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LITERATURE REVIEW ON CORRUPTION RISKS IN THE FORESTRY SECTOR IN COMIFAC COUNTRIES

QUERY

Can you provide information about studies and reports on corruption in the forestry sector for countries members of the COMIFAC?

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SUMMARY

This answer provides a non-exhaustive list of publications on corruption risks faced by COMIFAC countries. Additionally, given that many of such risks are not country-specific, literature that addresses the problem from a broader perspective is also presented.

1 INTRODUCTION

Corruption in the forestry sector is often rampant. The sheer size of the resource and its often remote location allows for the emergence of illegal logging, mining and hunting activities as they become extremely hard to monitor and accessible even to those that lack sophisticated technological resources (e.g. backhoes, bulldozers, chainsaws)¹. Research has established that corruption risks in the forestry sector are present along different stages of the production/supply chain which facilitate the occurrence of such illegal practices. They are particularly common in the licensing/regulation phase, the revenue collection process and in law enforcement. In fact, bribes and political corruption may play a crucial role in the process of granting logging, hunting or mining permits in protected areas; illegal tax agreements may be in place to reduce the size of the otherwise lawful payments; and, even when illegal activities are detected, judicial corruption may prevent the actual prosecution of such practices².

The COMIFAC countries³ in the Congo Basin region are not exempted from such risks, considering that most of them occupy the bottom ranks of Transparency International's index (they are on average ranked 131 out of 177)⁴.

Yet, the literature addressing corruption risks in the forestry sector specific to the COMIFAC countries is scarce. Most of the literature either tangentially addresses the region's unspecified corruption risks

¹ Hicks, 2013. *Timber Industry & Corruption: Sub-Saharan Africa*. <http://talkaboutfoodjib.files.wordpress.com/2013/08/final-paper-timber-industry-corruption-in-ssa-final.pdf>

² Transparency International, 2011. *Analysing corruption in the forestry sector*. http://www.transparency.org/whatwedo/pub/analysing_corruption_in_the_forestry_sector_a_manual

³ The Central African Forest Commission (French: *Commission des Forêts d'Afrique Centrale, COMIFAC*) is an intergovernmental organisation created with the intention to prompt the sustainable management of forests in Central Africa. Its members are: Cameroon, Central African Republic, Republic of Congo, Democratic Republic of Congo, Gabon, Rwanda, Sao Tome and Principe, Chad, Equatorial Guinea and Burundi.

⁴ Transparency International. *Corruption Perception Index 2013*. <http://cpi.transparency.org/cpi2013/results/#myAnchor1>

(as part of a broader concern for deforestation) or focuses on the risks faced in only two (out of ten) countries, namely: Cameroon and the Democratic Republic of Congo (DRC).

All in all, as the literature review shows, the corruption risks observed in these countries follows similar patterns as those observed in other forestry-rich countries. Corruption is present along the whole production chain, especially in that of illegal logging. Fraudulent acquisition of licenses, racketeering by public officials of timber traders, as well as tax evasion and judicial negligence are all observed in COMIFAC countries. In addition, international donors' resources aimed at enhancing forest governance are seemingly also prone to embezzlement or to be used to finance illegal activities.

This answer presents a non-exhaustive review of the available publications on the subject. It will first devote its attention to illegal logging, arguably the type of activity mostly associated with corruption in the forestry sector of COMIFAC countries. It will then shed light on corruption risks in donor assistance projects to these countries. Lastly, since corruption risks are not always country-specific, this literature review will conclude by introducing some of the general international publications on the topic.

2 CORRUPTION RISKS AND ILLEGAL LOGGING IN CONGO BASIN

Illegal logging could not be effectively carried out were it not for the existence of well-established corruption networks. The complicity of numerous public officials (forest authorities, police, customs) is pivotal to the business, as it either allows the activities to take place or to continue without any sanctioning. For instance, corruption enables companies to log and export timber species protected by law, to log in protected areas or in zones outside of the granted concession, and to transport illegally extracted timber to specific markets⁵.

⁵ Callister, 1999. *Corrupt and illegal activities in the forest sector*. World Bank. <http://siteresources.worldbank.org/EXTFORESTS/Resources/985784-1217874560960/Callister.pdf>

In the process millions of dollars are lost in what would otherwise be revenues gained from proper tax collection. Further governance issues arise as criminal gangs acquire control over lumber transport roads and international trade, which is in turn detrimental to any anti-corruption effort⁶.

