

# DEVELOPING A FOREST TRANSPARENCY INITIATIVE

Scoping Paper by the World Resources Institute  
*November 2006*

Funded by:

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## ***Acronyms***

AFLEG	Africa Forest Law Enforcement and Governance
ATIBT	<i>Association Technique Internationale des Bois Tropicaux</i>
ATO	African Timber Organization
COMIFAC	Central Africa Forests Commission
DFID	Department for International Development (UK)
DRC	Democratic Republic of Congo
FLEGT	Forest Law Enforcement, Governance and Trade
FTI	Forest Transparency Initiative
GFW	Global Forest Watch (WRI)
HCVF	High Conservation Value Forest
IFIA	Interafrican Forest Industries Association
ITTO	International Tropical Timber Organization
MEFE	Ministry of Forest Economy and Environment (Republic of Congo)
MINFOF	Ministry of Forestry and Wildlife (Cameroon)
RIL	Reduced Impact Logging
WRI	World Resources Institute

## ***Executive Summary***

This scoping paper traces the contours of a Forest Transparency Initiative (FTI), outlining a conceptual framework, discussing some practical considerations and suggesting a four-phased approach to implementation. In addition to WRI's general field experience, it is based on interviews carried out in Cameroon and Republic of Congo in October of 2006:

Transparency is a necessary component of good governance and management of forest resources. Much of the information concerning commercial logging in the tropics is currently either outside the public domain or is very difficult to access.

A FTI is a dynamic, private sector-led initiative. Progressive timber companies take the lead in sharing information, prompting public agencies to do the same, thereby creating a positive cycle of increasingly far-reaching voluntary disclosure.

A FTI is based on some key general principles:

- *Targeted information disclosure*—Information chosen for disclosure must address specific desired outcomes and the needs of target audiences;
- *Progressive information disclosure*—Start by disclosing information that is of high importance but of low sensitivity, and expand progressively;
- *Information quality*—Disclosed information must be credible and verifiable;
- *Ease of participation*—Transaction costs must be low;
- *Participant incentives*—Participation is linked to positive recognition of the participants in the marketplace, the donor community and the media; and,
- *Positive reinforcement*—Initial focus should be on positive recognition of disclosure.

A number of practical considerations influence the feasibility of a FTI:

- A considerable amount of low sensitivity information is theoretically available in the public domain, yet remains difficult to access;
- Private sector and government are generally interested in an FTI, yet expressed concerns about the objectives, process and content of the endeavor; and,
- Effective quality control of the information disclosed and broad engagement from a large number of actors is critical.

WRI suggests that a FTI be implemented in phases:

- Phase 1: Define the scope and purpose of initiative
- Phase 2: Refine the content, and link to other initiatives
- Phase 3: Design an implementation mechanism
- Phase 4: Execute, update, manage and progressively increase the disclosed information

WRI recommends that a feasibility study be conducted prior to developing a more expansive plan for establishing a FTI. This study would engage potential participants and target audiences in order to refine the concept and develop an implementation strategy that addresses real informational needs within the forestry sector.

# ***1 Important theoretical considerations***

## ***1.1 Objectives and content***

The World Resources Institute (WRI) was solicited by DFID to develop and conceptualize a Forest Transparency Initiative (FTI) as an input to the GLOBE International Forest Sector Transparency Working Group.

To flesh out the ideal components and process for the proposed FTI, WRI drew on discussions with members of the private and public sectors in Central Africa, internal discussion, and experience working with the private sector and governments from Cameroon, Indonesia, Gabon, Republic of Congo and the Democratic Republic of Congo (DRC) on issues of forest sector management information and transparency.

The results of our scoping exercise are outlined in this paper, which is structured as follows:

- Section 1. Important theoretical considerations
- Section 2. Findings and considerations, based on our reflections and fieldwork
- Section 3. Practical recommendations on what the FTI might entail and how the process might move forward.

As a caveat, please note that conceptual development and scoping activities were conducted over a short time period (one month) with limited resources. Within this period, there were difficulties in accessing private sector decision-makers. Therefore, the following analysis should not be considered exhaustive.

## ***1.2 Conceptual framework***

### *1.2.1 Importance of transparency in the forest sector*

Transparency is a necessary component of good forest governance. An appropriate measure of transparency will underpin and catalyze other necessary components and processes of well-functioning governance, including:

- Public review (citizens, markets or organizations) of the policies, practices, expenditures and performance of both private and government sectors;
- Active and constructive civil society engagement in decision-making;
- Greater sustainability in resource management; and,
- A more stable investment environment.

### *1.2.2 FTI objectives, strategies and key components*

The FTI is proposed to be a dynamic initiative led by the private sector. Progressive timber companies will take the lead in sharing information, thereby creating an environment of voluntary information disclosure among private and public actors within the commercial timber sector.

A key assumption is that the FTI will evolve over time through increases in company participation, in the amount and sensitivity of disclosed information, and in the number of regions engaged. Important strategies to ensure the positive evolution of the FTI include:

- *Progressive information disclosure*— Disclosure processes should begin by disclosing information that of high importance but of low sensitivity. The process continuously expands through the disclosure of increasingly more sensitive information.
- *Ensure ease of participation*—The necessary transaction costs must be low, and philosophical and logistical barriers must be actively eliminated.
- *Participant incentives*—Participation will need to be linked to positive recognition of participants in the marketplace, the donor community and the media.
- *Positive reinforcement*—The initial focus should be to recognize participants' disclosure, not criticize their information.

In developing the FTI, several additional key components need to be addressed:

- The initiative must target illegal logging, but also the broader context of sustainable and socially responsible commercial forestry;
- Disclosure of information is a key activity for achieving the FTI's objectives;
- Both the private sector and government must be committed and party to the process;
- The information requested must be available and complete;
- The information provided must be credible and verifiable; and,
- Target audiences must be able to access the information in a format that is simple and user-friendly.

