Forest Governance, Markets and Climate (FGMC) Programme

Mid-Term Review

Independent Review Team

Prepared by

in association with

Itad

June 2017
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFD</td>
<td>Agence Française de Développement</td>
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<tr>
<td>APEC</td>
<td>Asia Pacific Economic Cooperation</td>
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<td>ATIBT</td>
<td>Association Technique Internationale des Bois Tropicaux</td>
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<tr>
<td>BCM</td>
<td>Bilateral Coordination Mechanism</td>
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<td>BEIS</td>
<td>Department for Business, Energy and Industrial Strategy</td>
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<td>BSA</td>
<td>Benefit-sharing agreement</td>
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<td>CAs</td>
<td>Competent Authorities</td>
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<td>CAF</td>
<td>Chinese Academy of Forests</td>
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<td>CITES</td>
<td>Convention on International Trade in Endangered Species</td>
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<td>CoP</td>
<td>Conference of the Parties</td>
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<tr>
<td>CRL</td>
<td>Community Rights Law (Liberia)</td>
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<td>CSO</td>
<td>Civil society organisation</td>
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<td>CTLVLS</td>
<td>Chinese timber legality and verification system</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DEFRA</td>
<td>Department for Environment, Food and Rural Affairs</td>
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<td>DEVCO</td>
<td>Directorate General for International Development and Co-operation (of the European Commission)</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECAF</td>
<td>European Council on Agriculture and Fisheries</td>
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<td>EFI</td>
<td>European Forest Institute</td>
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<td>EIA</td>
<td>Environmental Investigation Agency</td>
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<td>ETFAG</td>
<td>European Tropical Forestry Advisors Group</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUD</td>
<td>European Union Delegations</td>
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<td>EUTR</td>
<td>European Union Timber Regulation</td>
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<td>FAO</td>
<td>Food and Agriculture Organization (of the United Nations)</td>
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<td>FCPF</td>
<td>Forest Carbon Partnership Facility</td>
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<td>FGMC</td>
<td>Forest Governance, Markets and Climate programme</td>
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<td>FIP</td>
<td>Forest Investment Programme</td>
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<td>FLEGT</td>
<td>Forest law enforcement, governance and trade</td>
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<td>FOI</td>
<td>Freedom of information</td>
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<td>FPIC</td>
<td>Free, prior and informed consent</td>
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<td>FPP</td>
<td>Forest Peoples Programme</td>
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<td>FRC</td>
<td>Forest risk commodity</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GTF</td>
<td>Global Timber Forum</td>
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<td>ICF</td>
<td>International Climate Fund</td>
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<td>IFM</td>
<td>Independent Forest Monitoring</td>
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<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<td>IM</td>
<td>Independent monitoring</td>
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<td>IRT</td>
<td>Independent Review Team</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>InFIT</td>
<td>International Forest Investment and Trade (China)</td>
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<td>INGO</td>
<td>International non-governmental organisation</td>
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<td>IP</td>
<td>Indigenous Peoples</td>
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<td>IRT</td>
<td>Independent Review Team</td>
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<td>ITTO</td>
<td>International Tropical Timber Organisation</td>
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<td>LAS</td>
<td>legality assurance system</td>
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<td>MFP3</td>
<td>Multi-Stakeholder Forestry Programme, Phase 3 (Indonesia)</td>
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<td>MOFCO</td>
<td>Ministry of Commerce (China)</td>
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<td>MoU</td>
<td>memorandum of understanding</td>
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<td>MS</td>
<td>member state (EU)</td>
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<td>MTR</td>
<td>mid term review</td>
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<td>NDC</td>
<td>national determined contribution</td>
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<td>NGO</td>
<td>non governmental organisation</td>
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<td>NICFI</td>
<td>Norwegian International Climate and Forests Initiative</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OI-FLEG</td>
<td>Observation Indépendante de la mise en application de la loi forestière et de la gouvernance</td>
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<td>P4F</td>
<td>Partnership for Forests</td>
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<tr>
<td>PGDF</td>
<td>Plateforme pour la Gestion Durable des Forêts (RoC)</td>
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<td>PMST</td>
<td>Programme Management Support Team</td>
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<tr>
<td>REDD+</td>
<td>Reduced emissions from deforestation and forest degradation</td>
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<td>RoC</td>
<td>Republic of Congo</td>
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<td>RWE</td>
<td>Round wood equivalent</td>
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<td>RRI</td>
<td>Rights and Resources Institute</td>
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<td>SFA</td>
<td>State Forestry Administration (China)</td>
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<td>SME</td>
<td>small and medium enterprise</td>
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<td>SMFE</td>
<td>small and medium forest enterprise</td>
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<td>TFA</td>
<td>Tropical Forest Alliance</td>
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<td>TLAS</td>
<td>timber legality assurance system</td>
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<tr>
<td>ToC</td>
<td>theory/theories of change</td>
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<td>ToR</td>
<td>terms of reference</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UNFCCC</td>
<td>United National Framework Convention on Climate Change</td>
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<td>UN-REDD</td>
<td>United Nations REDD Programme</td>
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<td>US</td>
<td>United States</td>
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<td>USAID</td>
<td>United States</td>
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<td>VFM</td>
<td>value for money</td>
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<td>VPA</td>
<td>Voluntary partnership agreement</td>
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<td>VNGO</td>
<td>Vietnam Non Governmental Organisations</td>
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<td>WRI</td>
<td>World Resources Institute</td>
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<tr>
<td>WWF</td>
<td>Wildlife Fund for Nature</td>
</tr>
</tbody>
</table>
Contents

Acknowledgements .............................................................................................................................. v
Executive Summary ............................................................................................................................... vi

Background and evaluation approach ............................................................................................... vi
FGMC programme approach and design ........................................................................................... vi
FGMC achievements to date ................................................................................................................. vii
Evaluation question 1: FGMC’s influence/contribution to forest governance and market reforms .......................................................................................................................... viii
Evaluation question 2: Prognosis for the current FGMC approach? ............................................... x

1. Introduction, evaluation objectives and approach ......................................................................... 1
  1.1. The Forests Governance, Markets and Climate Programme ....................................................... 1
  1.2. Evaluation objectives and questions .......................................................................................... 1
  1.3. Evaluation methods and limitations ......................................................................................... 2

2. Origins, context and background .................................................................................................. 3

3. Relevance ........................................................................................................................................ 4
  3.1. Design ...................................................................................................................................... 4
  3.2. Assumptions and risks .............................................................................................................. 5

4. Effectiveness .................................................................................................................................... 6
  4.1. Programme approach ............................................................................................................... 6
  4.2. Coherence ................................................................................................................................ 7
  4.3. Effectiveness of different modalities ......................................................................................... 8
    4.3.1. MoUs with international organisations ............................................................................... 8
    4.3.2. Government MoUs and support projects in producer countries ...................................... 9
    4.3.3. Facilitators ....................................................................................................................... 10
    4.3.4. Accountable grants .......................................................................................................... 10
  4.4. Global influencing .................................................................................................................... 11
  4.5. Output 1: Supply-side measures ............................................................................................... 13
  4.6. Output 2: Policies and practices for demand-side measures .................................................... 16
  4.7. Output 3: Global momentum for change and knowledge ......................................................... 19
  4.8. Output 4: Deforestation .......................................................................................................... 20

5. Efficiency and value for money ...................................................................................................... 21

6. Impacts and outcomes .................................................................................................................... 22
  6.1. FGMC outcomes ...................................................................................................................... 22
  6.2. FGMC impacts ......................................................................................................................... 27

7. Sustainability prospects ................................................................................................................ 28

8. Conclusions and recommendations .............................................................................................. 30
Annexes

Annex 1: List of persons consulted ................................................................. 34
Annex 2: Key evaluation questions for the mid term review ................................. 37
Annex 3: References .................................................................................. 38
Annex 4: Summary of findings on global influencing ........................................... 43
  - Shaping EU policy instruments and related processes........................................ 43
  - Shaping policy and governance outcomes in producer countries .................... 44
  - Building coherence around global demand-side measures .................................. 44
  - Influencing global climate policies ...................................................................... 45
  - Influencing other discourses and policy processes beyond illegal logging.......... 46
  - Creation of a community of practice among implementing organisations .......... 47
Annex 5: Summary of findings on supply-side measures ........................................ 48
  - Output 1: Supply-side measures ......................................................................... 48
  - Output 4: Deforestation .................................................................................... 50
  - Outcomes and impacts ..................................................................................... 52
Annex 6: Summary of findings on demand-side measures ....................................... 54
  - Introduction ..................................................................................................... 54
  - Supporting implementation and enforcement of the EUTR ............................... 54
  - Engagement with China .................................................................................... 55
  - Strengthening the interface of demand- and supply-side measures .................. 56
  - The central importance of transparency ............................................................ 57
Annex 7: Summary of findings from online survey ................................................. 59
Annex 8: Summary of findings from review on equity and inclusion .................... 62
  - Inclusion ........................................................................................................ 62
  - Benefit sharing from legal trade ......................................................................... 63
  - Policies and legislation on rights issues .............................................................. 63
  - The impacts of market reforms on forest-dependent communities .................. 64
  - Impacts on gender equity .................................................................................. 65
Acknowledgements

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Independent Review Team:

- Tom Blomley (team leader with responsibilities for global influencing)
- James Acworth and Marissa van Epp (supply-side measures)
- Janet Pritchard (demand-side measures and business practices)
- Helen Finlay and Shoa Asfaha (equity and inclusion)
- Achim Engelhardt (online survey and review of progress reports)

June, 2017
Executive Summary

Background and evaluation approach

The Department for International Development’s (DFID) Forest Governance, Markets and Climate Programme (FGMC) is a 10-year, £250 million programme aimed at tackling forest governance failures in developing timber-producing countries and the consequent market failures that result in illegal exploitation of forest land and resources and the associated trade in timber and other commodities. As DFID’s flagship forestry programme, FGMC is an important part of the United Kingdom’s (UK) government’s broader international initiative on climate – the International Climate Fund (ICF).

The mid term review (MTR) is designed to answer two broad evaluation questions:

- To what extent has FGMC influenced/contributed to improved forest governance and market reforms; how and under what circumstances?
- What is the prognosis for the current FGMC approach achieving its stated aims?

The evaluation adopted a number of complementary approaches and methods with which to gather inputs. These different approaches allowed for triangulation of results from different sources, including review of literature and programme reports, interviews with resource persons inside and outside the programme, a one-day workshop with non-governmental organisation (NGO) grantees and an online survey sent to FGMC stakeholders. The analysis builds on previous reviews undertaken by Itda /Tripleline as part of their role as the Independent Review Team (IRT).

FGMC programme approach and design

The design of the programme differs from many more traditional development projects in a number of ways. Its defining features include:

- The global nature of the programme, with actions in producer, processing and importing countries and both demand-side and supply-side interventions, allowing for close connections between policy and field-level actions. The programme was designed to support national, EU and international policy making in an iterative way – providing the evidence, ideas, networks for the UK to promote policy - and for the community of practitioners it supports to further develop policy both nationally and internationally.
- Trade used as a lever for wider development and governance objectives.
- In-country legitimacy, through locally led, multi-stakeholder, deliberative processes.
- Legal instruments, at international and national level, that the programme has helped shape and implement.
- Long-term support to Forest Law Enforcement, Governance and Trade (FLEGT) processes building on previous DFID initiatives dating from the 1990s, and which began in Ghana and Indonesia.

Overall conclusion: The approach outlined above has proven a highly effective model for addressing the complexities of trade and governance, through mutually reinforcing actions relating to supply-side, demand-side and business measures. A key benefit of this approach is the ability to link different actors working at multiple levels, such as timber processors and exporters in producer countries and timber importers and EU Timber Regulation (EUTR) Competent Authorities (CAs) in European markets.
FGMC achievements to date

Producer countries’ outcomes: In the context of producer countries, evidence has been found in this review of influence across a range of governance areas, including improved transparency and accountability, legal and policy changes, increased capacity of civil society and increased political space for civil society and other non-state actors. While important gains have been made in relation to legal and policy reforms, law enforcement and implementation remain challenges in many countries. Independent monitoring, oversight and whistle-blowing is built into voluntary partnership agreements (VPA), although in most cases these have yet to become fully effective and with secure sources of long-term funding. Reforms to land tenure, a stated aim of the programme, have so far met with limited success other than in Indonesia and Honduras. Information on revenue collection efficiency as a result of FLEGT reforms is still lacking other than for a few countries, such as Ghana and Liberia, that have reported positive results.

Livelihoods: FGMC aims to introduce governance and market reforms that impact illegal timber, but also benefit poor people. Many of the policy reforms ushered in by FLEGT have had positive impacts on poor, forest-dependent communities, including improved access to forests and forest benefits as well as improved tenure rights (through, for example, community forestry). The review has highlighted some concerns over voice and representation (particularly of indigenous peoples (IP) and marginalised, forest-dependent communities), as well as some negative impacts of VPA reforms on informal, “illegal” and unregulated forest users in some countries, particularly west and central Africa.

Equity and inclusion: From an equity and inclusion perspective, one of the most significant achievements of FGMC has been facilitating the inclusion of key stakeholder groups in multi-stakeholder deliberative processes – groups who often were previously unable to exercise any significant level of influence. Support provided by NGO grantees has shaped and strengthened the voice of civil society in national-level policy processes across all countries supported. While civil society actors have in many cases been successful in engaging in the processes of policy formulation and are evolving as a more credible voice in the forest governance sector, the quality of inclusiveness from the point of view of marginalised and disenfranchised interest groups, in particular forest-dwelling communities, indigenous peoples and women, is variable across different countries. Furthermore, efforts to integrate and mainstream gender across FGMC have met with limited success to date.

Legal trade: Progress towards achieving FLEGT licensing is variable across different countries. In 2016, Indonesia began export of FLEGT-licensed timber to Europe, and Ghana appears to be making strong progress. Other countries (often those beset by internal conflict such as Myanmar and the Democratic Republic of Congo (DRC)) are, understandably, proceeding at a slower pace. The challenges for establishing systematic, universally applied systems to verify and generate evidence of legal compliance has taken longer in all cases than anticipated. This reflects challenges of a technical, legal and political nature. However, evidence from Indonesia and Ghana demonstrate that by building a deliberate link to a trade instrument, governance reform processes have begun to reverse entrenched pervasive corruption and inefficient practices. Notwithstanding this, issues identified in the context of this (and other) review(s) that require additional attention in the remaining period of the programme include strengthening participation by and representation of the private sector, mainstreaming of gender concerns, enforcement and independent oversight of new legal provisions and increasing knowledge around costs and benefits (including anticipated revenues) from VPA implementation.

Consumer measures: Particularly strong results have been shown in relation to the effectiveness of demand-side measures, such as the implementation of the EUTR and, potentially, engaging with China, both of which are areas that FGMC has consistently supported. There is growing evidence
of the influence of such measures in producer countries creating incentives for governance and trade reforms.

Combatting illegal logging: Evidence from Chatham House indicates that illegal logging in major producer countries supported by FGMC (such as Indonesia and Ghana) reduced markedly between 2010 and 2013. The Chatham House work indicates that at the global level, however, progress has stalled, with illegal timber imports growing to an estimated 60 million m$^3$ round-wood equivalent (RWE) – the levels of around one decade ago. A number of factors cause this, including the growth in imports to unregulated markets (India and China, for example) during this period, the growth in regional markets and the growth in domestic markets (both legal and illegal) in producer countries.

Climate change mitigation: The progress and contribution of FGMC towards the higher-level impact areas of climate mitigation (including avoided deforestation and improved management of forests) is currently unknown.

**Evaluation question 1: FGMC’s influence/contribution to forest governance and market reforms**

FGMC’s contribution and influence is demonstrated in different domains.

**Global and European influence**

FGMC is, at its core, supporting a series of political processes at international and national levels with the aim of forging new policies, laws and regulations with which to improve governance in the forest sector. The primary channel for influencing has been DFID staff working both in and outside the FGMC programme. Since DFID began supporting forest governance and trade, back in 2001, a small team of dedicated and experienced staff have been heavily engaged in the sector, and have been able to exercise considerable influence over global FLEGT policies and processes across multiple fronts. A key contributor to this influence has been the seconded DFID staff working in the European Commission (EC), who have been able to shape emerging FLEGT policies and processes since the early 2000s. Following the Brexit referendum in June 2016, there are clear signs that the strong influence exercised by the UK government is waning. Furthermore, for a range of internal and external reasons, there has been some divergence in thinking in recent years between the EC and key member states (including DFID) regarding fundamental aspects of the FLEGT Action Plan. These appear to have led to a narrowing of ambition and increased focus on EUTR and FLEGT licensing by the EC, differing markedly from key member states, such the UK, Holland and Germany that emphasise the need for long-term investments in governance processes.

Other pathways of influence have been identified in this review, namely NGO actors supported by the programme who have in turn been able to either individually or together exercise influence in the UK, in the European context, and in the context of global debates around forests, lands and governance. International NGOs, working together with southern partners, have been particularly effective in communicating lessons, policy messages or critical governance failures to international levels, such as the EU.

Output 4 of FGMC has centred on transferring lessons and approaches from FGMC to the wider debate around reducing emissions from deforestation and forest degradation (REDD+) and forest risk commodities (FRCs). Working through the European Forest Institute (EFI) REDD+ Facility and NGO grantees, the programme has actively engaged across a range of policy processes.

NGO grantees have reported important results in terms of securing zero-deforestation commitments from the private sector. This includes the work of the World Resources Institute (WRI) Global Forest Watch programme, the Global Canopy Programme on Forest Footprint Disclosure, and Proforest’s support to the Tropical Forest Alliance (TFA) 2020 work with major oil
palm producers and traders in West Africa (such as Olam and Unilever). Linkages between FLEGT and REDD+ interventions have been strengthened in some countries (such as Liberia and Guyana) through the actions of FGMC, including the transfer of lessons from FLEGT to REDD+ processes and the adoption of similar platforms and processes used for multi-stakeholder deliberations.

Influencing governance and trade processes in producer countries

FGMC works through a range of channels to influence governance and trade in producer countries. EFI, with funding from FGMC, have provided technical advice to the EC, European Union Delegations (EUDs) and producer country governments during negotiation and implementation of VPAs. EFI have proven invaluable and highly effective, given the limited internal FLEGT capacity in the EC, EUDs and government agencies. Their work across 15 countries in Africa, Asia and Latin America provides a unique opportunity to transfer emerging learning and lessons from one country to another. Funding from FGMC to the Food and Agriculture Organization (FAO) has supported a small grant programme to government, NGOs and private sector associations in 34 countries across Asia, Latin America and Africa. The FAO programme supports countries engaged in VPAs and those engaged with broader FLEGT processes outside VPAs. A number of projects supported by FAO have had an important influence on national-level debates, deliberations and policy processes around FLEGT reforms.

Support projects in producer countries are implemented in Indonesia, Ghana, Liberia, Guyana, the Republic of Congo (through a memorandum of understanding (MoU) with the Agence Française de Développement (AFD) and China. Implemented through service providers under contract with DFID, this support has been widely acknowledged to be effective and valuable as a result of its responsive nature, being driven by local priorities and flexible to changing needs. A key aspect of the FGMC approach at country level is support to independent FLEGT facilitators in seven VPA countries. Overall, the review team found the facilitators a valuable and effective investment in building inclusive, locally driven processes, ensuring equitable participation, facilitating communication between national stakeholders, supporting increased collaboration and coherence and alerting external stakeholders when problems or bottlenecks occur.

Accountable grants: Accountable grants are provided to a range of institutions working across different outputs of the programme including international NGOs, policy and research institutions and bodies that represent private sector forestry interests. Grants cover a range of themes including strengthening stakeholder engagement in producer countries; undertaking studies to generate evidence; supporting private sector-led initiatives in reform processes and generating evidence for zero-deforestation measures and sustainable supply chains. In the context of support to producer countries, the support delivered through accountable grants has been most effective in two main areas – first, building capacity of local and national NGOs, who have gone on to play important roles in multi-stakeholder deliberation processes, and second, testing or piloting new approaches to forest governance and then using these experiences to influence or inform unfolding policy processes at national level.

A key strategy to shape governance and trade in producer countries is the establishment of multi-stakeholder forums through which deliberation can occur around key questions relating to legality, rights and tenure. Of the three core stakeholder groups, NGOs are the most well represented in national-level deliberative processes. Long-term investments from northern NGOs and the availability of funding in support of civil society development have built effective southern NGOs and networks, which have been able to engage meaningfully and claim political space in terms of shaping national policy, something that in many countries was unheard of before the advent of FLEGT and VPA negotiations. Government has generally been well represented in VPA negotiations – particularly in relation to key forestry ministries and agencies – having the primary responsibility for introducing and enforcing legal reforms that are agreed to. However, rapid staff
turnover can undermine continuity and sustainability. Engagement by non-forest agencies has been variable. Of the three major stakeholder groups, representation and engagement from the private sector was reported to be the most limited in the context of VPA processes in DFID-supported countries. This is due to a number of factors – not least the high level of heterogeneity across the private sector in many countries and the presence of a large (but disparate and poorly organised) informal (and in some cases “illegal”) group of small and medium operators.

Multi-stakeholder discussions have been complemented by the provision of technical and financial support to producer countries to establish LASs. Overall, progress has been limited, with unexpected technical difficulties encountered, procurement challenges and overambitious timetabling that fail to accommodate in-country realities and capacity.

Influencing consumer markets

In relation to shaping policies and practices in consumer and processor markets, a major focus of this output has been engaging China through the International Forest Investment and Trade (InFIT) project as well as the work of a number of FGMC grantees, as the increasingly important role China plays in regional and global timber trade flows is recognised. Although progress to date has been slow, recent signals from China indicate willingness to introduce a timber legality verification system (CTLVS) aligned with the EUTR and other global measures compelling due diligence in timber supply chains. If implemented, the CTLVS would have a transformative impact with global implications on combatting illegal timber. FGMC has also been instrumental in reducing the negative impacts of the Chinese timber trade in the African context, building on progress made in China.

The second major focus of demand-side measures has been support to the implementation of the EUTR. CAs in EU member states (MS) have been supported through the FGMC programme with capacity development, legal guidance, NGO monitoring of overall implementation, and market intelligence with the purpose of building understanding between producers in developing countries and EU authorities. This support has been well received by CAs and credited for fostering improved and more consistent implementation and enforcement of the EUTR.

Conclusion: The review team has found significant, visible and widespread evidence of FGMC’s contribution to and influence on establishing new forest governance arrangements and market reforms at international, regional and national levels.

Evaluation question 2: Prognosis for the current FGMC approach?

The second major review question relates to the prognosis for the future and, therefore, is more subjective. The following section builds on our understanding of the programme, its current achievements as well as underlying challenges identified while recognising that ultimate outcomes and impacts depend on results outside the control or influence of FGMC.

The review team has found strong evidence that FGMC has contributed and will continue to contribute to the outcome areas of improved governance and market reforms that reduce illegal use of forest products and is on track to meet the outcome areas defined in the logframe and business case. Based on the findings of the review, the likelihood of this happening can be strengthened if the programme adopts the following recommendations.

FGMC should maintain its central focus on forest governance reforms, leveraged through trade agreements and promoted through deliberative and legal means. FLEGT must remain at the core of what FGMC does. FGMC should resist the temptation from some quarters to diversify strongly into other areas such as forest risk commodities (FRCs) and REDD+. The long-term investment made by DFID and other donors needs to be brought to fruition, with the opportunity to support transformative change in China, to ensure that other key timber exporting countries begin export of FLEGT-licensed timber and to ensure that governance reforms across all countries are effectively
followed through to implementation. During the next phase of FGMC (from March 2018 onwards), it is proposed that FGMC develop a business case for a separate spin-off programme that will work on FRCs, building on FGMC experiences, with a view to developing regulatory and multi-stakeholder deliberative approaches at national level. In the context of FGMC, there is a need to clarify the overall approach and boundaries of FGMC with regard to FRCs. The programme should consider focusing on regulatory measures (such as responding to the request by the Indonesian government for the development of regulatory measures for the palm oil sector) and national-level engagement/deliberation processes around key policy issues. These actions would include the transfer of lessons from FLEGT and better integration of diverse processes affecting forests and land use governance (VPA, FRCs, REDD+, land tenure reform and land use planning). In countries where both Partnership for Forests (P4F) and FGMC are working, opportunities for further integration, particularly in relation to capitalising on FGMC’s relations with government, opportunities for national-level deliberation and the pursuit of regulatory approaches to key value chains should be identified.