COMIFAC countries are subjected to all these corruption risks. Consequently, an outline of the key literature on corruption risks across the different stages of the lumber production chain (licensing, supply chain, revenue collection and enforcement) is presented.

Corruption risks in the licensing/certification processes

Licensing, that is, officially granting the permits for specific land usages to private persons or companies, is an activity particularly prone to corruption in the forestry sector. Companies often seek to legalise illegal practices by bribing public officials. This commonly takes the form of granting permits to those that the authority know do not meet the corresponding standards (type of logging, size of deforested area, machinery employed, etc.). Conversely, public officials often extort companies before performing essential tasks, such as issuing logging permits⁷.

[Artisanal logging=industrial logging in disguise.](#)
Greenpeace. 2012.

This report discusses the corruption risks present in the process of issuing artisanal logging permits in the DRC. These permits, as has been documented by Greenpeace, are frequently illegally used to engage

⁶ UNODC. 2010. *Illegal logging in Indonesia: the link between forest crime and corruption.*
<http://www.unodc.org/unodc/en/frontpage/2010/June/illegal-logging-in-indonesia-the-link-between-forest-crime-and-corruption.html>.

⁷ Transparency International, 2011. *Analysing corruption in the forestry sector.*
http://www.transparency.org/whatwedo/pub/analysing_corruption_in_the_forestry_sector_a_manual

in industrial logging in protected areas. According to DRC law, artisanal logging permits may only be issued to national physical persons by the Provincial Governors and cannot cover more than 50 hectares. Yet, the permits are in fact often granted to international companies for more than 50 hectares and are often illegally granted by the Ministry of the Environment. Similar conclusions were reached by Global Witness in a 2012 report ([The Art of Logging Industrially in the Congo](#)), which identified at least 10 different ways in which artisanal logging permits were being unlawfully granted.

[Crisis for the FSC in the Congo Basin?](#)
Greenpeace, 2011. Greenpeace.

Corruption risks are not only present in the issuing of exploitation permits. The so called green labels such as those granted in the framework of the Forest Stewardship Council (FSC)⁸, are also prone to corruption risks. In fact, evidence collected in the Congo Basin region suggests that in several cases forests that did not comply with FSC standards of sustainable forest management were granted the certification anyways. The briefing concludes by pointing out the pre-conditions that need to be in place for FSC to be meaningful and effective, including: adequate governance, proper stakeholder processes and the establishment of regional (and not generic) standards.

Corruption risks in the timber supply chain

Companies operating in forests are not only the agents of corruption, but also their victims. In the Congo Basin area, where forest-related products need to be transported by land through long isolated roads, the available evidence suggests that public officials have racketeered truck drivers of forest-extracted products, including timber.

⁸ The FSC is a non-profit organization that sets standards for responsible forest management. Those that adhere to such standards have privileged access to markets.

[Durabilité de la foresterie en Afrique Centrale ? En luttant contre la corruption !](#)

Talla M, C. 2014.

This recent report states that transport racketeering through the set-up of illegal check points is indeed one of the most common corruption risks faced by traders in the forestry sector. Such practices raise the production costs, which have to be borne by either the final consumers or by those that exploit the forest, thereby turning them into corruption victims.

These illegal transaction costs also foster corruption among the victims themselves: timber carriers have admitted to exceed the volume of timber officially allowed to transport in order to compensate for increased travel expenses. This, in turn, prompts unsustainable logging. The study concludes by showing how forest governance in Cameroon was increased by the introduction of [Rapid Results Initiatives \(RRI\)](#), that is, the introduction of 100-day projects with tangible results into large scale programmes.

[Transparency and governance in non-wood forest product commodity chains, an example from Cameroon: a need to include NWFP in the FLEGT mechanism.](#)

Tieguhong, J et al, 2010.

Not only logging companies are subjected to such racketeering. In this study, focused on the Cameroonian case, thorough evidence is presented on the extra costs that non-wood traders face, due to illegal financial transactions imposed by forest agents, police officers, gendarmes and routiers along the roads. It estimates that 82% of the financial transactions that take place between the production zone and its exit point are illegal. It concludes that because of these transactions, profit margins are reduced and consequently most traders are forced to evade legal taxation in order to make ends meet

Corruption risks in the revenue collection process

Corruption is also evident in the illegal practices devised by companies to avoid or reduce the

payment of taxes, which in turn reduce the expected revenues to be collected. This is also often furthered by public officials' equally corrupt collection of fees that are not established by the tax system or the sheer embezzlement of revenues that should be spent otherwise.

