Addressing corruption in timber trade

TI Asia Pacific

Forest Governance Integrity Programme
Why is TI in the forest sector?

- Demanded by the National Chapters in the region
- Because forests and forestry are important to the region
  - Economically and socially
- Illegal logging robs countries of vital natural, financial, and social resources, resources that could go a long way towards meeting the MDGs
- Corruption drives illegal logging and illegal timber trade
What we aim for

Contribute to curbing corruption and strengthening forest governance systems in Asia Pacific through improved transparency and accountability.

How are we doing this?

• Development of corruption risk maps and monitoring tools
• Advocacy for – and to support – policy changes

Using our convening power: *Getting the forestry people talking to anti corruption people*
Illegal timber trade

 ![Graph showing illegal timber trade with high consumption and high percentage of suspicious log supply for countries like Cameroon, Indonesia, Ghana, and Brazil.](https://example.com/graph.jpg)
Illegal timber trade (Indonesia)
Challenges

Roundwood trade flows in million m3
Source: ITTO 2009
Tropical sawnwood trade flows in million m³
Source: ITTO 2009
Challenges

• Complexity of regional and global trade flows.

• Lack of international agreement on timber trade (except CITES) that could enable the seizing of illegal shipments.

• Corruption is not addressed as a driver of illegal timber trade and timber laundering.
Timber trade and corruption risks

- Laundering at the harvesting stage
  - *Example:* In Papua, Indonesia, large payments by companies to facilitate the approval of their annual logging plans without controlling the fee payment or permitted amount to harvest.
- Bribing officials to allow export of illegally harvested timber
- Falsifying documents
- Bribing officials to accept misrepresentation of species, volume, etc.
- Timber from illegal permits processed by a legitimate company and then exported
What can the EU do?

• Need for increased cooperation to address the regional / international dimension of timber trade governance: the EU can lead the way.

• Include anti-corruption as a major component of their forest governance strategy (FLEGT, VPAs, etc.).

• Support other stakeholders to develop anti-corruption tools.
## TI’s current research work - Example

<table>
<thead>
<tr>
<th>Activity</th>
<th>Actors Involved</th>
<th>Corruption Threat</th>
<th>Corrupt Practice</th>
<th>Ranking (1–5)</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National</td>
<td>District</td>
<td></td>
<td>Impact</td>
<td>Likelihood</td>
</tr>
<tr>
<td>Timber supply</td>
<td></td>
<td></td>
<td>Sale/Export</td>
<td>Customs; Ministry of Finance; Ministry of Trade</td>
<td></td>
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<tr>
<td></td>
<td>Customs; Police; Navy; Coast Guard</td>
<td>Rummaging (black market)</td>
<td>Omission: Bribery to allow fraudulent/undocumented shipments across borders</td>
<td></td>
<td>Extortion to issue permits</td>
</tr>
</tbody>
</table>
### TI’s current research work - Example

<table>
<thead>
<tr>
<th>Anti-corruption tools</th>
<th>Implementing Agent</th>
<th>Capacity</th>
<th>Effectiveness</th>
<th>Monitoring Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber supply</td>
<td><strong>Risk area: Illegal logging</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Government**

**Legislation**

- International
  - CITES
  - FLEGT VPA
  - Lacey Act and other laws restricting illegal wood
  - UNCAC,
  - OECD

- MoF

- CITES/FLEGT
- Anti-bribery/money laundering Suspicious Transaction Reporting (STR)/Financial Action Task Force (FATF) reporting
Thank You

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