



BROKEN PROMISES: FOREST REVENUE- SHARING IN CAMEROON

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EXECUTIVE SUMMARY

In Central Africa, most governments have introduced mechanisms to redirect more of the benefits from the extractive use of forests to the regions where logging is taking place. Several governments are in the process of designing or implementing forestry revenue tax/fee distribution schemes whose objectives are decentralization, poverty alleviation, and promotion of local development. Cameroon has been a leader in this endeavor, with a system that distributes half of its Annual Forestry Fee (referred to herein by its French acronym, RFA [*redevance forestière annuelle*]) revenues to decentralized public authorities (40%) and villages (10%) that are adjacent to exploited forests. These funds are targeted at furthering local economic development, poverty reduction, and conflict abatement in and among villages adjacent to forests, forestry companies, and the government.

This Forest Note summarizes findings from case studies of three rural councils (Bibey, Gari Gombo and Mindourou) and their constituent villages regarding implementation of the RFA revenue-sharing system from 2000-2002. Based on this information and an examination of the strengths and weaknesses of the revenue distribution system, the authors present recommendations to the Government of Cameroon on how to increase the system's positive impacts on local livelihoods and poverty alleviation and, correspondingly, reduce conflict between villages and forestry companies.

The findings indicate that despite being considered progressive by global standards, in the rural councils addressed through this study, Cameroon's revenue-sharing system is failing to provide the expected benefits to the communities it targets: those living adjacent to forest concessions. In some cases, revenues did not reach villages at all; in all cases, the amount received by villages was less than what was allocated to them at the national level.

Of the almost US \$7 million allocated to the three rural councils examined in this study, almost US \$2 million is unaccounted for during the period 2000-2004, and of the US \$1.7 million allocated for village development within these rural councils, almost US \$1 million is unaccounted for during the same time frame. Furthermore, the projects funded were often not those requested by the village representatives, and villagers reported that the costs of these projects were often higher than the accepted cost of implementing such activities by local sources.

Monitoring of the use of revenues by the Ministry of Economy and Finance's General Treasury and Budget Office was haphazard and made even more problematic by the absence of standardized, transparent accounting systems. Holding decision-makers accountable for the use of funds was difficult, not only because of weak accountability mechanisms but also because of weak law enforcement, lack of political will, capacity, and resources. These factors, among others, resulted in a system that depended primarily on the integrity of the mayor (the head of the elected rural council) and thus provided opportunities for the misappropriation of funds, cronyism, and other forms of corruption.

This study was unable to isolate what impacts, if any, the RFA revenues had on poverty reduction because of the relatively small amount of revenues that reached villages and the lack of comparative data. However, the findings indicate that there is an urgent need to strengthen the governance of the RFA revenue distribution system and the larger system of political representation in which it operates if revenues are to be used effectively for poverty alleviation. This brief builds on previous studies and on findings from three case studies to provide recommendations to the Government of Cameroon on how to improve the RFA revenue-sharing system's ability to contribute to the government's poverty reduction objectives.

RECOMMENDATIONS

1) The Forest Revenues Enhancement Program (referred to herein by its French acronym, PSRF [*Programme de Sécurisation des Recettes Forestières*]) under the Ministry of Economy and Finance (MINEFI) and the Ministry of Forest and Wildlife (referred to by its French acronym MINFOF [*Ministère des Forêts et de la Faune*]) should set aside 5% to 10% of the total RFA revenues to develop and maintain effective transparency, monitoring, local participation, and accountability mechanisms as well as to build capacity at the various government, rural council, and village levels to implement those mechanisms.

More specifically, funds should be provided by the central government from the 50% of the PSRF funds that is not earmarked for the rural councils to:

- develop, implement, and enforce standardized accounting systems set up by the Ministry of Economy and Finance. Implemented through the PSRF, these systems would be used by the rural councils and villages to track RFA revenues and expenditures.
 - strengthen existing auditing systems and build operational capacity to audit rural council RFA expenditures annually (to be implemented by the Ministry of Economy and Finance).
 - increase the capacity of local villagers to engage effectively in the decision-making process by:
 1. defining a democratic process for selecting village representatives;
 2. developing decision-making procedures that ensure effective consideration of village representatives' priorities;
 3. providing training in development planning, basic budgeting, and accounting;
 - 4. increasing local representation on Forestry Fee Management Committees that determine project funding; and
 - 5. establishing Forest Fee Management Committees in villages where they do not exist (to be implemented by the rural councils through their engagement with local nongovernmental organizations (NGOs) and the Ministry of Economy and Finance).
- build transparency into the use of RFA funds at the rural council and village levels through the posting of RFA revenues and expenditures in public gathering places, printing them in local newspapers and periodicals, and annual meetings with villagers to present and explain expenditures financed by the RFA (to be implemented by the Ministry of Economy and Finance together with the Ministry of Forests and Wildlife). In addition, mayors should be required to publish annually a full list of the projects funded under the RFA with their locations and costs.

2) The Environmental Committee in the Cameroonian Parliament, in partnership with civil society organizations, should take the lead in ensuring increased accountability in the expenditure of RFA revenues by:

- acting as an ombudsman for villages with complaints of RFA revenue mismanagement;
- investigating specific cases of the misuse of RFA funds;
- holding public hearings, if an RFA audit fails, that involve all the villages in the rural council area so that the leaders can be sanctioned for their failure to use the funds according to existing laws.
- commissioning a study of the enforcement chain to identify actions to increase sanctions for the misuse of RFA revenues and to strengthen the enforcement chain.

RÉSUMÉ EXÉCUTIF

En Afrique Centrale, la plupart des gouvernements ont introduit des mécanismes afin d'assurer une redistribution des bénéfices de l'exploitation des forêts vers les régions de production. Certains ont conçu ou mis en œuvre des schémas de redistribution des revenus issus des taxes ou redevances forestières pour répondre aux objectifs de la décentralisation, la réduction de la pauvreté, et la promotion du développement local. Le Cameroun a été le premier pays à développer ces initiatives par un système de redistribution de la moitié des revenus de sa redevance forestière annuelle (RFA) vers les entités publiques décentralisées d'une part (pour 40%) et les villages riverains des forêts exploitées d'autre part (pour 10%). Ces fonds sont destinés à appuyer le développement économique local, la réduction de la pauvreté, et la réduction des conflits entre les communautés riveraines, les compagnies forestières et le gouvernement.

Cette note présente les résultats d'études de cas de ce système de partage des revenus de la RFA, menées dans trois communes rurales (Bibey, Gari Gombo, et Mindourou) et les villages qui les composent pendant les années 2000-2004. Sur base des résultats obtenus et de l'analyse des forces et faiblesses de ce système de redistribution des revenus, les auteurs proposent au Gouvernement du Cameroun des recommandations afin d'accroître l'efficacité de ce système en vue de l'amélioration du bien-être des populations locales, la réduction de la pauvreté, et, ainsi, la diminution des conflits entre les communautés locales et les compagnies forestières.