[The cut price sale of DRC's forests](#)

Global Witness. 2013.

Corruption in the Congo Basin area also emerges in the form of informal (and illegal) tax agreements between different authorities aimed at reducing the tax burden. This is reportedly the case in the DRC, where the Treasury only received 10% of what should have been collected by means of the Surface Tax. According to the report, this can be partially explained by an alleged deal struck between loggers and the Ministry of Environment, Nature Conservation and Tourism, which lacks any legal basis, but allowed loggers to pay taxes on a smaller surface area than that of their actual concessions. A more thorough assessment of the causes of this fiscal deficit is, however, difficult given that unlike the EITI subjected oil and mining sector, logging companies often do not disclose their tax payments.

[Cameroon's Hidden Harvest: Commercial Chainsaw Logging, Corruption, and Livelihood](#)

Cerutti, P et.al. 2012.

According to this article, in Cameroon the distribution of revenues to local councils is based on an unreliable system exposed to significant corruption risks. In fact, this article estimates that state officials collect as many as six million euros per year in informal payments in the chainsaw milling sector. Mayors are also suspected of diverging the funds collected through logging taxation. Arguably, opacity and the wide discretionary powers enjoyed by mayors make it difficult to trace how the money is spent.

According to the study, the mentioned corruption risks are triggered by a fuzzy and unstable legal framework, which increases arbitrariness in the operation of public officials on the ground. The underlying logic is that the more complex and

unstable the law is, the easier it is to demand a bribe. This has led to a situation in which authorities' checkpoints are located on the basis of maximizing bribes, instead of places where forest management is needed the most.

These corruption risks are not easily tackled. Law enforcement in the country is systematically blocked by public officials in higher hierarchies allied with the judiciary, who allegedly have threatened honest officials' lives and/or career prospects. In any case, officials seem to have incentives to demand bribes, as career advancement is, in turn, frequently endorsed by illegal payments to public officials (instead of based on meritocratic criteria). In this sense, the article argues, corruption has become a way of life for low public officials in the Cameroonian forestry sector.

Corruption risks in the enforcement stage

Even when a sound legal framework has been devised to tackle illegal logging, its impact will be minimal in the absence of strong enforcement capacities. Several factors contribute to such weakness (e.g. lack of human and financial resources), but corruption among the police and the judiciary is certainly a crucial one. Corruption in this case takes the form of: (i) bribes to policemen and judges to avoid sanctions; and (ii) of the intentional pursuit of certain easily detected crimes and not others (usually lower-end crime is deliberately targeted).

[Rule of law and environmental justice in the forests](#)

Downs, F. 2013.

This U4 publication assesses how corruption hinders the implementation of strong law enforcement measures against illegal activities in the forests of Cameroon and Indonesia. In the particular case of illegal logging in Cameroon, the article indicates that corruption has interfered with the successful detection of illegal practices by fostering selective enforcement, e.g. the targeting of less powerful actors and lower-order crimes, which are easier to

pursuit. In effect, when independent observers have been absent, forestry authorities seemingly focus on small-scale loggers, usually with the expectation of demanding bribes. Similarly, several NGOs have reported that specific forest areas are being targeted, thereby simply shifting corruption to other areas or different types of illegal activities.

Corruption has also affected the authorities' suppression capacities: the available documentation suggests that the judicial system allows for alleged offenders to negotiate with the Ministry of Environment the amount of the fines to be paid. Such negotiations are not transparent and may partially explain the observed difference between the fines charged (US\$30 million) and that actually collected (US\$ 4.4 million) between 2001 and 2007.

The document recommends that anti-corruption measures aimed at improving law enforcement take into consideration the dangers of simply shifting illegal activities and do not limit their efforts to enhancing detection.

3 CORRUPTION RISKS AND DONOR ASSISTANCE

The rising concern about the sustainable management of forests after the 1992 United Nations Conference on Environment and Development, also translated into fervent international donor sponsoring of related projects and programmes. One such programme is the United Nations Collaborative Programme on Reducing Emission from Deforestation and Forest Degradation in Developing countries (REDD+), a mechanism developed to mitigate climate change through better forest governance and the creation of carbon stock markets. The Congo Basin region is now at the forefront in REDD+ implementation, given its undeniable access to large carbon stores⁹. Unfortunately, in a context of weak governance systems such as those present in the Congo Basin

⁹ Peach Brown, H.C. 2011. *Gender, climate change and REDD+ in the Congo Basin forests of Central Africa.*

http://www.cifor.org/publications/pdf_files/articles/acifor1101.pdf

region, some of the resources channeled under this framework have allegedly been subjected to corrupt practices of both state agencies and NGOs.

