

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

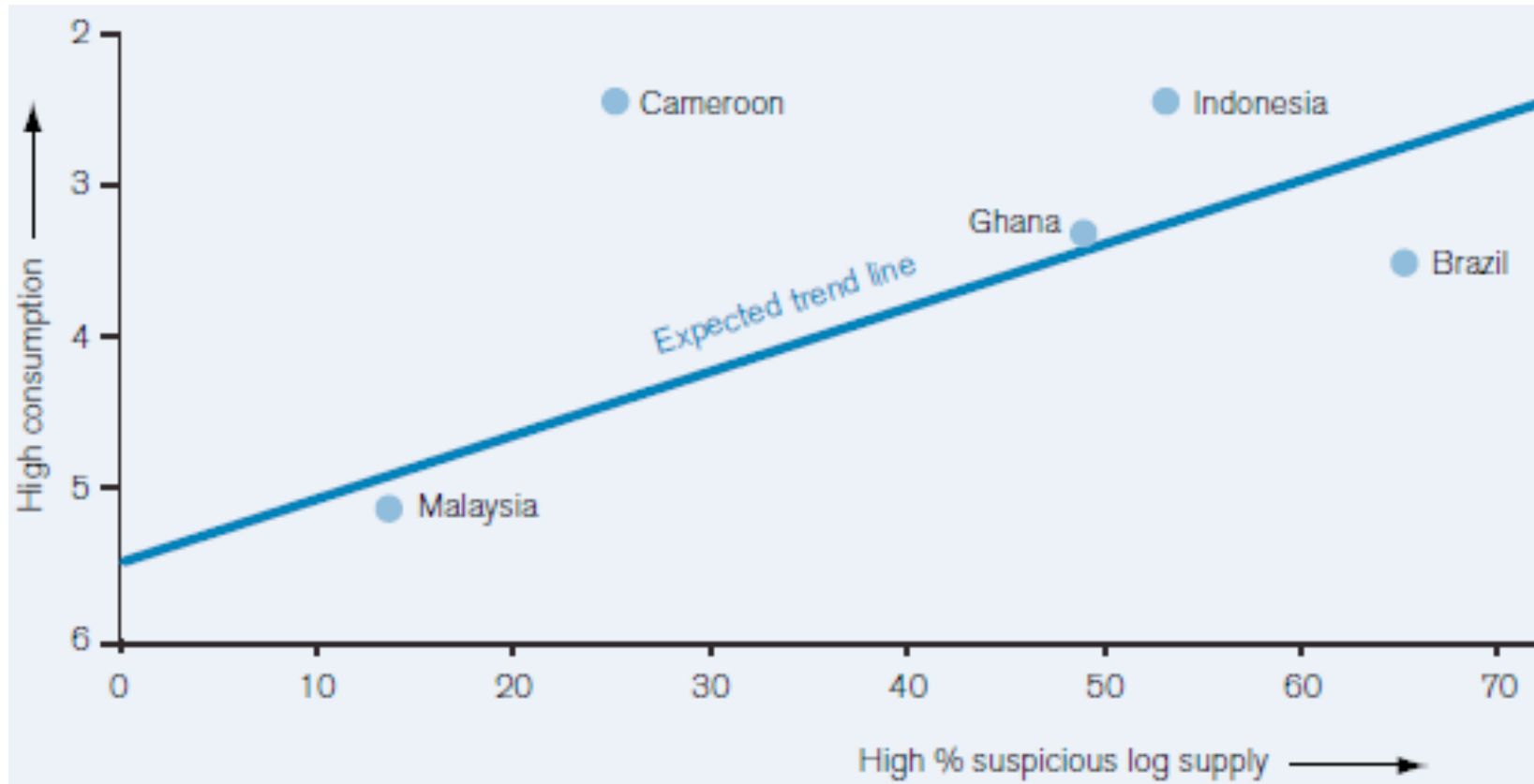
Contribute to curbing corruption and strengthening forest governance systems in Asia Pacific through improved transparency and accountability.

How are we doing this?