## **2 Findings and considerations**

### **2.1 Publicly available information**

In west and central Africa, most information regarding forest concession boundaries, ownership, production levels, legal status, management plans, certification status, development contributions, etc. is theoretically publicly available. In practice, however, it is difficult to access this information because it is in paper form, not housed in a central location, of poor quality, or guarded by administrative entities.

- The practical lack of access to public information was one of the forces driving WRI to develop *Interactive Forestry Atlases* for Cameroon and the Republic of Congo. Atlases for Gabon and the DRC in development. These atlases (produced in collaboration with the Ministry of Forests of each country, with input from the private sector and national and international environmental NGOs) provide a means for sharing public forestry sector information in a user-friendly format (see example from WRI and MINFOF Cameroon at <http://www.globalforestwatch.org/english/interactive.maps/cameroon.htm>).

## **2.2 Information not publicly available**

In addition to strengthening the access to available information, it is necessary to make available important information that is not currently in the public domain. This includes information regarding corporate and financial issues, company operations, permit acquisition, concession management, resulting environmental and socio-economic issues, chain of forest revenue management and flows, chain of custody reporting, and many others.

In order to ensure that participants perceive low risk while taking their first steps towards disclosure, information must be identified that is of high relevance to forest governance but has low disclosure sensitivity.

WRI developed a preliminary list of relevant information categories and content to provide a foundation for FTI to elaborate its disclosure strategy. It is attached as Appendix 3. A more thorough feasibility study (discussed in Section 3.2.4) which would include discussions with participants, would systematically assess information in terms of forest governance relevancy and degree of sensitivity to disclosure.

## **2.3 Field observations**

In order to get a brief assessment of interest, concerns and conditions from potential participants in the FTI, WRI conducted informal discussions with representatives from several forestry companies and forest ministries in both Cameroon and the Republic of Congo. The parties contacted were generally interested in the concept of a FTI; however, they expressed several concerns relating to the objective and the content of the endeavor.

### **2.3.1 Private sector**

Company representatives interviewed in Cameroon and in Congo were field operations staff that could not commit to any actions without first discussing the initiative with senior management generally located in Europe or Asia. Additionally, discussions were impaired by the fact that it had not been possible to provide them in advance with documentation explaining the concept and detailing what would be expected from the private sector.

WRI also discussed the initiative with IFIA (InterAfrican Forest Industries Association) and ATIBT (*Association Technique Internationale des Bois Tropicaux*) in Paris. WRI believes strongly that timber federations (both importers and producers) have to be fully integrated in this process in order to leverage member companies to participate.

In summary, the private sector is, in general, reluctant to commit to disclosing any non-mandatory information without further details on such things as specific objectives, target audience, and methods of verification, reporting and disclosure.

More details on these concerns include:

- Companies are concerned with how this information will be used – what will be the benefit for them in disclosing certain data? What are the mechanisms that will be used to report and share the information and who will be target audience?

- Companies are hesitant to volunteer disclosing financial information as much of this is sensitive to the company and its shareholders, and there is no guarantee as to how this disclosed information will be shared, verified or compared. They are generally willing to disclose tax obligations and community contributions, as this information is already either mandated (if not publicly accessible) or its disclosure is favorable to their interests. The field staff, however, is not mandated to make these decisions; that responsibility rests with the CEOs based in Europe and Asia.
- Companies are concerned about how disclosed information will be monitored and verified in order to ensure that all data is credible and equally weighted – the concern here is that less scrupulous actors may be able to provide information which is not consistent with their actions or with “real” data.

### 2.3.2 *Government*

WRI held informal discussions with representatives of the Ministry of Forest Economy and Environment (MEFE) in Congo and with two international advisors working under the French Cooperation and FLEGT process. WRI noted that:

- Governments in the region have generally committed to improve transparency and governance in the forestry sector. They therefore see this initiative as fitting into the larger endeavor.
- Government echoed many of the private sector concerns regarding disclosure, sharing, and use of information, etc.
- A major practical issue with government information is that it is often not stored in its entirety within the same ministry or department, and much is not in digital format. Forest title and logging production information may for example be housed in the Ministry of Forests and Environment, for example, whereas all tax and revenue information may be in the Ministry of Economy – and even within each ministry, different sets of information may be kept by different departments.

## 2.4 *Reflections by WRI*

WRI has conducted a number of in-house meetings to discuss the proposed FTI and share experiences. Some conclusions and reflections are listed below.

### 2.4.1 *On the FTI itself*

- How will “unofficial” payments (bribes, facilitation payments, etc.) be disclosed? These are legal in some countries, but illegal in others. In either case, this is typically sensitive information to disclose.

- Some companies are publicly listed while others are private. They differ in the amount of information they disclose, as only publicly-traded companies are required to release information on a regular basis. The majority of companies in Central Africa are smaller-scale companies that are privately owned (often family owned). These companies are typically reluctant to disclose information regarding their operation without obvious incentives for them to do so.
- A functional FTI must have a certain minimum number of participants to attract additional participation, legitimize and sustain its operation. Engaging timber trade federations (such as IFIA in Africa) will help secure the buy in from member companies, as transparency measures are typically included in most federation's Code of Conduct.
- Timber import associations and consumer associations must be engaged to define the information that importers and consumers need to make informed decisions. The system must be designed around the demand for information of critical target audiences (consumers, trade associations, governments, donors, etc).
- While many governments may commit to transparency and disclosure of certain information, their internal capacity to manage and coordinate this disclosure is often lacking.
- The information held by government agencies is often incomplete or of poor quality. There may be a reluctance to make public this information before these issues are addressed or before they are capable of maintaining up-to-date information. Donor institutions and NGOs may have a role to play in helping this along.
- Technical issues regarding resolution, format, frequency of update and ability to verify disclosed information need also to be taken into consideration.
- An initial voluntary system will likely enable a greater degree of buy-in from potential participants, yet these actors may not be able to be held to disclosure agreements.

