

Strengthening Forest Law Enforcement and Governance (FLEG)

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Scope of Forest Crime

- US\$10 billion annual losses in assets and revenue due to illegal logging in public lands in developing countries
- US\$5 billion lost to governments of developing countries due to evaded taxes and royalties
- 1 billion extremely poor people depend on forests for part of their livelihood

Impacts of Forest Crime: Country Level

- Financial losses to public sector
- Vulnerability of forest-dependent populations
- Legitimate forest enterprises subject to unfair competition
- Discourages socially and environmentally responsible investments
- Contributes to erosion of institutions, spread of corruption, lower growth

Impacts of Forest Crime: Global Level

- Species loss
- Climate change
- Depression of world timber prices
- Financial proceeds of forest crime sometimes finance terrorism, armed conflicts, drug trafficking, etc.

What Does Illegal Logging Look Like?

- Timber theft
- Unauthorized harvesting of wood
- Noncompliance with regulations related to timber harvesting
- Evasion of taxes and fees
- Noncompliance with labor laws
- Noncompliance with environmental laws

When Does Illegal Logging Take Place?

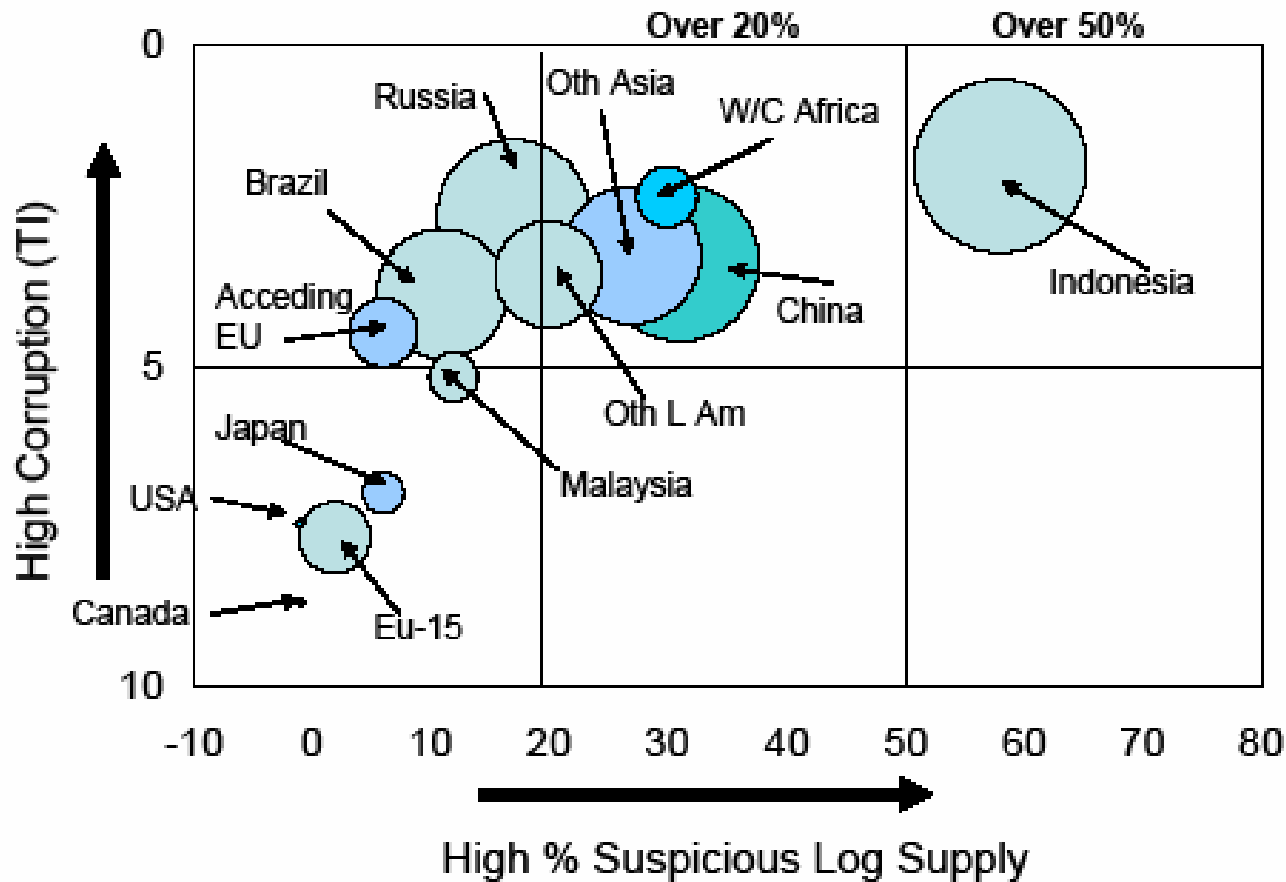
- In the award of forest concession and timber procurement contracts
- During the actual timber harvesting operations (by harvesting in areas where such rights do not exist or regarding protected species)
- During the transport and processing of timber
- During timber export

Indicative Estimates of Illegal Logging in Selected Countries

Country	Percent of Total Production
Bolivia	80
Brazil	20-47
Cambodia	90
Cameroon	50
Colombia	42
Ecuador	70
Gabon	70
Ghana	60
Indonesia	70-80
Laos	45
Malaysia	Up to 35
Myanmar	50
Papua New Guinea	70
Peru	80
Russia	10-15 (northwest) 50 (far east)
Thailand	40
Vietnam	20-40