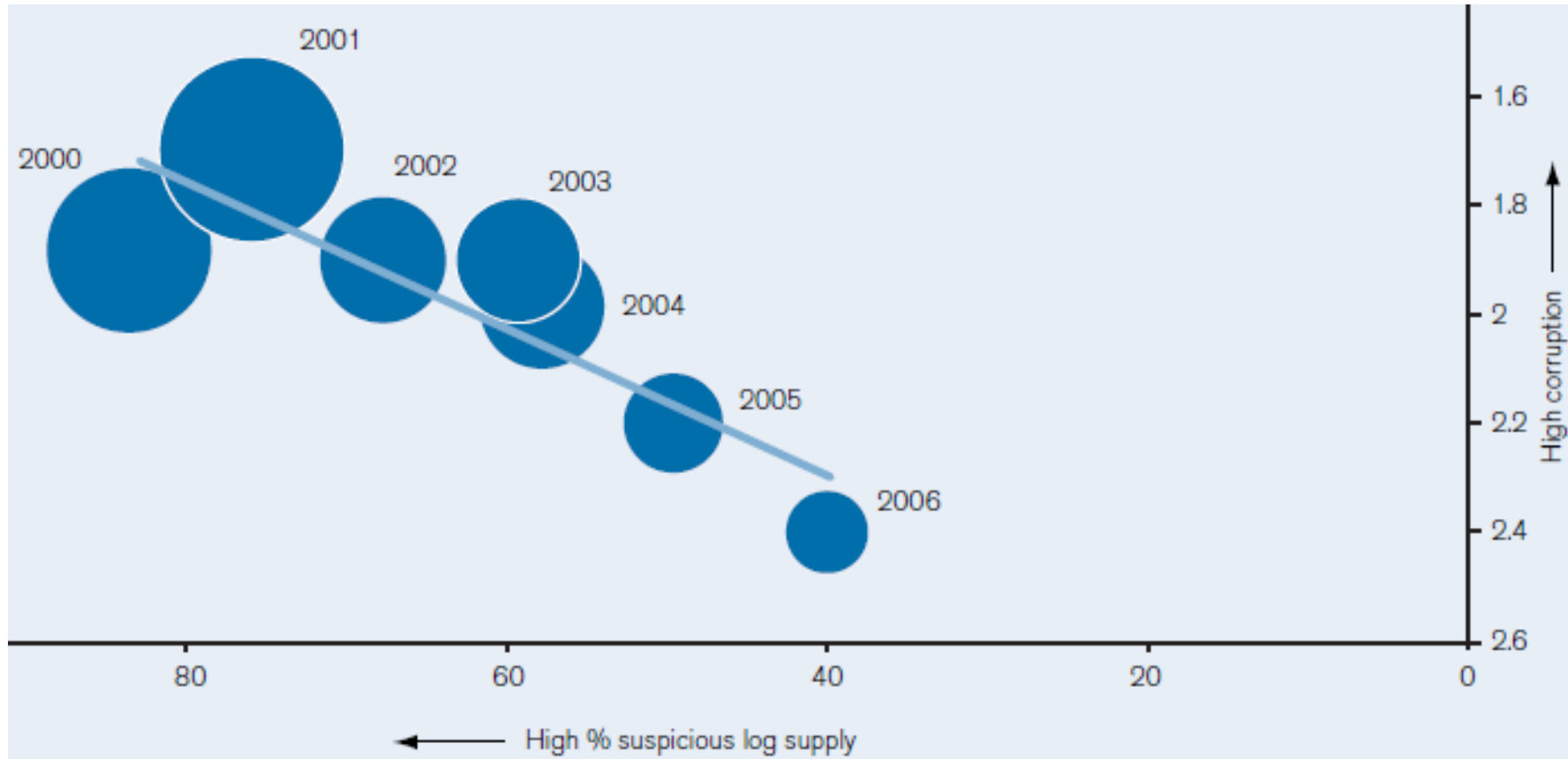
- Development of corruption risk maps and monitoring tools
- Advocacy for – and to support – policy changes