Malgré qu'il soit considéré comme progressiste au vu des standards internationaux, les résultats indiquent, dans les communes rurales considérées dans cette étude, que le système de redistribution des revenus mis en place par le gouvernement du Cameroun ne procure pas les bénéfices attendus aux populations concernées, à savoir les communautés riveraines aux concessions forestières. Certains villages concernés n'ont bénéficié d'aucun revenu et, dans tous les cas, le montant reçu par les villages concernés est inférieur aux montants alloués à ces villages au niveau national. Des quelques 7 millions de dollars US alloués aux trois communes rurales examinées

dans cette étude, près de 2 millions de dollars US n'y sont pas comptabilisés durant la période 2000-2004. Pendant cette même période, près de 1 million de dollars du 1,7 million dollars US alloué au développement des villages composant ces communes rurales n'y est pas comptabilisé. En outre, il est souvent observé que les projets financés d'une part, ne répondent pas aux requêtes des représentants villageois et que, d'autre part, leurs coûts sont vus par les villageois comme supérieur aux coûts acceptés pour la mise en œuvre de telles activités avec des ressources locales.

Le suivi de l'utilisation des revenus par le Ministère de l'Economie et des Finances (Trésoriers Payeurs Généraux) n'est pas généralisé et est rendu très aléatoire par l'absence d'un système de comptabilité transparent et standardisé. Il est dès lors compliqué d'assurer que les preneurs de décisions rendent des comptes sur l'utilisation des fonds à cause de la faiblesse des mécanismes de suivi, mais aussi à cause d'une application des lois déficiente et un manque de volonté politique, de capacités et de ressources. Ces facteurs, parmi d'autres, engendrent un système dont l'efficacité tient avant tout à l'intégrité des maires (responsables élus des communes rurales) et qui dès lors favorisent une mauvaise utilisation des fonds, le copinage, et d'autres formes de corruption.

Cette étude n'a pas permis d'identifier l'impact, s'il y a lieu, des revenus de la RFA sur la réduction de la pauvreté, du fait du montant relativement faible des revenus dont ont bénéficiés les villages et du manque de données de comparaison. Toutefois, les résultats indiquent qu'il y a un besoin urgent de renforcement de la gouvernance quant au système de redistribution des revenus de la RFA et du système plus large de représentation politique qui l'encadre si ces revenus ont l'ambition de contribuer efficacement à la réduction de la pauvreté. Les conclusions de cette note reposent sur les résultats des trois études de cas et d'études antérieures et fournissent au Gouvernement du Cameroun des recommandations en vue d'améliorer la capacité du système de redistribution des revenus de la RFA à contribuer à ses objectifs de réduction de la pauvreté.

RECOMMANDATIONS

1) Le Programme de Sécurisation des Recettes Forestières (PSRF), sous la tutelle du Ministère de l'Economie et des Finances (MINEFI) et du Ministère des Forêts et de la Faune (MINFOF), devrait consacrer 5% à 10% des revenus de la RFA au développement et maintien de mécanismes efficaces et transparents de suivi, participation, et responsabilité, ainsi qu'au renforcement des capacités au niveau national, communal, et villageois pour la mise en œuvre de ces mécanismes.

Plus spécifiquement, des fonds issus des 50% du PSRF non alloués aux communes rurales devraient être consacrés par le gouvernement à :

- développer, mettre en œuvre, et renforcer des systèmes de suivi standardisés par le Ministère des Finances. Ces systèmes, mis en œuvre à travers le PSRF, devrait permettre aux communes rurales et communautés villageoises de suivre les revenus de la RFA et les dépenses réalisées ;
- renforcer les systèmes actuels d'audit et renforcer les capacités opérationnelles de suivi des dépenses annuelles des communes rurales issues des revenus de la RFA (à mettre en œuvre par le Ministère de l'Economie et des Finances) ;
- accroître la capacité des communautés villageoises locales à s'engager réellement dans le processus de décision, à travers :
 1. la définition d'un processus démocratique de sélection des représentants villageois ;
 2. le développement de procédures de prise de décision qui assurent la prise en compte effective des priorités des représentants villageois ;
 3. la formation élémentaire en planification et comptabilité ;
 4. Une meilleure représentation des communautés locales dans les comités de gestion des redevances forestières qui déterminent les projets à financer ; et

5. l'établissement de comités de gestion des redevances forestières dans les villages où ces comités ne sont pas mis en place (à mettre en œuvre par les communes rurales avec l'appui du Ministère de l'Economie et des Finances et des organisations non-gouvernementales (ONGs) locales ;

- assurer une transparence dans l'utilisation des fonds de la RFA au niveau des communes rurales et villages, par l'affichage des revenus et dépenses de la RFA dans des lieux publics, la publication de ces informations dans les journaux ou périodiques locaux, et la tenue de réunions publiques annuelles devant présenter et détailler les dépenses financées par la RFA (à mettre en œuvre conjointement par le Ministère de l'Economie et des Finances et le Ministère des Forêts et de la Faune). De plus, les maires devraient être tenus de publier chaque année une liste complète des projets financés par les revenus de la RFA, avec leur localisation et les montants consacrés.

2) Le Comité Environnement au sein du Parlement du Cameroun, en partenariat avec les organisations de la société civile, devrait mener les initiatives afin d'assurer un meilleur suivi des dépenses des revenus de la RFA. Pour ce faire, le comité devrait :

- agir en faveur des villages déposant des plaintes quant à la mauvaise gestion des revenus de la RFA ;
- analyser les cas spécifiques de mauvaise utilisation des fonds ;
- tenir des consultations publiques, en cas d'échec d'audit de la RFA, comprenant tous les villages de la commune rurale impliquée, afin que les responsables puissent être sanctionnés conformément aux lois existantes ;
- commissionner une étude sur les sanctions autorisées par la loi en ce qui concerne la responsabilité dans la chaîne de distribution de la RFA, afin de militer pour leur application efficace.

INTRODUCTION

Cameroon has almost 20 million hectares of forest, with around 7.7 million hectares designated for production, of which approximately 6.8 million hectares are allocated for timber harvesting. Of the latter, 5.6 million hectares are categorized as Forest Management Units (FMUs) and 56 thousand hectares as Sales of Standing Volume (SSVs) (CBFP 2006; WRI and MINFOF 2007). In comparison, about 0.4 million hectares of non-permanent¹ forest lands are allocated as community forests (WRI and MINFOF 2007). Of the 5.6 million hectares that have been awarded for exploitation, almost 70% of the concessions have approved forest management plans, the highest percentage in Central Africa (WRI and MINFOF 2007). Cameroon is considered to have a progressive forest policy framework, due largely to reforms begun in 1994 introducing a new forestry code and tax reforms to increase tax revenues and promote more sustainable forest management (Carret 2000).