#### 2.4.2 *On implementation issues:*

- The cost of repeated and additional reporting and collection of information for all parties involved must be reduced to a minimum once the system is up and running.
- The information disclosed needs to be collected and managed by a central institution, such as a credible university, institute or other organization.
- Information should be verified or cross-checked locally for accuracy.
- A long-term financial/technical commitment is needed – minimum 5 years.

### **3 Moving forward**

WRI has identified next steps to better define, properly design and subsequently implement the proposed FTI. A multi-step approach is recommended, breaking down roughly according to the following phases:

- Phase 1: Define the scope and purpose of initiative
- Phase 2: Refine the content, and link to other initiatives
- Phase 3: Design an implementation mechanism
- Phase 4: Execute, update, manage and progressively increase the disclosed information

#### **3.1 Phase 1: Define the scope and purpose of the initiative**

The FTI remains a new concept. While there have been some initial reflections and discussions on its objectives, scope and operational details, these still need further refinement. The first phase should outline the objectives and intended content of the initiative. More specifically, there is a need to:

- Clearly identify the issues to be addressed by the FTI;
- Identify the ideal set of information to address targeted issues;
- Identify the target audiences and their specific needs; and,
- Identify the relevant actors and their specific roles.

##### *3.1.1 Identify issues to be addressed*

In order to be effective, the disclosure of information under the transparency initiative must be paired with targeted objectives. WRI has identified the following priority objectives:

- Curbing illegal logging;
- Combating corruption;
- Curbing the purchase of timber that fuels conflict or conflict profiteering;
- Increasing and enabling accountability in the forest sector; and,
- Improving the benefits and mitigating the environmental and social costs of commercial logging to local populations.

##### *3.1.2 Identify the needed information*

Table 1 contains a list of issues, relevant information, and the party (or parties) that would be responsible for disclosure. It is important that all information be verifiable and credible. Credibility can be gained by disclosing the extent to which companies have been verified to meet standards of certification, chain of custody reporting, or certain audit systems. Accredited third-party verification standards may also corroborate the accuracy of information that was disclosed independently. The FTI must be designed to include opportunities for recognized third parties to comment on the accuracy of disclosed information.

**Table 1***Information for increasing transparency: what to disclose, and who is responsible<sup>1</sup>*

<i>Objective</i>	<i>Set of disclosed information</i>	<i>Responsible party</i>
Curbing illegal logging	<ul style="list-style-type: none"> <li>- Was wood logged from a legally recognized title?</li> <li>- Reporting citations</li> <li>- Chain of custody reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Company/gov't</li> <li>- Government</li> <li>- Company/gov't/third party verification</li> </ul>
Combating corruption	<ul style="list-style-type: none"> <li>- Disclosure of official revenue payments and receipts</li> <li>- Reporting of "unofficial" payments given or received during logging operation</li> <li>- Transparent timber permit allocation process</li> <li>- Disclosure of political and business affiliations</li> </ul>	<ul style="list-style-type: none"> <li>- Company/gov't</li> <li>- Company/gov't</li> <li>- Government</li> <li>- Company/gov't</li> </ul>
Curbing purchase of timber linked to fueling conflict or conflict profiteering	<ul style="list-style-type: none"> <li>- Does wood come from area of conflict?</li> <li>- Chain of custody reporting</li> </ul>	<ul style="list-style-type: none"> <li>- Gov't/third party</li> <li>- Company/gov't/third party verification</li> </ul>
Accountability	<ul style="list-style-type: none"> <li>- Disclosure of corporate structure (parent company, shareholders, subsidiaries, etc.)</li> <li>- Financial backers</li> </ul>	<ul style="list-style-type: none"> <li>- Company</li> <li>- Company</li> </ul>
Socio – economic/distributional equity	<ul style="list-style-type: none"> <li>- Has company fulfilled its tax and contractual obligations regarding local communities?</li> <li>- Has this revenue or services reached local community?</li> <li>- Are there local claims to timber which are not compensated for/respected?</li> <li>- Were people evicted from land in order for logging to take place?</li> </ul>	<ul style="list-style-type: none"> <li>- Company/gov't</li> <li>- Gov't/third party</li> <li>- Gov't/third party</li> <li>- Gov't/third party</li> </ul>
Mitigation of ecosystem/biodiversity degradation	<ul style="list-style-type: none"> <li>- Does wood come from HCVP, undisturbed or intact forest?</li> <li>- Does wood come from company practicing RIL?</li> <li>- Enforced hunting policy?</li> <li>- Disclose active road network</li> <li>- Chain of custody reporting?</li> </ul>	<ul style="list-style-type: none"> <li>- Company primarily; verified by gov't, auditors and NGOs</li> <li>- Company with 3<sup>rd</sup> party verification</li> <li>- Company/gov't/third party verification</li> <li>- Company/gov't</li> <li>- Company/gov't/third party verification</li> </ul>

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<sup>1</sup> A more comprehensive list of information by topical area can be found in Appendix 3

### 3.1.3 *Identify actors and define roles*

Responsibility for providing information in this initiative falls primarily to the private forestry sector and host country governments. As described above, information could be disclosed in a progressive and dynamic fashion with certain private companies leading the way and governments and other private sector actors responding to this with further disclosure. Third-party verification and contextual information could be supplied by NGOs, auditing or donor entities. The anticipated responsibilities of the participants include:

- *Private sector* – takes the lead in information disclosure.
- *Government* – discloses information, acts as a check to private sector disclosures (and vice versa)
- *NGOs* – aids in setting agenda for what information should be disclosed; provides context to disclosed information; and, establishes data credibility by verifying, and if necessary, disputing information disclosed by private sector and government.
- *Auditor/donor entities* – provide contextual information and standardized verification.

