introduction

Thanks to the World Bank, PROFOR and the FAO for organizing this seminar, and for inviting me to join you this morning. Thanks also to Sida for hosting; what I like most about this building is that you are never more than 30 meters from an espresso machine, and for me that is an indicator of a very advanced civilization. It's also an honor to join such a group of participants that brings together a depth of expertise and a breadth of relevant experience that is perhaps unprecedented.

Nalin Kishor kindly provided me with a few ideas of what I might talk about, and exhorted me to give a positive message – and I promise to do that. He specifically asked that I remind us of why what we are doing here today and tomorrow is so important. Poor forest governance comes with enormous costs. These include:

- Ecological costs, when poor governance leads to unplanned and inappropriate deforestation, the depletion of resources important to rural livelihoods, and the loss of ecosystems services provided to society at large;
- Economic costs, which have been calculated to be in the billions of dollars by agencies such as the World Bank, incurred when states lose revenues to illegal logging and other forest crime, revenues that could have been invested in development.

- Social costs, which are more difficult to calculate, but more disturbing, that result with the rights and cultures of individuals and communities are harmed through displacement, or conflict, or lives are lost from forest fires that result from poor governance; and
- (What has not been mentioned so far), Political costs, when corrupt or abusive practices delegitimize governments in the eyes of their citizens, and make it more difficult for those governments to govern, and to move forward on a reform agenda in the future.

For all of these reasons, the outcomes of this seminar have the potential to precipitate enormous benefits through improved forest governance.

Let me start by introducing myself a little more fully to those who don't know me, so that you know the perspective that I bring to this important topic. For the first half of this decade, I was an active participant in what I'll call "Indicator World" in my previous position at World Resources Institute. In the run-up to the 2002 World Summit on Sustainable Development in Johannesburg, we had launched something called "The Access Initiative" with a number of partners around the world.

The Access Initiative represented an early attempt to do exactly what this seminar is about -- develop indicators of good environmental governance. Our indicators were keyed to Principle 10 of the Rio Declaration: citizen access to information, participation, and justice in environmental decision-making. And in that process, we faced all the dilemmas this group is facing, such as:

- How to balance assessment of policies on the books versus implementation on the ground;
- How to optimize between common standards on the one hand, and flexibility to address unique situations on the other; and
- How to deal with government sensitivities to having their performance assessed and compared to that of other governments.

I left Indicator World about four years ago when I took my new job at CIFOR, and I must say I'm very impressed by how far you've come in such a short time – I had to do a lot of reading to catch up. And I very much look forward to

listening to the presentations scheduled for the rest of the day, which will provide an update on all the interesting initiatives underway.

I think we all forget that the field of environmental governance, much less forest governance, is a fairly recently developed idea – when we founded the Institutions and Governance Program at WRI in the late 1990s, I believe we were the first major environment or development organization to give it that level of prominence.

For the last four years I've been living in Forestry World, specifically Forestry Research World. Among other things, my job is to figure out what we know and what we need to know to improve forest policy and practice to advance objectives related to human well-being, conservation, and equity. It's from that perspective that I return as a visitor to Indicator World. So what I would like to do this morning is:

- First briefly describe the new context that we find ourselves in, in which the demand for knowledge about forest governance has suddenly outstripped the supply;
- Next, talk through five dilemmas that I foresee vexing our attempts to develop and apply forest governance indicators; and
- Finally, advance a perhaps self-serving exhortation to couple indicator development with more “big science” and political economy research to support both better diagnosis and better prescriptive ability when it comes to forest governance.

Context

Let's start with the context for this work. As you all know, the context for work on forest governance has changed dramatically over the last few years. Specifically, I would assert that the relative position of supply and demand for the kind of work that is the focus of this seminar has reversed.

After the heyday of international attention to tropical forests in the early 1990s, finance and political will to address governance challenges related to forests gradually eroded. Frustration with failed forestry sector initiatives

accumulated, and development fashions turned to other topics. As an Australian politician told me, dealing with thorny forest governance issues was one of those things relegated to the “too hard basket”.