[REDD integrity: Addressing governance and corruption challenges in schemes for Reducing Emissions from Deforestation and Forest Degradation \(REDD\).](#)

Williams, A et al. 2011.

This document presents the main challenges faced by REDD+ based on country case studies including one COMIFAC country, namely, the DRC. Among the many challenges identified, it makes reference to corruption risks in different phases: (i) land planning (interest groups bribe officials to alter the land use plans); (ii) harvesting (loggers bribe official to acquire logging permits, speed up the permit process, or over-harvest the forests); (iii) transportation (loggers bribe officials to allow for the transport of illegally logged timber).

In the specific context of the DRC, the investigation suggests that REDD funds are particularly vulnerable to petty corruption when channeled via the public administration. DRC's chronically underpaid bureaucracy has incentives to either steal from the treasury or rely on bribes to compensate for their lack of income. This is further worsened by the lack of trust between the national and provincial governments, which forces the latter to try to retain as many revenues as possible. Moreover, oversight institutions (e.g. the General Inspectorate of Finance and the Court of Auditors) that would play a crucial role in monitoring REDD schemes fail to do so in light of a lack of financial and informational resources.

[Implementing REDD+ in the Democratic Republic of Congo. How to manage the risk of corruption](#)

PWC. 2012.

Focusing on the DRC too, this article further explores the corruption risks associated to the implementation of REDD+ programme. It argues that corruption risks in the DRC are present in all REDD+ phases, that is, from the readiness stage to its implementation. Referring to the readiness stage, it specifically points to the possibility that agricultural and timber

conglomerates, as well as politicians and the military, engage in grand and political corruption in order to influence the design of the country's REDD+ framework. In the implementation phase, grand and political corruption could be used to exclude large areas of timber value from REDD+.

Enforcement can also be hindered as mid-level officials are exposed to petty corruption (e.g. bribes to ignore breaches of REDD+, such as illegal logging). In fact, public officials are often themselves engaged in industrial logging and allegedly protect some businesses (e.g. oil and mining corporations), allowing them to operate unlawfully in forested areas. Moreover, in a low governance context such as the DRC, REDD+ schemes are particularly vulnerable to money laundering activities as well.

[Global Climate Politics in the Congo Basin](#)

Horta. K. 2009.

This report addresses the challenges faced by REDD implementation in the Congo Basin countries, with a focus on the governance-related problems such countries face, including those pertaining corruption.

The document alludes to a long-term trend of rent appropriation by national elites of local revenues. Resource mismanagement is further prompted by the complex resource allocation system derived from lack of adequate coordination between the myriad of international donors involved in forest protection in Congo Basin. In a context of weak public administration, REDD-related funds may not reach the intended beneficiaries. Nonetheless, seldom do cases of corruption in the way of bribery become publicly known as journalism in most Congo Basin countries is an extremely risky endeavour.

In light of this, the document calls for more accountability of the public sector, more transparency in market transactions as well as increased democratic inclusiveness and consultation.

[Fighting Corruption to Save the Environment: Cameroon's Experience](#)

Peh, K & Drori, O. 2010

After statistically substantiating the negative relation between corruption levels and environmental performance, this study sheds light on several corruption mechanisms in place in the Cameroonian forest. Firstly, it underscores forests managers' exposure to bribes from illegal loggers, poachers and hunters. It indicates that even when infringers are caught, confiscated material is often sold in the black market by these authorities. Although it acknowledges the existence of several anti-corruption measures promoted by the Government, it argues too that these have failed to reach the lower ranks of the forest guards as they operate under conditions of severe poverty and have thus incentives to accept bribes.

Secondly, it indicates that corrupt practices are also in place in the execution of internationally funded projects. This includes the operation of some NGOs that have used the acquired funds to carry out illegal activities (e.g. illegal migration schemes).

The article concludes by calling on the government, NGOs and local community to increase transparency so as to enhance forest governance and accountability.