FGMC should continue to exercise influence in relation to the FLEGT processes, including the EU FLEGT Action Plan. Despite the decline in influence in European policy making that Brexit will bring, the UK will continue to be influential, by virtue of its long, continuing and substantial investment in FLEGT. Working with other like-minded nations, such as Germany, Holland and Norway, it will build a constituency and ensure influence. Notwithstanding the UK’s exit from the EU, the UK government can and should continue to support producer countries and help them respond to the opportunities presented through VPAs.

In the context of Brexit, it is recommended that the three UK government agencies involved in FGMC (DFID, the Business, Energy and Industrial Strategy (BEIS) and the Department for Environment Food and Rural Affairs (DEFRA) advocate for retention of EUTR-like due diligence regulatory requirements for timber imports. In the framework of new UK trade agreements that will be negotiated with timber-producing countries, it is recommended that these agencies make the case for maintaining current legal provisions but also consider “raising the bar” above and beyond VPAs, to include palm oil and other FRCs. This will respond to the current government’s call for the UK to be a global leader by “leaning out”. Further communication around FLEGT-licensed timber in consumer countries is needed, as currently markets are unaware of what FLEGT licensing means and the principles that underpin it (legality, traceability, credibility) as well as the centrality of NGO oversight.

The review has identified a potential risk in terms of diverging views, opinions and approaches with regard to FLEGT implementation. These differences can be seen in relation to the core approach and vision of the EC in relation to key MS and to FAO when compared with other service providers such as EFI. Therefore, there is a need to build consensus among key institutions around “FLEGT fundamentals”. Although this may be difficult in the context of the EC (given Brexit), the UK government still exercises considerable influence among FGMC partners (FAO, EFI and NGOs) and among EU MS. A workshop or conference should be held and FLEGT stakeholders should be invited to revisit and reaffirm core elements of the FLEGT approach, including issues of speed, country focus, the role of and need for facilitators, the dangers of earmarking funds (for example, by country or focal area) and trade-offs that necessarily arise at programme level. Although this has been done in the context of the EC through the medium of the Council of the EU following the EU FLEGT Evaluation1, it seems that differences of opinion, approach and views persist.

Key factors underlying the influence and contribution of FGMC have been its global, programmatic nature, the community of practice that it (and its predecessors) have supported and its internal and external coherence, manifested by the wealth of linkages across the programme, both geographically, thematically and between demand- and supply-side measures. Therefore, it is

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recommended that the basic design of the programme be maintained, including the wide variety of partnerships with governments, NGOs, international institutions and private sector institutions. Given the anticipated growth in funding from EC to FAO and concerns over budget cuts to EFI, FGMC should reduce funding to FAO and increase funding to EFI in response to the corresponding shifts of priorities in the EC. Although funding to FAO should be reduced in the next funding round, it should not be cut altogether as it plays an important role and funding provides opportunities for influence through country-level projects as well as through the FAO programme steering committee.

The strong geographical focus in South East Asia and Central and West Africa provides opportunities for networking, exchanging experiences and learning. The increasing volume of regional trade means that internal, regional linkages will become increasingly important if progress is to be made in reducing illegal logging and ensuring that governance incentives are maintained. Therefore, it is recommended that the programme maintain its regional focus in West and Central Africa and South East Asia, but phase out support to Guyana when current funding agreements end. The programme should consolidate its activities in Ghana, Liberia, DRC, Republic of Congo (RoC), Myanmar and Indonesia, as these countries are geographically clustered, have strong trade with Europe and are important DFID priority countries. In the context of FGMC, Guyana is geographically isolated, has little timber trade with Europe and is not a DFID priority country. Norway should be encouraged to take over support to FLEGT in Guyana, given its close linkages with REDD+.

Given the increasing importance of China in regional and global timber trade, it is recommended that the programme strengthen its China and South East Asia focus. Although politically, perhaps hard to sell in DFID, supporting China through the work of InFIT and NGO grantees is important from a risk-reduction, sustainability and effectiveness perspective. Failing to address timber flows to and from China jeopardises the wider FGMC programme.

In the context of producer countries, there is a need for greater understanding and economic analysis around financial flows following VPA implementation and how the recurrent costs of VPA implementation as well as the wider costs and benefits from VPA implementation can be maintained. In most cases these will be ex ante studies that identify not only potential future sources of revenue and spending by government and the private sector, but also how costs and benefits are shared more widely in society. This can be used to facilitate more informed decision-making and deliberation in producer countries. Given the wide differences across the programme, these analyses should be done on a country-by-country basis. An associated need identified is the development of models for sustainable and independent financing of independent monitoring (following models and experiences being developed in Indonesia) and innovative technology (real-time monitoring by Rainforest Foundation UK (RFUK) in DRC, Cameroon, Ghana and Peru) that reduce the cost of law enforcement and realign incentives such that law enforcement agencies and their staff are more likely to enforce the law rather than use their powers to extract informal resource rents. Third, given the mixed progress found in translating legal reforms into effective implementation, FGMC should consider prioritising law enforcement as a goal in the next round of NGO applications and service providers. As countries move from negotiation to implementation, there is a need to improve technologies and incentives for law enforcement, mount public interest litigation/test cases and civil society monitoring/oversight with relevant partners to translate law reforms, the LAS and better governance into stronger law enforcement, freedom of information requests and improved transparency.
1. Introduction, evaluation objectives and approach

1.1. The Forests Governance, Markets and Climate Programme

The DFID FGMC is a 10-year, £250 million programme aimed at tackling forest governance failures in developing timber-producing countries, and the consequent market failures that result in illegal exploitation of forest land and resources and the associated trade in timber and other commodities. As DFID’s flagship forestry programme, FGMC is an important part of the UK government’s broader International initiative on climate – the International Climate Fund (ICF).

FGMC aims to bring about governance and market reforms that reduce the illegal use of forest resources and benefit poor people who depend on forests for their livelihoods. As part of global efforts to improve forest management and tackle deforestation the FGMC supports the EU FLEGT Action Plan, in particular, by tackling illegal logging in timber-producing developing countries and the trade in illegally produced timber products. It also seeks to apply lessons from the timber trade to trade in other commodities that impact forests and people who depend on forests for their livelihoods.

The programme aims to eliminate global trade in illegal timber and other illegally sourced commodities that drive deforestation and to promote legal trade from developing timber-producing countries. It does this by supporting demand-side measures that legislate and ensure compliance in consumer markets (in particular the EU) to prevent all illegal imports of timber and timber products entering the jurisdiction. Second, it supports supply-side measures’ inclusive and informed national process that requires the private sector, civil society and government to deliberate and reason together and agree a definition of legality that resolves outstanding and contested issues related to rights, free and informed prior consent, rule of law, payment of dues and taxes and sustainable forest management. This is further supported through the establishment of national timber LASs in supplier countries, based on the agreed definition of “legality”, to oversee and monitor the establishment of an effective wood tracking system and put in place the legal, policy and administrative instruments, market incentives, organisational capacities, access to information and transparency required to ensure legality.

The FGMC outcome presented in the programme logframe is: “Governance and market reforms that reduce the illegal use of forest resources and benefit poor people.” The programme has four outputs:

- **Output 1**: Engagement by multiple stakeholders increased and sustained in targeted producer and processing countries.
- **Output 2**: Public policies and private business standards that tackle trade in illegal timber.
- **Output 3**: Increased knowledge and momentum for change.
- **Output 4**: Coherence between programmes on forests and deforestation at national and international levels.

Itad and Triple Line have been working since July 2013 as the IRT of the FGMC Programme. The IRT has been requested to undertake the MTR of the FGMC Programme as part of its on-going work. The Programme Management Support Team (PMST) provides routine reporting for the FGMC, with a focus on output-level monitoring. The MTR is therefore designed to focus on outcome-level monitoring and to provide an assessment of the programme as a whole.

1.2. Evaluation objectives and questions

The MTR is designed to answer two broad questions:
To what extent has FGMC influenced/contributed to improved forest governance and market reforms; how and under what circumstances?

What is the prognosis for the current FGMC approach achieving its stated aims?

These two questions are followed by three additional questions: Is FGMC worth continuing? If the programme was stopped, so what? If the programme changed direction, what should be retained/dropped?

A series of lower level questions are asked in the terms of reference (TOR), designed to produce answer to these higher-level questions. These sub-questions are clustered according to the standard Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability. An additional criterion of equity and inclusion has been added. These questions are presented in full in Annex 2.

1.3. Evaluation methods and limitations

The evaluation adopted a number of complementary approaches and methods to gather inputs. These different approaches allowed for triangulation of results from different sources.

- Review of FGMC reports, studies, assessments and wider literature on FLEGT, including evaluations of other FLEGT processes (such as the EU FLEGT Action Plan), NGO progress reports and annual reports of the FGMC Programme
- Interviews with the UK government (DFID, DEFRA, BEIS), PMST, EU MS, EC staff, EU Delegation staff, NGO grantees and selected in-country partners, international organisations, facilitators and advisers, private sector representatives and private sector associations. Face-to-face meetings were held with EFI FLEGT Facility and EFI REDD Facility staff in Barcelona. In total, 88 persons were consulted through interviews.
- Attendance of the review team members at the FGMC Annual Stakeholder Forum.
- A one-day workshop with NGO grantees to discuss evaluation questions and solicit wider input.
- An online survey sent to FGMC stakeholders, in which 85 respondents (drawn from NGO, government, private sector and research institutions) took part.2
- Previous country-level reviews and assessments conducted by IRT. No field visits were undertaken to producer countries as part of this review. Instead, the review drew on earlier findings, discussions and evidence gathered at country level from the 14 in-country visits and reviews undertaken by the IRT between June 2013 and present3. Triangulation was undertaken to ensure that views and perceptions were presented by those interviewed, were confirmed by stakeholders within the same overall stakeholder group and by others from different stakeholder groups.

To support the evaluation, a number of background studies were undertaken. These included one on demand-side and business measures, one on supply-side measures (national level), one reviewing how FGMC has influenced global, regional and national policy and political processes and one reviewing equity and inclusion. The review drew on a historical analysis that assessed the

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2 The online survey was sent to all email addresses on the Chatham House illegal logging list-serve. 85 respondents is a return rate of 0.25% of the total list. 60% of survey respondents were not funded directly by the programme. Of the total respondents, 21% came from countries involved in VPA negotiation or implementation, 48% came from the UK, and 27% from other EU countries. The balance came from processor or other countries.

3 The IRT has made 14 country review visits (2 review visits to Ghana, 2 review visits to Liberia, 2 review visits to Indonesia, 2 review visits to China, and one review visit to each of the following countries: Guyana, Guatemala, DRC, Republic of Congo, Cameroon, Vietnam). During these visits over 850 persons were interviewed from government, NGO, private sector, research and donor stakeholder groups.
origins of the programme as well as actions undertaken before the start of the FGMC programme in 2011.

The evaluation has faced a number of methodological challenges. These include boundary issues where specific policy outcomes identified by the review are linked to FGMC actions, but may well be supported by wider DFID staff or processes outside the formal boundaries of the programme. Second, and as discussed in the next section, there are questions over timing – in that some of the outcomes seen today are the result of earlier investments made by DFID through other funding instruments, but differentiating these has proven challenging. And third, the evaluation team has struggled with the “country-specific” nature of the programme – in all countries supported by FGMC, conditions are so different that making generalisations across the programme is difficult.

A concluding note on sources: Throughout this report, evidence is clearly referenced, where possible from multiple sources. Documents and other sources referenced are included as footnotes to the text. A list of persons consulted and their respective institutions can be found in Annex 1. When citing specific interviews, these are referenced with a coding system that maintains the interviewees’ anonymity while demonstrating a link back to one or more of the interviews conducted. The coding key has been saved separately from this evaluation document. All interviews were transcribed and made available to all team members.

2. Origins, context and background

The FGMC programme represents of over 15 years of engagement by DFID in the FLEGT arena. DFID began engaging in forest governance in the late 1990s following increasing concerns raised by NGOs such as Global Witness, Greenpeace and Environmental Investigation Agency (EIA) regarding the negative effects of the global timber trade on corruption, money laundering, impoverishment of forest-dependent communities and widespread forest clearance. At the 1998 G8 meeting in Birmingham, illegal logging was raised as a matter of international concern, meriting concerted action by governments. An influential conference convened with East Asia ministerial representation in 2001 in Bali highlighted the significance of this problem and the need for an integrated approach that involved both producer and importer countries. This was echoed by other regional inter-governmental meetings held in Africa (Yaoundé) and Europe (St Petersburg) around the same time. At the same time, there was a widespread recognition of the failures of more traditional approaches to “aid-delivery” models of reforming forest governance that emphasised technical assistance and capacity development (such as National Forest Programmes and Tropical Forest Action Plans). DFID was among one of the first institutions to recognise the importance of bringing together both demand-side measures and supply-side measures, and using trade (rather than aid) as a lever for reforming governance. As UK trade policy was largely in the jurisdiction of the EU, DFID began a dialogue with the EC on measures designed to restrict imports of illegal logging to the EU. This included the development of domestic procurement policies, VPAs and, crucially, providing support to producer countries to support in-country reforms. An MoU was developed with the government of Indonesia in 2001 and committed support to addressing reforms in domestic regulation of the timber sector using a multi-stakeholder approach. At the same time, DFID secondees, working in the EC played a central role in the mid 2000s in drafting the EU FLEGT Action Plan, which has formed the basis for the increasing UK government investments in

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4 The coding system uses FGMC01, FGMC02, etc. and appears as footnotes throughout the report.
5 Source: FGMC48, FGMC77, FGMC79.
7 Source: FGMC12.
this area. Further support was provided in relation to shaping the EUTR, which requires MS to undertake a due diligence process to ensure that only legal timber is placed in European markets.

DFID is widely recognised as the prime mover and intellectual leader in the field of shaping FLEGT policies globally and within the context of the EU. UK government investments have grown rapidly over the past 15 years, starting with a modest £2.5 million programme from 2001–2005, a second project (the Forest Governance and Trade Programme) that ran from 2006–2011 with a budget of £25 million and then the Forest Governance Markets and Climate Programme with a budget of £250 million and a ten-year commitment from 2011–2021.

3. Relevance

3.1. Design

As discussed in section 2 above, the FGMC programme represents an innovative and creative way to address long-standing and deep-rooted governance failures in the forest sector. The programme was designed with the following key considerations, as reflected in the business case.

- **Global nature of the programme:** The programme was designed to be able to work on both demand-side and supply-side measures, with a presence and influence in producer countries as well as European markets. The multi-level nature of the programme was designed to provide unique opportunities for linking, synergy and coherence and to use field-level evidence to drive and inform international and national policies in a coordinated manner. The design differed from many other development interventions implemented by DFID (and other donors), which have increasingly worked in the framework of bilateral country-specific programmes.

- **Using trade as a governance lever for wider development objectives:** Trade was seen as an entry point and incentive for triggering in-country forest governance reforms. These governance reforms were viewed as essential preconditions for wider objectives of climate change mitigation, sustainable livelihoods and more equitable trade.

- **In-country legitimacy:** National-level processes were designed to ensure local-level ownership through multi-stakeholder deliberation. Furthermore, support provided by DFID to producer countries was designed to be tailored to local needs, rather than a one-size-fits-all approach.

- **Legal basis:** The outcomes of in-country deliberation and resolutions were designed to be codified in the domestic law of forest producing countries, and reinforced by consumer-country laws regulating trade in timber and timber products. The programme was further designed to support the continuum of policy development through to implementation.

- **Long-term support:** The programme built on earlier work by DFID in the FLEGT arena, which started in the 1990s, and furthermore was presented as a 10-year investment, which in terms of DFID is highly unusual.

Despite a number of influential regional meetings on illegal logging, including the 2001 Bali FLEG meeting, discussions in the G8 and other forums as discussed in section 2, there appeared to be limited scope or appetite for advancing a global and binding agreement on the illegal timber trade. Therefore, the decision to embed FGMC in the framework of the EU and other national legal instruments (such as the USA’s Lacey Act) was an appropriate one.

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8 Source: FGMC31.
9 Source: FGMC73, FGMC59.
10 Illegal Logging Project, working primarily to support the government of Indonesia with domestic reforms in forest governance and trade.
12 Source: FGMC61, FGMC79.
The programme has, and continues to demonstrate, high levels of relevance. Of the respondents to the online survey (developed as inputs to this review), 91% considered FGMC to be relevant.\(^\text{13}\) The programme aligns well with and supports DFID’s new Economic Development Strategy,\(^\text{14}\) the DFID Governance Strategy, the DFID Building Stability Framework and the 2017 World Development Report,\(^\text{15}\) which focused specifically on governance, the importance of being “politically smart” and “locally led”, two hallmarks of the FGMC programme.

The programme logframe defines the impact areas of the FGMC programme as “improved management of forests for poverty reduction, biodiversity conservation and climate protection”. However, the core aims of the programme revolve around the outcome areas of “improved governance and market reforms”. This begs the inevitable question of whether governance is seen as a means to an end (higher-level impact area) or an end in itself. The programme is seeking to pursue a policy agenda and create the conditions for informed and equitable deliberation, rather than following pre-determined outputs. What is becoming increasingly clear to FGMC programme managers and implementers is that governance reforms provide the enabling conditions for a range of diverse impact areas that go beyond the three impact areas in the results framework\(^\text{16}\) – although such links have yet to be explored. This in turn has challenged traditional logframe thinking that generally starts with a single impact and works back through an increasing number of outcomes and outputs. Unsurprisingly, the programme has struggled with presenting FGMC in logframe format and reporting overall programme progress, as evidenced by the frequent changes and modifications to the programme logframe, indicators and milestones. Aggregation of outputs has also proven methodologically challenging, if not impossible, as progress in each country is specific to local contexts and frequently adjusted to reflect local decisions.

Theories of change (ToCs) have been developed at the programme and sub-programme levels and communicated to FGMC partners. They are helpful in presenting the programme and, in particular, how trade incentives lead to governance outcomes. They remain rather complex and require explanation and would benefit from more effective communication, and assumptions linking different levels in the theory of change models need to be clarified. Currently, no ToC has been developed for FGMC’s work on deforestation and FRCs, under Output 4.

Country-specific theories of change have been developed with a view to increasing local coherence and collaboration among different stakeholders. The EC plans to develop similar ToCs that are national in scope and encompass all forms of support around VPA processes. This will be an important step forward as a number of stakeholders working at the country level felt that a coherent country-level strategy is still lacking.\(^\text{17}\)

### 3.2. Assumptions and risks

A series of outcome-level assumptions have been defined and are presented below in Box 1. Overall these assumptions remain valid today. However, there are a number of other assumptions (as well as risks) that have emerged during the review that are not covered in Box 1, but would merit further review and analysis.

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\(^{13}\) Source: Online survey developed by the IRT.


\(^{16}\) Source: Minutes of NGO workshop; FGMC12, FGMC31, FGMC81.

\(^{17}\) Source: FGMC69, FGMC35.
An (incomplete) set of missing outcome assumptions and risks are presented below as examples,

**Assumptions**

- VPAs improve revenues collection efficiency by producer governments and a share of these revenues are reinvested to ensure long-term and effective operation of regulatory systems.
- Enactment of VPAs and other trade measures provides increased global kudos and recognition as a “good global citizen” to implementing governments and political leaders.
- Existing laws and/or those emerging from reform processes ensure “legitimacy” and create the right incentives and disincentives to underpin long-term legal and sustainable forest management.
- There are sufficient incentives for law enforcement agencies, staff and their partners (CSOs, local communities) to detect and report suspected illegalities, and enforce the law.
- Despite declining volumes of timber traded between many producer countries and the EU, European markets remain attractive and lucrative.

**Potential risks**

- Increasing regional and domestic trade in many VPA countries (that account for much larger volumes than export markets) may reduce the leverage of VPAs and The EUTR.
- Lack of understanding regarding the nature and process that underpins FLEGT-licensed timber by European importers and timber buyers undermines demand for legal timber from tropical countries.
- Concerns from consumers over the deforestation impacts of tropical logging (and that legality does not necessarily imply sustainability) undermine markets for FLEGT-licensed timber.

Assumptions that link outcomes with impacts are implicit (and not presented) and therefore it is not clear how and in which way the programme will contribute to higher-level impacts of climate protection, reduced poverty and biodiversity protection. For example, it is implied that reductions in illegal logging will improve forest stock and condition, which in turn will support climate change mitigation and the conservation of biodiversity. The assumptions and mechanisms that link these two logic levels differ from country to country, but there is currently insufficient evidence that these higher-level assumptions and causal pathways have been fully explored.

4. Effectiveness

4.1. Programme approach

The evaluation team finds that the programme approach proposed in the business case has proven a highly effective model for addressing the complexities of trade, through mutually
reinforcing actions relating to supply-side, demand-side and business measures. A key benefit of this approach has been the ability to link different actors working at different levels, such as timber processors and exporters in producer countries and timber importers and EUTR CAs in EU MS. Furthermore, the significant influence that the programme has generated (discussed in greater detail in section 4.4) has been supported strongly by drawing on in-country partners and experiences, which provides evidence and legitimacy to policy messages.

Where local DFID offices have interests in common with FGMC (such as in Indonesia where the UK Climate Change Unit, working from the UK Embassy, implements a range of initiatives supporting forests, land use and climate mitigation efforts), local UK political representation has been instrumental in raising the political profile of the programme as well as helping to unblock key policy constraints. However, in other cases (such as in Ghana, where the DFID country programme has no sectoral focus on forests), local support from the UK High Commission has been negligible. This is perhaps the only identified weakness of such a global programme.

A further result of the programme approach of FGMC (as well as earlier investments through the Forest Governance and Trade (FGT) programme) has been the development of a community of practice of FLEGT practitioners who have been supported directly by the programme. This is primarily visible in the NGOs and research institutions supported by the programme, but increasingly is expanding to include government and private sector institutions and other research and policy institutions with which FGMC grantees interact. Forums facilitated or supported by the programme, such as the FGMC annual stakeholders forum and the Chatham House illegal logging workshops, have played an important role in building this community of practice, though the private sector still remains under-represented.

4.2. Coherence

FGMC has ensured external coherence through its co-ordination with related initiatives and programmes within the UK government and within the context of the European Union. In the UK, DFID staff have been effective in linking to, informing and harmonising actions with other agencies such as DEFRA and BEIS. This has been achieved through informal communication but also by engaging with two government forums: the Cross-Whitehall Working Group on Forests and the ICF Co-ordination Committee. Within the context of the EU the programme has built upon pre-existing formal as well as informal forums for coordination of FLEGT (including FGMC) actions and support. One respondent in the EC reported that overall coordination between the EC and European MS in FLEGT was considered a “case study in good practice”. However, for a range of internal and external reasons, there has been some divergence in thinking in recent years between the EC and key MS (and DFID) regarding fundamental aspects of the FLEGT Action Plan implementation. This appears to be driven by a number of compounding factors, including changes of key staff in the Directorate-General for International Cooperation and Development (DEVCO), concerns in DEVCO regarding long-term funding to FLEGT, the report by the European Court of Auditors on FLEGT and the findings of the recent evaluation of the FLEGT Action Plan. These appear to have led to a narrowing of ambition and increased focus on FLEGT licensing by the EC, differing markedly from key MS such as the UK, Holland and Germany who emphasise the need for long-term investments in forest governance processes and the need for a process to

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18 Source: Minutes of NGO workshop; FGMC66, FGMC06, FGMC54.
19 Source: Minutes of NGO workshop; Online survey.
20 Source: FGMC28, FGMC29, FGMC69.
embed FLEGT actions in broader work to tackle deforestation and ensure that forest resources contribute to economic growth.

Geographically, the FGMC programme has two core focal areas – South East Asia, where it supports producer and processor countries (including China), and west and central Africa, where it supports producer countries. Guyana is also included as something of a geographical outlier as the only South American country receiving core programme support (though a facilitator and support project), although some of the NGO grantees do provide support to other Latin American countries, such as Honduras and Nicaragua. The wide geographical spread of the programme is caused by a number of factors, including historic relationships and programmes funded by DFID, burden-sharing across European member states of the 15 VPA processes currently underway as well as deliberate flexibility within FGMC that allows it to respond to needs where others are not able to do so through their programmes. As such, geographical coherence should be viewed within the context of the EU’s support to VPA processes worldwide, rather than a more narrow assessment of FGMC’s own internal geographical spread.