But in the meantime, there was a steadily growing body of research, analysis, and practical experience on such topics as decentralization of forest management, community forestry, and forest law enforcement. So the supply of knowledge on forest governance was growing, just as the demand for it was dwindling.

But then a number of factors converged to reverse the situation.

Legality initiatives

First was that after a somewhat slow start following the Bali Ministerial almost exactly nine years ago, the various forest law enforcement and governance initiatives picked up steam. In producer countries, illegal logging shifted from being a taboo topic to one that you could actually talk about. (And as Peter Dewees has reminded us, you couldn't even talk about corruption within the World Bank until the late 1990s.) In consumer countries, the tireless efforts of individuals and organizations inside and outside the establishment led to the EU FLEGT initiative, and more recently the updating of the Lacey Act in the United States. Suddenly forest governance questions – such as how to define legality – were on the front burner.

REDD

Second was the emergence of climate change as a major development challenge, and the appreciation of deforestation as a major contributor to emissions. I date this spike in interest to publication of the Stern Review in late 2006, so it wasn't even four years ago, but already the prospect of REDD has changed everything.

Granted, it took people in Climate World awhile to realize just how much the success of REDD would be dependent on changes in forest governance. But now they do, and the demand for knowledge about forest governance has never been higher.

I can tell you based on CIFOR's experience that the announcement of the Letter of Intent between the governments of Indonesia and Norway in May changed everything – we're having to reprint all the reports we ever published about forest governance to meet the demand. There is nothing like the prospect of performance-based access to international markets –whether for export of timber or sale of carbon credits – that focuses the minds of policy-makers.

Domestic constituencies

But I want to stress that neither of these international factors would have gotten the legs that they now have if there weren't domestic constituencies for reform of forest governance in the forest countries themselves. I'm not aware of research detailing exactly how this happened, but it's clear that over the last decade or so, a combination of factors has changed the domestic political context for discussion of forest governance issues in a number of countries.

These factors include broad-based democratization in countries such as Indonesia, advancement of progressive individuals within forestry ministries, the increasing sophistication of national and local civil society groups – I think of the amazing monitoring efforts in Brazil – and just a general upward harmonization of norms related to what the public expects from governments in terms of transparency and accountability. All of these have created domestic demand for better forest governance, and for the tools to leverage reform. So now we find ourselves in the happy situation of having the demand for what we are doing exceeding our ability to supply it.

Dilemmas

Over the last few years, a number of forest governance initiatives have sprung up to meet this demand, and have begun meeting regularly to coordinate their work. I have not been a part of these discussions, so it's a bit hubristic of me to weigh in at this late date. But I'll take the risk of telling you what you all already know and suggest five dilemmas that we're likely to face as we move

forward on the specific project of developing indicators of good forest governance.

Dilemma #1

Dilemma #1 involves making the distinction between “good governance” as an absolute standard, versus governance that is “good enough” to serve the purposes of various constituencies. We all want to aspire to some platonic form of ideal forest governance, but obviously perfection is neither feasible nor necessary to achieve the outcomes good governance can serve. Perhaps Per Bjorkman will correct me, but I’m sure that even here in Sweden, forest governance falls short of perfection sometimes.

And “good enough” forest governance might be different in different contexts. I can imagine, for example, that a level of public consultation that might be unacceptable in one context might be “good enough” to achieve the necessary political legitimacy for a legality policy or a REDD program in another.

And we need to be aware of the possible unintended negative consequences of setting standards that are perceived to be too high, thus creating incentives to avoid having to apply them. The World Bank has experience with this phenomenon in the context of its own forest policy.

In the context of REDD, for example, you could easily imagine creating forest governance standards that drive investment away from areas with indigenous peoples and high value biodiversity, thus driving down the potential for synergies. We know that one of the major reasons investors prefer to develop oil palm and pulp wood plantations in peat swamps in Indonesia is that there are fewer social conflicts to deal with in such areas.

On the other hand, we don’t want to “dumb down” standards to the point where “good enough” is too low – thereby creating risks of gross human rights violations -- and removing incentives for continuous improvement.