### 3.1.4 *Identify target audience*

The choice of target audience is directly linked to the choice of information chosen for disclosure under FTI. The reverse also holds true – that the targeted audience must drive the choice of information to be disclosed.

For example, from a private sector perspective, disclosure of any information would be driven by the opportunity to earn greater profits from sales by distinguishing themselves in the marketplace. The target audience of interest to the private sector is likely to be consumer groups, importers or distributors of timber and/or resulting products. In this case the FTI would benefit from linking into ongoing AFLEG, FLEGT, legality verification and certification processes, and could supply information to support these efforts.

## 3.2 ***Phase 2: Refine content, and link to other initiatives***

The second phase would further define the proposed content and processes and address how the initiative might complement other ongoing or proposed programs, by:

- Refining the list of information to be disclosed by various actors based on discussions and negotiations with these actors (i.e. harvesters and buyers in private sector; government, NGOs, donor institutions);
- Developing incentives for disclosure; and,
- Linking into other initiatives or processes.

### 3.2.1 *Refine information to be disclosed*

Once the ideal set of information to be disclosed has been defined, content would be further refined and detailed through discussions with the private sector, governments, donors,

NGOs and representatives of the identified target audience. Certain information may prove to be incomplete, irrelevant or too sensitive for voluntary disclosure at this point.

Information should also be grouped by theme and disclosure priority with regard to the proposed objectives. The disclosure process should assign priorities according to the relevance and sensitivity of the information, with that which is most complete, relevant and least sensitive to be disclosed first.

Available (but not necessarily readily accessible) information such as forest title boundaries, title holders, wood production, certification status, taxes paid, etc., would be the first to be made more accessible. More sensitive information relating to corporate finance and structure, and government revenue flows would follow, as the system becomes more accepted and credible, and as participants become more comfortable with the process.

### *3.2.2 Identify incentives for disclosure*

For voluntary disclosure of information to take place, both governments and the private sector need to have sufficient evidence that it will benefit them.

Progressive companies and more transparent governments understand that public information disclosure results in a healthier business environment and an increase in their ability to sell their products at a higher price. However, there is a concern that as they disclose information, they will be penalized in the marketplace by less transparent operators. Likewise, less scrupulous actors have more to gain by guarding information tightly and operating within a non-transparent system.

WRI believes if more progressive and transparent parties take the first step to disclose information, then other actors will be encouraged (obliged) to follow suit. To catalyze those first disclosures, it is critical that the FTI provide significant incentives and assurances. Some strategies to do so include:

- Ensure a level field in reporting, i.e. verify the credibility of disclosed information in order that it be comparable across participants (this should not be an opportunity to claim something one is not);
- Link into processes of legality verification, stepwise certification, etc. in order to minimize cost and redundancy of efforts;
- Link to market-based initiatives for timber products (e.g. certification, product labeling, etc.)— promote participating parties
- Recruit critical amount of participation from private and public forest sector actors to ensure sustainability of the initiative.

### *3.2.3 Opportunities to link into other initiatives/processes*

The proposed FTI is a complement to and can leverage the strengths of a multitude of forest sector initiatives that currently exist to address issues of sustainability, legality and accountability (e.g. certification, legal origin verification, AFLEG/FLEGT processes and other mandatory/voluntary reporting efforts). Many of these ongoing initiatives share similar

objectives based on access and publication of forest information, so it is crucial that FTI does not compete or hinder their efforts. In addition, many potential FTI participants may also participate in other initiatives which may already demand significant time and resources.

For example, to achieve its desired impact and promote self-perpetuation, the FTI would likely require that the collective area of participant timber concessions cover at least 60% of the designated logging area for a given region. In Central Africa, this would likely equate to the 20 more progressive companies in the region. To some extent, most of these companies are already involved with certification or legality verification initiatives that require regular information disclosure that would be relevant to the FTI. Thus, to attract significant numbers of participants, FTI must be designed to harmonize its participant requirements with those required by other initiatives.

In summary, the information disclosed within the FTI should serve various ends by supporting the AFLEG/FLEGT processes, the legality verification process and the disclosure demands of donors, governments, etc. Please refer to Appendices 1 and 2 for more in-depth discussion of ongoing initiatives relating to forest information transparency in Africa.

#### *3.2.4 Feasibility study*

To respond to the issues covered in phases 1 and 2, WRI recommends that a feasibility study be conducted before submitting a larger proposal to cover all four proposed phases of the FTI. A reasonable time frame to carry this out would be around 6 months.

The main activities to be conducted under this feasibility study include:

- Identify target audiences and assess their informational needs through direct engagement;
- Engage private sector at the corporate level to ascertain their interest, willingness, and capacity to participate in the initiative, and to identify the nature and scope of the information they would be willing to make public;
- Engage forest and finance ministries in government to ascertain their interest, willingness, and capacity to efficiently participate in the initiative, and to identify the nature and scope of the information they could be willing to make public;
- Engage national and international stakeholders to ascertain their interest, willingness, and capacity to participate in the initiative, notably by providing information or cross-checking information disclosed by the private sector and the governments of the sub-region;
- Engage regional organizations and assess their potential for eventual transfer of the system; and,
- Engage the donor community to assess their interest and capacity to provide long-term support for the initiative.

Based on the results of the feasibility study, a more comprehensive, longer term proposal for the development and implementation of the FTI would be developed.

### 3.3 Phase 3: Design an implementation mechanism

In parallel to discussions of disclosure content, participants and incentives, the process of identifying and developing disclosure mechanisms should begin.

The focus of this phase is to:

- Develop information disclosure protocol and portal; and,
- Assure sustainable funding and operation of system.

#### 3.3.1 Develop information disclosure protocol and portal

The information disclosed under FTI must be complete, credible, accessible, and require minimal time and resource investments from the reporting party. The FTI would essentially be composed of a disclosure protocol (collection, archiving and data quality control) and a dissemination portal. Disclosure and reporting mechanisms and location will depend largely on the results of informational content and target audience analysis performed in Phases 1 and 2.