Overall, the different actors in the programme are well coordinated and there is minimal overlap. The review team have been identified two areas that could benefit from actions to ensure greater coherence. First, there have been examples of projects supported under the FAO FLEGT programme (see 4.3.1) in Indonesia and Myanmar that have not been fully aligned with the actions negotiated and agreed around the VPA process. This has created some tension between different actors and risks detracting from agreed actions. Second, some stakeholders involved in supporting FLEGT processes in China have reported that there has been some overlap in the actions of the EFI and the InFIT project funded through FGMC.

4.3. Effectiveness of different modalities

4.3.1. MoUs with international organisations

FGMC has MoUs with two international organisations, the EFI and the FAO of the United Nations. Both initiatives are guided by programme steering committees at which the EC and MS are present. In both cases, FGMC is represented and has played an active and constructive role in shaping both programmes and ensuring wider coherence and synergy with related FLEGT activities.

EFI: Support to the EFI has been provided throughout the FGMC funding period. Funds have principally gone to the FLEGT Facility to support the VPA/FLEGT process in producer countries, but funds have also gone to the REDD+ Facility, which supports countries in relation to land use governance and reducing deforestation as well as linking FLEGT with REDD+ processes and lessons. EFI has been at the forefront of providing technical advice and guidance to the EC, EUDs and producer country governments during negotiation and implementation of VPAs. EFI has proven invaluable, and highly effective given the limited internal FLEGT capacity in the EC, EUDs and government agencies. Its work across 15 countries in Africa, Asia and Latin America provides a unique opportunity to transfer emerging learning and lessons from one country to another. Although an independent, international organisation, it tends to be viewed as very aligned with the EU, which presents opportunities as well as risks. EFI’s close alignment allows it to effectively communicate the official position and guidance on FLEGT and, therefore, the EFI FLEGT website and publications are seen as the go-to sources for accurate and mandated information. However, recently, EFI appears to be losing some support from the EC, in part due to the changing perceptions in

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23 Source: FGMC55.
24 Source: FGMC12, FGMC36.
25 Source: FGMC02, FGMC32, FGMC47.
DEVCO around the nature, speed and goals of FLEGT support. This leaves EFI in a rather vulnerable position as around 50% of its total funding comes from the EC.27

FAO. FGMC provides funding to the EU FAO FLEGT programme, which is implemented through a secretariat in the FAO headquarters in Rome and co-funded by the EC and MS. FAO provides small grants to government, NGOs and private sector associations in 34 countries across Asia, Latin America and Africa. The programme supports countries engaged in VPAs and those engaged with broader FLEGT processes outside VPAs. The programme fills an important niche by providing direct funding when countries are negotiating and implementing VPAs, often in responsive ways that bilateral funding from the EC or MS is unable to do. Application and reporting requirements are relatively simple and in the reach of local NGOs and associations. Furthermore, the fact that funding is provided from a non-EU source is important in that it is seen as independent of EU interests.28 The external evaluation of the FAO programme found that participation by the private sector was limited, but this is being addressed by increased focus, resources and staffing in this area. Although the programme provides funds to stakeholders outside government, the nature of the FAO’s membership base means that grant applications need to be screened by government, which while ensuring alignment with government programmes risks jeopardising NGO independence. Finally, there have been cases over the past two years of applications being granted that do not align with agreed action plans developed through multi-stakeholder negotiations as part of the VPA process and therefore risk distorting agreed workplans and VPA progress.29

4.3.2. Government MoUs and support projects in producer countries

FGMC is implementing support projects in Indonesia, Ghana, Liberia, Guyana, Republic of Congo (through a MoU with AFD) and China. Implemented through service providers under contract with DFID, this support has been widely acknowledged to be effective and valuable because of its responsive nature, being driven by local priorities and flexible to changing needs.30 Support from FGMC to producer countries such as Indonesia and Ghana has built on earlier DFID support. A key lesson to emerge from the support provided to Indonesia is that if fundamental change in government is to be achieved, it can only be done through the development of a partnership between donor agencies and government that is characterised by mutual exchange and respect.31 Furthermore, creating space and opportunities for engagement between NGOs, government and the private sector is an endeavour that takes time and patience, due to the high levels of mistrust that have developed in the years before VPA negotiations took place.32 As discussed in section 4.1, where the interests of the local DFID offices intersect with those of FGMC (as a centrally managed programme), dividends to the programme have been high, as evidenced from engagement by ambassadors and heads of office in Guyana and Indonesia, resulting in the resolution of important bottlenecks in the VPA process. In other countries (Ghana, Cameroon), EUDs and ambassadors have also played this role at key junctures, when motivated to do so.33

Support to China through the InFIT project, discussed in more detail in section 4.6, has been through investments to build local capacity in key government agencies in China, yielding greater understanding, confidence and ownership of problems and issues, resulting in new Chinese

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27 Between 2007 and 2015, the EC provided euro 21 million, which was 49% of funding. The next largest donor was FGMC, which provided Euro 10.3 million, which was 24% of funding (Source: Agrer, 2015. Joint Evaluation of the EU FLEGT Facility).
28 Source: FGMC31, FGMC02.
32 Sources: FGMC55, FGMC42, FGMC69, FGMC23, FGMC16, FGMC71.
33 Sources: FGMC03, FGMC13.
commitments to regulate illegal timber trade.\textsuperscript{34} Although these commitments have yet to be fully implemented, they have the potential to create transformative impacts in the South East Asian context.\textsuperscript{35}

4.3.3. Facilitators

A key aspect of the FGMC support to producer countries has been the provision of FLEGT facilitators, who have a role in supporting and safeguarding the multi-stakeholder deliberative process. Currently, FGMC supports facilitators in the seven VPA countries.\textsuperscript{36} They are independent and not aligned to any particular institution or interest. They do not provide technical support (in terms of advising on specific technical areas relating to the VPA) whereas support provided through EFI does. Furthermore, they play an important role in brokering linkages between different actors engaged in the forest sector. Overall, the review team found the facilitators a valuable and effective investment in building inclusive, locally driven processes, ensuring equitable participation, facilitating communication between national stakeholders, supporting increased collaboration and coherence and alerting external stakeholders when problems or bottlenecks occur.\textsuperscript{37} In some countries, government staff expressed uncertainty about the exact role and identity of facilitators, but in general this does not appear to have undermined their effectiveness. One country that has not had a facilitator, Cameroon, has undergone a period of stagnation and delays in advancing the VPA process.\textsuperscript{38} Although it is unlikely that the absence of a facilitator has resulted in this (the government of Cameroon had other forms of facilitation and support in the Ministry), it may have had a contributory effect and, at the very least, problems would have been identified earlier. Facilitators have had access to a small budget to use to convene meetings of different stakeholders with a view to, for example, clarifying the position, interests and representation of stakeholder groups (such as national NGOs) or bringing together different, diverse actors involved in FLEGT for increased coordination. These funds are no longer available due to budgetary constraints. In countries with both a facilitator and a support programme, with separate offices and staff, there is need to clarify boundaries and responsibilities between them and seek efficiencies (most notably in Liberia).\textsuperscript{39}

4.3.4. Accountable grants

Accountable grants are provided to a range of institutions working across different outputs of the programme including international NGOs, policy and research institutions and bodies that represent private sector forestry interests. Grants cover a range of themes including strengthening stakeholder engagement in producer countries; undertaking studies to generate evidence; supporting private sector-led initiatives in reform processes and generating evidence for zero-deforestation measures and sustainable supply chains. In this current round of FGMC accountable grants (2015 -2018), 21 organisations have been supported, with a total budget of £39.5 million.\textsuperscript{40} International NGOs account for the largest share of this funding, working with civil society partners in more than one producer country (including DFID-led and non-DFID-led countries) as well as at global levels. Accountable grants delegate significant responsibilities to individual grant holders, and funds can be used flexibly in the overall framework of the goals outlined in the application and the goals of the implementing organisation. The thematic and geographic overlap of interests between the grantees and FGMC is always present, but may not be complete. Therefore, FGMC may be funding activities that are operating in non-VPA priority countries and activities that are not

\textsuperscript{35} Ibid; FGMC01, FGMC30
\textsuperscript{36} Ghana, Liberia, Guyana, ROC, DRC, Ivory Coast and Myanmar
\textsuperscript{37} Sources: FGMC53, FGMC23, FGMC42; FLEGT Action Plan Evaluation, Minutes of NGO workshop.
\textsuperscript{38} Sources: FGMC13, FGMC81.
\textsuperscript{39} Triple Line and Itad (2013 and 2016) Liberia Country Reports.
\textsuperscript{40} FGMC. 2016. Accountable Grants Overview – 2015 - 2018
entirely in the ToC of the programme. For example, in the first funding round, the Rights and Resources Initiative (RRI) has used FGMC funding to support tenure-reform activities in Indonesia, DRC, Ghana and Liberia, but also in India, Guatemala, Mali, Peru and Colombia, none of which are DFID-led countries or implementing VPAs. However, delegating management of the grants does provide a firewall between DFID and the actions of some NGOs, which could be politically complicated if they were labelled as DFID actions. For example, Global Witness has used DFID funding to finance campaigns and exposés that are deeply critical of governments that the programme is supporting through other channels. Furthermore, support provided to INGOs and their wider networks of partners provides unique opportunities in terms of influencing new communities of practice and stakeholders outside the relatively narrow range of FLEGT actors. This is discussed in more detail in section 4.4. When well coordinated, a variety of more confrontational advocacy followed by more targeted and collaborative support from specialist NGOs can be an effective way of mixing “hard” and “soft” approaches to influencing change. In the context of support to producer countries, the support delivered through accountable grants has been most effective in two main areas – first, building capacity of local and national NGOs, that have gone on to play important roles in multi-stakeholder deliberation processes, and second, testing or piloting new approaches to forest governance and then using these experiences to influence or inform unfolding policy processes at national level. In addition to accountable grants directly from FGMC, international and national NGOs can also obtain FGMC support through FAO funding (see 4.3.1), while in some countries, FGMC support projects provide grants to local actors directly. These three funding channels are further complicated by additional, non-FGMC sources of funding to FLEGT NGOs working in producer countries. This is primarily through calls for proposals from the EU, either via the EC centrally, which then requires European NGOs to be the applicant, or through local calls through the EU delegation, which can go directly to national NGOs in producer countries. The relatively limited field of competent NGOs with financial and programmatic capacity, particularly in west and central Africa, means that much of the funding flows to the same national NGOs, limiting opportunities for more nascent but lower capacity organisations with the potential to contribute in new areas. This generates potential risks of double funding similar actions inside and outside FGMC.

4.4. Global influencing

FGMC is, at its core, supporting a series of political processes at international and national levels with the aim of forging new policies, laws and regulations with which to improve governance of the timber trade. The primary channel for influencing has been DFID staff working both in and outside the FGMC programme. Since DFID began supporting forest governance and trade, in 2001, a small team of dedicated and experienced staff have been strongly engaged in the sector, and have been able to exercise considerable influence over FLEGT policies and processes across multiple fronts. A key contributor to this influence has been the use of seconded DFID staff working in DEVCO, and shaping emerging FLEGT policies and processes since the early 2000s. However, other pathways of influence have been identified in this review, namely the actors supported by the programme, who have in turn been able to either individually or together exercise influence in the UK, in the European context or in the context of producer countries. Some of the principle lines of influence of the FGMC programme are discussed below. A more detailed analysis of global influencing can be found in Annex 4.

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41 RRI. 2017. Rights and climate results. Report prepared for the review team of FGMC.
42 Sources: FGMC71, FGMC42, FGMC23, FGMC06, FGMC58, FGMC14.
43 Sources: FGMC42, FGMC53, FGMC72, FGMC58, FGMC16, FGMC35, FGMC69.
44 The review team were informed that FGMC is planning “organization-wide” audits of national NGOs that are multiple recipients for different streams of funding from DFID to mitigate this risk.
Engaging with EC and MS on shaping EU policy instruments and related processes. Strong evidence of influence has been found in the context of EU policy instruments. Much of this originates from earlier influence exercised by DFID secondees to the EC who were highly influential in shaping the FLEGT Action Plan as well as the EUTR. During the FGMC programme period, this influence has continued through a variety of formal as well as informal channels. Formal channels include the European Council on Agriculture and Fisheries (ECAF), the Working Party on Forests and the steering committees of the FAO and EFI programmes. Informal channels include the ad hoc FLEGT committee, which in turn undertakes much of the preparatory work in relation to shaping formal resolutions of more formal structures. For example, FGMC undertook a range of consultations and preparatory studies, through the ad hoc FLEGT committee in support of shaping the formal response to the evaluation of the EU FLEGT Action Plan.\textsuperscript{45} Furthermore, the European Tropical Forestry Advisory Group (ETFAG) has been an important informal platform through which the various inputs of different MS have been harmonised in the framework of the EU FLEGT Action Plan. While the UK government has been highly influential in the context of the EU, this influence appears to be waning following the referendum on leaving the EU held in June 2016.\textsuperscript{46}

Shaping policy and governance outcomes in producer countries. Strong evidence of influence has been found in all six producer countries where DFID is leading support to the VPA process. This influence is shaped through a number of processes, including support to the multi-stakeholder deliberative process, which is in turn safeguarded by facilitators and capacity development to different stakeholder groups engaged in the process (NGOs, government and, to a lesser extent, private sector associations).\textsuperscript{47} Outcomes of deliberations have been formally codified in the national legal frameworks. Provision of legal expertise has been particularly important to improve legal frameworks, facilitate legal working groups and provide a stronger basis for defining legality and enforcement,\textsuperscript{48} though effective enforcement remains challenging.\textsuperscript{49} DFID/FGMC programme staff and facilitators do not advocate on specific issues (such as the need for inclusion of land tenure reforms in VPA policy discussions), but instead focus attention on ensuring that an equitable and representative policy process is supported that allows for issues considered relevant by in-country stakeholders to be discussed and resolved. This is primarily delivered through the FLEGT facilitators who are present in many countries supported by FGMC. In addition to DFID-led VPA countries, FGMC grantees report significant progress and concrete results in influencing and supporting forest governance reforms in producer countries, including non-core FGMC countries such as Gabon, Mexico, Honduras, Guatemala, Paraguay and Nicaragua.\textsuperscript{50}

Building coherence around global demand-side measures for timber legality. Strong evidence has been seen of the influence of the programme in building linkages and coherence around demand-side measures being implemented by key importer countries. This influence is primarily through the Forest Trends project (TREE) that filled a valuable niche in bringing together CAs from EC MS as well as government staff responsible for the implementation of comparable demand-side measures in the US and Australia.\textsuperscript{51} Also, consistent support to China has been influential in enabling China’s shift, over the past decade, from reluctance to acknowledge the problem of illegal timber trade to recent commitments to implement

\textsuperscript{46} Sources: FGMC32, FGMC02, FGMC59, FGMC73.
\textsuperscript{47} Sources: Triple Line and Itad Country reports; FGMC34, FGMC63, FGMC04, FGMC75.
\textsuperscript{48} Sources: Triple Line and Itad Country reports; FGMC09; FGMC75.
\textsuperscript{49} Sources: Triple Line and Itad Country reports; FGMC29. Online survey
\textsuperscript{50} WRI Annual FGMC report (2014-15); IUCN Annual FGMC report (2014-15)
\textsuperscript{51} Sources: FGMC07, FGMC64, FGMC21.
management measures to address this problem in a manner aligned with the EUTR and other
global demand-side measures.52

- Influencing global climate policy. Evidence has been found for limited influence on international
climate policy through three indirect pathways of influence. First, consistent messaging and
influence around the importance of governance as a foundation for effective forest and land
use management meant that BEIS was advocating strongly in this area in the context of
international climate negotiations through United Nations Framework Convention on Climate
Change (UNFCCC) Conference of the Parties (CoP) meetings. Second, the Norwegian
International Climate and Forests Initiative (NICFI) reported a strong influence from DFID
regarding FLEG reforms being a pre-condition for REDD+ (“No REDD+ without FLEG”),
and given their significant funding to REDD+, NICFI was then able to influence UNFCCC
processes as international climate policy developed. Finally, FGMC was able to influence the
Forest Carbon Partnership Facility (FCPF) by ensuring that FLEG messages were carried
into policy discussions in the Participants Committee meetings. FCPF members (from both
developed and developing countries) were also key individuals in UNFCCC policy processes
and were able to then exercise influence in the context of these discussions.

- Influencing other discourses and policy processes beyond illegal logging. By virtue of their
wide international networks, NGO grantees have been able to exercise a wide influence
beyond the core area of addressing illegal logging and forest governance. Some of these
wider pathways of influence include influencing the discourse around land tenure (most
notably through the work of RRI, which has engaged strongly with the International Land
Coalition and used FGMC funding for initial meetings and establishment costs of the Tenure
Facility, which in turn has attracted over USD50 million of non-DFID funding)53 FRCs54 and
REDD+ through the work of Global Canopy Programme, Proforest, Forest Trends and EFI
REDD Facility (see 4.8). Advocacy, research and investigation work undertaken by EIA and
WRI, with support from FGMC, resulted in these two NGOs hosting a side event at the 17th
meeting of the CoP of the Convention on International Trade in Endangered Species (CITES)
in October 2016 around the growing illegal trade in rosewood (Dalbergia), driven largely by
Chinese demand. Working together with the US, EU and range state delegations they were
able to conclude a successful proposal to list the whole genus Dalbergia worldwide on CITES
Appendix II.

4.5. Output 1: Supply-side measures

The FGMC logframe has four outputs. The first output is defined as “engagement by multiple
stakeholders increased and sustained in targeted producer and processing countries”. This covers
much of what is termed supply-side measures. A key aspect of this work has been support to multi-
stakeholder deliberative processes. The effectiveness of this output is summarised below for each
of the three key stakeholder groups involved in the process.55

- Engagement by civil society. Of the three core stakeholder groups, outside the lead Ministry for
REDD+, NGOs are generally the best represented in national-level deliberative processes in
many (for example Ghana, Indonesia, Liberia)56. Long-term investments from northern NGOs
and the availability of funding in support of civil society development has built effective
southern NGOs and networks, able to engage meaningfully and claim political space in terms

52 Asian Markets Report; FGMC01; FGMC30.
53 Source: FGMC68
54 Source: FGMC39
55 The FGMC logframe lists indicators and milestones (for baseline at 2013, 2015 and 2020, but none in 2017) at output
level. Many of these are descriptive and qualitative in nature, or in the case of Output 1 are presented at country level.
Given the above, as well as page-length limitations for this report, it has not been possible to present an analysis of the
detailed progress of each output against indicators. Furthermore, the main focus of this review is at outcome level.
of shaping national policy, something that in many countries was unheard of before the advent of FLEGT and VPA negotiations.\textsuperscript{57} INGOs have generally stayed far removed from in-country negotiations, while pushing national and local NGOs to lead and represent their constituents. While in some countries representation has (and remains) a difficult issue, national NGOs have been able to lean on their international partners for support and “cover” when disagreements arise with powerful national actors. In a few countries, investments to establish subnational forums where local concerns are channelled through national apex bodies (such as the Liberia National Union of Community Forestry Development Committees) have deepened engagement, but overall remains a weak point. A general trend can be seen that civil society engagement has been high during VPA negotiation stages and has tailed off during implementation (for example in Ghana and Cameroon) due to lack of funding for CSOs to perform as independent observers (IO) / independent forest monitors (IFM); frustration with slow rate of progress; and weak national REDD+ coordination mechanisms). However, where they have been fully engaged in independent forest monitoring and their findings result in action, interest is generally sustained (Liberia, Indonesia, Republic of Congo). There is a growing interest in some countries in the facilitation of more focused thematic or geographically-defined multi-stakeholder deliberations around issues such as independent forest monitoring and community forestry rights and responsibilities. Representation of community-level voices (Ghana) and indigenous peoples (Rep, of Congo, Guyana) remains a concern in a number of countries.\textsuperscript{58} Engagement and representation by forest-dependent communities and indigenous peoples is discussed in more detail in Section 6.1.

\textbf{Engagement by government.} Government has generally been well represented in VPA negotiations, particularly the key forestry ministries and agencies, which have primary responsibility for introducing and enforcing agreed legal reforms. However, rapid staff turnover can undermine continuity and sustainability. During the negotiation phase of VPAs, engagement by non-forest government agencies has generally been broad (including trade, finance, foreign affairs, customs, environment) but the active participation and oversight of non sector government agents has been hard to sustain through implementation phases where often it is seen by others as the day-to-day business of the forest sector ministry.\textsuperscript{59} Finance ministries have in some cases been less supportive, (particularly in Cameroon and Liberia) where they have resisted providing data in relation to private sector tax payments, are concerned about impact of stricter legality on revenues (illegally allocated timber sales still generate formal income) and are slow to transfer share of revenues to communities, and reluctant to sustain long-term funding (to replace donor funding) for forest agency VPA apparatus even if more official revenues are being generated.\textsuperscript{60} Inter-ministerial dialogue is intensive in Indonesia although, due to frequent changes in administrative structures, policy-making is not always well coordinated\textsuperscript{61}.

\textbf{Engagement by private sector.} Of the three major stakeholder groups, representation and engagement from the private sector has been the most challenging in the context of VPA processes in DFID-supported countries. This is due to a number of factors – not least, the high level of heterogeneity across the private sector in many countries and the presence of a large (but disparate and poorly organised) informal (and in some cases illegal) group of small and medium operators, often represented by more than one association, with differing interests that drives fragmentation and results in weak capacity to represent their broad constituencies

\textsuperscript{57} Sources: FGMC42, FGMC53, FGMC72, FGMC16, FGMC35.
\textsuperscript{58} Sources: Pers Comm EFI; IRT Country Review mission: Ghana, 2016
\textsuperscript{59} Sources: FGMC42, FGMC72.
\textsuperscript{60} Triple Line and Itad Country Reports. FGMC29.
\textsuperscript{61} Pers Comm EFI.
(Ghana, Liberia, Cameroon, Republic of Congo)\textsuperscript{62}. This results in conflicts of interest, competition for limited resources, and complicates the negotiation of common positions. In many African settings, the market is strongly divided between a small, but high-value export market dominated by international companies and a large, but disparate (and growing) domestic market that in many cases has been included under the same system for legality assurance as export timber, albeit with simpler legality grids. However, this is by no means a universal finding – in Indonesia small and medium forest enterprises (SMFEs) are well organised, politically connected and highly influential, as witnessed by the successful lobbying of the Minister for Trade, who temporarily suspended VPA negotiations by withdrawing the furniture sector from VPA provisions. In a number of countries, there is anecdotal evidence that some private sector players are beginning to engage more meaningfully now that it seems that change is real and has the potential to impact on their operations.\textsuperscript{63} Weak institutions and representation, coupled with diverse and often conflicting interests has meant that the voice of SMFEs has been limited until recently.\textsuperscript{64} EUTR and FLEGT licensing are certain to have negative impacts on SMFEs, who therefore tend to resist progress,\textsuperscript{65} while bigger, already well-organised companies that are more able to comply are not yet convinced of the cost-benefit of FLEGT licences, and have yet to provide the all-important strong signal of support for VPA to spur governments forward in VPA implementation.\textsuperscript{66} FGMC needs to work through private-sector-savvy organisations to engage more proactively with the increasingly diverse private sector associations, strengthen capacity to represent their members, strategize and get them on board. Experiences from Indonesia/MFP3 offer some useful insights regarding how support to SMFEs may be achieved (including providing support to business planning to help leverage access to finance and verification controls, thereby increasing local support for VPA processes).