But exactly where that balance is is something about which reasonable people can disagree, and I hope that this seminar will provide an opportunity for that discussion.

Dilemma #2

A second dilemma is that while we need to respond to the demand for indicators of good governance, we don't always know what good enough governance looks like, and it may be different for different objectives.

As I mentioned earlier, we do have a large and growing body of knowledge about forest governance. But knowledge about the specific relationships between different governance conditions and outcomes related to such things as livelihoods and forest condition contains some significant gaps.

- Does decentralization lead to more or less conservation of natural forests? The answer is, it depends.
- Will the improved legality and reduced corruption envisioned under VPAs lead to increased or decreased rural incomes? We don't really know.
- Is it riskier to build new institutions to manage timber legality or REDD revenues, or to retrofit existing forestry institutions for such purposes? We're still learning.

It may also turn out to be the case that what constitutes "good enough" governance is different for some objectives than for others.

At the first Forest Day in Bali in 2007, there was a session on forest governance, and one of the propositions advanced was that REDD couldn't work unless corruption were eradicated. But one of the panelists, Luca Tacconi, who literally wrote the book on illegal logging, said don't be so sure: You could imagine a shift within the current system in a country such as Indonesia, where timber or plantation concessionaires bribe local officials for access to the forest in order to log it or convert it, to one in which such concessionaires bribe local officials for access to the forest to protect it in return for REDD revenues. That made everybody stop and think!

Regardless of your reaction to Luca's particular proposition, the broader points are that:

- with current levels of knowledge, the association between different governance conditions and likely outcomes is at least debatable; and
- what constitutes good enough governance may be different depending on your objective.

Dilemma #3

A third dilemma is that we don't know enough about which indicators are the best proxies for the underlying phenomena we're trying to measure. (Anyone who has been the subject of an indicator-based assessment – as my organization is, annually by the CGIAR system – can tell you that the degree to which indicators “match” the behaviors they are intended to promote can vary quite a lot.)

For example, it could be that a single indicator – such as the percentage of prosecutions of forest crime that result in a fine paid or a jail term served – is sufficient to tell us what we need to know about the quality of forest law enforcement.

Or it could be that groups of indicators need to go together to avoid misleading signals. For example, the degree of decentralization might indeed be associated with more accountable forest decision-making in the presence of clear land tenure and capable institutions. But in situations where land tenure is contested and local institutions are weak, decentralization could result in less accountable decision-making.

So the dilemma is as follows. On the one hand, in order to refine forest governance indicators over time, we need to collect data on a lot of them, to see which ones have the most explanatory power, which ones co-vary, which ones are needed to condition others, etc. So maybe we should retain all 97 of the indicators in the World Bank's questionnaire recently piloted in Uganda, although I'm amazed that all of them could be covered in a two-day workshop.

But data collection is expensive, and for the sake of efficiency, we really need to narrow down the number of indicators to the fewest possible – to meet Peter Dewees’ “practical and realistic” test. We just need to realize that as we cut down on the number of indicators, we’re doing so without full knowledge on which ones are either necessary or sufficient to measure what we’re after.

Dilemma #4

The previous three dilemmas have focused on “the what” in terms of what we are trying to measure. But as raised in the Chatham House workshop earlier this year, the question of “the who” is equally important, and I’m not talking about the rock band. “The who” in this case refers to who develops and applies forest governance indicators, and for what purposes.

Domestic and international constituencies

The Chatham House papers appropriately distinguish between the needs of domestic and international constituencies when it comes to forest governance indicators. Domestic constituencies are more focused on indicators as a diagnostic tool – where are the weaknesses, and what do we need to do to address them. Domestic constituencies include the progressive officials in forestry, finance, and planning ministries, the civil society groups promoting more accountable forest management, communities directly affected by poor forest governance, and of course the general public.

Whereas international constituencies, including donors and private investors, tend to be more focused on managing the substantive and reputational risks of engagement with the forest sector, and thus are more interested in thresholds for “go/no go” decision-making. And then there is also the general public.