With annual timber production of just under 2 million cubic meters in 2005 and similar numbers in previous years, the forestry sector contributes more than 6% to the gross domestic product of Cameroon and accounts for around 45,000 direct and indirect jobs (World Bank Group 2003; CBFP 2006; WRI and MINFOF 2007). Government revenues from the various forestry taxes topped 40 billion CFA franc (\$US 80 million) in 2003, with unofficial figures estimating more than 30% (\$US 26 million) coming from the RFA.² Most commercial timber production, and hence RFA revenue sourcing, occurs in the Central, South and East provinces, which account for just over 1 million of the rural poor, or 17% of the people living in poverty in Cameroon in 2001 (RdC 2002). For many of the forest adjacent villages, this allocation accounts for the majority of the public development funding targeted at their communities.³

To understand better the strengths and weaknesses of the RFA revenue-sharing system, it is necessary to examine both its design and its implementation.

THE CAMEROON RFA

The RFA is an area-based tax levied on logging companies. The RFA is calculated from the annual negotiated rate per hectare (the base price plus a financial offer by a commercial timber operator), fixed through the competitive bidding process for allocation, by the Ministry of Forestry and Wildlife, of either a FMU or a SSV.

The RFA Revenue-Sharing System

The RFA revenue-sharing system (Boxes 2 and 3) was introduced in 1994⁴ as part of a new, decentralized forestry taxation system designed to increase tax revenues and promote the sustainable management of forests. Revenue-sharing was largely a response to international pressure, tensions and conflicts between villages and local councils on the one hand, and logging companies and the central government on the other. Up to this time, communities had seen few benefits from forestry revenues, with most of the revenue going to the central government and Cameroon's two major cities (Douala and Yaoundé) (Bigombe Logo 2003).

Since the introduction of the 1994 forestry taxation system, revenue from the RFA is split between the national government (50%), local authorities - rural councils (40%) and villages adjacent to forestry concessions (10%). Although all 50% of the distributed revenue is designated for local development, the 10% distributed to villages is earmarked specifically for investment in public works and other projects determined by the communities themselves (through Forest Fee Management Committees, see Box 2). Along with revenue-sharing, the RFA system, to some degree, decentralizes decisions about the use of those revenues: rural councils are free to incorporate the 40% into their municipal budget, and Forest Fee Management Committees (chaired by the mayors of rural councils with participation from local village representatives and MINFOF representatives) decide which projects to fund with the 10% allocated to villages.

Steps in RFA Revenue Collection, Distribution, and Decision-Making

The collection of RFA revenues from logging companies is a declarative process. Companies are responsible for paying the correct amount based on the area covered by their titles for exploitation and their bidding price. If they do not comply, they are subject to fines and penalties.

The steps in the collection and distribution of RFA revenues are presented in Box 3. The system guiding RFA collection and distribution changed twice in recent years. First, beginning in 2004, large companies (those with revenues greater than 1 billion CFA) were required to send checks to the *Département des Grandes Entreprises* (DGE) instead of the PSRF. Second, in April 2007, the Ministry of Economy and Finance ordered Councils to open their own bank accounts where logging companies must directly transfer the RFA checks. This second step relieved the Ministry from its function of collector while leaving it a supervisory role, as logging companies are

BOX 1 Mechanisms Used for Distributing Forest Benefits in Central Africa

Forest-rich countries in Central Africa have varying mechanisms in place to distribute a share of their commercial forest revenues to local administrative entities or local communities (which often are not legal entities). Generally, these mechanisms can be grouped into three categories:

Revenue-sharing—a process whereby forestry taxes are collected and disbursed by the central government to decentralized entities (e.g., provincial or local governments, villages).

Company-Community Agreements (CCAs)—formal negotiated contracts between a logging company and a community, whereby the company is obligated to provide an agreed-upon service or payment to the community (in francophone countries, this occurs through the *cahier des charges*).

Community Forestry—local communities receive a degree of autonomy over a designated forested land area, from which they may extract forest resources (including timber) themselves or enter into a joint agreement with a commercial entity to share the revenues generated from timber harvesting.

COUNTRY	FORESTED AREA (HA) ¹	% GDP FROM FORESTRY (YEAR)	REVENUE-SHARING	COMPANY-COMMUNITY AGREEMENTS	COMMUNITY FORESTRY	DESCRIPTION
Cameroon	19,639,000	6% (2006) ¹	X	X	X	Cameroon distributes 50% of its RFA revenues to local authorities (rural councils) (40%) and villages (10%) adjacent to concession areas. Individually negotiated CCAs provide funds or materials for community development (through the "cahier des charges"). Both council and community forests are provided for in the Forest Code of Cameroon.
Central African Republic (CAR)	6,250,000	10-13% (2006) ¹	X		X	The CAR has regulations requiring that 30% of the revenues from a felling tax and 25% from a reforestation tax be distributed to communal (council) governments. The Forest Code (2008) provides for community forestry but none have been classified.
Democratic Republic of Congo (DRC)	108,339,000	0.7% (2004) ¹	X	X	X	DRC policy requires that revenues from a surface area tax on concessions be redistributed, with 60% going to the state treasury and 40% to decentralized entities (25% to the provincial government and 15% to the local government [town or territory] in the area of the concession from which the revenue originates). CCAs are required by law and community forests are described by the 2002 Forest Code; however, thus far, none have been classified.
Gabon	22,069,999	3-4% (2006) ¹		X	X	Gabon's policy requires that commercial forestry benefits be shared through CCAs (<i>cahier des charges</i>); however, there is no specific provision requiring the targeting of local development by tax revenues from the forestry industry. Community forests are described by the 2001 Forest Code, but none have been classified yet.
Republic of Congo	22,263,000	5% (1997) ²	X			The Republic of Congo has a policy requiring that 50% of the forestry concession surface area tax be dedicated to a special account within the national treasury, to be used for local development in the region from which it originated. Neither CCAs nor community forests are legally recognized in the 2000 Forest Code.

Sources: ¹CBFP 2006; ²Scholl 2005.

also requested to send copies of the transfers to the Ministry. The information provided in Box 3 applies to both systems.

The steps presented in Box 3 describe how the RFA system is supposed to work. In practice, the implementation of this

system is less straightforward. The three case studies discussed in this brief focused on examining the implementation of the system in order to identify areas for improvement.