\textbf{LAS development}. A key activity under this output has been the provision of technical and financial support to producer countries to establish LASs. While the main objective is to ensure timber legality (as a means to deliver FLEGT licensing), LASs also provide the opportunity to refine and improve controls, support law enforcement, reduce opportunities for corruption (thereby increasing accountability of individual staff and entire agencies), deliver substantial cost efficiency improvements within forest administrations (as seen in Ghana), generate information and create public and market demand for accountability. Overall, progress has fallen below expectations, with unexpected technical difficulties encountered, procurement challenges and overambitious timetabling that fail to accommodate in-country realities and capacity. Setbacks and delays are the result of a range of factors, including insufficient attempts to build on existing systems in some countries\textsuperscript{67} (although Ghana and Guyana have explicitly emphasised the need for the VPA to review and build on existing systems)\textsuperscript{68}, procurement challenges (Cameroon, Ghana), poor oversight from government and resistance from vested interests within particular parts of government (as seen in Cameroon) and government capacity\textsuperscript{69}. This is reflected in the findings from the online survey administered as part of this evaluation that found that only 14\% of respondents feel that FGMC’s performance in improving legality assurance in the forest sector in producer countries was satisfactory and 36\% of respondents judged performance as moderately unsatisfactory or unsatisfactory. As one quote from a respondent within a producer country stated:

\begin{itemize}
  \item \textsuperscript{62} Pers comm EFI, FGMC29
  \item \textsuperscript{63} FGMC14, FGMC06, FGMC54, FGMC26, FGMC69, FGMC56, FGMC27.
  \item \textsuperscript{64} FGMC54, FGMC30, FGMC26, FGMC69, FGMC56, FGMC27.
  \item \textsuperscript{65} FGMC29, FGMC69.
  \item \textsuperscript{66} Triple Line and Itad Country Reports. FGMC29.
  \item \textsuperscript{67} FGMC15, FGMC29, Triple Line and Itad Country Reports (Ghana, Cameroon)
  \item \textsuperscript{68} VPA achievements (2016): Guyana country report.
  \item \textsuperscript{69} Triple Line and Itad Country Reports. FGMC85, FGMC29
\end{itemize}
“Legality assurance systems have sucked a huge amount of resources and so far, have little to show for themselves. The initial legality definitions work was good, and whilst important, and progress has been made on LAS, a focus on transparency for example might have driven faster and more inclusive development of LAS. It has taken off as a technical function when in fact its highly political.”

This finding is reinforced by many NGOs involved in VPA monitoring in producer countries who reported that the degree to which these systems foster increased transparency will be the key determinant that links the technical and the governance aspects of the system. Progress towards putting in place transparency mechanisms varies between countries, with Ghana seeing good progress, Liberia showing moderate progress and Cameroon showing poor progress. Transparency allows non-state actors to hold government to account more effectively, exercise oversight and ensures widespread disclosure. Ensuring full disclosure of all relevant information needed to assess legality (including in particular how licenses were first issued) has been a struggle in a number of countries (such as Indonesia, Cameroon, Liberia, Ghana), but experience from Indonesia suggests that consistent lobbying by NGOs, with vocal support from the EU and reinforced by a court case has ensured that improved transparency and disclosure can be secured. This is absolutely not to say that FGMC should stop investing in LASs and traceability systems, but that more experimentation is needed to build on existing systems and explore scope and incentives for wider use of self-declaration systems (as in Indonesia), including those that are not necessarily state-managed (such as the Open Timber Portal being piloted by WRI’s Forest Legality Initiative in RoC and DRC).

In conclusion, countries that have exhibited strongest progress in relation to advancing supply-side measures are those where there is evidence of improvements in transparency and disclosure, which in turn supports independent monitoring and oversight. Additional conditions for success identified include strong levels of national ownership, good coordination and harmonisation between development partners supporting the FLEGT process with adequate funding for technical assistance and capacity support, jointly agreed plans that are widely communicated across state, NGO and civil society actors and strong independent facilitation through a FLEGT facilitator. However, many VPA countries lack one or more of these key factors.

4.6. Output 2: Policies and practices for demand-side measures

Output 2 is defined in the FGMC logframe as “public policies and private business standards that tackle trade in illegal timber”. Most of the activities under this output are demand-side measures, the effectiveness of which are reviewed below.

Engagement with China on demand-side measures. A major focus of this output has been support to China through the InFIT project, as well as the work of a number of FGMC grantees, in recognition of the increasingly important role China plays in regional and global timber trade flows. With improved monitoring of timber supply chains imposed through a Chinese timber legality verification system, China would create demand-side pressure for reforms in producer countries across Asia and Africa, and reinforce the work of VPA implementation, whereas failure to address the Chinese timber trade has the potential to undermine work being conducted in supporting reforms in producer countries. The focus of work to date has been mostly on sharing information, building trust and developing capacity and understanding in key Chinese state institutions involved in forest management and

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70 Source: Online survey.
71 NGO meeting at Triple Line offices during MTR (Jan 2017). FGMC29, FGMC78, FGMC85.
72 Triple line and Itad Country Reports. FGMC29.
73 FGMC15, FGMC29, FGMC82.
74 Evaluation of EU FLEGT Action Plan at Vol. 1, section 5.5.2.
As this work has so far been mostly ‘behind the scenes’, the impact of these investments on international timber trade remain uncertain, but there are indications that FGMC has significantly influenced China’s understanding of and approach to illegal timber trade. Although, to date, no concrete result has been achieved in terms of implementing demand-side measures regulating timber, China has made recent public statements about committing to regulate the illegal timber trade through the introduction of a timber legality verification system aligned with the EUTR and other global measures compelling due diligence in timber supply chains. InFIT, EFI, and FGMC accountable grantees have also influenced China’s development of voluntary guidelines for Chinese companies investing in overseas timber, palm oil, and rubber. The implementation of these guidelines is now being piloted with support and monitoring provided by InFIT and other FGMC actors in China and in producer countries. For China, bilateral trade relationships and related MoUs play an important role, and support through InFIT has helped to build understanding in China around how to frame these relationships in a manner consistent with evolving global measures demanding timber legality and VPA processes. For example, InFIT has played an important role in building China’s capacity to engage Myanmar and Indonesia on timber trade issues. FGMC has been able to capitalise on excellent in-country relationships with government officers in both of these countries to facilitate exchange visits and discussions between the different government bodies. The signing of a MoU between China and Myanmar has been an important milestone, as it has become increasingly apparent that Myanmar can only address illegal cross-border trade in timber with the direct support and cooperation of the Chinese government. InFIT has played an important backseat role in facilitating these linkages, while ensuring that the two governments are the prime movers in defining key actions and agreed cooperation.

FGMC has also been instrumental in reducing the negative impacts of Chinese timber trade in the African context, building on progress made in China. InFIT facilitated the development and publication of guidelines for Chinese timber traders working in timber-producing countries; the guidelines include important commitments on workers rights, health and safety as well as legality. For example, in Gabon, FGMC provided a platform to incentivise Chinese companies to make sustainability commitments covering 80% of Chinese investment in Gabonese forests. This was facilitated by the Worldwide Fund for Nature (WFF) and the International Institute for Environment and Development (IIED) when Chinese state forestry officials travelled to Gabon. This work also dovetailed with InFIT capacity building of government officials and with ClientEarth work in Gabon with communities in relation to benefit-sharing agreements. This is a good example of the multiplier effect resulting from FGMC’s engagement across different geopolitical spaces and stakeholder groups. Ongoing IIED work in Mozambique is building Chinese-Mozambique alliances, including the formation of an association of Chinese timber operators and traders in Mozambique. Encouraging more interest (and monitoring) by Chinese officials and NGOs in the operations of Chinese companies in Mozambique appears to be having a positive impact on behaviour of more progressive operators, who in turn can be quite influential on their peers.

Supporting the implementation of the EUTR. The EU Timber Regulation (EUTR) prohibits trade in illegally sourced timber and requires economic operators placing timber or timber products on the EU market to exercise due diligence to ensure that the timber was not

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75 Asian Markets Report.
76 China is taking steps towards the implementation of “Management Measures for the Implementation of Preventing Illegal Timber Trade” which were announced in November 2016, during the 7th US-China Bilateral Forum on Combating Illegal Logging and Associated Trade.
77 Source: FGMC01.
78 Source: FGMC01.
79 Source: FGMC29, FGMC44.
harvested in violation of the laws of the producing country. It seeks to create demand for legal compliance and thereby incentivize timber-producing countries to conclude and implement reforms to forest trade and governance. One of the key stakeholder groups responsible for overseeing the implementation of the EUTR are the CAs in each EU MS who have a mandate to implement and enforce the EUTR. CAs have been supported through the FGMC programme with legal guidance and NGO monitoring of overall implementation as well as market intelligence. This support has been well received by CAs and credited for fostering improved and more consistent implementation and enforcement of the EUTR. This is essential for ensuring the EUTR is an effective incentive for forest trade and governance reform in producer countries. FGMC outreach to CAs is led by Forest Trends’ TREE project which has included representatives from the US and Australia and at times has focussed on specific trade flows from China or other timber producing or processing countries, thereby fostering information-sharing and consistency across demand- and supply-side measures evolving globally.

Although significant progress has been realised, much work still needs to be done to ensure that EUTR implementation is both robust and complete across all EU MS and that consequences of non-compliance are dissuasive for all concerned. Risks of the entry of illegal timber into the EU are real, with the potential to undermine credibility of the EUTR and, in turn, undermine efforts to strengthen supply-side measures in producer countries.

The Swedish (and subsequent Danish) court case, brought to light by EIA, has raised questions about the legality of timber imports from Myanmar, triggering in-country discussions over the most effective supply-side responses. Good coordination and communication between different FGMC players (in turn reinforced by the community of practice among many key players) has helped facilitate a constructive and coherent response. The UK government has also taken action against 14 UK importers sourcing timber from Cameroon, citing concerns over failure to demonstrate legality. There is limited evidence of significant response from the Cameroon government, although Greenpeace reports that the Ministry of Forestry has ordered an audit targeting the companies and suppliers in Cameroon.

Another valuable activity undertaken in support of EUTR implementation has been building communication and understanding between European timber buyers and importers and counterparts in producer countries, such as Ghana. There is still uncertainty over what FLEGT-licensed timber means, as provisions vary from country to country, and concerns have been raised by importers over reputation risks that are raised through NGO campaigning and exposés. An important aspect of these exchange visits has been communicating to European buyers how reforms are being implemented, and the high degree of engagement by NGOs in the process.

Overall, progress under this output has been strong. Evidence of how the implementation of demand-side measures is influencing responses in producer countries is emerging. However, these changes can be both positive and negative. Chatham House reported that between 2000 and 2013, in China the share of illegal imports declined from 26% to 17%. Further anecdotal evidence from China indicates that around 70% of Chinese imports of timber now originate from “low-risk” sources (including European and North American sources). While this shows a positive

80 Source: FGMC06, FGMC07, FGMC64.
81 Source: FGMC84.
82 Source: FGMC23, FGMC06, FGMC58, FGMC54.
84 Sources: FGMC26, FGMC17, FGMC57, FGMC27, FGMC14.
86 Reported at the last China-EU Bilateral Cooperation Mechanism meeting in Brussels (February 2017); FGMC30; Asian Markets Report.
policy response, it does also present a risk. If producer countries undergoing reforms to forest trade, experience declining demands for their timber, incentives for change can be undermined. But, as emphasized in ITTO’s report, *Europe’s Changing Tropical Timber Trade*, good governance reforms facilitated by VPA FLEGT processes in response to a strong EUTR can “overcome market prejudice against tropical timber in the EU and turn around environmental campaigns to the point where they support the industry as socially and environmentally sustainable.”

4.7. **Output 3: Global momentum for change and knowledge**

Output 3 is defined as “increased knowledge and momentum for change” and is, in a sense, an “enabling output” that contributes to achievement of Outputs 1, 2 and 4. This output has three core activities: convening stakeholders or networks to explore or document new areas of knowledge or best practice; generating evidence at national or international level around particular issues or themes and thirdly increasing knowledge within the community of practice working on FLEGT. In terms of the total investment and the range of activities supported, this output is more modest in its scope than the other three outputs. The rationale or ToC behind this output is that quality knowledge products that integrate with an informed community of practice will result in momentum for change, through global networking and influencing.

Knowledge products have been produced by a number of grantees, profiling their work, highlighting impacts and presenting key lessons around FLEGT implementation in the context of different countries and contexts. These have generally been of a high quality, drawing extensively on grounded, field-level experiences and adding to the growing literature on practical measures to address illegal logging. Respondents at the NGO workshop convened as part of this review process concluded that improved information generated by the programme is driving and influencing better decision-making at national as well as global level. It was noted that organisations, such as ClientEarth, had played a vital role in demystifying the law in many countries, by making laws understood, useable and widely communicated. A range of less formal communication tools have been used, such as blogs, websites, newsletters, brochures, information products and guidelines, which have also supported the wider understanding about FLEGT.

EFI has been building the capacity and reach of its communication unit and provides valuable information regarding the current status of FLEGT initiatives and projects (on a country-by-country basis), progress of VPAs and demand-side measures (such as EUTR implementation). External users view the EFI FLEGT facility as the go-to site for officially sanctioned information on the status of the FLEGT Action Plan and VPA implementation.

Another key activity supported under this output has been the various forums partly or wholly facilitated by the programme to bring together different stakeholder groups involved in FLEGT implementation. Chatham House illegal logging workshops have been running over a number of years, bringing together government, NGO and, to lesser extent, private sector representatives from both producer and importer countries. Focusing initially on more practitioner-based discussions and exchange of lessons learned, these forums have been used more recently as venues where political announcements or statements are made. Annual stakeholder forums, facilitated by FGMC, bring together different actors involved in the programme and are valued by participants as a source of exchange between countries and stakeholder groups. Third, the EC-facilitated “FLEGT weeks”, partially supported by FGMC, which have taken place on an annual basis in Brussels, have also been valuable for bringing together FLEGT actors and, in particular,

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88 Source: Minutes of NGO workshop; Results of online survey; Evaluation of EU FLEGT Action Plan; FGMC02, FGMC32.
89 Source: Minutes of NGO workshop.
ensuring that field-level voices and concerns are fed to policymakers and negotiators in the EC. The outcome of these different forums has been the development of capacity and relationships and the building of a wider community of practice, which should be recognised as an important, but invisible, programme asset. Furthermore, discussions, debates and learning at international level through the global community of practice and peer group have in part driven (or influenced) national processes.

4.8. Output 4: Deforestation
Output 4 is defined as “coherence between programmes on forests and deforestation at national and international levels”. Much of the work supported under this output relates to transferring lessons and approaches from timber supply chains to the wider debate around REDD+ and FRCs. Implementation of much of this work takes place through support to the EFI REDD+ Facility and through the work of NGO grantees. This work complements other areas of support from the UK government to instruments such as the Forest Investment Programme (PIP), the FCPF, the Green Climate Fund (GCF) and the P4F programme implemented by DFID.

FGMC and P4F are well co-ordinated and potentially complementary. P4F supports the development of public-private, site-based partnerships (or investments) in focal countries, whereas FGMC works more at the level of national-level governance reforms and the development of regulatory measures through multi-stakeholder deliberations. However, this division of responsibilities, while accepted, has yet to be implemented consciously in specific countries where both programmes intersect.

NGO grantees have undertaken a range of research, studies and analyses which have been used to inform and influence important policy debates and regulatory reforms by governments as well as shifting policy within private sector bodies working with land-based investments such as palm oil. For example, in April 2017, the EU Parliament passed a resolution calling for action to urgently address tropical deforestation, including regulations to address the impact of agricultural commodity imports on deforestation. Forest Trends (with funding from FGMC) showed that nearly half of all recent tropical deforestation is the result of illegal clearing for commercial agriculture and that this destruction is driven by overseas demand for agricultural commodities, including palm oil, beef, soy, and wood products. The resolution also cited research by Fern (also funded by FGMC), which estimated that a quarter of all forest risk commodities were destined for the EU.

Linkages between FLEGT and REDD+ interventions have been strengthened in some countries (such as Liberia and Guyana) through the actions of FGMC, including the transfer of lessons from FLEGT to REDD+ processes and the adoption of similar platforms and processes used in relation to multi-stakeholder deliberations. The implementation of FLEGT activities is seen by key international agencies supporting REDD+ as a valuable up-front investment, helping pave the way for subsequent investments in REDD+. In Guyana, for example, the inclusion of FLEGT conditions in the performance-based REDD+ agreement with the government of Norway has helped embed FLEGT provisions in the process for reducing deforestation. However, this trend is by no means universal. For example, inter-agency rivalry between national agencies in Indonesia has meant that until recently the FLEGT process has been implemented in isolation from the REDD+ process, despite the wealth of useful and transferable lessons. FGMC has used its resources to bridge these divides.

Source: FGMC31, FGMC67


Forest Trends. 2014. Consumer Goods and Deforestation: An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations

Fern, 2015. Stolen Goods: The EU’s complicity in illegal tropical deforestation

Source: FGMC06, FGMC65.

Source: FGMC50, FGMC31.
influence with the FCPF programme to bring together FLEGT and REDD+ contact persons from a number of countries in the context of the FCPF Participants Committee, with a view to promoting the value and benefits of governance reforms in the context of REDD+. While this and other measures appear to have had beneficial impacts in terms of raising the profile of governance in the Facility Management Team, this has yet to be translated into country-level guidance on REDD+ readiness, which still emphasises highly technical processes that are often driven by contracts with external service providers.

Although, overall, some important results have been gained from this output, the approach adopted lacks a clear direction or strategy. To date, no clear ToC has been developed for this output (as has been done for Outputs 1 and 2, for example). To some degree this was anticipated in the business case, as FRC and REDD+ were relatively new and untested areas and other lines of support (such as P4F) had yet to take off. Given the growth in international interest in FRCs, the launch of many complementary global and regional initiatives (both in and outside DFID), greater effectiveness of FGMC could be achieved through a programme-level stocktaking and the development of a more coherent strategy for this output. This is revisited more in the context of recommendations in section 8.

5. Efficiency and value for money

When viewed at an overall programme level, a number of findings point to value for money (VFM), although a detailed analysis of efficiency has not been undertaken. The findings presented in section 4.1 on the benefits of the programme approach, global reach and strong internal coherence between demand-side and supply-side actors show that the value of the programme is greater than the sum of its individual parts. The programme has demonstrated an ability to deliver on multiple fronts – at the global, regional and national levels – and is beginning to demonstrate an influence in countries and thematic areas beyond the six DFID-lead countries and the FLEGT/VPA arena. Some discussion of value for money is presented below.

Supply-side measures – geography. At a country level, there are differing views about the value for money of supporting FLEGT processes in different contexts, which ultimately lead back to a fundamental discussion around underlying objectives. If the primary focus is supporting legal trade and reducing illegal logging across large areas, many of the small countries being supported by FGMC would not represent value for money. For DFID however, with its mandate on supporting development processes in fragile, post-conflict states, supporting FLEGT provides a unique entry point and opportunity for engaging with complex and politically sensitive governance challenges in countries such as DRC, Myanmar and Ivory Coast. As an illustration of this difference in underlying objectives, some voices from the EC have questioned the feasibility and value of supporting Myanmar. Some EC representatives interviewed in the context of this review argued that the on-going conflict in Myanmar mean that some key forest areas are contested and inaccessible and therefore impossible to manage effectively, while others argued that Myanmar will require years of investment if FLEGT-licensed timber is to be delivered (if indeed this goal is possible). In Liberia, the trade benefits of delivering FLEGT-licensed timber may be limited in the overall context of European timber imports, but DFID and EU has argued that the benefits go far beyond timber legality, to supporting broader governance reforms, establishing and supporting the rule of law and providing a foundation for wider investments in sustainable development.

Demand-side measures. In relation to demand-side measures, FGMC engages Chinese policymakers and EU member state CAs – neither of which are typical focal areas for DFID.

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96 Source: FGMC31.
97 Source: FGMC37, FGMC10, FGMC47
support. Support to demand-side measures is undertaken to leverage forest governance reforms and incentivise private sector engagement in producer countries supported by the programme. Engagement with China is undertaken primarily to address the risk of leakage of illegal timber flows to less discerning markets, which in turn reduces leverage for reform in those countries with which China trades (and which are the focus of DFID support). The value for money in demand-side measures can be seen from the counterfactual – failure to address these issues would reduce FGMC’s effectiveness significantly.

Delivery risks. When viewed in the programme, VFM has been addressed in different ways. In the context of NGO accountable grant agreements, the programme exercises a thorough and robust process of due diligence that goes far beyond a review of financial management capacity, but extends to wider governance arrangements, including the composition of the board and any potential for conflict of interests. A new requirement from DFID – the delivery chain analysis – traces and analyses how funds flow through international NGOs (INGOs) and service providers down to final beneficiaries and partners. Regular audits and close financial monitoring ensures close scrutiny. Finally, NGO grantees are now required to assume full financial responsibility for all sub-grantees and in-country partners, as well as demonstrate internal due diligence processes when providing financial support to external partners. Despite the robust set of due diligence measures that ensure high levels of accountability and value for money, there will always be trade-offs between reducing exposure to financial risk and supporting more risky organisations (such as emerging southern NGOs or networks that have yet to develop a solid track record of donor financing), but with the potential to diversify the field of actors away from those already strong NGOs with significant funding (as explored in section Error! Reference source not found.). A balance is needed that ensures more risky, but potentially transformative (high-return) investments in emerging and untested organisations can be accommodated.

Delivery modalities. FGMC is a complex programme, operating at a range of levels and engaging with a range of different partners and stakeholder groups. The transaction costs of maintaining, supporting and coordinating these different partnerships and grants is relatively high, although much of management costs have been outsourced to facilities, grantees, service providers and international organisations. The PMST have taken on the management responsibility for accountable grant agreements signed with DFID, freeing up DFID time for more strategic engagement and coordination. However, there have been calls in some quarters for a simplification of the programme and a reduction in the number of funded entities. This evaluation has presented evidence of the benefits of the global programmatic approach adopted by FGMC and the internal coherence and linkages that have been created as a result. Support to multi-stakeholder processes necessitates support to different stakeholder groups, such as civil society, government and the private sector. Therefore, while the programme may be complex, simplification is unlikely to lead to greater effectiveness or efficiency.

6. Impacts and outcomes

6.1. FGMC outcomes

The following section aims to summarise some of the key outcomes of the programme, most of which are governance related. Inevitably, there is some repetition of some of the earlier findings in the preceding section on effectiveness. Conclusions regarding impacts are indicative only – given the analysis and understanding of the programme and the context in which it is operating. There is very limited evidence available regarding the climate change mitigation or adaptation impacts of the programme (such as reduced deforestation or reduced emissions from land use change).
Overall, the review team found strong evidence from multiple sources of significant and positive governance outcomes that can be attributed to FLEGT reforms (to which FGMC is a major contributor). The evaluation of EU FLEGT Action Plan found that the implementation of FLEGT reforms in all targeted countries had improved forest governance.\textsuperscript{98} Independent research conducted by Zeitlin and Overdevest in Ghana and Indonesia stated that:

“VPAs have gone far beyond their central aim of ensuring the legality of timber. In both countries, VPA processes have proven to be remarkably incisive frameworks for exposing and addressing broader issues through multi-stakeholder dialogue.”\textsuperscript{99}

In 2016, Indonesia became the first country to successfully export FLEGT-licensed timber to European markets, which was a major milestone not just for Indonesia, but also for FGMC and the EU FLEGT Action Plan as a whole. It is possible that, with continued progress, Ghana may be reach this stage by 2018, although when this is likely to be achieved for other leader countries such as RoC and Vietnam is still uncertain. As well as opening new opportunities for trade in Europe and these countries, FLEGT licensing is a clear demonstration that agreed conditions of effective governance and regulation have been met. Many of these governance and trade outcomes are presented below.