WRI's successful experience developing and applying interactive forestry atlases in Cameroon and Congo provides a potential point of departure to develop a protocol and a portal. Based on this experience, options for disclosure protocol include:

- Interactive forestry atlas format – allows users to search for information on companies and countries by spatial location. Information layers can be added as they are made available (see example from WRI and MINFOF Cameroon at <http://www.globalforestwatch.org/english/interactive.maps/cameroon.htm>)
- Web-based interface format - allows for self-reporting by participants, which can be monitored. It also allows users to search for information on timber origin by company and geographic region.

There are several options for managing data quality control. These include:

- *Multi-party verification*—Many national and international organizations already possess or collect logging related information independent of the FTI. Theoretically, one or more of these organizations could provide in-kind verification support. These could include NGOs (e.g. WRI-GFW, Greenpeace, Independent Observer, etc.), service providers and auditing firms (e.g. SGS, BVQI), multilateral and bilateral agencies (e.g. World Bank, ITTO), or trade associations (e.g. IFIA, ATO).
- *Single-party verification*— One organization or party could be contractually responsible for information verification so as to ensure credibility and compatibility between sets of disclosed information. This could, however, incur significant additional costs to the initiative.
- *Leveraging existing processes*—Ongoing efforts exist (e.g. chain of custody verification and certification programs) that already have the infrastructure and capacity in place to perform forestry data quality control. Linking into these efforts where feasible may prove more economical, if coordinated and harmonized properly.

### 3.3.2 *Assure sustainable funding and operation of system*

The FTI will need to assure longer term funding in order to attract participants. If there is a perception that the initiative will no longer exist in 2 to 3 years, it will be very difficult to convince potential participants to buy in. WRI recommends that donor agencies consider a minimum commitment of 5 years of support.

To ensure large-scale buy in and programmatic sustainability, FTI operations will likely need to be transferred to a permanent host organization. The organization would be either regional or global in scale, depending on the scope of the FTI. Potential candidates in the Central African region include COMIFAC and the ATO, among others. For the success of such a transfer, investments would be needed to build necessary FTI management capacity, and to ensure impartiality in the treatment or disclosure of information.

To ensure the independence, credibility and sustainability of the system, an international multi-stakeholder control and management mechanism must be designed and implemented. This would guide the creation of necessary steering committees, review processes, assignment of independent auditors, etc.).

### **3.4 *Phase 4: FTI implementation***

Principal implementation activities are likely to include:

- Process management (participant and stakeholder engagement, technical support, etc)
- Disclosed information collection and management
- Information quality control
- Dissemination of disclosed information
- Evaluation and adaptation

Following the progressive information disclosure process outlined in Phase 2, the system becomes more accepted and credible, participation will expand to include a larger number of private and public actors, as well as additional regions.

## *Appendix*

### *Appendix 1. Notes on opportunities to link to ongoing transparency, disclosure and FSM initiatives in Africa*

#### *National governments*

National governments need reliable consistent information to manage forestry sector optimize tax revenues and contribute to national development. This need for information concerning clear concession boundaries (area taxes), production levels, legality, processing information is leading Central African governments to partner with international organizations, such as WRI, to develop local capacity to generate and manage forest information useful in decision making and monitoring industrial and community forestry. The above cited Interactive Forestry Atlases are examples of outcomes from this.

The European lead FLEGT process is also proving incentives for national governments to enter into voluntary partnership agreements that will require that governments demonstrate that wood coming from their country is legally sources and produced. This could lead to increased transparency and generation of information on legality of forest operations.

Often national governments with the desire to collect and manage this information for better resource management lack the capacity to do just that. Financial and technical capacity is often weak.

#### *Regional Initiatives*

Forest product consumer countries and regions (in particular the EU, USA), timber producing countries across Central Africa, and NGOs have initiated actions to combat illegal logging and address sustainable forest management and governance issues across the Congo Basin (see Table 2). There are several that are collecting information and providing incentives for more information sharing and transparency. The AFLEG and FLEGT processes are encouraging improved governance with enhanced information generation, dissemination and use as a key component to improved governance. COMIFAC has developed a convergence plan with 10 strategic axes to harmonize forest policy and improve management across the basin. Transparency, capacity building in information generation and management are key elements of this plan. IUCN, IFIA and WRI have embarked on an independent and voluntary forest concession monitoring system for Central Africa (FORCOMS) collecting information on the legality and sustainability of concessionaires participating in the initiative. The African Forest Observatory (FORAF) is building regional information gathering capacity and support effective decision making for sustainable forest management. The Congo Basin Forest Partnership (CBFP) is providing a forum for information sharing among governments, NGO's, Private sector and NGO's to share information and co-ordinate investment in Forest management and conservation activities across the Congo Basin.

### *Demand for Socially Responsible, Legally and Sustainably Sourced wood*

Consumer (European governments, large wood consuming companies and individual consumers) demand for socially responsible, legally and sustainably sourced wood is beginning to provide market incentives to forestry companies in central Africa to demonstrate legality and progress towards sustainability. Companies increasingly see the advantages of demonstrating investments in social infrastructure, development and poverty reduction – leading to disclosure of taxes paid and investment in local development on the ground.

### *Certification Schemes*

The increasing demand for legally sourced and sustainable managed wood products is leading to increased use of certification systems by forest companies in Central Africa. Certification systems such as FSC and PEFC are forming the basis for stepwise approaches to achieving legality and sustainability of forest operation for those companies targeting the European and US markets. Demand for legally sourced wood has led to the development of legality certification systems (OLB, TLTV) and the development of monitoring chain of custody systems. And because of the relatively low capacity of most forestry companies in the region NGO's (eg WWF- GFTN, TFT- TTAP, Rainforest Alliance – Smart Step) and others are providing capacity building and support for stepwise approaches to reaching sustainability standards.