BOX 2

Key Structures in the RFA Revenue-sharing System

Forest Information Management System (referred to herein by its French acronym, SIGIF, [*Système d'Informatique de Gestion Forestière*]) is the Ministry of Forest unit charged with drafting, managing, and disseminating forestry information. It calculates the amount of RFA due from concession owners.

Forest Revenue Enhancement Program (PSRF) is a joint Ministry of Forests and Wildlife and Ministry of Economy and Finance program charged with ensuring the collection of Cameroon's forestry revenue. It issues the demands for payment of the RFA fees to concession owners and records payments of funds to rural councils and village communities.

Rural Councils are “decentralized public authorities and artificial entities under public law given judicial personality and financial autonomy. They manage local affairs under the supervision of the State towards the economic, social and cultural development of the local population ¹” (Law No. 74/23).

- They are led by mayors and assisted by deputies (who are elected from the rural councils and appointed by regulation).
- Mayors and deputies form the executive body of the rural councils – those councils are deliberating bodies.
- Rural councils consist of councilors elected for five-year terms.
- 40% of the revenues from the RFA are allocated to rural councils, and the mayor of the rural council chairs the relevant Forest Fee Management Committee.

Forest Fee Management Committees are the main bodies involved in the management of the forestry revenue allocated to village development (10%) ever since the MINEFI/MINAT (Ministère de l'Administration Territoriale) order on April 29, 1998. They decide which projects will be funded with the 10% allocated to villages.

- The committees are chaired by the mayors or the rural councils and include six representatives from villages, an auditor from the committee's majority village, the chief forestry officer, municipal councilors, a private sector representative, and technical support staff from relevant ministries as needed.
- A quorum is at least half of the committee members and decisions are made by simple majority.

Village Development Committees (VDCs) - are associations of villagers who work to promote development in a village. These committees consist of a self-selected general assembly and an executive branch usually consisting of a chairman, deputy chairman, secretary general, treasurer and one or two auditors (the selection processes vary depending on village and custom). These committees were the main bodies involved in the management of the forestry revenue allocated to village development until the MINEF/MINAT order on April 29, 1998, which provided for the establishment of a Forest Fee Management Committee for each village.

Source: ¹Unofficial translation, Bigombe Logo, 2003

STUDY AREA AND APPROACH

The case studies examined in this brief focused on three rural councils (Mindourou, Gari Gombo, and Bibey) in the forested region of Cameroon that receive RFA revenue. Additionally, interviews and data collection were conducted in Bertoua (East province), Yaoundé, Abong-Mbang (divisional-level town, East province), Yokadouma (divisional-level town, East province), Lomié (district-level town, East province), Njinikom (North West province) and Nanga Eboko (regional-level town, Center province). Efforts concentrated on collecting information about: public understanding of the RFA revenue-sharing system; revenue distribution mechanisms; the amount of RFA revenue received by rural councils and villages; the impact of this revenue on local wealth and livelihoods; decision-making mechanisms; transparency; monitoring and accountability systems; and community perceptions of the benefits of the RFA. Information was collected with a variety of methods⁵ and from a wide range of interested parties. Interviews with 525 households in 22 villages were central to the findings and analyses of the three rural councils.

THE RFA DISTRIBUTION SYSTEM IN PRACTICE: ANALYSES AND FINDINGS FROM THE CASE STUDIES

Although a series of laws and decrees⁶ lays out the processes of collection and distribution of the RFA, implementation rarely follows the letter or spirit of the law. Despite efforts to design an effective revenue distribution system, the findings of the three case studies indicated that, in practice, relatively little of the 10% allocated to village development (approximately US \$1.7 million over the study period) translated into benefits for villagers living in the areas adjacent to commercial forest concessions in the three rural councils. In those rural councils, only 43% of the funding allocated for village development had been accounted for (approximately US \$725,000 out of an estimated US \$1.7 million). Of the 40% allocated to the three rural council budgets just under US \$4.9 million of an allocation of US \$6.8 million was recorded as received by rural councils (around 70% of the amount designated — see details in Figure 1).

BOX 3

Steps in the Collection and Distribution of the RFA

Collection

Step 1: Every trimester, each logging company issues three checks or bank transfers to the government or to rural councils which have already opened a bank account – 50% for the national government, 40% for the rural councils and 10% for village development. Copies of the transfers are sent to the PSRF (or DGE for large companies). The amounts should be calculated based on the area of the company's forest concession, multiplied by its bidding price.

Step 2: The PSRF or DGE collects and validates the certified checks or bank transfers for the government (50%) and oversees the amounts directly transferred to rural councils (40% and 10%) by the logging companies. If the companies do not follow the guidelines for payments, they face penalties.

Distribution

Step 3: If the rural council has yet to open a bank account, the PSRF or DGE send the amounts due to the rural councils (40%) and the villages (10%) by check or bank transfers. The checks are made out to the Municipal tax collector.

Step 4: The RFA estimated annual amounts are integrated in the council's provisional budget¹

Step 5: Once approved by the municipal council, the mayor, who is the person authorized to validate accounts in rural councils, makes the budget effective. When the RFA is transferred to the council, 40% enters the council's annual budget.

Step 6: For the 10% targeted for village development, VDCs are informed about their annual share of the RFA and are supposed to propose development projects to the council, to be realized with their amount of the RFA.

Step 7: A Forest Fee Management Committee, presided over by the mayor, who is assisted by the district's administrative authority and representatives of other involved ministries, decides the rules governing the division of the revenues targeted for village development (the 10%) among the villages of a rural council. The division of revenues varies among rural councils: some prefer to split the 10% equally among all the council's villages; others use *ad hoc* methods.

Step 8: The rural council then reviews village projects and budgets. Eventually, if a project is deemed feasible, the mayor approves it.

Step 9: Once a project is approved, the mayor is supposed to issue a call for proposals for the work needed to realize it.

Step 10: After the project is finished, the rural council approves the disbursement of funds to pay for the winning tenders.

Step 11: The collector of municipal taxes or the collector of the public treasury signs the check, pays the Contractor, and the procedure is closed.

Source: ¹Nzoyem et al. 2003

In all three rural councils, the records of the amounts disbursed to them and to the villages differed significantly between the national PSRF source and the records of the local council itself. The Mindourou Rural Council's records indicated that from 2000 to 2004, the council received approximately 50% of the amounts (for the villages and the rural council) that were recorded in PSRF data. In the other two rural councils, their records indicated that they received more than the 40% that was allocated to them by the PSRF for use by the rural council.⁷ Gari Gombo recorded receiving only 40% of the PSRF's allocation for village development and Bibey did not have any record of the amounts that were allocated for village development from 2000 to 2004. Record-keeping systems also varied widely between rural councils and villages, making comparisons and monitoring difficult. Representatives of the rural councils also noted that the late payment of RFA allocations by the PSRF often prevented villages from receiving their allocated revenues in the prescribed fiscal year. This made it difficult to determine if discrepancies in recorded revenues were due to

poor accounting or to funds not reaching rural councils and villages during the fiscal year for which they were allocated.