- **Legal reforms.** There are numerous examples of how multi-stakeholder deliberations in VPA countries have resulted in agreements being codified in law and regulations. These legal provisions place obligations and responsibilities on government, the private sector and in some cases NGOs in relation to implementing, monitoring and overseeing the timber trade, many of which have been presented and discussed elsewhere in this report. Legal reforms have been of three broad types: Firstly, legislation has been promulgated in most VPA countries that provides the legal authority to the actions framed within VPA agreements. Secondly there have been legal reforms where parent legislation provides a legal direction, but the lack of regulations means that implementation has been impossible. In such cases, issuance of supporting regulations ensures that laws are activated. This has been seen in Liberia where a principle law exists with regard to community forestry, but lacked implementing regulations – something that the VPA process was able to catalyse. Thirdly, where completely new areas are identified of relevance to the VPA but where no parent legislation exists, this has triggered calls for new laws. Draft laws being discussed in Ghana relating to tree tenure and in Indonesia regarding forest conversion are good examples.\textsuperscript{100}

- **Law enforcement, rule of law and independent monitoring:** Within the context of VPA implementation, improved legal compliance occurs through systematic checks afforded by verification, combined with independent audit (reporting to EU and partner) and overseen by independent CSO monitoring. Of these three mechanisms, perhaps the most significant is independent forest monitoring – the monitoring and reporting of legal compliance of government and the private sector by NGO and civil society observers. Independent monitoring has gone through a number of different models, starting initially with international service providers (companies or INGOs) providing reports to government and the public on the degree to which legal provisions are being implemented. Considered by many as too costly and dependent on international service providers, more recent models have emphasised national NGOs, often working together with community groups and local CSO networks. Problems remain that many of these initiatives have been dependent on small-grant funding rules (often short-term in nature), which undermines effectiveness. Questions persist about


\textsuperscript{100} Sources: FGMC04, FGMC75, FGMC31
sustainability, securing independent sources of financing (administered independently of government or private sector) and incentives for community based approaches (such as opportunities for the sharing of revenues from fines levied, for example). Where government in response to reports takes limited action, actors become disillusioned and interest wanes, as reported in Cameroon, Republic of Congo and Ghana. Furthermore, the lack of independent monitoring within a given country may increase the reputational risk for companies importing to European member states (even if it complies with the provisions of the EUTR). Despite the challenges encountered, there have been some notable high profile wins with regard to enforcing the rule of law, including the government of Liberia taking action against Forest Development Authority staff for their involvement in the award of secretive and illegal Private Use Permits. This followed two years of investigation and campaigning by Global Witness, in collaboration with two national NGOs. Similar wins have been reported in Indonesia where the government clamped down on timber companies that failed to meet the minimum requirements of the national timber licensing and verification system.

Revenue collection by government. Increases in forest revenue going to the state is seen in many countries as one of the primary anticipated impacts of VPA implementation – revenues that can ensure financial sustainability of FLEGT reforms and increased funding to sustainable development. Although anecdotal evidence exists that VPAs are generating increased revenues to governments, there is limited independent evidence in this regard and it is an area that merits further research. One example from Ghana does shine a light on the potential revenue benefits of more effective regulation supported by the VPA. In 2004 Civic Response put out a press release revealing that annually Ghana lost more tax revenues from illegal logging than it received in development aid (in 2004 Ghana lost €900 billion - equivalent to around USD100 million). By 2017, revenue to government had increased by 640% as a result of an upward review of stumpage fees charged on logging in 2014, agreement by companies to pay arrears of monies owed; fines and penalties; auction of seized illegal timber and improved revenue collection efficiency by government. In Indonesia, there is currently no data on revenue collection efficiency over time, although recent reports suggest that exports of timber have increased by 10% since the introduction of FLEGT licensing (presumably generating increased revenues for government). However, availability of data on revenue collection by governments from timber is scarce. Increased revenue collection by government from timber royalties per se may not necessarily be positive – particularly if these revenues come from confiscation of illegal timber, or from increased harvesting rates. As such, key indicators of improvements relate to improvements in revenue collection efficiency (i.e. the total collected by government as a ratio of the total owed), and the total revenue collected from legally harvested timber. Little or no data is available for these indicators to date.

Revenue sharing with communities. There is evidence that the introduction of legal reforms associated with VPA implementation is leading to a more equitable sharing of timber and forest revenues. In Ghana, 22% of the 150 forest fringe communities that Civic Response has engaged with over the last five years – have now partially or fully received the logging benefits owed to them. In Liberia, despite provisions within the 2009 Community Rights Law, law that allocated a share of royalties from company logging (land rental fees) to be allocated to community development.

101 Triple Line and Itad Country Reports (2013-2016)
103 Source: Howes, P. 2016. FGMC in Indonesia: a case study in natural resource governance. Report from Peter Howes’ (DESA Governance Adviser) visit to Jakarta, Bogor and Yogyakarta.
105 Source: Ghana Impact Monitoring (no date): Revenue Generation Baseline Statement
106 Source: http://jakartaglobe.id/business/certified-timber-guarantees-better-export-futures/
communities, government was not honouring agreed commitments. Sustained pressure from Liberian NGOs resulted in 22 communities securing $1.25 million of logging taxes that the government had owed the communities for years. The communities have now received this money, and are due to receive another $600,000 later this year.\(^{107}\)

- **Transparency.** Third-party, independent monitoring is an integral part of VPAs, placing transparency obligations on government to disclose information that can be used for monitoring the actions of both government and the private sector. Disclosure requirements vary from country to country, but include information covering licensing and concession agreements, forest management and harvesting levels, financial flows and revenues. Important transparency wins have been achieved in a number of countries – including Indonesia, Vietnam, Ghana and Liberia – following sustained pressure from civil society and other actors.\(^{108}\) In Ghana, pressure from national NGOs (many supported by FGMC grantees), resulted in government disclosing previously confidential information regarding forest management plans, current harvesting permits and salvage permit inspection reports.\(^{109}\) In Indonesia, NGOs involved in independent forest monitoring mounted (and successfully won) a court case against the Ministry of Environment and Forests, in which the NGOs demanded free access to all relevant information regarding forest concession agreements and areas, as lack of information was impeding their ability to undertake monitoring. Advances in digital and satellite technology are also supporting transparency reforms – the use of barcodes and smart phones in countries such as Ghana and Liberia allow real-time tracking of timber from source to market, ensuring a continuous chain of custody that is independently verifiable by non-state actors.\(^{110}\) At an international level, FGMC is also supporting a range of processes designed to increase transparency and disclosure, such as WRI’s Global Forest Watch initiative, Global Canopy Programme’s Global 500 initiative and RRI’s tenure tracker process. At a workshop held with NGO grantees to obtain input for this evaluation, increased accessibility to better information coupled with increased transparency and disclosure was seen as one of the most important results of the FGMC programme, as it drives further action, including effective due diligence, independent monitoring and general oversight, by civil society actors at all levels.\(^{111}\)

- **Improving business environments and practices.** There is evidence in many countries (such as Indonesia) of improvements in the business environment for the private sector, through a reduction in transaction costs and business risks, reassurance from the clarity of legal obligations and the creation of more transparent, simplified and efficient licensing procedures. Ghana has also recorded considerable reduction in transaction costs and time delays in relation to its dealings with the private sector as a result of the Wood Tracking System. Stakeholders report improvements in compliance as a result. However, at the same time, some private sector stakeholders consulted as part of this review reported increased transaction costs as a result of new legality assurance systems and compliance requirements introduced under VPA reforms, particularly for SMEs who are less able to bear such costs.\(^{112}\) There is also evidence from European traders and importers that business practices are changing, through greater investments in due diligence, for example, and the dropping of questionable suppliers as a result of the increased effectiveness of the EUTR.\(^{113}\)

- **Legitimacy.** A second major area in which FGMC has made a significant contribution is that of creation of political space, multi-sector engagement and deliberative processes, which have resulted in legitimate decisions and agreements being reached around forest governance and

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108 Sources: FGMC35, FGMC16.
109 Fern, 2015. Seeing the forest through the trees: VPA-led transparency in five African countries.
110 Goldman Prize. 2015. An app to combat illegal logging. 16 September 2015.
111 Minutes of NGO workshop.
112 Source: FGMC15, FGMC29, FGMC69, FGMC83; and online survey responses.
113 Source: FGMC78, FGMC26, FGMC17, FGMC54, FGMC30, FGMC69, FGMC84.
trade, which in many cases have then been codified into national law. Notwithstanding some of the observations made in section 4.5, relating to the challenges of including more voiceless stakeholder groups (forest-dependent communities and IPs), all FGMC-supported countries have reported radical shifts in the way in which public decisions in the forest sector are made and overseen. This does, to some degree, also include the private sector, which in many cases has previously made deals behind closed doors and beyond public scrutiny.

Inclusion and representation: From an equity and inclusion perspective, one of the most significant achievements of FGMC has been facilitating the inclusion of key stakeholder groups in multi-stakeholder deliberative processes – groups who often were previously unable to exercise any significant level of influence. Support provided by NGO grantees has shaped and strengthened the voice of civil society in national-level policy processes across many countries supported. In some cases this has been through strengthening platforms and coalitions of NGOs who previously were relatively ineffective in national advocacy activities. This has been seen with the support provided to NGOs platforms, such as the Plateforme pour la Gestion Durable des Forêts (PGDF), the civil society platform in the Republic of Congo and the VNGO FLEGT Network in Vietnam.

Despite these positive trends, progress in terms of securing inclusion and representation has varied between countries. In Liberia, for example, there are high levels of CSO representation in the context of decision-making forums (such as the VPA Steering Committee, the National Multi-stakeholder Co-ordination Mechanism and the National Benefit Sharing Trust Board). In Vietnam, the VNGO FLEGT network was marred by dissent and disengagement by some of the initial founding members, resulting in a weaker and less unified voice for CSO participation in the VPA process. Support from Fern to address and resolve issues of conflict has meant that the network now has 32 organisations spread across the country and operating at national and provincial levels.

While civil society actors have in many cases been successful in engaging in the processes of policy formulation and are evolving as a more credible voice in the forest governance sector, the quality of inclusiveness from the point of view of marginalised and disenfranchised interest groups, in particular forest-dwelling communities, IP and women varies significantly between countries. Issues affecting these marginalised groups are not only side-lined at the civil society level in CSO dialogue platforms, but there is also a lack of representation at the grassroots level, where there is insufficient feedback from VPA institutions and policy processes to forest-dwelling communities, with the exception of a few countries (e.g. Liberia, Guyana and Indonesia where some progress is being observed in forest communities’ representation). Interventions that ensure that laws and rules on benefit sharing are communicated to and equally accessed by both men and women in the community are critical. A challenge to the involvement of indigenous people is that it often requires overcoming language barriers, a low starting capacity and lack of awareness of the VPA issues and instruments, and the rural locations of these communities. These challenges are compounded by a lack of resources for communities to properly monitor forests and a lack of resources for CSOs to properly

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The PGDF has successfully advocated for its inputs to be included into both the draft Forest Policy and new Forest Code (which is yet to be adopted by the government). These inputs include concepts such as free prior informed consent (FPIC), benefit sharing principles, enforceable provisions on cahiers des charges, community forests and community development funds. Approximately 70% of civil society’s propositions have remained in the 2016 draft of the Forest Code (Article 4 and 37 of the 2016 Draft forest code).


116 Source: FGMC39.


engage forest-dwelling communities in a systematic way, other than ad hoc, small-scale projects that engage specific communities. These barriers require time, energy and resources to address.

**Gender**. Efforts to integrate and mainstream gender across FGMC have met with limited success to date. Most grantees and government counterparts continue to consider FLEGT activities as gender neutral. However, over the past couple of years, FGMC has begun requesting partners to engage (and report) on issues of gender more substantially and, in 2015, programme gender guidelines were distributed to grantees. These guidelines have helped increase the awareness of how to incorporate gender into programme delivery and evaluation, including collecting gender-disaggregated data. Some NGOs are beginning to provide training and capacity support to their in-country partners, such as Well Grounded, which has started supporting national partners to develop internal gender policies. One FGMC project that has made important progress in relation to gender is the Multi-stakeholder Forestry Programme (MFP3) project in Indonesia, which has worked hard on integrating gender in small projects, supported a gender task force in the Ministry of Environment and Forestry and advocated for impact monitoring that looks at role of women. While FGMC does not set the agenda for in-country processes, it will be important to continue to raise gender concerns with projects, NGOs and grantees to ensure gender sensitivity of emerging policies/laws in producer countries; gender-balanced representation in multi-stakeholder deliberations; and to promote monitoring of gender impacts in the social impact monitoring.

6.2. **FGMC impacts**

**Positive and negative impacts on the poor.** FGMC is not a field-based project working directly with beneficiaries at the local level. Rather, it is a policy process that helps shape governance and legal reforms at national level. However, the impacts of these policy reforms are of concern to DFID, as an organisation primarily engaged in tackling poverty and its underlying causes. To date, the policy impacts of FGMC on the poor are not well documented. There are numerous examples from different countries regarding advances in workers rights, improved forest access, strengthened forest tenure and improvements in benefit-sharing from forest revenues. However, this has to be balanced with the anticipated negative impacts of greater law enforcement on informal (and often illegal) traders and harvesters in countries such as Cameroon, DRC, Ghana and Liberia as a result of transformation of the forest sector. These groups are by no means universally poor or marginalised. For example, in Indonesia, furniture makers are well represented, middle class and politically connected, while in Central and West Africa, many informal, unregulated or illegal forest enterprises are relatively prosperous. However, for many, chainsaw harvesting and milling represents one of very limited employment options in forested parts of the country. While some useful pilots have been implemented in Ghana (for example, by the Dutch NGO Tropenbos, with EC support), these tend to be highly site-specific and with insufficient thinking about how such initiatives can be taken to scale. It is important to ensure that those groups identified as being potentially or actively negatively impacted by VPA implementation are supported with capacity development and provided with a seat at the table where their concerns can be effectively communicated. Impact monitoring that is being established within the context of VPA implementation in

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120 Source: FGMC40, FGMC67, FGMC39.
121 Source: FGMC09.
Ghana, Indonesia and Liberia will provide important information on social impact assessment\textsuperscript{124}.

\bf{Reducing illegal use of forest resources.} Chatham House’s first assessment of international progress in tackling illegal logging, published in 2010, showed promising results, finding that concerted efforts in the early 2000s to improve law enforcement had resulted in a significant decline in illegal logging in many countries. This second assessment, conducted in 2012–14, presented a more mixed picture. At the national-level, progress is clearly evident. Nearly all the consumer countries assessed have reduced the shares of illegal timber in their imports. Many of the producer countries assessed have reduced the shares of illegal timber in their exports. For example, in both Ghana and Indonesia, illegal logging is estimated to have decreased between 2010 and 2013 (from 59\% to 49\%, and 60\% to 40\% respectively).\textsuperscript{125} Despite this, Chatham House reports that illegal logging remains widespread: in 2013, more than 80 million cubic metres of timber were illegally produced in nine key exporting countries.\textsuperscript{126} The reason for the persistence of illegal logging is presented as three-fold: first, the rapid growth in timber imports by China and India, where currently no import restrictions are required. Second, the growth in domestic demand for timber has risen in producer countries, as well as logging by small-scale producers, which is often illegal and beyond the scope of regulatory efforts. Finally, half of the timber traded internationally comes from forest conversion areas, of which two thirds is thought to be illegal.\textsuperscript{127}

\bf{Climate change impacts.} Currently no data exists regarding the contribution of FGMC to climate change mitigation efforts, such as reduced emissions from land use change or avoided deforestation. Efforts are underway to support focused studies (for example in Indonesia) around key ICF indicators in collaboration a project that works with the universities of Edinburgh and Michigan and Ecometrica (UK). At country level, a number of countries (Ghana, Indonesia and others) are in the process of establishing impact monitoring, which will track a range of indicators such as forest condition, livelihood impacts, biodiversity and trade which will provide important information on the overall impact of FGMC. However, as indicators and country-contexts are different aggregation across the programme is likely to be methodologically challenging and some more standardised approaches (as being developed under the Ecometrica) contract are likely to be needed.

7. Sustainability prospects

Sustainability prospects are reviewed below across different parameters.

\bf{Sustainability of FLEGT at the international level.} At the international level, the EU FLEGT Plan is firmly underpinned by international and domestic laws and trade agreements. Therefore, the initiative has a life beyond the individual funding commitments of any specific internationally funded programme, such as FGMC. However, for FLEGT to be sustained, it also requires donor funding, particularly in relation to building capacity and supporting investments in producer countries. The EC has estimated that the total cost of supporting current VPA commitments is around euro 70 million over a three-year period, equating to around euro 0.75–1 million per country per year for countries undergoing VPA negotiations and euro 2–2.25 million a year for countries implementing actions toward FLEGT licensing.\textsuperscript{129} Investment in FLEGT to date has been considerable, with a total of euro 882 million spent by the EC and

\textsuperscript{125} Chatham House, 2014. Expert perception Survey.
\textsuperscript{126} Brazil, Cameroon, DRC, Ghana, Indonesia, Laos, Malaysia, Papua New Guinea [PNG] and RoC.
\textsuperscript{127} Ibid.
\textsuperscript{128} Chatham House, 2015. Tackling Illegal Logging and the Related Trade What Progress and Where Next?
\textsuperscript{129} Source: FGMC37, FGMC47.
MS on FLEGT between 2003 and 2014, with the EC contributing the majority of funding (around euro 500 million), and the UK providing the second largest single contribution of around euro 130 million. Concerns were raised from the EC and indeed some MS that there is a sense of donor fatigue with FLEGT, because of a crowding out from other more recent initiatives addressing FRCs, forest landscape restoration and climate change, although no conclusive data has been found showing declining funding to the sector over the coming five-year period.

Sustainability of national processes in producer countries. Countries that are signatories to VPAs have made legal and binding commitments with the EU regarding governance, regulatory and trade reforms. As indicated in section 6, many countries have made many changes in their domestic law, which ensures sustainability at least over the medium term. Clearly, the subsequent challenges relate to ensuring that these reforms are translated into implementation, enforcement and monitoring: areas that have been identified as requiring additional efforts in the coming years. In terms of supporting the investment costs required to implement FLEGT reforms (additional costs above and beyond regulating commercial forest operations), many countries (particularly in central and west Africa) have been very dependent on external donor financing, with limited contributions from state budgets. Guyana (considered by many to be a middle income country) receives around £1 million funding from FGMC a year, but the government’s National Indicative Programme currently has no funds allocated for funding FLEGT actions, but has instead prioritised high-priority areas such as flood defences, leaving the process highly dependent on UK government support. It is anticipated that long-term, recurrent costs of FLEGT implementation (such as maintaining the timber legality assurance system (TLAS) will be covered from domestic funding, financed through improved and more efficient revenue collection. However, responsibilities and costs for financing of wider, governance-related costs, such as independent monitoring and sustained engagement of CSOs, remain unclear in many countries. More work is needed to identify and communicate different costs and anticipated revenues from VPA implementation on a country-by-country basis, due to the very different circumstances in different contexts.

Sustainability of deliberative, multi-stakeholder processes. Despite clear evidence that FGMC has supported the creation of multi-stakeholder deliberation across all countries supported, there is little or no evidence that this has created a precedent or norm against which other forest or climate-related policy processes will be calibrated. This due to a number of factors. First, civil society engagement requires funding independent of host government support. This means in most cases funding from international donors, which tends to be time-bound and focused on particular areas. Second, where policy processes are supported through international financing (such as support to climate change), provision and incentives are required to ensure that participatory policy development is supported. In the case of REDD+, while there is greater understanding at global levels about the importance of governance considerations (see section 4.4), this has yet to be translated into change at country level. FCPF, as well as the United Nations programme on REDD (UN-REDD), for example, requires countries to deliver a prescribed set of outputs (such as forest reference levels and safeguard

131 Source: FGMC10, FGMC32, FGMC37, FGMC38, FGMC73; Online survey.
132 These additional costs, although not universal are likely to be likely to be a secretariat (relating to overseeing the implementation of the agreement, coordination and reporting); independent audit costs and measure to verify legal compliance and CSO independent monitoring
133 Source: FGMC47.
134 An unconfirmed estimate of the costs of independent monitoring by NGOs in Indonesia is USD2 million a year, for example.
135 Source: FGMC69, FGMC42.
information systems), which are largely driven by international consultants where participation does not go beyond consultation. Results tend to be described in technical terms, with limited attention to the quality of governance processes or the need for inclusion of different voices in defining those outcomes.

Sustainability of FLEGT licensing and trade as an effective incentive. The sustainability and added value of FLEGT licensing depends on its credibility, which in turn depends on the degree to which consumers understand and value its attributes. Importers of timber to EC MS are interested in legality, but are also concerned about reputational risk. Communicating clearly what FLEGT licensing entails, as well as the wider governance processes that support it (such as civil society oversight) will build understanding and credibility. Concerns from consumers around sustainability may undermine the value and credibility of FLEGT licensing (a tool originally conceived to tackle deforestation), resulting in demands from importers for both FLEGT licences and other voluntary certificates resulting in escalating costs of compliance.

8. Conclusions and recommendations

This review posed two overarching questions. By way of conclusion, a summarised answer to these questions is provided below, followed by a discussion of emerging recommendations.

To what extent has FGMC influenced or contributed to improved forest governance and market reforms, how and under what circumstances?

The review team has found significant, visible and widespread evidence of contributions and influence by FGMC to forest governance and market reforms at international, regional and national levels. This influence has been exercised through a wide variety of pathways, including through DFID staff operating at the international policy level, through NGO grantees operating at global, regional (predominantly European and South East Asian) and national levels, through FLEGT facilitators, though international organisations (EFI in particular) and national-level support projects.

A core recommendation, therefore, is to maintain a central focus of FGMC on forest governance reforms, leveraged through trade agreements and promoted through deliberative and legal means. FLEGT must remain at the core of what FGMC does. FGMC should resist the temptation from some quarters to diversify strongly into other areas, such as FRCs and REDD+. There is need to bring the long-term investment made by DFID and other donors to fruition, with the opportunity to support transformative change in China, to ensure other key timber exporting countries begin export of FLEGT-licensed timber and to ensure that governance reforms across all countries are effectively followed through to implementation. During the next phase of FGMC (from March 2018 onwards), it is proposed that FGMC develop a business case for a separate spin-off programme that will work on FRCs, building on FGMC experiences, with a view to developing regulatory and multi-stakeholder, deliberative approaches at national level. In the context of FGMC, there is a need to clarify the overall approach and boundaries of FGMC to FRCs. The programme should consider focusing on regulatory measures (such as responding to the request by the Indonesian government for the development of regulatory measures for the palm oil sector) and national-level engagement/deliberation processes around key policy issues. This would include the transfer of lessons from FLEGT, and better integration of diverse processes affecting forests and land use governance (VPA, FRCs, REDD+, land tenure reform and land use planning). In countries where both P4F and FGMC are working, identify opportunities for further integration, particularly in relation to capitalising on FGMC’s relations with government, opportunities for national-level deliberation and the pursuit of regulatory approaches to key value chains.

FGMC should continue to exercise influence in relation to the FLEGT processes, including the EU FLEGT Action Plan. Despite the decline in influence in European policymaking that Brexit will
bring, the UK, by virtue of its long, continuing and substantial investment in FLEGT, will continue to be influential. Working with other like-minded nations, such as Germany, Holland and Norway, will build a constituency and ensure influence remains. Notwithstanding the UK’s exit from the EU, the UK government can and should continue to support producer countries and help them respond to the opportunities presented through VPAs.

In the context of Brexit, it is recommended that the three UK government agencies involved in FGMC (DFID, BEIS and DEFRA) advocate for the retention of EUTR-like due diligence regulatory requirements for timber imports. In the framework of new UK trade agreements that will be negotiated with timber-producing countries, it is recommended that these agencies make the case for maintaining current legal provisions, but consider raising the bar above and beyond VPAs, to include palm oil and other FRCs. This will respond to the current government’s call for the UK to be a global leader by “leaning out”. Further communication around FLEGT-licensed timber in consumer countries is needed, as currently markets are unaware of what FLEGT licensing means and the principles that underpin it (legality, traceability, credibility) as well as the centrality of NGO oversight.

The review has identified a potential risk in terms of diverging views, opinions and approaches in relation to FLEGT implementation. These differences can be seen in relation to the core approach and vision of the EC in relation to key MS and in relation to FAO when compared with other service providers such as EFI. Therefore, there is a need to build consensus among key institutions around FLEGT fundamentals. Although this may be difficult in the context of the EC (given Brexit), the UK government still exercises considerable influence among FGMC partners (FAO, EFI and NGOs) and among EU MS. A workshop or conference should be held to which FLEGT stakeholders should be invited to revisit and reaffirm core elements of the FLEGT approach including issues of speed, country focus, the role of and need for facilitators, the dangers of earmarking funds (for example, by country or focal area) and trade-offs that necessarily arise at programme level. Although this has been done in the context of the EC through the medium of the Council of the EU following the EU FLEGT Evaluation, it seems that differences of opinion, approach and views persist.136

A key factor underlying the influence and contribution of FGMC has been its global, programmatic nature, the community of practice that it (and its predecessors) have supported and its internal and external coherence, manifested by the wealth of linkages that have been made across the programme, both geographically, thematically and between demand- and supply-side measures. Therefore, it is recommended that the basic design of the programme be maintained, including the wide variety of partnerships with governments, NGOs, international institutions and private sector institutions. Given the anticipated growth in funding from EC to FAO and concerns over budget cuts to EFI, FGMC should reduce funding to FAO and increase funding to EFI in response to the corresponding shifts of priorities in the EC. Although funding to FAO should be reduced in the next funding round, it should not be cut altogether as it plays an important role and funding provides opportunities for influence through country-level projects as well as through the steering committee.