I spent the weekend with a friend in Oslo, and her husband Terje stands in for the typical Norwegian taxpayer. Terje is already skeptical about whether Norwegian funding for organizations such as CIFOR is a good investment (even with me there!), and he’s REALLY skeptical about the billions promised to corrupt governments for reducing deforestation. Terje wants to know, will his tax money be wasted through corruption due to poor forest governance?

International constituencies closer to markets for timber or carbon, or are concerned about social and environmental safeguards, have other questions:

- Are legality standards good enough to guard against the risk of importing illegally sourced timber?
- Are FPIC practices sufficiently robust to avoid a REDD investment making indigenous communities worse off?

These are sensitive questions, and their answers will inevitably be to a certain extent subjective. And meeting the needs of forest communities for information on the status and trends of forest governance is related to, but not the same as, meeting Terje's needs in Oslo. For all of these reasons, and as you have already recognized, the most difficult set of questions surrounding the forest governance indicators enterprise is who conducts the assessment.

Independence and legitimacy of assessors

Everyone agrees that assessors need to be independent and legitimate. But I think we understand that ALL of the candidate organizations in the ecosystem of potential assessors have limitations on their independence and legitimacy.

Take my own organization: Several donor governments see CIFOR as sufficiently independent and legitimate to play a role in assessing various aspects of REDD readiness in the countries where we work. But my own sense is that we are compromised in at least two ways:

- First, even though we enjoy the status of an international organization, and have our headquarters in a developing country, we continue to be perceived by some forest country constituencies as having a Northern-driven agenda and biases (in part due to our donor base), and thus would be seen as illegitimate assessors. And I suspect CIFOR is not the only organization represented in this room with that problem.
- Second, even though I'd like to think if we were asked to provide an evidence-based assessment, we would call it as we saw it, I'm sure that I would think twice before rendering a judgment on a government's performance certain to disrupt the host country relationships that we've

worked so hard to cultivate. So our independence is compromised as well.

Ownership

To make an obvious point, the potency of forest governance assessments as an instrument to precipitate reform is directly related to their ownership by domestic constituencies. So this needs to inform discussion of “the who” question as well.

We have learned this lesson again and again. Long ago I spent a couple of years trying to understand the various experiences that the World Bank had had in building forestry reforms into structural adjustment programs. One of the key explanatory variables for progress on the reform agenda turned out to be....ownership of the reform agenda by domestic political actors. So “the who” can’t be limited to international constituencies, especially if we believe that involvement in indicator development and application is a way of building that ownership.

Use of data

Another problem related to “the who” is that once indicator data on forest governance is published, you lose control over what others may choose to do with it.

I’m not going to mention any names, but I think we are all familiar with what I would call irresponsible advocacy on both sides of these issues, whether on the part of rights-and-environment oriented groups or those fronting for industry interests. Both have been guilty of making extravagant claims about the state of forest governance in particular cases, apparently unrelated to the facts. Just imagine what such groups could do with the selective use of information generated by forest governance assessments, whether to unfairly impugn a government’s performance, inappropriately whitewash the same.

So the dilemma is that no matter how much we try to make forest governance assessments objective and independent, we need to remember that they will ultimately be used for political purposes, with all that that entails, including the

potential to destroy the trust that improvements in forest governance will depend on.

Dilemma #5

The fifth and last dilemma is one that was recognized in the concept note prepared for this seminar, and that is the need to balance attention to diagnosis of forest governance problems with attention to what to do about them. We would all go to the doctor less often if he or she was good at telling us what was wrong with us, but never had any prescriptive advice for cure.

To a certain extent, prescription will be latent in the design and application of the indicators, but only to a certain extent. Knowing that forest tenure is uncertain and insecure doesn't tell us much about how to achieve clarity and security.

The Chatham House background paper makes a useful distinction between the normative rules-based approach that drives indicator development, and the political economy approach to understanding why things are the way they are. And I'm afraid that in many cases, the latter kind of analysis will be necessary to move from diagnosis to prescription.

So the dilemma is how to optimize between a focus on diagnosis and a focus on prescription.