Investment of RFA Revenues

As might be expected given the relatively higher amount of RFA funds received, the villages under the Mindourou Rural Council demonstrated the most investment from the 10% allocated to village development (See Box 4). Investments at the village level were made in community houses (each equipped with a generator, television, and satellite antenna), chain saws, classrooms, temporary teachers, palm tree nurseries, wells, etc. An assessment of the costs of these investments showed that their value was overestimated significantly by rural council authorities and village management chairmen. Similar findings have appeared in previous studies (see RdC 2000b; Milol and Pierre 2000; Bigombé Logo 2003; Nzoyem et al 2003; Ndjanyou and Majerowicz 2004; Ngoumou Mbarga 2005).

MAP 1 Cameroon with Location of Rural Council Study Sites

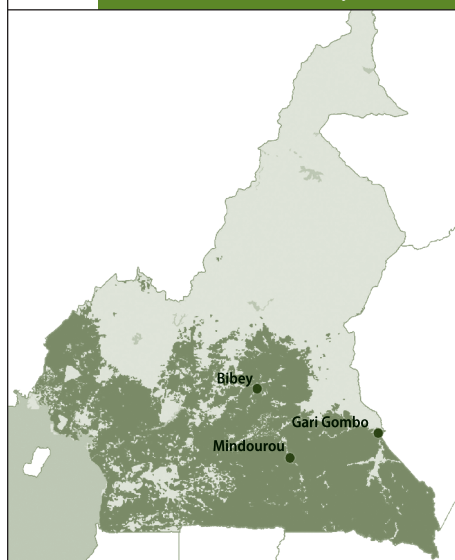
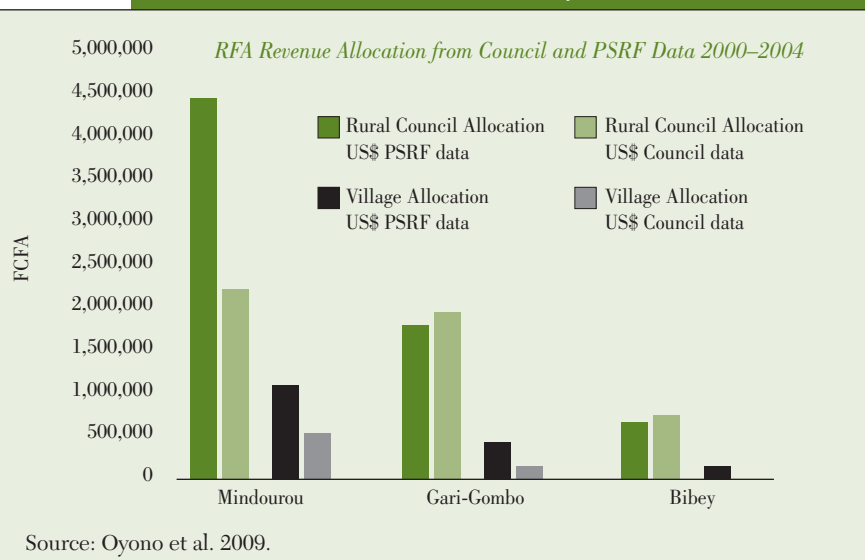


FIGURE 1 Discrepancies in the Amount of RFA Distributed to Mindourou, Gari Gombo and Bibey Rural Councils



BOX 4 Examples of Investments from the 10% of RFA Allocated for Villages

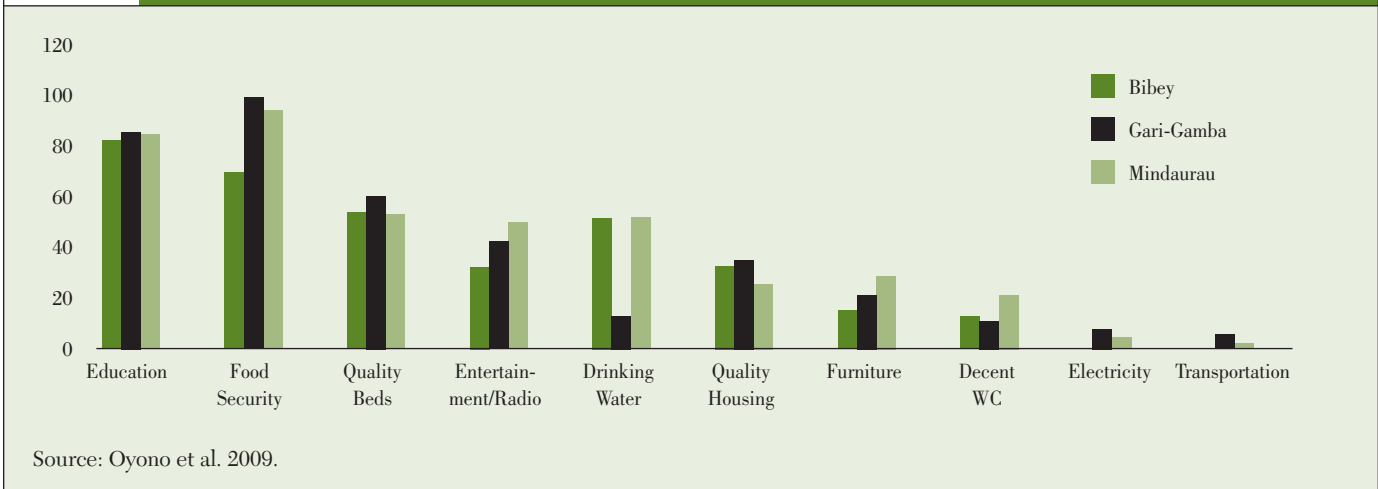
MINDOUROU	
<ul style="list-style-type: none"> Well-equipped community houses (including a generator, a television, and a satellite antenna) Chain saws Classrooms Community palm tree nurseries Music and sports equipment for young people Corrugated iron roofs for some households 	<ul style="list-style-type: none"> Wells Brick presses Financial assistance and scholarships to students Functioning of the village management committee Support to churches Financial support to temporary teachers
GARI GOMBO	
<ul style="list-style-type: none"> Corrugated roofs for some households Classrooms Financial assistance to students National identity cards Community houses (non-equipped) 	<ul style="list-style-type: none"> A well Brick presses Wheelbarrows Sports equipment Functioning of the village management committee
BIBEY	
<ul style="list-style-type: none"> 2 wells A health center A chainsaw A brick press 	<ul style="list-style-type: none"> A house for teachers A corn mill Functioning of the village management committee

It is clear, however, that even with RFA investment these villages continue to lack basic household assets and access to public infrastructure (See Figures 2 and 3)

At the rural council level, the 40% allocated to rural councils often represents a large proportion of their budgets (Nzoyem et al 2003). In the three case studies, RFA revenues repre-

sented between 70% and 90% of the rural council budget.⁸ This study found that these significant RFA funds were largely additional to previous revenue sources (i.e. they did not replace other funding sources from the government (see Box 5). The majority of RFA funds went to the development of municipal headquarters, salaries, and other operational costs of the local

FIGURE 2 Basic Assets in Households (expressed as a percentage of the total households interviewed)



government, with little investment in public infrastructure or significant effects on livelihood/household income in the three rural councils.