The strong geographical focus in South East Asia and Central and West Africa provides opportunities for networking, exchange of experiences and learning. The increasing volume of regional trade means that internal, regional linkages will become increasingly important if progress is to be made in reducing illegal logging and ensuring that governance incentives are maintained. Therefore, it is recommended that the programme maintain its regional focus in West and Central Africa and South East Asia, but phase out support to Guyana when current funding agreements end. The programme should consolidate its activities in Ghana, Liberia, DRC, RoC, Myanmar and Indonesia, as these are geographically clustered, have strong trade with Europe and are important

DFID priority countries. In the context of FGMC, Guyana is geographically isolated, has little timber trade with Europe and is not a DFID priority country. Norway should be encouraged to take over support to FLEGT in Guyana, given its close linkages with REDD+.

**What is the prognosis for the current FGMC approach achieving its stated aims?**

The review team has found strong evidence that FGMC has and will continue to contribute to the outcome areas of improved governance and market reforms that reduce illegal use of forest products. Particularly strong results have been shown in relation to the effectiveness of demand-side measures, such as the implementation of the EUTR, and potentially support to China, both of which are areas that FGMC has consistently supported. There is growing evidence of the influence of such measures in producer countries creating incentives for governance and trade reforms. Evidence from Chatham House indicates that illegal logging in major producer countries supported by FGMC (such as Indonesia and Ghana) has reduced markedly between 2010 and 2013. Chatham House research indicates that at the global level, however, progress has stalled, with illegal timber imports growing to an estimated 60 million m³ round wood equivalent – rising to the levels of about one decade ago. This is caused by a number of factors, including the growth in imports to unregulated markets (India and China, for example) during this period, and the growth in domestic markets (both legal and illegal) in producer countries.

Given the increasing importance of China in regional and global timber trade, it is recommended that the programme strengthen its China and South East Asia focus. Although politically perhaps hard to sell in DFID, the work supporting China through the work of InFIT and NGO grantees is important from a risk-reduction, sustainability and effectiveness perspective. Failing to address timber flows to and from China jeopardises the wider FGMC programme. Specifically, there is a need to build on the work being done to help China strengthen bilateral ties with other South East Asia countries around timber imports and combatting illegal logging (Myanmar, Vietnam, Indonesia and Russia). The programme can build on existing good relations with government staff in producer countries to facilitate government-to-government learning and exchange. Furthermore, there is a need for FGMC to strengthen the work being done on rolling out the guidelines for Chinese timber investors, across all African countries supported by DFID (Ghana, RoC, DRC, Liberia, Cameroon, Ivory Coast) plus possibly Mozambique to identify common ground and scope for more Chinese (state, NGO and private sector) buy-in to the VPA process.

In the context of producer countries, this review has found strong evidence of governance changes in all countries where FGMC works, including improvements in transparency and disclosure, civil society capacity and political space, inclusion and representation, legal reforms, more equitable sharing of benefits from forest management and improvements in business practices. Many of the policy reforms ushered in by FLEGT have had positive impacts on poor, forest-dependent communities, including improved access to forests and forest benefits as well as improved tenure rights (through, for example, community forestry). The review has highlighted some concerns over voice and representation (particularly of IP and marginalised, forest-dependent communities), as well as some negative impacts of VPA reforms on informal, “illegal” and unregulated forest users in some countries, particularly west and central Africa. Three key areas have been identified that will need further attention if these reforms are to be consolidated and sustained in the future. First, there is a need to reframe the support to SMEs, particularly in the Central and West Africa context. This should include improved capacity development to national associations, more analysis around the impacts of regulatory reforms on SMEs and potential legal options to address these impacts. In future calls for proposals it will be important to identify service providers who have a track record and experience in working with and supporting SMEs, who can support capacity building as well as advocacy efforts. Second, there is a need for greater understanding and economic analysis around financial flows following VPA implementation and how the recurrent costs of VPA implementation as well as the wider costs and benefits from VPA implementation can be maintained. In most
cases these will be *ex-ante* studies that identify not only potential future sources of revenue and spending by government and the private sector, but also how costs and benefits are shared more widely in society. This can be used to facilitate more informed decision-making and deliberation in producer countries. Given the wide differences across the programme, these analyses should be done on a country-by-country basis. An associated need identified is the development of models for sustainable and independent financing of independent monitoring (following models and experiences being developed in Indonesia), innovative technology (real-time monitoring by RFUK in DRC, Cameroon Ghana and Peru) that reduces the cost of law enforcement on the public purse and realigns incentives such that law enforcement agencies and their staff are more likely to enforce the law rather than use their powers to extract informal resource rents. Third, given the mixed progress found in translating legal reforms into effective implementation, FGMC should consider prioritising law enforcement in the next round of NGO applications and service providers. As countries move from negotiation to implementation, there is a need to improve technologies and incentives for law enforcement, mount public interest litigation/test cases and civil society monitoring/oversight with relevant partners to translate law reforms, LAS and better governance into stronger law enforcement, freedom of information requests and improved transparency.

In country-support projects, include measures to provide direct support to national climate change initiatives (such as National Determined Contributions (NDCs), FIP strategies, Carbon Fund applications). Using the relationships brokered around VPA support, coupled with good relations with government forestry agencies, the focus will be on integrating and mainstreaming more deliberative, multi-stakeholder and participatory approaches to planning and implementation. This will need to be developed in the context of existing initiatives in these areas and in complementary ways, so as to avoid duplication. Although some progress has been noted in relation to gender mainstreaming, more work needs to be done by grantees, international organisations and country projects to promote gender. Particular areas of focus should be: i) ensuring gender analysis of emerging policies/laws in producer countries; ii) ensuring gender-balanced representation in multi-stakeholder deliberations and iii) monitoring gender impacts in the impact monitoring being undertaken in the context of VPA agreements.

The MTR notes the important progress made in modelling and communicating the overall programme-level ToC. However, work still needs to be done in terms of clarifying programme-level assumptions and risks and linking these more closely to the programme-level ToC. Furthermore, there is a need to clarify the ToC around FRCs, including primary areas of focus for future support. At the country level, there is a need to further refine and communicate national FLEGT/VPA ToC that capture all relevant contributions from different funding sources and are based on a solid understanding of political economy drivers and underlying assumptions. This could be supported by the use of improved communication tools such as animated graphic recordings. Finally, the programme has so far been unable to demonstrate its contributions to higher-level impact areas such as improved livelihoods, climate change mitigation and reduced deforestation. This should be prioritised in the next phase of funding to ensure a more comprehensive assessment of programme impact can be produced.
Annex 1: List of persons consulted

**UK government and PMST**

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<td>DEFRA</td>
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**EU**

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<td>DEVCO</td>
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**EUDs**

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<th>Country</th>
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<tr>
<td>Ghana</td>
<td>Benoit BAZIN and Chris Ackon</td>
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<td>Cameroon</td>
<td>Rickard Lunnerdal</td>
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**EFI**

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Netherlands  Flip van Helden
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France  Christophe Du Castel
France  Lucille Broussolle

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Ministry of Climate and Environment  Leif John Fosse

US government

Department of Justice (Lacey Act)  Ryan Connors

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FAO  Marc Vandenhaute

FLEG T facilitators

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Myanmar  Hugh Speechly
Republic of Congo  Aline Fabing
Ghana  Clare Brogan

FGMC NGO grantees

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Forest Trends  Kerstin Canby
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ClientEarth  Emily Unwin
Proforest  Ruth Nussbaum
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Robert Barclay

**Global Canopy Programme**  
Francesca Ward

**Global Canopy Programme**  
Helen Bellfield

**CIFOR**  
Paolo Cerutti

### Other NGOs and resource persons

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<td>Amerindian Peoples Association (Guyana)</td>
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### Private sector

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<td>Tropical Timber Forum (UK)</td>
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<td>Global Timber Forum</td>
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<td>Vandecasteele, Belgium</td>
<td>Isabelle Polfiet</td>
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<td>Consultant to German companies</td>
<td>Sarah Storck</td>
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<tr>
<td>Former President (ATIBT)</td>
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<tr>
<td>International Tropical Timber Organisation</td>
<td>Rupert Oliver</td>
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<td>Global Timber Forum</td>
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<td>Global Timber Forum</td>
<td>Andrew Escott</td>
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<td>TrackRecord Global</td>
<td>Frank Miller</td>
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## Evaluation criteria and questions

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| Relevance and design    | *Is FGMC (and its core measures and modalities) an appropriate approach to reform forest governance, improve business standards and regulate international and domestic trade? If not, what could be improved?*
|                         | To what extent are critical FGMC measures (i.e. building governance as a foundation for transformation), and modalities (i.e. deliberative and inclusive processes) being promoted into other international and national processes?                                                                                                        |
|                         | *Is the mix of instruments supported by FGMC appropriate?*
|                         | *Is working in the framework of the FLEGT AP the most efficient and effective way to stop illegal logging? To promote fair forest governance?*
|                         | *Should FGMC stop, continue as planned, or expand? And, if expand, should expansion be in extent (countries) or scope (forest land use, forest risk commodities, other international processes)?*                                                                                                                  |
|                         | *Are the assumptions (explicit and implicit) that underpin the logic of the FGMC programme valid? And are FGMC interventions relevant to reduce and manage the risks associated with these assumptions?*                                                                                                           |
| Effectiveness           | *Has FGMC been effective in influencing and supporting forest governance reform in producer countries, global trade in forest products and international processes to stop illegal logging and illegal deforestation?*                                                                                                           |
| Equity and inclusion    | *To what extent are the policy formulation processes supported by FGMC inclusive?*                                                                                                                                                                                                                                                                      |
|                         | *To what extent are FGMC-supported processes likely to realise beneficial outcomes and contribute to gender equity?*                                                                                                                                                                                                                                         |
|                         | *To what extent are FGMC-supported processes likely to realise overall benefits for poor societies? Do they lead to fairer distribution of benefits from producer country forests?*                                                                                                                                                                                  |
| Efficiency and value for money | *Is the means of delivery of FGMC interventions (by service providers, grantees, facilitators, MoUs with government agencies) efficient? Consider any possible alternative means of delivery.*                                                                                                                                                                                                 |
|                         | *To what extent does FGMC represent value for money?*                                                                                                                                                                                                                                                                                                           |
| Impacts and outcomes    | The MTR is not expected to assess impacts, but could present views on likely impacts, with and without FGMC.                                                                                                                                                                                                                                               |
|                         | *What are the FGMC’s most important achievements at influencing and what factors have affected performance?*                                                                                                                                                                                                                                                     |
| Sustainability          | *Are the processes and outcomes of FGMC-supported activities likely to be sustained? At scale?*                                                                                                                                                                                                                                                              |
|                         | *What are key considerations for next phase to secure sustainability?*                                                                                                                                                                                                                                                                                      |
Annex 3: References


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Annex 4: Summary of findings on global influencing

Shaping EU policy instruments and related processes.

The strongest area of influence of FGMC in terms of global influencing has been in relation to EU policy processes. This is a result of a long period of engagement and influencing by DFID since the early 2000s. The MoU signed between the UK and Indonesian governments in 2002 set out a range of measures and areas of support to the Indonesian government in relation to proposed governance reforms to jointly address illegal logging. This, along with a number of other measures happening both in Europe and globally, put pressure on the EC to address illegal logging more coherently, culminating in the publication of the EU FLEGT Action Plan in 2003. Much of the background work in developing the policy response by the EC was strongly influenced by DFID, through the secondment of two advisers from DFID to DEVCO in 2002. Although fully accountable to the EC, they were able to exercise considerable influence in the drafting of the EU FLEGT Action Plan as well as other follow-on actions.\(^{137}\)

A number of formal as well as informal channels in the EC have been used prior to and during FGMC to influence EC policies including:

**Formal channels**

- **ECAF.** A council of the EU, composed of agriculture and fisheries ministers of all EU MS and responsible for setting European policy on agriculture, fisheries and forestry, including FLEGT.
- **Working Party on Forestry.** A body under the ECAF, and which focuses more specifically on forest-related issues, both in MS and in relation to international processes such as United Nations Forum on Forests (UNFF), FLEGT and engagement with FAO. The UK government has been influential in this body, particularly with regard to working together with other like-minded EU MS in holding the EC to account on its VPA commitments, lobbying for greater engagement by the EC with China and generally ensuring that momentum for FLEGT is maintained in European policy.\(^{138}\)
- **Steering Committees for the EFI FLEGT facility, EFI REDD+ Facility and the FAO EC FLEGT programme.** DFID has supported the EFI FLEGT Facility, EFI REDD+ Facility and the FAO EU FLEGT programme since their inceptions, with funding as well as technical and strategic support channelled through their respective steering committees. Given the central role both of these programmes have played in producer countries, the consistent, vocal and constructive voice of DFID in the steering committees has ensured wider influence on emerging FLEGT processes internationally.\(^{139}\)

**Informal channels**

- **Ad hoc expert group on FLEGT.** This informal group supports policy development processes relating to FLEGT and was established in 2005 (in large part due to the influence of DFID secondees). A recent example of FGMC’s influence in this body has been consultations and preparatory studies in support of shaping the formal response to the evaluation of the EU FLEGT Action Plan, which resulted in the Council Conclusions document.\(^{140}\) The ad hoc group has been instrumental in shaping a common position among MS in advance of meetings of the Working Party on Forestry and the higher-level Council. The ad hoc expert group is also known as the FLEGT Committee and has now become rather more formalised, chaired by the

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\(^{137}\) Source: FGMC77, FGMC31, FGMC48.

\(^{138}\) Source: FGMC38, FGMC73, FGMC89.


EC and attended by most active MS. Recent discussions have focused on the effectiveness of the EUTR as well as court cases against importers in Denmark and Sweden.

- **European Tropical Forestry Advisors Group.** Meetings of European forestry advisers involved in overseas development assistance, and used as a way to exchange ideas, share experience and ensure coordinated inputs in the context of development assistance.

The UK government has been able to influence European (and international) discourse and policy around FLEGT by virtue of a team of dedicated and valued advisers who were able to draw upon actors and experience across a global programme. Unlike other European donor agencies, DFID has advisers who work largely full time on FLEGT processes and, therefore, are able to dedicate considerable time to engaging across a range of policy processes.

While the UK government has been highly influential in the context of the EU, this influence appears to be waning following the referendum on leaving the EU held in June 2016.\(^{141}\) Concern has been raised by MS that without the strong voice from the UK in the European policy context, the momentum created around FLEGT is likely to reduce somewhat, and face competition from other new initiatives such as FRCs, REDD+, landscape restoration and climate change.

European NGOs, supported by FGMC, have also been able to influence European policy. A good and very recent example is that, in April 2017, the EU Parliament passed a resolution\(^{142}\) calling for action to urgently address tropical deforestation, including regulations to address the impact of agricultural commodity imports on deforestation. The resolution cited research by FGMC grantees: Forest Trends\(^{143}\) showed that nearly half of all recent tropical deforestation is the result of illegal clearing for commercial agriculture and that this destruction is driven by overseas demand for agricultural commodities, including palm oil, beef, soy, and wood products. The resolution also cited research by Fern,\(^{144}\) which estimated that a quarter of all FRCs were destined for the EU. Other NGO grantees such as Global Witness have also sought to influence the EC through their advocacy campaigns in countries such as the Central African Republic.\(^{145}\) A concern raised by the EC was that in this case the advocacy campaigns had been clumsy, as data were collected during the war and the report was released in the period following, when remedial action was being taken. As a result, the findings of the report were considered as out-dated and not particularly effective in shaping EU policies.\(^{146}\)

### Shaping policy and governance outcomes in producer countries

As indicated in the review report, there is strong evidence of widespread influence around policy and governance across all producer countries supported by FGMC. Although international and national NGOs supported by FGMC may take particular positions and advocate for particular outcomes, the role of DFID (working primarily through facilitators) has been to moderate and safeguard the deliberative, multi-stakeholder process and hold back from taking any specific position in respect of the country-driven nature of the FLEGT process. Many of the reforms, legal and policy changes that the programme has contributed to are presented in the main report and therefore are not discussed in great detail in this annex.

### Building coherence around global demand-side measures

The review has found strong evidence of the influence of FGMC (and its predecessors) in relation to shaping global policy responses around demand-side measures. In the EU, this began with

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141 Sources: FGMC32, FGMC02, FGMC59, FGMC73.
146 Source: FGMC37.
support to the policy process around the development of the EUTR. As far back as 2000, the UK government announced new policies around public procurement and legality assurance. The UK government worked internationally with the government of Japan, which in 2006 announced its own public procurement policy on timber, and in 2008, the US government announced the Lacey Act. Growing internal and external pressure resulted in the EU passing the EUTR in 2011, shaped in large part by technical inputs from the UK government and seconded DFID staff working in the EC. During FGMC, the main focus has been on supporting effective implementation of the EUTR. An important line of influence in this regard has been the TREE that filled a valuable niche in bringing together CAs from EC MS as well as government staff responsible for the implementation of comparable demand-side measures in the US and Australia.

The second major area of influence has been on Chinese domestic policy in relation to illegal timber imports. The principal forum for formal engagement has been the Bilateral Coordination Mechanism (BCM), which provides a forum for dialogue between the EC (DG Environment and DG Trade) and the Chinese government. The BCM meets twice yearly, rotating between Brussels and Beijing, and is attended by EU MS (including the UK government) but with observer status only. FGMC, through EFI, supports the implementation of a jointly agreed workplan and, through the InFIT project, works closely with the Chinese Academy of Forests (CFA), which in turn is part of the State Forest Administration. The focus of work to date has been confidence-building measures, country-to-country exchanges and study tours, capacity-building measures and communication. The policy objective is to get the Chinese government to commit to the introduction and adoption of a timber LAS (CTLVS), broadly based on the EUTR model that incorporates CA systems of due diligence and external monitoring. Currently, the CTLAS system is being tested and piloted and it is being applied on a voluntary basis only. While engagement with China has been long and to date not resulted in any clear policy change, the potential returns are huge, and would have the effect of both reducing leakage of illegal timber from VPA countries to unregulated markets, as well as placing additional trade leverage on countries yet to commit to FLEGT reforms.

In the context of support to China, a second major area of influence has been the guidelines developed by the CAF (with support from InFIT) that sets out standards for Chinese timber businesses working in producer countries. Although these guidelines are voluntary, there is evidence from grantees such as IIED and others, working in Africa, that they provide an opportunity for engaging with companies and holding their actions to account. These guidelines go beyond legality and include issues such as health and safety and other workers’ rights, gender and tenure. Interestingly, these guidelines have recently been extended to include Chinese-owned rubber enterprises. The Chinese government is interested in developing this further into a global voluntary standard that could be adopted by other international (non-Chinese) companies working in the rubber sector.

**Influencing global climate policies**

FGMC has influenced climate policies through three main channels. First, through its partnership with BEIS (formerly Department of Energy and Climate Change (DECC)), which has primary responsibility for representing the UK government in the context of international climate negotiations through UNFCCC, a strong case was made for the importance of governance as an effective and necessary foundation for forest and land use planning and management. The UK government (working together with other influential partners such as the governments of Norway and Germany) was influential in shaping specific areas of the Paris agreement and associated processes such as the New York Declaration on Forests as well as the Lima-Paris Action Agenda,

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147 Source: FGMC77.
148 Sources: FGMC07, FGMC64, FGMC21.
149 Asian Markets Report; FGMC 01; FGMC30.
both of which explicitly recognised forest governance.\textsuperscript{151} Second, the UK’s close partnership with the government of Norway around forests and climate resulted in deeper understanding and appreciation of the role of governance in climate change mitigation, and an increasing acceptance that governance measures needed to be built into results-based financing models (which initially had been very much focused on emission reduction outcomes). An example of this can be found in Guyana, where progress on FLEG was included by the Norwegian government in its bilateral agreement with Guyana.\textsuperscript{152} The mantra emphasised by the UK government – “No REDD without FLEG” – appears to have been influential in the Norwegian context. And as mentioned above, given its significant funding to REDD+, the Norwegian government was able to then advocate strongly for this in UNFCCC processes as international climate policy developed. Third, as a funder of the FCPF, the UK government was able to influence its evolving policies, ensuring a strong focus on multi-stakeholder engagement and forest governance. As an example, the UK government facilitated a side event at one of the FCPF Participants Committee meetings that bought together FLEG and REDD+ contact persons from countries such as Ghana and Liberia (where FGMC operated) with a view to demonstrating the complementarity of the two processes and the need for in-country integration. FCPF members (from both developed and developing countries) were also key individuals in UNFCCC policy processes and were able to then exercise influence in the context of these discussions. However, while valuable, these international-level policy processes were not translated into country-level guidance for REDD+ readiness, which still today focus mostly on technical aspects of measuring emission reductions and depend heavily on international technical assistance.\textsuperscript{153}

Influencing other discourses and policy processes beyond illegal logging

The fourth output under FGMC seeks to build on the experience of FGMC to influence FRCs that are known to impact negatively on deforestation in their supply chains. The principle channel for FGMC influence in this arena has been through the NGO grantees, who, by virtue of their wide international networks, have been able to exercise a wide influence beyond the core area of addressing illegal logging and forest governance.

One area that has gained traction in the past two years has been work in the palm oil sector. There have been a number of international initiatives around palm oil in recent years, including the Tropical Forest Alliance 2020, the New York Declaration on Forests, the Marrakech Declaration and the Amsterdam Declarations. The Marrakesh Declaration was signed by six governments (Ivory Coast, Central African Republic, DRC, Ghana, Liberia and Sierra Leone) at UNFCCC COP22, with one further government (Republic of Congo) signing in February 2017. Proforest, an FGMC grantee has been instrumental in working with and supporting TFA 2020 Partners – governments, companies, civil society and community groups – to help transition the palm oil sector to a sustainable driver of long-term, low-carbon development in the region in a way that is socially beneficial and protects tropical forests of the region.

Other pathways of influence have been established during the review, including influencing the discourse around land tenure (most notably through the work of RRI who have engaged strongly with the International Land Coalition and used FGMC funding for initial meetings and establishment costs of the Tenure Facility, which in turn has attracted over USD50 million of non-DFID funding).\textsuperscript{154} FRCs\textsuperscript{155} and REDD+ through the work of Global Canopy Programme, Proforest, Forest Trends and EFI REDD Facility. Advocacy, research and investigation work undertaken by EIA and WRI, with support from FGMC, resulted in these two organisations hosting a side event at the 17th


\textsuperscript{152} Source: FGMC08; FGMC65.


\textsuperscript{154} Source: FGMC68.

\textsuperscript{155} Source: FGMC39.
meeting of the COP of CITES in October 2016 around the growing illegal trade in rosewood (*Dalbergia*), driven largely by Chinese demand. Working together with the US, EU and range state delegations were able to conclude a successful proposal to list the whole genus *Dalbergia* worldwide on CITES Appendix II.

**Creation of a community of practice among implementing organisations**

Another key line of influence that FGMC has contributed towards is the development of methods, models, tools and approaches to support FLEGT processes in the context of producer countries. Many of these have evolved over time, based on lessons learned and experiences gained, and now represent state of the art approaches for supporting forest governance reforms. These approaches vary from technical tools such as timber LASs to “softer” approaches such as independent monitoring (IM) of the forest sector. IM demonstrates how best practice has evolved (with the contribution of FGMC) from models driven by international service providers to more locally based ones that involve the participation of national NGOs working in collaboration with local communities. This has been possible through the long period of support provided by the UK government to FLEGT (dating back to 2003), which has channelled support to a number of respected and high-capacity INGOs. Key individuals from these NGOs have developed close working relationships and social capital which has been facilitated through forums designed to share emerging experiences, such as the Chatham House illegal logging workshops, FLEGT weeks (in Brussels) and more recently the FGMC annual stakeholder forums.156

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156 Sources: Minutes of NGO workshop; Online survey.
Annex 5: Summary of findings on supply-side measures

This annex complements the already comprehensive and condensed analysis in the main report. It focuses on effectiveness and outcomes, and addresses key issues that are identified in the main report, providing more insight to the findings and recommendations.