All of these initiatives are generating substantial amounts of information regarding the legality, sustainability and social responsibility of forest operations and fostering more willingness on the part of the private sector and governments in the generation, dissemination and use of this information in Central Africa.

### Recommendations:

- Increase demand side pressure to generate more incentives for information disclosure, legal sourcing and production and more sustainable production methods
- 60 to 70% of information needed to gauge legality and progress towards sustainability is in the public domain, it is a question of gathering it and putting it in a format useful for decision making

## ***Appendix 2. International and Regional Initiatives Targeting SFM and Illegal Logging in Central Africa***

Forest product consumer countries and regions (in particular the EU, USA), timber producing countries across Central Africa, and NGOs have initiated actions to combat illegal logging and address sustainable forest management and governance issues across the Congo Basin (see Table 2). Three initiatives are of particular interest to proponents of stepwise approaches to SFM and certification, because of their scope and scale of operation.

### *Central Africa Forest Commission (COMIFAC)*

One mechanism central to sustainable forest management efforts in the region is the Central Africa Forest Commission (COMIFAC)<sup>2</sup> which is the principal instrument for the implementation of the Declaration of Yaoundé<sup>3</sup>. It is made up of the ministers in charge of forests of the various signatory countries. In 2004, Central African countries endorsed COMIFAC as the political and technical commission that is charged with orienting, coordinating, monitoring and harmonizing the different strategies and initiatives that exist in the forest sector of the Congo Basin. COMIFAC has developed a convergence plan for the conservation and the sustainable development of the forests of Central Africa. Of the ten strategic axes of the convergence plan, stepwise systems could most notably contribute to sustainable use of forest resources, and capacity building, participation, information and training, strategic axes 5 and 7 respectively. To operationalize these strategic axes the executive secretariat and technical subcommittee are developing regional and national operational components that provide the framework for implementing the convergence plan.

### *Africa Forest Law Enforcement and Governance (AFLEG)*

While COMIFAC has been gaining momentum and standing in the region, a complementary initiative being developed in tandem, the Africa Forest Law Enforcement and Governance (AFLEG) process, developed out of the interest from ministers of several African countries in issues related to the Forest Law Enforcement and Governance (FLEG) East Asia ministerial conference in September 2001. These issues included the costs of illegal logging to national economies and legitimate international markets for wood products. The recognition of the need for high level political support to address these issues resulted in an inter-ministerial meeting held in Yaoundé, Cameroon in 2003 which produced a declaration outlining commitments to eliminate illegal logging, associated trade and corruption in Africa's forest sector. In this declaration, countries committed to move forward with thirty aspects of law enforcement and governance. Particularly relevant to stepwise approaches to certification is the declaration to:

‘Explore the ways and means of demonstrating legality and sustainability of forest products to encourage consumer market confidence and thereby enhance legitimate

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2 Formerly the Conference of Ministers for Forests of Central Africa

3 In March 1999, Central African Heads of State produced a joint statement outlining twelve resolutions concerning the conservation and sustainable management of the forest ecosystems of the Congo Basin.

trade for a greater financial return to producing countries.’ (COMIFAC Ministerial Declaration, Oct 16, 2003)

*Forest Law Enforcement, Governance and Trade (FLEGT)*

To complement the FLEG process the European Union in February 2002 committed to developing an action plan to combat illegal logging focusing on demand side measures and trade with the EU. This Forest Law Enforcement, Governance and Trade (FLEGT) process is centered on four principle implementing mechanisms:

- timber licensing and Volunteer Partnership Agreements (VPAs)
- public procurement policies
- private sector initiatives (including codes of conduct)
- financing logging projects

With the EU now developing VPAs with Central African countries under the FLEGT process, Central African governments choosing to enter into VPAs, must develop national definitions of legality and licensing systems for legal timber. Experience with the development of stepwise approaches to forest certification, indicators and standards of legality, could offer a substantial contribution to the development of licensing systems, monitoring systems and measures of legality for countries engaging in the FLEGT program.

The number of initiatives and resources being applied to the issue of sustainable forest management, illegal logging and forest certification speaks to the importance of these issues to governments, private sector and civil society in Central Africa and tropical timber consumer countries worldwide. The sheer multitude of responses has given rise to some challenges of coordination and communication. While initiatives such as the Congo Basin Forest Partnership (CBFP) and COMIFAC address issues of communication and coordination, some additional steps, building on existing mechanisms, could provide a stronger foundation for efforts to address illegal logging, more sustainable forest management.

**Table 2:** International and Regional Initiatives Targeting SFM and Illegal Logging in Central Africa

Initiative	Objective	Geographic region	Major Activities	Implementing Institutions
<b>CBFP Congo Basin Forest Partnership</b>	Coordinate and facilitate communication between projects and investment in the sustainable management of the forests of the Congo Basin	Congo Basin	Member meetings; Web site; other communication tools	30 governmental and nongovernmental organizations
<b>COMIFAC/ CEFDHAC</b>	Harmonize forest policy and management across the Congo Basin	Congo Basin	Interministerial meetings; COMIFAC Secretariat; Convergence plan	Central African national governments
<b>AFLEG Africa Forest Law Enforcement and Governance process</b>	Eliminate illegal logging, associated trade and corruption in Africa's forests	Continent wide	Interministerial meeting Yaoundé 2003 Ministerial Declarations	International donor community
<b>FLEGT Forest Law Enforcement, governance and Trade</b>	Combat illegal logging through curtailing trade in illegally logged timber to the EU	Continent wide	Action plan approved October 2003 Timber licensing and VPAs; Public procurement; Private sector initiatives (including codes of conduct); Financing logging projects	European Union; Congo Basin national governments
<b>CARPE</b>	Reduce the rate of forest degradation and loss of biodiversity through increased local, national, and regional natural resource management capacity	Congo Basin	Development and implementation of integrated land use plans in 11 priority landscapes for biodiversity conservation across the Congo Basin; Development of monitoring system for monitoring illegal logging; Improved forest governance	USAID CARPE; International conservation and development NGOs
<b>OAB/ITTO Principles, Criteria and Indicators PCI's</b>	Promote the wide scale implementation of sustainable management in tropical member countries	Tropical forested countries	Develop national criteria and indicators for sustainable tropical forest management and provide training on the use for monitoring, assessing and reporting on forest management	United Nations; International Tropical Timber Organization
<b>FORAF African Forests Observatory</b>	Build regional information gathering capacity; Support effective decision making for sustainable forest management	Continent wide	Development of a state of African tropical forests report; Development of thematic natural environment monitoring systems; Development of a forest observatory	EU Implementing partners TBD
<b>VERIFOR</b>	Research project to help develop institutional options for verification which are country-specific, nationally owned, socially inclusive and oriented to good governance	Tropical forested countries	Research designed to assist countries to put in place verification systems to ensure that forest and timber products are harvested legally	ODI Research partners: CIFOR CATIE RECOFTC