Distribution and Equity Issues

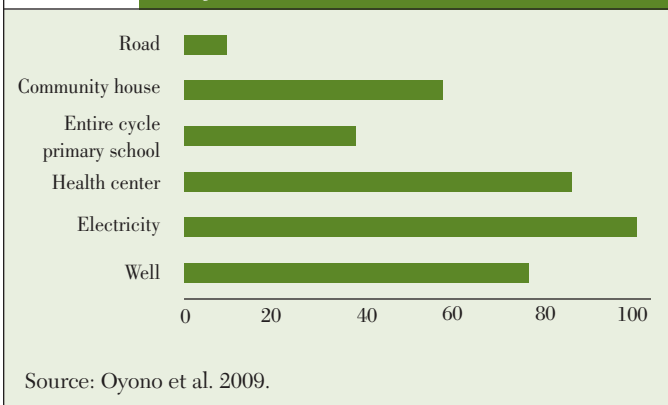
As explained above, the total RFA is based on the concession size multiplied by the price per hectare bid by the concessionaire. Hence, revenues per capita at the village level vary depending on the size of the concession, the RFA rate per hectare bid, the village allocation formula (decided by the Forest Fee Management Committees), and the number of people and villages adjacent to the concession. The price per hectare paid for logging rights varies significantly from the minimum level of 1500 CFA (~ US \$3) to some more recent SSVs that have been subject to competitive bidding and have a price greater than 10,000 CFA (~ US \$20) per hectare. In the three rural

councils examined, the annual allocation of RFA calculated on a per capita basis ranged from 800 CFA per person per year in Gari Gombo to 12,500 CFA per person per year in Bibey and 18,000 CFA/year in Mindourou. This wide range of RFA per capita allocation levels across the three rural councils has the potential to increase inequities across their constituencies.

One of the means proposed to address national equity issues has been the development of an equalization fund. The purpose of the fund would be to rationalize the distribution of the portion of the RFA going to rural councils and forest-adjacent communities. It was introduced in legislation in 2000–2001. This initiated a study by the Department for International Development (DFID) in the United Kingdom and the Government of Cameroon to determine how it would be implemented. The study proposed three options for its implementation: to distribute funds to all 355 Rural councils; to limit the distribution of funds to rural councils adjacent to active forestry titles (53 rural councils) or to distribute funds to all rural councils in the forested area of Cameroon (163 rural councils). It also suggested five ways to allocate money based on:

1. arithmetical distribution
2. distribution proportional to the population
3. equalization proportional to the population, after payment of a minimum sum to each rural council
4. equalization proportional to the area of logging titles (forest concessions and SSVs), after payment of a minimum sum to each rural council; and
5. distribution after leveling.

FIGURE 3 Number of Villages Lacking Infrastructure (expressed as a percentage of the total villages surveyed)



Originally, it was proposed that FEICOM,⁹ a government fund under the Ministry of Territorial Administration charged with investing in urban and rural development, administer the money. The fund is not operational yet because of a backlash from mayors and rural councils currently receiving RFA funds. Any change in the distributional arrangements of the RFA revenue-sharing system will require substantial advocacy efforts to overcome vested interests. In the short run, efforts may be spent better improving implementation of the current system and researching mechanisms for addressing equity issues both nationally and in forested areas.

A CLOSER LOOK AT THE DESIGN AND IMPLEMENTATION OF THE RFA REVENUE-SHARING SYSTEM

The RFA revenue distribution system both transfers revenues to rural councils and forest-adjacent villages and decentralizes the decision-making authority over use of those resources (within general guidelines¹⁰). For fiscal decentralization to be effective, it must be accompanied by appropriate checks and balances, that include: transparency, monitoring, accountability, management capacity and effective participation and representation (Ribot and Larson 2005).

Transparency: Breakdown at the Rural Council Level

As indicated earlier, the concession owners issue nine checks or bank transfers annually (three each trimester) to the central government, rural councils and villages, and the amounts are printed in local newspapers. The PSRF organizes public ceremonies during which the checks destined for rural councils are given out. Despite this transparency at the national level, the case studies found discrepancies between the amounts that the central government recorded being disbursed and what municipal and village level accounts indicated had been received. Because of poor monitoring and accounting practices at the rural council and village level, it is unclear to what degree these discrepancies were due to accounting errors and to what degree they were due to corruption.

Although transparency is embedded in the system with the public distribution of information at the national level, information becomes harder to find and verify at the municipal and village levels. In some cases, the rural councils kept good records and were open to sharing the information (as in the case of the Mindourou Rural Council and mayor), but in the two other cases (Gari Gombo and Bibey Rural Councils), records of the receipt and disbursement of funds were less complete. There is a clear need to improve the reliability of records at the rural council and

BOX 5

RFA: Additional or Substitute Revenue?

One aspect key to the success of fiscal decentralization is the need to define the responsibilities of each level of government in terms of expenditures. In the case of the RFA, there must be a clear demarcation of municipality and village responsibility with regard to these funds, along with a clear definition of what the central government will continue to finance and in what areas. One danger with any new revenue source is that it could end up substituting for other revenues and have no added value. After consulting with municipal governments and villages, returns from RFA revenues to rural councils and villages appear generally to be added to resources from the central government that were allocated before the distribution of the RFA revenues.

village levels and to increase the transparency of this information to the public and, most importantly, to the constituents of the villages and communities receiving RFA revenues.

Monitoring: Audits and Monitoring of RFA Revenue Expenditures Are *Ad Hoc*

Technical and financial auditing of RFA revenue expenditures, along with monitoring of the use of RFA revenues by constituent villages, could provide the basis for improved transparency and accountability in the use of RFA revenues. However, neither mechanism is being implemented adequately for various reasons, such as the lack of political will, financial resources, staffing, technical capacity, and awareness.