4 CORRUPTION IN THE FORESTRY SECTOR: KEY INTERNATIONAL LITERATURE

Corruption risks are to certain extent country-specific. However, much can be learned from experiences elsewhere as most of the corruption risks detected in the forestry sector in general, have also been observed in COMIFAC countries.

Consequently, although some of the documents do not explicitly refer to the Congo Basin region, this section describes some of the existing international literature that discusses corruption in the forestry sector in general.

[The status of information on corruption in the forestry sector.](#)

Layden, M. 2010

This document contains itself a literature review on corruption in the forestry sector (links to key literature may be accessed through this document). The report indicates that albeit increased attention is given to forest governance, significant knowledge and data gaps persist. In particular, it stresses that more research is needed on the corruption risks associated with the vast funds made available in the context of the implementation of REDD-related projects. The document calls for more statistical data on the consequences of corruption in the forestry sector, as most of the available information is still scarce and often anecdotal. Specifically, gaps in data on existing volumes of forests, the quality of the resource, among others, make it difficult to assess how corruption is affecting forest resources. Moreover, there seems to be a bias towards the Asia-Pacific as less attention has been devoted to Africa and Latin America. The document concludes by presenting literature on best practices to tackle corruption in the forestry sector which, according to the authors, is still *"more general in scope and at an early stage of development"*.

[An Introduction to Forest Governance, People and REDD+ in Latin America: Obstacles and Opportunities](#)

Larson, A & Petkova, E. 2011.

Albeit focusing on forest governance overall, this document devotes one section to the challenges imposed by corruption to REDD+ implementation in Latin America. It indicates that corruption may affect its implementation by: undermining reform efforts in the forestry sector; prompting the diversion of funds in the process of REDD+ payments, and by fostering illegal logging (thereby offsetting carbon emission reductions achieved through REDD+).

[Forest concessions and corruption](#)

Søreide, T. 2007.

This U4 issue describes the corruption risks associated with forest concession contracts. It

suggests that the most common way of manipulating the law to illegally acquire concessions is by means of violating communication and information rules (e.g. reducing the spread of tender invitations). Other mechanisms include: the misuse of legal deviations from the law (e.g. special forests are granted special treatment and thereby loopholes are found to avoid compliance with environmental standards) and political influence on the forest authorities (e.g. at the political level it is decided that administrative rules will not be respected). Even when concession contracts are duly granted, some of the terms may be violated, because corruption hinders the prosecution of such offenses.

[Strengthening forest law enforcement and governance](#)

World Bank. 2006.

This document indicates that much is to be done to improve the enforcement of forest law. In particular it stresses that prosecution focuses on the poor whereas large scale operations remain in impunity. To strengthen enforcement capacities, it is suggested that: drivers of corruption within and outside the forestry sector are addressed as they are mutually reinforcing; attention should not only be given to failures in law, but also in implementation; supply side measures should be strengthened with measures to control imports of illegal timber and wood products

[Crime and Justice in the Garden of Eden: Improving Governance and Reducing Corruption in the Forestry Sector.](#)

Kishor, N & Damania, R. 2007

This chapter of a World Bank document on “The Many faces of Corruption” identifies the conditions of forests that make it particularly prone to corruption risks, including: the presence of high rents from forest exploitation, the forests authorities’ low wages, the necessity of public officials to operate in areas far from public scrutiny and the lack of information about the forests’ characteristics (e.g. its size).

It concludes by suggesting that anti-corruption measures should address the root causes of

corruption: scarcity rents, lack of transparency and low accountability.

[Corruption in the forestry sector and illegal logging](#)

Marmon, T. 2009

This GIZ document provides quantitative evidence on the relationship between illegal logging and corruption. It indicates that the higher the perception of corruption in a given country, the more likely it is that it produces suspiciously high levels of log supply, a proxy for illegal logging.

The low levels of transparency, lack of law enforcement and lack of oversight in the remote forest areas, are presented as possible explanations for the high propensity of the forestry sector to corruption. The document identifies at least four different types: grand corruption (large sums of money to bribe high rank officials), petty corruption (small amounts of money targeting low rank officials), non-collusive corruption (imposing extra costs to businesses as officials demand bribes for tasks that should take place anyways) and collusive corruption (public officials team up to collusively rob the state).

The documents concludes by presenting mechanisms to tackle corruption, including: establishing an open reporting system for public officials as well as regular scrutiny of forest authorities’ balance sheets; increasing political and economic competition; and, increasing civil society’s monitoring capacities.

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