Table 3: Examples of Initiatives supporting stepwise approaches to SFM and certification Central Africa					
System/Initiative	Description	Standards and indicators used	Monitoring and Auditing systems	Capacity Building	Incentives and benefits
<b>FSC and FSC Controlled wood</b>	The <a href="#">Forest Stewardship Council (FSC)</a> is an international network to promote responsible management of the world's forests. FSC has developed internationally recognized certification standards (FSC Forest Management Certification) and has recently developed new standards allowing companies and forest managers to avoid wood from undesirable sources from their supply chain (FSC controlled wood). FSC controlled wood may in some cases, serve as a step up towards FSC certification. <a href="http://www.fsc.org">www.fsc.org</a>	FSC Controlled wood standards	Sets the standards and authorizes other firms to implement monitoring and auditing		Access to markets and premiums for certified timber
<b>WWF's GFTN</b>	The <a href="#">World Wildlife Fund's Global Forest and Trade Network (GFTN)</a> Upon joining, forest management and production companies commit to become independently certified within a pre-defined time period and must develop a work plan with specific performance objectives. WWF has also recently partnered with <a href="#">TRAFFIC</a> to develop standards and indicators of legality in five Congo Basin countries.	FSC and developing standards and indicators for legality	Monitors progress through auditing of performance objectives related to FSC indicators and promotes the use of a Modular Implementation and Verification toolkit	Provides technical support and timeframe for reaching FSC-SFM certification	<ul style="list-style-type: none"> <li>• Information and technical assistance to improve forest management and achieve comprehensive certification.</li> <li>• Market incentives for the pursuit of certification</li> <li>• Support of advocacy efforts for changes to legislation and law enforcement, and</li> <li>• Access to affordable, long term financing</li> <li>• Assistance in establishing new contacts with GFTN buyers committed to purchasing from sources either credibly certified or progressing towards certification in line with GFTN requirements.</li> </ul>
<b>Rainforest Alliance -SmartStep</b>	The <a href="#">Rainforest Alliance</a> has developed a service called SmartStep as a way of providing more opportunities and incentives for forest management operations to pursue FSC certification. Companies joining Smartstep must commit to FSC certification within five years agree to periodic auditing and demonstrate progress towards sustainability. SmartStep is designed to provide forest management operations with a clear path to achieving Forest Stewardship Council (FSC) certification while gaining access to potential market benefits before reaching certification. <a href="http://www.rainforest-alliance.org/programs/forestry/smartwood/index.html">http://www.rainforest-alliance.org/programs/forestry/smartwood/index.html</a>	FSC	Monitors progress through auditing of performance objectives related to FSC indicators over five years	-	Actively marketing the SMARTWOOD and SMARTSTEP labels to create a market and access to benefits before reaching certification
<b>Tropical Forest</b>	The <a href="#">Forest Management Sub Program of TFT</a> helps its members to	FSC principles	Third party FSC	Provides	<ul style="list-style-type: none"> <li>• Preferred access to TFT member market</li> </ul>

<b>Trust - Forest Management Sub Programs</b>	implement responsible wood procurement policies in the tropics. The TFT helps its members to manage and monitor their supply chains and it helps the forests that anchor those supply chains to achieve FSC certification. TFT scopes whether the forest area has the potential to supply TFT members with timber, and to achieve FSC certification. It works with forest owners to, conduct gap assessments, develop Certification action plans (CAP) and enters into an MOU with the forest owner for implementation of the plan.	and criteria	standard auditing	support in CAP development and implementation along with post certification monitoring and support	<ul style="list-style-type: none"> <li>Information and technical assistance to improve forest management and achieve comprehensive certification.</li> </ul>
<b>TFF's Reduced Impact logging</b>	<a href="#">The Tropical Forest Foundation Reduced Impact Logging Verified Program</a> is an effort to partner producers and consumers; track the origin of wood; and verify legality and reduced impact logging practices. The RIL verified program does not have the specific objective of positioning companies to become certified. Nevertheless, this effort teaches sustainable forest management and legality through verification, and recognizes those companies participating in sustainable forest management practices, which are important building blocks that could lead to eventual forest certification. <a href="http://www.tropicalforestfoundation.org">www.tropicalforestfoundation.org</a>	Guidelines for reduced impact logging – not associated with any certification scheme	Self monitored	Training provided for implementing reduced impact logging	<ul style="list-style-type: none"> <li>cost savings in forest operations</li> <li>reduced negative social and environmental impacts</li> <li>potential increased market access</li> </ul>
<b>SGS Certification Support Program</b>	<a href="#">SGS Certification Support Programme (CSP)</a> serves to bridge the gap between current logging practices and forest certification using a formal auditing program that provides a step-wise approach in line with the WWF Global Forest & Trade Network (GFTN). The SGS (M) CSP provides auditing of continual improvement based on an agreed schedule and allows trading of raw material and manufactured products under a CSP Certificate of Origin during development and implementation of the forest management system. <a href="http://www.sgs.com/forest_services_?serviceId=8535&amp;lobId=5548">http://www.sgs.com/forest_services_?serviceId=8535&amp;lobId=5548</a>	FSC, ITTO	Monitors progress through auditing of performance objectives related to FSC indicators	Provides development of plan to reach certification and timeline	Provides certificate of origin during the development and implementation of the forest management system designed to open access to markets
<b>BVQI-EuroCertifor</b>	<a href="#">BVQI- EUROCERTIFOR</a> is an auditing and certification firm that has developed a certification of legality of origin (OLB) system. That could be used as a part of a stepwise approach to full forest management certification. <a href="http://www.bvqi.fr/webapp/servlet/RequestHandler?mode=PT&amp;pageID=24786&amp;nexpage=siteframeset.jsp">http://www.bvqi.fr/webapp/servlet/RequestHandler?mode=PT&amp;pageID=24786&amp;nexpage=siteframeset.jsp</a>	Legality standards developed on basis of national laws (not directly linked with an SFM standard)	Provides OLB auditing services		Certification of legality is designed to open access to markets
<b>FORCOMS</b>	<a href="#">IUCN, WRI and IFIA</a> is developing an independent voluntary forest concession monitoring system ( <a href="#">FORCOMS</a> ) involving the participatory development of indicators and standards of legality and sustainable management, development of a database and a website to communicate progress of timber companies towards sustainable forest management. <a href="http://www.globalforestwatch.org/english/index.htm">www.globalforestwatch.org/english/index.htm</a>	FORCOMS standards, indicators and means of Verification (loosely based on ITTO criteria and indicators)	Self reporting, subsidized project auditing and optional audits by 3 <sup>rd</sup> party auditing firms		Potential increased market access through better communication of status of forest operations