Output 1: Supply-side measures

Findings in the main report show that of the three core stakeholder groups, NGOs and governments are best represented, while private sector engagement has been most limited in the context of VPA processes in DFID-supported countries, though there are exceptions (Indonesia and Guyana). This is due to the heterogeneity of private sector in many countries: high-value export market dominated by international companies with little economic incentive to supply the domestic market due to a considerable price differential, and presence of a large (but disparate and poorly organised) informal (and in some cases ‘illegal’) group of SME operators supplying both the less discerning international markets, and rapidly growing domestic and regional markets with timber produced with much less investment in legal compliance or benefit sharing.

The level of engagement varies considerably between countries and agencies, with stronger government leadership in some countries (Ghana, Liberia, Vietnam, Laos, Côte d’Ivoire, RoC) than in others (Cameroon, Guyana), while the VPA is effectively inactive in DRC, Gabon and Malaysia. Engagement of all stakeholders depends on a number of factors: political will from leaders; good facilitation; strong coordination between development partners; joint planning tools; effective IM that provide regular evidence of governance challenges that are then acted upon; evidence of gradual progress, particularly with LAS development and frequent testing of the systems to expose challenges and increase understanding that feeds back into the dialogue.

Impacts on Private Sector: The key purpose of VPAs is to squeeze illegal forest operators out of business. Many interviewees and researchers report that national laws and high costs of achieving full legal compliance are structurally biased to favour large-scale operations supplying more rewarding international markets. FLEGT licensing and law enforcement tends to push out SMEs and leave internationally owned companies as the major beneficiaries of forests and trade. This is politically unappetising on many levels, and risks eroding domestic political support for VPAs, resulting in: a) SME resistance to reforms and migration to supply lower value domestic and regional markets; and b) officials procrastinating strong law enforcement on local trade. Finally, to deliver expected benefits, the VPA and FLEGT licensing has to make good business sense for responsible operators supplying all markets. More analysis of the incentives to supply legal timber to markets is required, linked to new technologies and systems for detection and suppression that discourage illegality (see below).

Domestic and regional markets: Despite most VPAs committing countries to do so, few have made progress on implementing measures to address legality on domestic markets. While Ghana has conducted some pilot projects to regulate the domestic market, the case has not been made convincingly that the model can limit legal and viable timber operations to sustainable levels at the national scale while also reconciling the competing demands on a rapidly declining national forest resource. The impacts of VPAs on the different elements of the complex private sector and on the forest itself therefore need more quantitative analysis, and the implications properly shared with, and addressed by the deliberative process. Clear communication is needed from government and its partners about likely impacts of VPAs, avoiding promises of “mitigation” for those who will lose out, if it cannot be delivered to all but a few fortunate beneficiaries of ‘pilots’.

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157 Sources: FGMC04, FGMC34, FGMC35, FGMC63, FGMC75.
158 Sources: FGMC15, FGMC29; and interviews conducted during IRT country monitoring missions.
160 Van Bueren, Simmons, Danso. 2016.
Potential for conflict with voluntary certification schemes: Most analysts predict that FLEGT licences will set a common, but lower floor of what is accepted by the market, and that most buyers will be satisfied with this, undermining certification schemes that set more stringent sustainability requirements. This will have negative consequences for sustainable forest management where companies “downgrade” to FLEGT standards. Proponents of sustainability certification will therefore need to differentiate and sell their product as ‘better than FLEGT’. This will be easier if FLEGT proponents avoid making unjustified claims of the sustainability of FLEGT-licensed timber.

LAS development and transparency: The main report emphasises that while new or improved legislation is emerging and valuable, it is only as good as its enforcement, which in turn depends on full transparency. Countries that have exhibited strongest progress in advancing supply-side measures are those where there is evidence of increased accessibility to good information coupled with improvements in transparency and disclosure. These facilitate further action by civil society actors at all levels, including effective due diligence, independent forest monitoring and general oversight. Transparency has been difficult in many countries (Cameroon, Ghana, Indonesia, Liberia, Vietnam). Ironically, in Indonesia (the only country to have issued FLEGT licences):

“The government has utterly failed to deliver on its transparency commitments. The third-party civil society monitoring, which is supposed to ensure the robustness of the system, is incapable of doing its job as a result. The EU should stop signing off on licensing systems where meaningful compliance with transparency commitments has not been achieved.”

“Because of difficulties by civil society to attain what was supposed to be publicly available information, civil society took government to court in order to implement the commitments outlined in the VPA. After three years, Indonesia is now close to having all of the information available.”

Weaknesses on transparency often get a mention in many VPA countries, but are usually treated as of equal or perhaps even less importance than other things like log marking arrangements. According to a number of interviewees, this is wrong, and ensures that insufficient attention and pressure is put on improving transparency vis-à-vis other things. Transparency should be at the very forefront of the to-do lists for VPAs, placed above everything else.

Progress with establishing national LAS has been mixed, due to procurement challenges, limited service provider capacity, insufficient attempts to build on existing systems, and not enough consultation with stakeholders on end-user requirements and practicalities of such systems, and poor oversight from government. The degree to which LAS systems meet user needs, provide incentives to use them, and foster increased transparency is therefore one of the key determinants that is facilitating transformational change in governance. More experimentation is needed to build on existing traceability and self-declaration systems, including those that are not necessarily state-managed, such as private sector evolved systems that are already in widespread commercial use.

FGMC already supports a number of technology innovations that are transforming information and communication around the forest sector:

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161 Source: FGMC15; FGMC29; FGMC84
162 Source: FGMC29; FGMC53; FGMC78; Workshop with Civil Society on 11th January in preparation for the MTR.
163 Source: FGMC 15; FGMC29 and interviews conducted during IRT country monitoring missions
164 Source: FGMC78.
166 Source: FGMC29; FGMC 78.
167 For example: Track Record Global: [https://www.trackrecordglobal.com/](https://www.trackrecordglobal.com/)
FGMC: Mid term review report

WRI’s Global Forest Watch\textsuperscript{168} and Congo Basin Forest Atlas platforms\textsuperscript{169} (data compiled through close collaboration with National Government institutions) provide access to invaluable maps, documentation and satellite-based forest monitoring to the wider public.

Resource Extraction Monitoring (REM) is working with the WRI to develop the IM component of the Open Timber Portal being piloted in Cameroon, RoC, and DRC.\textsuperscript{170}

Earth Insight’s Timber Investigation Centre provides a range of resources to support IFM.\textsuperscript{171}

RFUK’s community-based Real Time Forest Monitoring system is piloting the use of GPS-enabled smart phones, open data kits and satellite modems to enable remote forest communities in Cameroon to monitor and report on forest.\textsuperscript{172}

Stakeholders\textsuperscript{173} recommend, and IRT encourages further testing and refinement of an integrated approach to monitoring including local communities, high-resolution satellite imagery, and independent third-party monitoring and enforcement. Many companies committed to reducing deforestation in other FRC value chains voice the need for a global and unified traceability system and database.\textsuperscript{174} It is essential that NGOs, individual activists and affected communities continue to generate a steady stream of robust evidence, and use this evidence to pressure governments.\textsuperscript{175}

Attention should be paid to create lasting incentives for all actors (public/private sector, civil society, communities) to disclose all information of public interest. For example: stronger action by EU where transparency commitments made in the VPA are not being met;\textsuperscript{176} a scoring system of private sector companies on their transparency and compliance performance with implications for customer reputation for those that fall short of expectations;\textsuperscript{177} recognition and bonuses for state agents that demonstrate consistent performance in their duties, as evidenced by accurate and timely information submitted to the LAS system; and rewards to communities and individuals that report illegalities that facilitate effective law enforcement. Such initiatives to secure greater transparency and disclosure can be accelerated by consistent NGO lobbying and vocal support from EU, reinforced by legal action and sanction of non-compliance.

Output 4: Deforestation

FGMC has supported EFI REDD+ Facility and NGO grantees to transfer lessons and approaches from FGMC to the wider debate around REDD+ and FRCs. Progress has been made in linking FLEGT and REDD+ processes in some VPA countries (Guyana, Liberia, Ghana, DRC), but not all (Myanmar,\textsuperscript{178} Congo\textsuperscript{179}). Many in the FLEGT community are sceptical of the approach taken by REDD+, criticising its advocates for undue optimism that incentives alone would bring about transformative change. There is however increasing recognition that harnessing the incentives that REDD+ provides may help trigger progress on key governance issues. Institutional factors play a key role. Where the REDD+ and FLEGT processes are managed by the same institutions (Ghana, Liberia, RoC) efforts to achieve coherence are progressing faster than where they are in separate agencies (Cameroon, DRC). Ivory Coast and Vietnam are making efforts to build synergies between the technical and process elements of both FLEGT and REDD+ even where managed from separate institutions. Côte d’Ivoire’s efforts to bring the processes together emerged from the recognition that progress being made in agricultural sector to move forward on zero-deforestation agenda would help the FLEGT process move forward. FLEGt has thus been adopted as a key pillar of Côte d’Ivoire’s REDD+ strategy. More attention is now being paid to participation and there

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\textsuperscript{168} WRI Global Forest Watch Platform: http://www.globalforestwatch.org/
\textsuperscript{169} WRI Forest Atlases for the Congo Basin: https://www.wri.org/tags/forest-atlas
\textsuperscript{170} REM. Open Timber Portal: http://rem-leg.org/project/open-timber-portal/
\textsuperscript{171} Earthsight – Timber Investigation Center: http://www.timberinvestigator.info/
\textsuperscript{172} RFUK Real Time Forest Monitoring: http://monitor.mappingforrights.org/faq
\textsuperscript{173} Interviews with FGMC; RFUK Real Time Monitoring FAQ
\textsuperscript{174} Climate Focus (2016)
\textsuperscript{175} Source: FGMC78 and Lawson S (2016).
\textsuperscript{176} Source: FGMC78
\textsuperscript{177} Source: FGMC83
\textsuperscript{178} Source: FGMC69
\textsuperscript{179} Source: FGMC11
is increasing recognition that the success of REDD+ also depends on fostering governance as an essential foundation to address most of the challenges identified. Developing integrated funding strategies for the two processes would build much more synergy between them, but this is still rarely the case. There is a strong case for more donor coordination.

**FRCs:** More recently, attention on other FRCs has begun to draw lessons from FLEGT in setting up national mechanisms for multi-stakeholder dialogue. Consensus is building among civil society, European Parliament and even private sector operating in producer countries that voluntary measures are not sufficient, precisely because they are ‘voluntary’; cover only bigger companies selling to some markets; are subject to insufficient IM; and incur no real penalties for non-compliance. However, many researchers remain more divided on whether trade and legal enforcement alone can work.

There is growing evidence that recent high-level commitments to eliminate deforestation by the private sector will only bear fruit where this willingness is then backed up with legislation and enforcement. Initiatives such as the New York Declaration on Forests which aims to help meet private sector goals to eliminate deforestation from production of agricultural FRCs such as palm, soya, paper and beef by 2020 have certainly galvanised collective efforts of countries, subnational governments, companies, indigenous groups, and NGOs to address FRCs, with ambitious global targets to end natural forest loss by 2030. But while 60% of the 629 companies dealing in palm oil surveyed by Supply-Change.org have committed to such initiatives, tracing the palm oil they trade all the way to its source is much more challenging.

The April 2017 resolution of the European Parliament on palm oil and deforestation explicitly recommends that EU policies for the palm oil sector build on most of the FLEGT principles and mechanisms including binding rules and a mandatory certification scheme. This resolution is clear evidence that the community of practice is successfully transferring lessons from FLEGT to FRCs on the demand side. However, implementation of such ambitions on the supply side will meet the same challenges as FLEGT, in particular enforcing rules on the high and increasing proportion of FRCs consumed in producer countries or not destined for EU and other sensitive markets. Worldwide only 33% of deforestation embodied in crops and only 8% of deforestation embodied in livestock products is traded internationally. Africa and South and Central America are the largest consumers of deforestation (30% of the global share each). Only three deforestation hotspot regions show a net export of deforestation embodied in agricultural commodities: South America (27% of total), South-East Asia (33%) and Sub-Saharan Africa (6%). Between 1986 and 2013, the proportion of maize, cassava and rice exported from Sub-Saharan Africa was negligible, yet these three crops accounted for 85% of commodity crop expansion in the region, and most oil palm and soy in SSA is produced for domestic consumption. Such trade patterns are evidently not suited to the EUTR-type trade agreement approach, or many other FLEGT type ‘tools’, though the role of national multi-stakeholder deliberative processes are likely to play a key role in finding solutions.

There is need to accelerate research, packaging and transfer of lessons about effective and

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180 Source: FGMC11; FGMC52; FGMC63; FGMC74
182 Workshop with Civil Society on 11th January in preparation for the MTR. Interviews with FGMC29 and 78;
183 EU Parliament Resolution on Oil Pam and Deforestation (April 2017), See Para 42.
184 Discussions during African Palm Oil Initiative (TFA2020) in Ghana and Liberia show that companies are requesting government to revise and enforce laws to ensure that zero deforestation objectives can be met. The six companies that initiated the Indonesian Palm Oil Pledge also set out to influence the Indonesian government to improve laws that protect forest and peat-land but later disbanded (Climate Focus, 2016). 
185 Brandi, C (2017). 
186 Such as the Tropical Forest Alliance: www.tfa2020.org; We Mean Business coalition’s “Commit to Action”
187 UN Climate summit, 2014
188 Climate Focus. (November, 2016). 
189 European Parliament resolution of 4 April 2017 on palm oil and deforestation of rainforests.
191 Ordway et al. (2017).
integrated combinations of demand and supply-side measures to address FRCs, drawing from FLEGT (VPAs, EUTR), REDD+ and other experiences. The FLEGT community also need to be open learn what works in other sectors – it is a two-way street. Special focus should be put on how to address commodities destined for domestic market. This underlines our recommendation that greater effectiveness of FGMC could be achieved through a programme-level stocktaking and the development of a more coherent strategy and solid theory of change that underpins this output.

Outcomes and impacts

Significant and positive governance outcomes from FGMC support have been identified by the review team, as presented in the main report. They include greater transparency; strong legitimacy of a far more inclusive political decision-making process; progress with legal reforms; progress with LAS system development and FLEGT licensing; improved revenue collection in some countries (notably Ghana), and more compliance in legally required revenue sharing with communities. Combined, these have contributed to improving the business environment and practices in many countries, with evidence of reduced operating costs for the state and less delays for private sector.

Less progress has been made on law enforcement in particular in domestic timber markets. Progress on tenure reforms is limited and evidence of impacts on poverty is also scarce. While the issues around tenure reform are complex, the dividends of success, or the costs of failure are high, not only for the communities themselves but also potentially for investors. New research supported by RRI found that private firms looking to invest in Africa "increasingly understand that unclear tenure rights create financial and reputational risks" and could determine their investment choices. 63% of reported disputes related to private sector land and natural resource investments in Africa began when communities were forced to leave their lands. Community displacement was the primary driver of 70% of the tenure disputes examined, while issues related to compensation were the primary driver for 30%. 60% of the tenure disputes resulted in work stoppages, which impact companies’ and investors' profits, and 30% resulted in violence. More than 69% of the African conflicts involved a delay in operations and a subsequent loss of money for investors, well above the global average of 56%.

Many of the outstanding challenges relate to the sustainability of the FGMC investments and the outstanding questions are largely economic in nature: How will the recurrent costs of all elements of the FLEGT system (TLAS, independent forest monitors, FLEGT facilitators, role of civil society, private sector and community national associations, etc.) be met? Are the increase in revenues or reduction in operating costs for both the state and companies being translated into incentives that sustain legal compliance and improved business and state agent behaviours? What are the economic implications of tenure reform for all concerned? If enforced, do forest laws as written still allow loggers (especially SMEs) to remain competitive on the national and international markets? Is the extent and modality of sharing forest revenues with forest adjacent communities sufficient to incentivise the latter to support the continued existence of regulated forest operations next to them? Are there convincing economic arguments (in addition to legal or rights based ones) to support tenure reform and increase tenure security, and if so, have these been made? Can the international, regional and domestic market demand for timber be met from legal and sustainable harvesting the available national resource? Can the costs of forest monitoring (whether by state or independent monitors) and law enforcement be met from available resources? If not, can the costs be reduced through technical and social innovations (such as community-based IFM)? Can some of the additional revenue generated by access to more lucrative markets, better compliance in paying forest taxes and dues and law enforcement (including auction of seized timber and fines) be channelled back to sustain all elements of the system that underpin compliance and enforcement? Are the net impacts of law enforcement positive or negative for the poor? Are there realistic mitigation measures that can be implemented to cushion the impact on genuine losers? These questions deserve more research, impact monitoring and analysis. There is thus need for

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192 Indonesia, and Honduras have made significant progress, some have reported one-off cases of progress (Guyana), but most other VPA countries report very limited progress.

more work on economic analysis, to understand the likely sustainability of increased revenue flows, and how these increased revenue flows are shared to generate real incentives for all actors along the value chain to implement the law, rather than continue to ignore, or facilitate illegality.
Annex 6: Summary of findings on demand-side measures

Introduction

Amid concerns about global limits to meet the development and consumption needs of a growing human population, a number of voluntary and regulatory approaches to ensuring sustainable supply chains are being explored. The FLEGT approach invests significant resources in improving governance in producer countries through multi-stakeholder processes, underpinned by complementary demand-side measures which require economic operators to exercise due diligence to ensure their supply chains have been legally sourced. As indicated in this report, this is a powerful approach designed to get to the roots of the problem and transform supply chain practices to achieve a lasting and sustainable solution. The promise and impact of this approach is beginning to be seen, but it is not yet complete.

This annex elaborates on FGMC contributions to demand-side measures, specifically FGMC investments in the EUTR and in fostering Chinese demand-side measures complementary to the EUTR, and how these efforts can be strengthened going forward.

The UK has invested heavily in the FLEGT approach over more than two decades. This UK financial and political support has been and will remain critical to its success. Some observers raise concerns about FGMC’s focus on timber and legality as too narrow and point out that other commodities play a larger role in deforestation and that there are alternative demand-side approaches to FLEGT worthy of investment. But, as noted in this report, the UK’s substantial, multi-year, global investment in the FLEGT approach is right now at an important point, and must be sustained in order to prove the value of this approach – both its possibilities and its shortcomings. Sustained commitment and support to the FGMC/FLEGT approach will enable regulators to compare the effectiveness, efficiency, and sustainability of this approach with voluntary and other regulatory approaches not only in relation to deforestation, but also in other sectors including fisheries, minerals, fresh water, etc.194

Supporting implementation and enforcement of the EUTR

FGMC grantees have played an important role in developing a consistent understanding of the EUTR across stakeholder groups, both in the EU and in timber-producing countries, by highlighting areas of uncertainty and fostering a shared understanding of what the EUTR requires. Failure to ensure consistent understanding and implementation of the EUTR would have resulted in a weaker understanding of due diligence and hence a weakened impact of the regulation.195 Competent Authority workshops convened by Forest Trends’ TREE project, with substantial inputs from ClientEarth, GTF, Chatham House, TRAFFIC, and Global Witness, have supported collaboration between EU member states to build their capacities to effectively and consistently enforce the EUTR. TREE workshops have included representatives from the US and Australia to foster communication and coherence across global demand-side measures. The majority of CAs have been attending these quarterly sessions and value them as a place to not only receive expert information, but also to share lessons and best practices, develop a common approach to key challenges, and to build efficiencies through information sharing and other joint ways of working.196

There is no question that, as a direct result of FGMC interventions, CAs have become better

194 FGMC78; FGMC67
195 Workshop with Civil Society on 11th January in preparation for the MTR; FGMC54; FGMC66; FGMC06.
196 FGMC76
positioned to engage in consistent enforcement of the EUTR than they were when the regulation first came into effect in March 2013.\textsuperscript{197}

Just as monitoring of FLEGT licensing and related law reforms are necessary in producer countries to ensure the effective implementation of these reforms, civil society monitoring of EUTR implementation helps to ensure the integrity and enforcement of demand-side measures. FGMC grantees are monitoring the EUTR through, for example, letters of complaint filed by FGMC grantees to equip and compel the Commission to take disciplinary action against MS disregarding their duties to enforce the EUTR. ClientEarth has also scrutinised Member State legislation to implement the EUTR resulting in strengthened legislation, for example in France. FGMC grantees also test the responsiveness of the EUTR enforcement system by sharing substantiated concerns with CAs about alleged infractions. All of these efforts appear to be having an impact on timber trade: covert investigations indicate that European buyers are taking due diligence seriously, demanding meaningful proof of legality and dropping suppliers when they cannot provide it.\textsuperscript{198}

Engagement with China

FGMC’s engagement with China has had significant influence in building China’s understanding of global efforts to tackle illegal logging, primarily through sharing information and knowledge and building trust. This builds Chinese confidence to act on these issues and is an essential precursor for China to develop its relevant bilateral relations with trade partners as well as regulations to govern its own timber trade.\textsuperscript{199} Some observers question whether InFIT support channelled to the State Forestry Administration (SFA) and Chinese Academy of Forestry (CAF) is worthwhile, in light of the fact that it is the Ministry of Commerce (MOFCOM) and customs, rather than SFA, that wield power over Chinese trade. However, in China, other departments will defer to SFA in relation to any forest-related issue, including international trade in forest products, and CAF provides policy expertise to SFA. InFIT’s investments in building understanding at SFA and CAF is the right ‘door’ into influencing China on these matters: SFA can then influence counterparts at MOFCOM once SFA’s own capacities and confidence have been developed.\textsuperscript{200} The November 2016 announcement of China’s intention to implement Management Measures for the Implementation of Preventing Illegal Timber Trade provides a clear sign of the effectiveness of these investments. Just a few years ago, China refused to even acknowledge the problem of illegal timber trade. China’s discursive commitment to introduce regulatory measures to address this problem can clearly be traced to InFIT’s capacity building. Actors supported by InFIT are taking behind-the-scenes steps to deliver on this commitment, an indication that China’s recently stated commitment will be followed up with practical action to address illegal timber trade.\textsuperscript{201}

Importantly, FGMC support has built Chinese policymakers’ understanding of the due diligence approach of the EUTR and influenced them to consider complementary Chinese measures. This is a very significant shift from China’s prior stance favouring a document-based LAS. A due diligence approach will require increased transparency throughout Chinese supply chains, rather than simple reliance on documentation that might easily be corrupted through China’s vast and diverse timber trading sector, and would greatly contribute to coherence across global demand-side measures.

Work is now underway, through InFIT, TRAFFIC, and the GTF, to work with Chinese timber trade associations to develop the sector’s understanding of what supply chain due diligence requires. It is expected that implementation in China will begin with published standards for the sector,

\textsuperscript{197} FGMC21; FGMC06; FGMC07; FGMC64.

\textsuperscript{198} Sam Lawson, Why helping civil society investigate illegal logging is about much more than protecting forests and forest peoples (Mongabay, 25 July 2016).

\textsuperscript{199} FGMC01; FGMC30; Asian Markets Report.

\textsuperscript{200} FGMC01.