The national and provincial governments have structures in place that potentially could monitor the revenues and expenditures of the RFA funds going to rural councils and villages. At the provincial level, for example, the Ministry of Economy and Finance oversees the Provincial Center for Public Accounting that conducts annual audits of accounts and reserves the right to perform unannounced audits as it sees fit. The Ministry of Economy and Finance's General Treasury and Budget Office also has personnel mandated to monitor rural council-level finances. At the national level, the Budget Office has the authorization to monitor the accounting of municipal treasurers. However, according to Nzoyem et al (2003), provincial and national authorities are understaffed and have limited operational resources to visit rural councils and villages to monitor accounts and perform audits. With three authorities charged with monitoring accounts, there is sometimes confusion over jurisdiction, and collaboration between agencies is often lacking. Monitoring is also made more difficult without a standardized system of accounting that is implemented consistently at the municipal and village levels.

Although national and provincial authorities have useful roles to play in auditing the expenditure and management of RFA funds, villagers and community members also can play an important part in monitoring, by tracking RFA allocations and disbursements to their villages and demanding information from Rural councils on RFA revenues and expenditures. In spite of this, the case studies found that awareness, understanding and meaningful participation in the system were very limited. Interviews with villagers found varying levels of knowledge about the system. Some villagers were not aware that the village received revenues from the RFA, whereas others were aware of the concept but not of the amount allocated to the village. Furthermore, most of those who were aware could not distinguish between investment funded by the RFA and investment from other sources.¹¹

Accountability: Rural Councils and Mayors Face Few Consequences for Poor Management

To be successful, fiscal decentralization should be accompanied by effective mechanisms for ensuring upward and downward accountability. In the case of the RFA redistribution system, there is little upward accountability to the Ministry of Economy and Finance and the national government; downward accountability to the constituents living in and around timber extraction titles is virtually non-existent.

The case studies found that audits by the Ministry of Economy and Finance's General Treasury and Budget Office were infrequent, ostensibly because of the lack of implementation capacity and systematic procedures for tracking the receipt and expenditure of funds. Improper use of RFA funds should lead to some sort of sanction by authorities. However, without the political will and the proper capacity and means to monitor expenditures, detection is difficult. Even if mismanagement or embezzlement is detected, a significant negative incentive will occur only if the probability of arrest, prosecution, conviction, and the time and size of the penalty are high enough.¹² Although the case studies did not look directly into the enforcement chain, it is clear from the lack of systems and resources dedicated to monitoring expenditures of the RFA that upward accountability is a low priority in the RFA revenue-sharing system.

Downward accountability is undermined by a lack of awareness of the system by the local population, weak mechanisms for effective community participation in decision-making and limited means to hold mayors accountable for resource allocation decisions. Even in rural councils where awareness was generally high, mayors continued to dominate decision-making with very little recourse open to villagers who were unhappy

with the management of RFA revenues. Because mayors are elected, one might expect a natural accountability mechanism to exist, but holding mayors accountable has proven difficult, given the dominance of the national party and the fact that mayors are chosen from among the elected rural councilors by the councilors themselves.

Effective Participation and Representation

Regulatory guidelines for the Forest Fee Management Committees, which decides on the allocation of the RFA at the village level, stipulate that a majority of a committee's members be village representatives. However, nowhere in the legislation is "village representative" defined. The committee is chaired by the duly elected mayor of the rural council, who, in practice, often dominates the decision-making process. "Village representatives" are often co-opted or self-appointed (Oyono et al. 2009, Bigombe Logo 2003) and have little experience or skills in negotiation, development planning, financial management, and effective representation of the frequently diverse needs and views of village populations. As a consequence, village representatives are often marginalized by other committee members (who include civil servants, councilors, and technical support staff), with little importance given to their opinions (Bigombe Logo 2003).

The issues of effective village representation and the accountability of the mayor to village interests must be addressed to increase the effectiveness of RFA investments in meeting village development needs. "Village representatives" and the procedures for selecting them should be defined. The processes that frame decision making in the Forest Fee Management Committees must be developed also to ensure active participation and consideration of village representative priorities. Lessons learned in decentralization reforms have shown that there must be a clear line of accountability from the decision makers to the local population for decentralization to be equitable and efficient (Ribot 2004). Accountability mechanisms must be improved to ensure the responsiveness of mayors to village priorities.

CONCLUSIONS

From the findings of the three case studies, it was clear that RFA funds were not being invested effectively in community development in forest-adjacent communities. Several obstacles contributed to the failure of the revenue-sharing system to achieve its goals of the reduction of conflict and poverty alleviation, namely:

1. Transparency broke down at the level of the rural council, where expenditure decisions for the council and for the villages are made by the mayors and in the corresponding councils.
2. The lack of effective monitoring and standardized accounting systems made it difficult to determine where funds were allocated.
3. The lack of accountability provided no consequences for poor management and no incentives for good management.
4. Effective representation, the participation of communities in decision-making, and the monitoring of investments were rare.
5. Weak management capacity at the rural council and village levels was evident.

The investment and impact of the RFA funds in the three rural councils studied fell well short of the expectations of villagers and private-sector firms that are paying the fees. Revenue-sharing impacts on poverty alleviation and conflict reduction seem negligible. From the case studies and the previous studies of the RFA revenue-sharing system, it is clear that if the RFA revenue-sharing system has any chance to contribute to these objectives, transparency, monitoring, accountability, management capacity, and the effective participation of villagers in expenditure decisions must be strengthened.

RECOMMENDATIONS

The effectiveness of the distribution of forestry revenues as a tool to contribute to poverty reduction, distributional equity and sustainable forest management is not merely a question of allocating resources to rural council and village development. A well-functioning system requires mechanisms that foster transparency, accountability, and competent monitoring. It must be accompanied by the requisite management and planning capacity, valid community engagement in decision-making, and a clear definition of the roles and responsibilities of the various institutions and actors involved. Without these components and the political will to implement them, systematic development impacts are unlikely to materialize.

The findings of the three case studies confirm and build upon the findings of a number of previous studies [Milol and Pierre (2000); Nzoyem et al (2003); Bigombé Logo (2003); Ngoumou Mbarga (2005)]. As a result of these analyses, a series of recommendations is outlined below to increase the effectiveness of the RFA revenue-sharing system to contribute to poverty reduction, distributional equity, and sustainable forest management.

Financing Transparency, Monitoring, Participation, and Accountability

The Forest Revenues Enhancement Program, under the Ministry of Economy and Finance and Ministry of Forests and Wildlife, should set aside 5% to 10% of the total RFA revenues to develop and maintain effective transparency, monitoring, participation and accountability mechanisms, as well as to build capacity at the various government, rural council, and village levels to implement those mechanisms.