A complementary research agenda

This leads me to make the case for a complementary research agenda. A few of you heard me speak at the IUFRO Congress in Korea earlier this month, and to you I apologize for repeating two propositions that I feel strongly about. But I think you will agree that they are highly relevant to the work of this group going forward.

The need for more "big science"

The first proposition is that we need to invest more in "big science" related to forest governance, to fill in the knowledge gaps I've mentioned related to what

constitutes “good enough”, and what indicators are best to measure it. For that we need to get away from what I call “the tyranny of the case study”, and do more “large n” research using common methods across many countries, sites, and cases. Doing so will eventually allow us to go from saying “it depends” – when asked about the relationship between an aspect of forest governance and a particular outcome – to being able to say what, exactly, it depends on.

This effort can and should be coupled with indicator development, and can help subsequent iterations of indicators more objective, more precise, and more efficient. And such an effort will benefit from – and indeed be dependent on -- the kind of harmonization of indicators and methods that is among the purposes of this seminar.

The need for more political economy research

The second proposition is that we need to invest more in political economy research, to deepen our understanding of why forest governance regimes are the way they are, who will be the winners and losers from changing them, and what factors might come together to precipitate change. This effort would be complementary to indicator development, but crucial to our ability to translate assessment outcomes into actionable recommendations.

My own sense is that we’re facing a rather fundamental disconnect between the kinds of “transformative” change that instruments such as the Forest Investment Programme are seeking to achieve, and the specific plans being put forward by governments to achieve REDD readiness. For example, the plans recognize contested land tenure as a problem, but don’t put forward credible plans for how to address it.

There are already already a fair number of articles out there being published by REDD skeptics (mostly political economists), who simply aren’t convinced that the kinds of incentives being offered by REDD are sufficient to change the underlying dynamics of current forest governance regimes at both national and international levels. And I fear that they will be proven right if we are collectively unable to bridge that gap between the need for transformative change, and proposals currently on the table. The first step is to understand it.

The good news is that it is more possible than ever before to conduct this kind of research, and discuss its implications in official circles. To give just one example from Indonesia, earlier this year, CIFOR was able to publish a report on corruption in the Reforestation Fund as a source of lessons learned for REDD revenue management. In the past, such a report would have caused a major rupture with the Ministry of Forestry; this time, they were willing to issue a joint press release welcoming the findings.

At the international level, barriers are also coming down: Who would have thought that the REDD negotiations would result in a discussion of safeguards, and specific reference to indigenous peoples rights?

So in addition to facing unprecedented demand for our work, the political environment in which to conduct it has never been more supportive.

Conclusion

Let me conclude by underlining my main point, in case I've been too subtle up to now. We face an irony in the forest governance indicators business. On the one hand, the enterprise of developing indicators is one focused on asymptotically approaching objectivity and precision in our design of assessment tools, and in the mechanisms for their application. But on the other hand, such objective precision will certainly prove elusive:

- When our objective is a relative standard of “good enough” governance rather than an absolute one;
- When our knowledge of what constitutes good enough governance for various purposes is incomplete;
- When our understanding of which indicators are necessary and sufficient to measure forest governance is still limited; and
- When we live in a world without prospective assessors that enjoy compete legitimacy and independence.

And in part to address these dilemmas, the second part of my message focuses on a complementary research agenda. First, I argue that we need more “large N” research to overthrow the tyranny of the case study, and fill in the many gaps in knowledge regarding how governance conditions are associated with various outcomes. Second, I argue that the utility of normative indicator development will be increased commensurate with the degree to which it is coupled with political economy analysis, which is necessary to illuminate “the why” and most importantly, the “what now?”.

All of these observations and propositions provide a strong justification for seminars such as this one, where a community of people and organizations with common purpose can wrestle with the dilemmas, and chart a way forward that itself meets the “good enough” test in terms of effectiveness and efficiency.

Again, let me commend the organizers and the participants for all the good work that has been done to get us to this point, and for the commitment to working together going forward.

It's great be back in Indicator World. Thank you for inviting me.