\textsuperscript{201} FGMC01; FGMC30.
developed and implemented through sector associations, and then progress to regulations governing the industry.\textsuperscript{202}

For China, bilateral trading relationships are a critical path to achieving change in Chinese timber trade, and FGMC’s capacity building has had a significant influence here as well. FGMC grantees including InFIT, Forest Trends, EIA, and GTF have helped to motivate, inform, and influence bilateral relations with Myanmar, each working with different stakeholders to help shape developments.\textsuperscript{203} The InFIT manager was allowed to observe China’s bilateral negotiations with Myanmar, a highly unusual development for Chinese trade and diplomatic relations.\textsuperscript{204} InFIT, IIED, and ClientEarth have played a constructive role in shaping relations between Chinese investors and forest communities in Gabon.\textsuperscript{205} Moreover, the capacities developed through InFIT enabled Chinese state officials undertaking international tours facilitated by EU-BCM to Indonesia to learn about the FLEGT licensing system to engage more effectively. InFIT has also been instrumental in motivating and shaping China’s engagement on illegal timber trade issues through the Asia-Pacific Economic Cooperation (APEC).\textsuperscript{206} As standards and regulations governing timber trade are adopted in China, bilateral relationships will be an important vehicle for ensuring their practical implementation and FGMC should focus greater attention on such opportunities going forward.\textsuperscript{207}

**Strengthening the interface of demand- and supply-side measures**

An essential facet of the FLEGT approach is the coupling of demand and supply-side measures. Through this linkage, demand-side measures not only shift buyers towards more compliant sources of supply, but also to foster important governance improvements that are the focus of complementary supply-side measures. FGMC has played a crucial role in fostering coherence between and across global demand- and supply-side measures and these efforts should be strengthened going forward. From the demand side, there are three important ways in which FGMC can further strengthen this coherence.

- **Developing greater market understanding of the value of FLEGT-licensed timber.** To ensure greater take up of FLEGT-licensed timber by EU buyers, further investment is needed to communicate the value of FLEGT-licensed timber, not only as a ‘green lane’ for EUTR compliance, but also with regard to the broader governance values delivered by VPAs.\textsuperscript{208} For example, an FGMC-sponsored visit by a delegation of EU trade representatives, timber importers and traders to Ghana to meet with timber suppliers, government officials and civil society stakeholders to learn about the LAS and related reforms was extremely valuable in conveying to EU Timber traders the scope and value of VPA-related reforms in Ghana.\textsuperscript{209}

- **Endorsement of FLEGT-licensed timber by China.** Learning tours sponsored by EU-BCM between Chinese officials and representatives from Indonesia and other VPA countries has been helpful in building China’s understanding of the LASs and other reforms implemented through VPA processes.\textsuperscript{210} The UK should urge VPA partner countries to request formal bilateral trade negotiations with China and incorporate VPA achievements into their bilateral relations with China.\textsuperscript{211}

- **Strategic investigation and sharing of information on illegal timber trade; coordinated response by stakeholder groups supported by FGMC ‘community of practice’.** Recent events in
Myanmar provide a case study of how EUTR enforcement can highlight concerns that need to be addressed through VPA processes. Individuals at GTF, EFI, EIA, and Forest Trends had built bonds of trust and respect over the course of many years operating in other FLEGT settings with the support of FGMC. The trust that all were working in good faith towards shared objectives, albeit from different angles and in support of different stakeholder constituencies, enabled FGMC-supported actors to work together, and with their respective constituencies in the EU and in Myanmar, to ensure that EUTR enforcement was used constructively to further the process in Myanmar, rather than to threaten the process.²¹²

The central importance of transparency

Greater transparency is key to unravelling corruption. Accordingly, improving transparency is a cornerstone of the FGMC Theory of Change. FGMC support has been instrumental in achieving significant steps towards greater transparency, and yet the FGMC/FLEGT agenda’s promise of transparent governance and transparent supply chains remains largely unfulfilled.

The EUTR’s due diligence approach is an important driver of greater transparency in timber-producing countries. A due diligence approach requires economic operators to assess the risk that products they trade are illegally sourced and to refrain from trading products for which the risk is more than negligible. Under the operation of a robust EUTR and complementary demand-side measures globally, any timber-producing country without a sufficiently transparent forest sector, and transparent supply chain management, will be considered too risky, and buyers will shift to less risky sources of supply.

If the only goal of FGMC were to eliminate illegal timber from global trade, this might be considered successful even where the result is to shift buyers to more trusted sources such as North America. But to realise FGMC ambitions of also achieving livelihood benefits for owners and employees of SMFEs in producer countries, it is essential to build the capacities of timber producers and processors in these countries to respond to EUTR requirements. To effectively influence timber supply chain actors, it is important to speak through trusted sources who understand the needs and challenges of the timber sector. FGMC has begun this work through its support to the GTF. By working through local timber trade associations and strengthening the capacities of these associations engage with and support their membership on legality, transparency, and risk assessment issues, the GTF fills a crucial niche in parts of Africa and in China and this work should be strengthened and expanded.²¹³ The relevance and effectiveness of this work is greatly enhanced by the insights, expertise, and relationships fostered through the global community of practice fostered by FGMC. Through its engagement with SMFEs in timber-producing countries, the GTF also brings knowledge and challenges from this sector to the global community of practice.²¹⁴

Other FGMC grantees, including ClientEarth and IIED, are also using the insights and relationships gained through the global community of practice fostered by FGMC to seize the potential of FLEGT’s coupling of demand- and supply-side measures by actively fostering information sharing and engagement across stakeholders from the demand and supply sides, to facilitate more transparent, legal, and sustainable supply chains on the ground.²¹⁵ In addition, InFIT is playing a role in building the understanding and capacity of the Chinese timber sector. While this work is so far at early stages, the concepts and practices of supply chain transparency are new to Chinese traders, and it will take some time to effectively engage the massive and diverse Chinese sector. InFIT and GTF are collaborating to engage the sector, working through trusted and influential

²¹² FGMC23; FGMC06; FGMC55; FGMC54; FGMC58.
²¹³ FGMC26; FGMC54; FGMC55; FGMC17; FGMC69; FGMC56.
²¹⁴ Workshop with Civil Society on 11th January in preparation for the MTR
²¹⁵ FGMC44; FGMC66; FGMC30; FGMC01.
sector local associations. As with VPA investments, this is an enormous undertaking, but one which can yield significant and transformative dividends if it is successfully seen through.\textsuperscript{216}
Annex 7: Summary of findings from online survey

Background

In December 2016, Chatham House illegal logging stakeholders were invited to participate in a survey as part of the FGMC MTR. 85 stakeholders participated in the survey.²¹⁷ Of the respondents, 34% were drawn from NGOs, 22% were individual or company consultants, 12% from government and 12% from the private sector. 49% of survey participants came from the UK, 27% from other EU countries and 15% from other consumer countries. 21% came from producer countries. 60% of all respondents were not funded by FGMC.

Relevance of FGMC

91% of respondents found FGMC relevant. According to the majority of respondents, the programme is using the right approach, supporting the right processes and working with the right partners (Box 1). 6% of respondents feel that FGMC is irrelevant.

Effectiveness in producer countries

Multi-stakeholder processes

54% of respondents judged the performance of DFID-FGMC in improving deliberative multi-stakeholder processes in producer countries as satisfactory (Box 2) and 10% as moderately satisfactory. 18% of stakeholders felt the performance was moderately unsatisfactory or unsatisfactory.

Box 1: “(The) most important processes that FGMC supports are national forest governance reform processes, as a national, collectively-agreed legality definition is determined by a broad stakeholder grouping. As a long-term and slow process, law reform is not often the focus of development programmes. However, it is absolutely vital to large-scale and impactful change. Therefore, DFID-FGMC is correct in supporting this process, both in timber producing countries and consumer countries”.

Source: FGMC MTR survey respondent

Box 2: “DFID-FMGC support to civil society and FLEGT Facilitators has been instrumental in improving deliberative multi-stakeholder processes”.

“The VPAs have been truly impressive at building open, constructive dialogue on forest governance issues between key national stakeholders. This has enabled issues to be addressed collaboratively, for example the closing of the “ministerial permits” loophole in Ghana, which was done via the VPA multi stakeholder implementation committee-- civil society and government worked together to jointly draft a new legal instrument to resolve this issue with, that all parties are now happy with”.

Sources: FGMC MTR survey respondents

²¹⁷ Response rate of 0.24%
Forest policies, laws and regulatory frameworks

68% of respondents judged the performance of DFID-FGMC in improving forest policies, laws and regulatory frameworks in producer countries as satisfactory or moderately satisfactory. 32% of respondents judged performance as moderately unsatisfactory or unsatisfactory.

Legality assurance in the forest sector

14% of respondents felt that FGMC’s performance in improving legality assurance in the forest sector in producer countries was satisfactory and 43% judged the performance as moderately satisfactory (Box 3). 36% of respondents judged performance as moderately unsatisfactory or unsatisfactory.

Box 3: “Legality assurance systems have sucked a huge amount of resources and so far have little to show for themselves. The initial legality definitions work was good, and whilst important, and progress has been made on LAS, a focus on transparency for example might have driven faster and more inclusive development of LAS. It’s taken off as a technical function when in fact its highly political ”.

Source: FGMC MTR survey respondent

Forest management

18% of respondents judged FGMC’s performance in improving forest management in producer countries as satisfactory and 43% as moderately satisfactory. Only 11% assessed performance as moderately unsatisfactory or unsatisfactory, with 28% having no opinion.

Domestic demand-side measures

Survey respondents were split in their option about FGMC’s performance in improving domestic demand-side measures in producer countries. 39% of respondents judged FGMC’s performance as satisfactory or moderately satisfactory while 36% made a negative assessment (moderately unsatisfactory or unsatisfactory).

Effectiveness in consumer countries

International demand-side measures

36% of respondents judged FGMC’s performance in improving international demand-side measures in consumer countries as satisfactory or moderately satisfactory, while another 36% disagree and providing moderately unsatisfactory or unsatisfactory ratings. 28% were unable to answer this survey question.

Processing countries

International demand-side measures

36% of respondents assess FGMC’s performance in improving international demand-side measures in processing countries as moderately satisfactory, 4% as satisfactory and 21% as moderately unsatisfactory or unsatisfactory.

Influencing global forest policies and thinking

37% of respondents judged FGMC’s performance in influencing global forest policies and thinking as satisfactory or moderately satisfactory. 22% of respondents assess performance as moderately unsatisfactory or unsatisfactory. 41% of respondents were unable to provide an answer.

Influencing business or financial investor standards and practices

54% of respondents were unable to answer the question about FGMC’s performance in influencing business or financial investor standards and practices. 21% of respondents made a positive
assessment (satisfactory or moderately satisfactory) and 25% a negative assessment (moderately unsatisfactory or unsatisfactory).

*Production and communication of research evidence to influencing the forest governance and market reforms*

Survey respondents overwhelmingly appreciate FGMC’s role in supporting research evidence (73%), with only few critical voices emerging (16%).

*Role of growing global community of practice in influencing the forest governance and market reforms*

73% of survey respondents attested to a positive role of the growing global community of practice in influencing the forest governance and market reforms.

*Equity and inclusion*

72% of respondents judged that DFID-FGMC-supported results are likely to be equitable, for example in terms of gender equity or the fair distribution of forest benefits. 14% of respondents disagreed with this view.

50% of respondents assessed the performance of FGMC in improving rights and benefits of forest-dependent people in producer countries as satisfactory or moderately satisfactory. 32% of respondents judged FGMC’s performance as moderately unsatisfactory or unsatisfactory.

*Sustainability*

27% of respondents judged that sustainability is given (Box 4), for another 27% of respondents sustainability is only partly ensured and 40% feel that FGMC achievements are not yet sustainable.

Box 4: “Change will continue without (FGMC), as I think a tipping point has already been reached. But momentum may well be lost without FGMC.

“FGMC is only one of many initiatives on forest governance and market reform. It will be missed in the international arena but it has done well selling the concept so it’s absence will not stop decision-makers engaging in these areas”.

Sources: FGMC MTR survey respondents

*FGMC Impacts and outcomes*

80% of respondents judged that FGMC is likely to have a positive impact on illegal logging, deforestation and degradation, and livelihoods for poor people. 10% of respondents judged that FGMC will not have a positive impact.

*Recommendations*

25% of respondents recommended that FGMC was continued and 63% of respondents felt that FGMC should expand its scope. The expansion in geographic scope is controversially discussed but inconclusive. The majority of respondents in favour of extending FGMC’s scope point towards the need to engage far more in other commodity chains, especially developing policy processes between producer and consumer countries that address deforestation.

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218 No answer = 11%
Annex 8: Summary of findings from review on equity and inclusion

Inclusion

Stakeholder participation and engagement is a major success of FLEGT, and FGMC has had a major role in ensuring that all stakeholders are committed to working together on better forest sector governance. FGMC support helps build the capabilities of government institutions, civil society organisations, to some extent forest communities, the private sector and local government institutions to engage in multi-stakeholder dialogue, strategy coordination, policy formulation, and fostering information and lesson sharing between countries and actors. FGMC, working through INGOs has built capacities and involvement of local non-governmental organisations (which most of them work with communities) in policy dialogue during the negotiation and implementation of the VPAs.

Progress in building an inclusive multi-stakeholder policy process requires: (i) forest communities and CSOs have access to information; (ii) political commitment to create an enabling environment that provides the space for participation and allows stakeholders to have a voice in the debate; (iii) strengthened capacity and adequate functioning of civil society organisations; and (iv) strengthened capacities of forest communities to articulate their needs and voice their rights and entitlements. FGMC has contributed to all four of these areas.

A key finding in this review across all FGMC-supported VPA countries is that while civil society actors have in many cases been successful in engaging in the processes of policy formulation and are evolving as a more credible voice in the forest governance sector, the quality of inclusiveness from the point of view of marginalised and disenfranchised interest groups, in particular forest-dwelling communities and women, is inconsistent and yet to be institutionalised. It is also worth noting that support to CSOs through FGMC grantees has largely focused on organisations based in the capital cities, at the expense of ensuring the participation of and tangible beneficial outcomes for more vulnerable forest stakeholders.

A challenge to the involvement of indigenous people is that it often requires overcoming language barriers, a low starting capacity; lack of awareness of the VPA issues and instruments, and the rural locations of these communities. These challenges are compounded by a lack of resources for communities to properly monitor forests; and a lack of resources for CSOs to properly engage forest-dwelling communities in a systematic way, other than ad hoc, small-scale initiatives that engage specific communities. These barriers require time, energy and resources to address.

However, in a few countries (Guyana, Indonesia and Liberia), communities’ engagement has been impressive. For example, in Liberia, the VPA process has demonstrated a good level of participation due to its multi-stakeholder institutions having very broad membership that include indigenous people and women. Community interests are represented on the VPA Steering Committee, National Multi-stakeholder Coordination Mechanism (NMSCM), REDD+ Technical

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219 The IRT is defining “inclusive participation” as the involvement of key stakeholder groups, including government, CSOs, SMEs, and communities (including both men and women) in the VPA and other processes.


221 Well Grounded Interview 2016.

222 Evaluation of the EU FLEGT Action Plan, 2016, p 124-125

223 An example of this type of engagement is one of WRI’s projects under its small-grant portfolio that trains forest-dwelling women to use its Forest Atlas platform to access the data it contains about their land and forest. This has been successful in training and empowering rural women to engage their local authorities with increased capacity, however it highlights the enormous cost that would be required to expand such an intervention to have a more wide-reaching beneficial outcome.
Working Group, National Benefit Sharing Trust Board (NBSTB). As a result, the VPA process clearly has strong national ownership, both in government and civil society and communities.

Information from the VPA institutions and policy processes also needs to pass back to the grassroots level. The feedback from civil society to forest-dwelling communities is generally weak. Interventions that ensure that laws and rules on benefit sharing are communicated to and equally accessed by both men and women in the community are critical.

Mistrust by communities in working with civil society, government and private sector actors is a challenge identified in the VPA process that faces the inclusion of indigenous people and requires resources and time to improve relations. In Honduras, Forest Trends played a key role in helping the Confederation of Indigenous Peoples of Honduras overcome its initial scepticism and decide to engage officially in the VPA negotiation process, making the Honduran VPA the first one in which there is an official and direct participation of IP at the negotiating table. In promoting this change Forest Trends collaborated closely with other institutions such as IUCN, FAO and EFI.

Benefit sharing from legal trade

A core assumption underpinning FGMC is that legal logging benefits poor men and women. A more positive impact on forest communities' livelihoods emerged from benefit-sharing agreements for example in Liberia, Gabon and Ghana, where FGMC-funded entities ClientEarth and Global Witness were engaged. In Liberia, revenue-sharing mechanisms between the government and communities have been established under the Community Rights Law (CRL) of 2009 to distribute payments from loggers. FGMC-supported processes have provided guidance to Community Forestry Development Committees to ensure that the money from logging is used effectively, efficiently and equitably in communities. This is ground breaking in its involvement of ordinary forest-dwelling people to participate in and shape the development of their communities.

In Gabon, unsustainable commercial logging and other industrial activities are increasingly impacting the environment and livelihoods of forest-dependent communities. As a result, ClientEarth have been working with communities in the Iwondo Province to sign benefit-sharing agreements (BSAs) to ensure the fair and equitable sharing of benefits arising from the use of community lands for logging purposes. After months of working on supporting community representatives to draft the BSAs, this led to the adoption of an implementing decree and a government commitment to sign 27 BSAs by 2016 based on a guide being developed by the Legal Working Group and supported by ClientEarth. In Ghana, as a result of civil society pressure led by Forest Watch Ghana, the Ministry of Lands and Natural Resources increased the rates for stumpage fees, which have to be paid by companies harvesting timber. As the stumpage fees are shared with local communities, its increase means that the minimum value of social responsibility agreements increases.

Policies and legislation on rights issues

Clearer security of land tenure for communities is one of the aims in the FGMC’s revised Logical Framework. FGMC’s support has resulted in the contribution to the recognition of land tenure rights.

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224 Liberia FGMC IRT Report 2016
225 In Ghana, the role of using community radio has emerged as a particularly effective practice to raise awareness in rural communities, highlighting a relatively cost-effective method of knowledge building that can overcome the resource challenges in reaching a large number of beneficiaries across dispersed rural locations. In: Community Participation in VPAs: The role of community radio stations, E. Abeney & S. Adane; in FAO ACP FLEGT Support Programme, Forestry Commission (Ghana), EFI and Forest Governance Forum, 2012.
226 Source: FGMC53
227 Forest Trends Annual FGMC report (2014-15)
228 Source: FGMC67; Evaluation of the EU FLEGT Action Plan, 2016, p 125.
229 Client Earth FGMC report (2014-15)
230 Ghana 2016 FGMC Country Report; FGMC39
and community-based forest management in a few countries. In Indonesia, community-based mapping of IPs’ lands has been achieved in areas of land conflict with pulp and paper and oil palm companies in Jambi and West Kalimantan provinces with the support of Forest Peoples Programme (FPP). Companies are now learning to map community lands and, where communities exercise their right to FPIC and refuse use of their lands for plantations, to exclude community lands from permits.231 In DRC, the decree on the conditions for assigning Local Community Forestry Concessions (LCFCs) is a major accomplishment in the recognition of customary ownership of rights, which followed more than a decade of advocacy by civil society. Forest and land tenure reforms are an opportunity to promote equal tenure rights between men and women, as well as for marginalised groups. The decree includes formal recognition of communities’ customary rights in and outside LCFCs.232

Blurred or inconsistent legal definitions in the law can result in insecure legal protection for the most vulnerable forest stakeholders. For example, Article 17 of the Cameroon VPA envisaged developing a better understanding of the social impact of the FLEGT VPA on local communities, and to ensure that the impacts were not negative. However the successful implementation of FPIC is hampered by the difficulty in translating international legal terms such as “indigenous people,” FPIC “rights holders,” and “consent” into the Cameroon context and practical implementation.233

Some FGMC grantees, in particular RRI, noted that a key challenge to the impact of FLEGT VPA is that there is a need to go beyond looking at just VPA countries in order to analyse how different processes, such as FLEGT VPA, REDD+, land tenure and other governance issues, are more broadly linked.234

The impacts of market reforms on forest-dependent communities

Among the negative impacts of the EU FLEGT Action Plan on access to livelihoods and livelihood assets is the impact that the implementation of the EUTR and related due diligence has on smaller enterprises and pit sawyers, who are typically active in the informal sector and are the first to lose business if they cannot meet the legal requirements of either the VPAs (TLAS) or the EUTR.235

Several recent initiatives have drawn increased attention on the domestic market reform impacts of VPAs on forest-dependent communities.236 In 2013, Forest Trends began a VPA Livelihood Impact Assessment in Vietnam, that predicted that most households would be unable to meet the documentation requirements of the VPA237 and loss of market access would have a significant impact on their livelihoods.238

Ghana has experienced a particularly challenging time in relation to its domestic market reform and serves as a good illustration of the issues at hand. The Domestic Market and Public Wood Procurement Policy is awaiting ministerial signature from the Ministry of Lands and Natural Resources and, until it is signed, there appears to be reluctance to commit real effort to serious enforcement of regulations on the ground that would reduce illegal chainsaw harvesting. This policy could facilitate transition of illegal chainsaw operators to artisanal timber millers.239 Enforcing the new public wood procurement policy would directly affect the estimated 100,000 illegal chainsaw millers in Ghana, which is estimated to support the livelihoods of about 650,000

231 FPP’s 2014-2015 FGMC Annual Report
233 IRT Cameroon Country Review 2014; Policy learning for improved forest governance: The case of REDD+ and FLEGT/VPA implementation in Cameroon (Carodenuto, 2016)
234 Source: FGMC45
236 Ibid
237 For example, trading invoices, packing list of timber, labour safety and hygiene
238 Evaluation of the EU FLEG Action Plan, 2016
Furthermore, the absence of alternative sources of raw material to supply the growing local and regional demand for timber make it difficult to see how enforcement of the policy off-reserve will be implemented without severe consequences for the market, and conflict due to negative impacts on livelihoods for rural forest-dwelling communities. Strategies are needed to attenuate these impacts while fostering their integration into a formal forestry sector and reduce the risk of engaging in illegal practice.

Impacts on gender equity

Gender does not receive sufficient attention in FGMC-funded entities, despite the gendered impacts of forest management as well as gender implications of policies designed to improve forest governance. While forests are of major significance to women across the world, women rarely have tenure rights; in customary systems women are often denied inheritance rights, hence relying on their male relatives for access to natural resources. Gender issues are still not adequately taken into account across FGMC-supported processes. However, over the past couple of years FGMC has begun requesting grantees, to engage on issues of gender more substantially through provision of gender guidelines and subsequent discussions. These guidelines helped increase the awareness of how to incorporate gender into programme delivery and evaluation, including collecting gender-disaggregated data.

With regard to gender, grantees are using different approaches and focusing on various areas:

- There have been a number of specific gendered studies or sub-projects that have sought to provide a deeper contextual analysis of gendered relations in projects. WRI are in the preliminary stages of conducting a “deep-dive” study looking into the benefits women receive in community forestry in Liberia, the analysis of which is intended to inform their future work.

- Similarly, Forest Trends have carried out Livelihood Impact Assessments that have revealed significant roles for women in some sectors. For example, women are often employed as finishers in SME furniture workshops in Indonesia; for drying and trading timber products of wood processing households in Vietnam; and in the nursery and forest-based work of household level plantations in Vietnam.

- In an attempt to build CSO capacity and organisational understanding on gender, Well Grounded has been undertaking training on gender with its partners; however, after reflection they feel that the best way forward is to embed gender around other issues rather than deal with it separately.

- Looking at the structural barriers to gender equality, RRI has included women’s tenure rights as a focus across the countries it works in, demonstrating a clear programmatic focus on gender justice focused on women’s exclusion from the benefit of tenure rights.

- MFP3 in Indonesia has shown strong progress with regards to incorporating gender into the community forestry regulations and into the design of a comprehensive impact monitoring framework covering not only livelihoods and governance (as previously envisaged) but also

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241 Estimates of the proportion of the domestic market demand met by chainsaw–milled timber vary but the highest estimates are up to 90% (Ghana FGMC Country Report, 2016).


243 FGMC Gender Guidelines, 2015 (by IRT team)

244 Source: FGMC82; FGMC83; FGMC45; FGMC67; FGMC39

245 WRI are also in the process of funding a project run by women through its Small Grants Fund (SGF) to teach forest dependent women in Indonesia how to access and use the data on the Global Forest Watch (GFW) platform (Interview with WRI on 23/02/17).

246 Forest Trends FGMC report (2014-15)

247 Well Grounded FGMC report 2016

248 Source: FGMC45
gender and social inclusion.\textsuperscript{249} Furthermore, MFP3 has developed gender and social inclusion guidelines for its work, which is implemented through grants they issue.\textsuperscript{250}

\textsuperscript{249} Forest Trends FGMC report (2014-15)
\textsuperscript{250} 2016 MFP3 MTR Report