The Government of Cameroon should consider funding the development of improved transparency, monitoring, participation, and accountability mechanisms from RFA revenues already allocated to the national budget (50%). This should be accompanied by incentives for rural councils to adopt these mechanisms quickly.

The funds dedicated from national government revenues would be used for the development of standardized accounting systems for municipalities and villages and the operational costs of auditing and monitoring. These funds also would finance the implementation of these systems and capacity-building at the rural council and village levels.

More specifically, funds should be provided by the government from the 50% that is not earmarked for the rural councils to:

- develop, implement and enforce standardized accounting systems set up by the Ministry of Economy and Finance through the PSRF to be used by rural councils and villages to track RFA revenues and expenditures (to be implemented by the Ministry of Economy and Finance and the PSRF).
- strengthen existing auditing systems and build operational capacity to audit rural council RFA expenditures regularly (to be implemented by the Ministry of Economy and Finance).
- build the capacity of local villagers to engage effectively in the decision-making process by: 1) defining a democratic process for selecting village representatives; 2) developing decision-making procedures that ensure effective consideration of village representatives' priorities; 3) producing training in development planning, basic budgeting, and accounting; 4) increasing local representation on Forest Fee Management Committees that determine project funding; and 5) establishing Forest Fee Management Committees in villages where they do not exist (to be implemented by rural councils through engagement with local NGOs and the Ministry of Economy and Finance);

- build transparency into the use of RFA funds at the rural council and village levels through the posting of RFA revenues and expenditures in public gathering places, printing them in local newspapers and periodicals, and annual meetings with villagers to present and explain expenditures financed by the RFA (to be implemented by the Ministry of Economy and Finance together with the Ministry of Forests and Wildlife). In addition, mayors should be required to publish a full list of the projects funded under the RFA, with their locations and costs.
- holding public hearings, if an RFA audit has failed, that involve all the villages in the rural community so that the leaders can be sanctioned for the inappropriate use of funds according to existing laws.
- commissioning a study of the enforcement chain to identify actions to increase the negative incentive for the misuse of RFA revenues and to strengthen the enforcement chain.

Accountability and Management Issues

Increasing the accountability of those responsible for the management of RFA revenues will require oversight and involvement in several of technical and political areas. Ensuring that the costs of embezzlement and mismanagement outweigh the benefits from the inappropriate use of RFA revenues is essential. This will require raising awareness, building capacity, and providing resources for those responsible for detection, arrest, prosecution, conviction, and, finally, establishing implementation and enforcement of penalties. These are roles that the existing administrative and judicial hierarchy can play with oversight from the Cameroonian parliament.

Parliamentarians are well placed to participate actively in the monitoring and oversight of rural councils and Forest Fee Management Committees in the administration of RFA revenues. Parliamentarians have the convening power and authority to investigate the management of RFA funds. The Environmental Committee in the Cameroonian parliament, in partnership with civil society organizations, should take the lead in ensuring increased accountability in the expenditure of RFA revenues by:

- acting as an Ombudsman for villages with complaints of RFA revenue mismanagement.
- investigating specific cases of the misuse of RFA funds.

In Cameroon, there is an independent observer¹³ of the forestry sector working with the government to improve governance in the sector. As a part of the observer's ongoing mandate, they are charged with examining control mechanisms on the ground, increasing transparency, and following the sanction process for infractions of forestry law. One option that should be explored is to have the independent observer build on their existing functions and work with the government to identify the possible mismanagement and misuse of RFA funds, provide information, and suggest follow-up actions by the Environmental Committee of the Cameroonian Parliament.

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FURTHER INFORMATION

This issue brief stems from a joint WRI-CIFOR study carried out in Cameroon in 2005–2006. Greater detail on the study's methods, context and the analysis of its findings can be found in the associated working paper by Oyono et al (2009) titled: *Forest Taxation in Post-1994 Cameroon: Distributional Mechanisms and Emerging Links with Poverty Alleviation and Equity*, published on the Web by WRI (www.wri.org).

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NOTES

1. Cameroon divides its forest land into two large classifications - the permanent and non-permanent forest domains.
2. MINEFI unofficial estimates.
3. See the findings later in this brief.
4. Article 68 of Law 94/01, Forest Code of Cameroon.
5. Documentary review and policy analysis, formal questionnaires, semi-structured and structured interviews, key informants, stakeholder analysis, GIS, influence analysis, social and wealth mapping, analysis of intra-household issues (activities, resources, income), CIFOR social science methods assessing human well-being, and participatory rural appraisal tools.
6. Cameroon's 1994 Forestry law provides the basic legal framework for management of the countries forests, along with a series of later decrees including: Article 122 of Decree No 95/531 (August 23, 1995) establishing the procedure for implementing Cameroon's forestry regime; (iii) Article 10 of Decree No 98/009/PM (January 23, 1998) establishing the tax base and procedure for recovery of duty, fees, and taxes related to logging activities; and (iv) Joint Arrêté No. 000122/MINEFI/MINAT (April 28, 1998) establishing the procedure for the use of logging revenue intended for neighboring village communities (Oyono et al. 2009).
7. The Cameroon government changed its fiscal year from June-July to January-December, in 2002-2003. Mindourou did not register any amount for the transitional period, whereas Gari Gombo and Bibey registered at least part of the 10% into the rural council budget, thus ending up with higher values than those officially distributed at the central level for 2002-2003.
8. This corresponds to the findings of a 2003 UK Department for International Development (DFID) audit (Nzoyem et al 2003) that found revenues allocated to the rural councils represented 75% of their total spending.
9. *Fonds d'Intervention et d'Équipement Communal*

10. Bill 122 specifies that funds transferred to forest-adjacent communities must be invested in public works, such as: water provision, electrification, construction and maintenance of bridges, roads, works of art, sports equipment, school infrastructure, health facilities or medicine, and other projects of interest to communities, decided by the communities themselves.
11. Specifically, villagers could not distinguish between investments from the RFA and investments resulting from “cahiers des charges,” which provide investments in village development that are negotiated directly between timber companies and villages. It was also difficult to distinguish between RFA investments made with a rural council’s 40% and the 10% allocated to village development.
12. Economists have created an Economic Enforcement Model that defines the enforcement disincentive (ED) as: $\text{Enforcement Disincentive} = P_d \cdot P_a \cdot P_p \cdot P_c \cdot \text{Penalty} \cdot e^{-rt}$, where P_d is the probability of detection, P_a is the probability of arrest given detection, P_p is the probability of prosecution given arrest, P_c is the probability of conviction given prosecution, r is the discount rate (of the illegal actor), and t is the time between initial detection and payment of the penalty.
13. The independent observer role is being carried out by an NGO called Resource Extraction Monitoring.

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