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

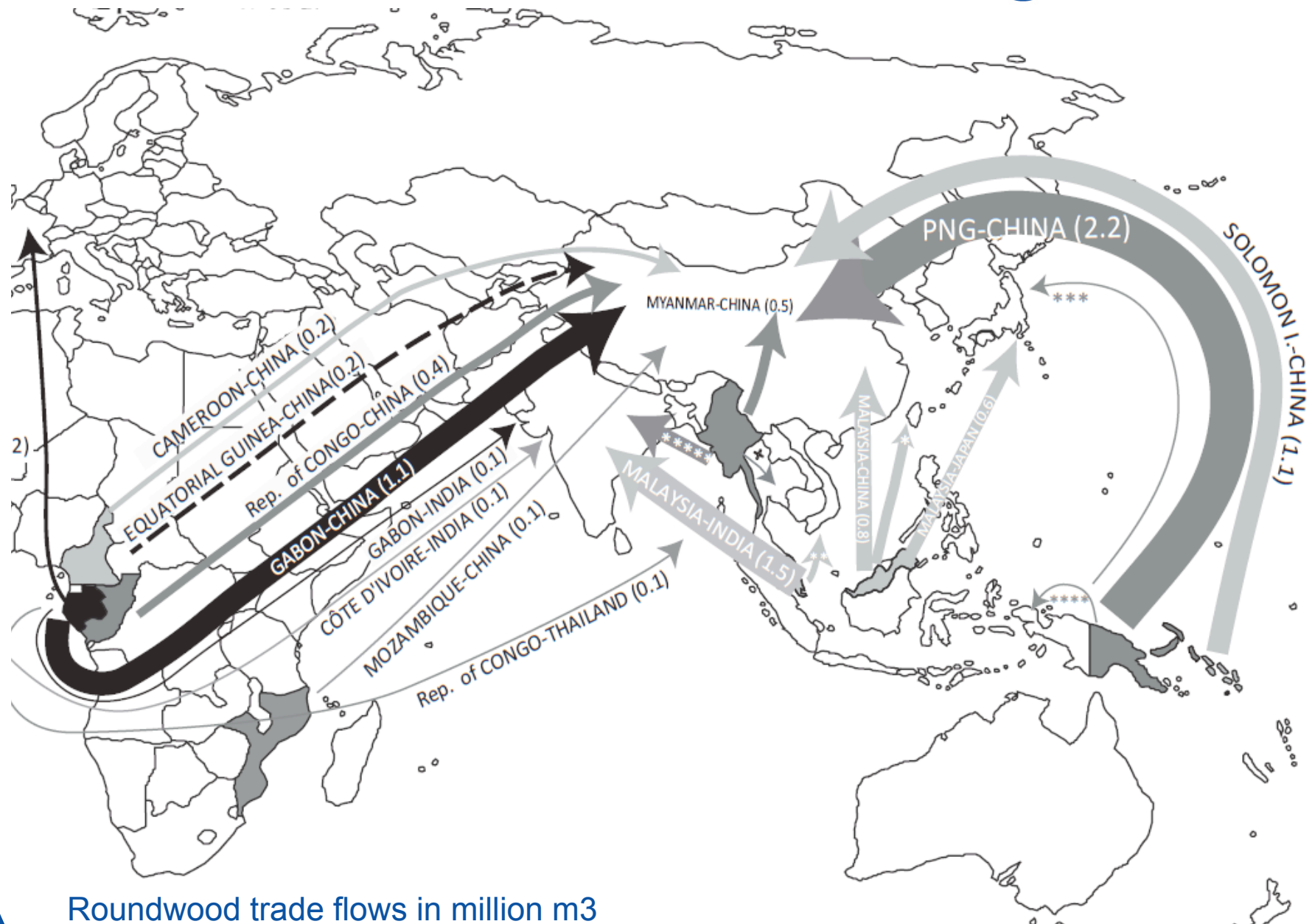
Illegal timber trade



Illegal timber trade (Indonesia)