### ***Appendix 3: Transparency Information to Consider***

#### **1. Corporate**

Company name in country of operation  
Address/contact info  
Incorporation year  
Senior management staff (names, position, nationality)

##### *Structure*

Parent company  
Country of origin  
Principal investors/major shareholders  
Subsidiaries  
Other holdings (outside of forestry sector)  
Financial institutions backing the company  
Associated corporations  
Mergers  
Previous names  
Previous parent company  
Location of other activities

#### **2. Logging**

##### *Title/concession*

- Permits held by type
- Area of permits held by type
- Location of timber permits
- Legal status of concession area
- Concession allocation year
- Concession allocation process
- Boundaries of annual harvesting plots
- Volume of timber harvested annually by concession
- Volume of timber harvested annually by concession by species
- Concession history (previously logged? Previous holder? Etc)
- Logging related infrastructure (roads, bridges, camps, etc.)
- Boundaries of conservation or community use areas in concession
- Other types of logging operations under exploitation
- Logging title allocation process – how did logging company gain lease to log? Was this process transparent? Are there records?

##### *Legality*

- Company is in line with national regulations generally
- Has met tax requirements
- Disclosure of citations
- Are permits/concessions in line with national regulations?

### *Processing*

- Location of wood processing plants
- Processing capacity (log input, output by product lines)
- End use of logs (products)
- Sources of logs if not from own concessions

### *Commercial*

- Percent logs exported vs processed in country
- Destination of logs

### *Financial*

- Financial structure
- Source of financing/institutions
- Investments
- Annual sales information by product, site, etc
- Profit disclosure
- Does company have policy for full disclosure of investment funds/parties and profits?

### *SFM status*

- Status of management plan
- Status of certification
- Volume/type of wood that meets certification
- Certification/legality process
- Chain of custody reporting
- Reduced impact logging

### **3. Social** - Do they meet social responsibility norms generally?

#### *Employees*

- Number of employees
- Breakdown of employees by nationality for given country
- Breakdown of employees by nationality at managerial positions
- Percentage of local employees
- Median income for host country nationals
- Housing or camp provided?
- Social services provided on site? (e.g. Schools, health centers, etc.) Are these free or charged?
- On job training/skill development provided?
- Other relevant employee info (working hours, vacation, family policies, etc.)

#### *Community*

- Direct or indirect contributions to local communities (obligated or otherwise)
- Is company engaged in a Company-Community Agreement (CCA)?

- Have they respected its conditions?
- Location of villages or other inhabited areas
- Population within 10 km of concession
- Amount of direct or indirect jobs (or economic contribution)
- Percentage of total revenue/gross profit going to local community and/or socially/environmentally responsible activities?
- Support for local alternative livelihood programs/other income generating activities?
- Was a socio-economic survey completed before extraction began?
- Has there been socio-economic monitoring?
- What has been done to mitigate logging induced impacts?
- Are there land-use conflicts between local villagers and permit area?
- What has been done to address this?
- Were people living in concession at time of allocation? If yes, what has become of them?
- Has company ever been in land dispute with local communities?
- Did they consult with land-owners/users on traditional hunting/fishing areas and/or traditionally valuable/sacred land?
- Do they have a community outreach/liaison position/branch?
- Has land been set aside in the forest concessions for local population?

#### **4. Environment**

- Do they meet environmental norms generally?
- Are there critical biodiversity areas within concession?
- What is company doing to mitigate impact to these areas?
- What is company doing to mitigate environmental degradation generally?
- What is internal policy on disposal of logging generated waste (e.g. motor oil, industrial chemicals, used equipment, etc.)?
- Conservation areas within forest concession (area, statute, etc)
- Does company (has company) logged protected tree species?
- Does company have a bushmeat policy in its concession?
- If yes, is the above enforced?
- Other Reduced Impact Logging efforts
- Does company respect/implement buffer zones between concession and protected areas?
- Disclosure of digital georeferenced road network by year
- Collaboration with government or NGO conservation entities
- Has company been involved in endangered species trafficking?
- 

- 5. Other** - Links to any external reports/citations of company