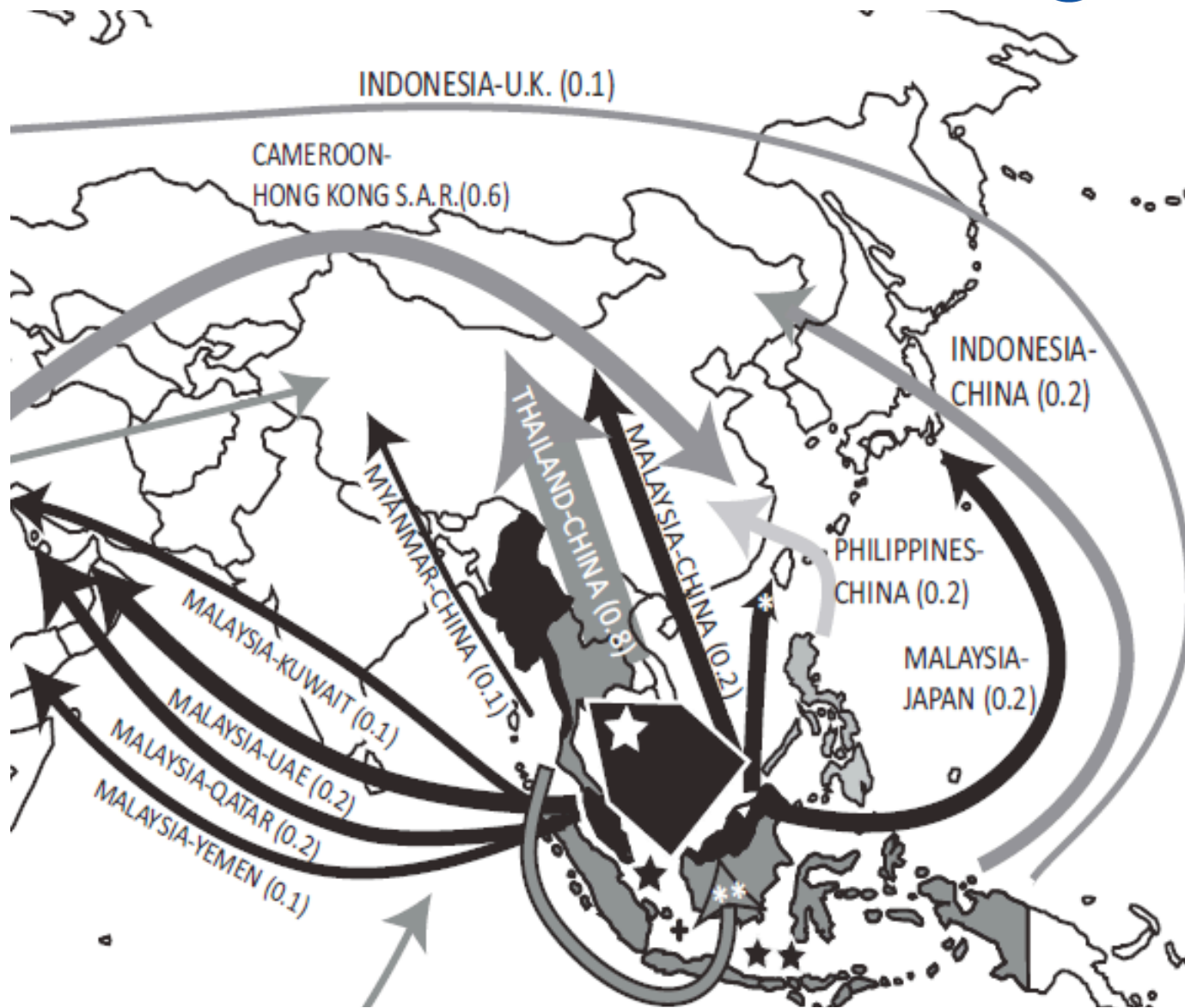


Challenges



Roundwood trade flows in million m³
Source: ITTO 2009

Challenges



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

Activity	Actors Involved		Corruption Threat	Corrupt Practice	Ranking (1 – 5)		Risk <i>Impact X Likelihood</i>
	National	District			Impact	Likelihood	
Timber supply							
Sale/Export	Customs; Ministry of Finance; Ministry of Trade	Customs; Police; Navy; Coast Guard	Smuggling (black market)	Omission: Bribery to allow fraudulent/undocumented shipments across borders Extortion to issue permits			

TI's current research work - Example

Anti-corruption tools	Implemen- ting Agent	Capa- city	Effecti- veness	Monitoring Mechanisms
Timber supply		<u>Risk area:</u> Illegal logging		
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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