Corruption and Illegal Forest Activity

(Source: Seneca Creek Associates 2004)



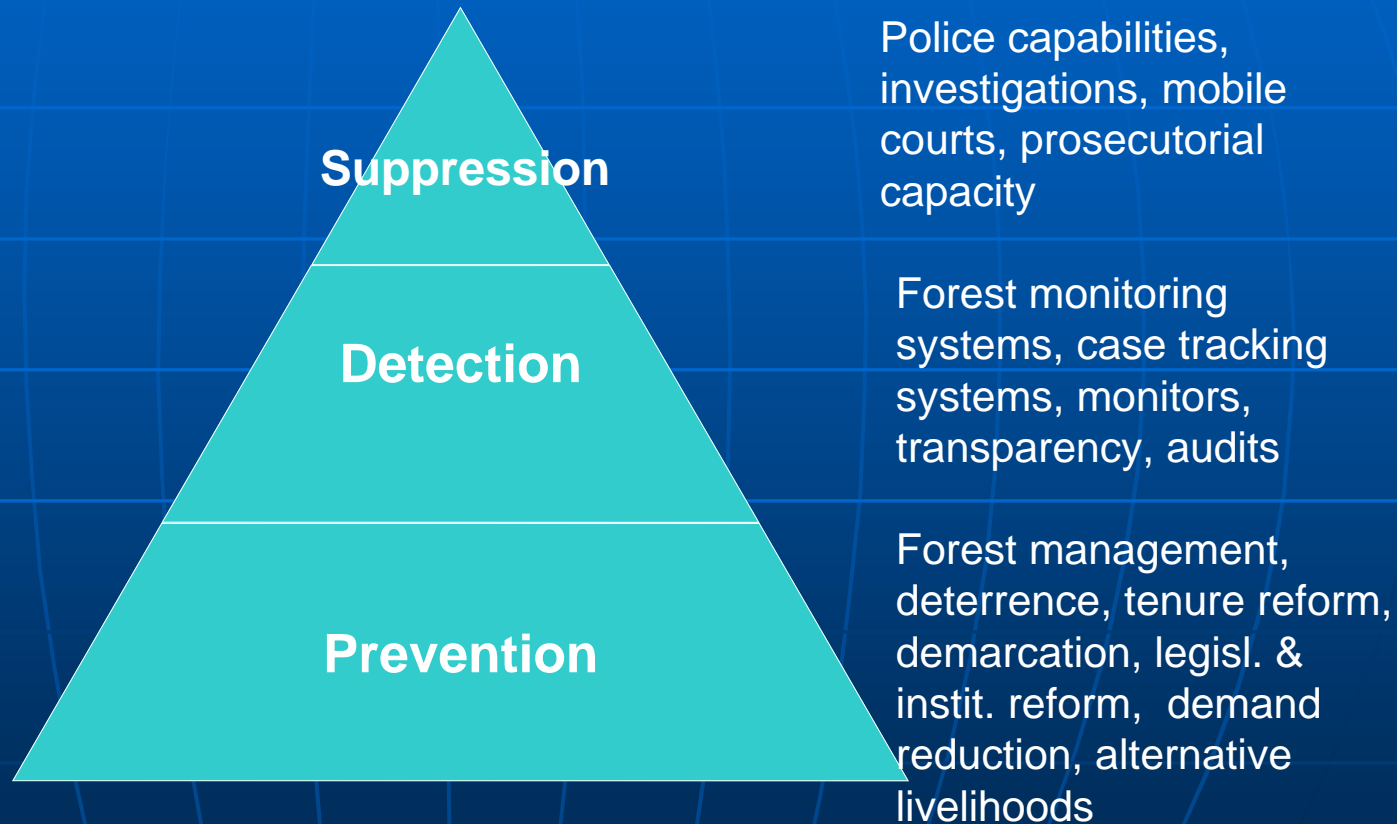
Role of the Bank in combating illegal logging and other forest crime

The 2002 Forest Strategy commits the Bank to collaborate with borrower countries and partners to reduce by half the financial losses from illegal logging by 2013

To achieve this the Bank supports:

- National FLEG actions and processes
- Regional FLEG processes to increase awareness and create political commitment and high-level support

FLEG actions at the national-level



FLEG in the Bank Forestry Portfolio, by Region

Region	Total Number of Projects	Number of FLEG Projects	Total Cost (US millions)	Cost as % of Total Forestry Portfolio	Bank Commitment (US millions)	FLEG Amount (US millions)	FLEG as % of Total Forestry Portfolio	FLEG as % of Total FLEG
AFR	9	5	515.1	19%	289.7	108.9	21%	35%
EAP	8	7	772.9	29%	431.1	40.3	5%	13%
ECA	11	9	396.5	15%	265.6	32.7	8%	11%
LCR	19	13	691.9	26%	328.8	123.1	18%	40%
MNA	3	0	203.5	8%	139.5	0.0	0%	0%
SAR	1	1	127.1	5%	108.2	5.8	5%	2%
Total	51	35	2707.0	100%	1562.9	310.8	11%	100%

Support to National FLEG Processes

- Mechanisms for inter-ministerial coordination and stakeholder dialogue
- Analytic process for assessing magnitude, scope and dimension of FLEG problem
- Creating awareness and information sharing
- Consultation and consensus-building process to define scope of actions and priorities
- Definition of responsibilities, implementation mechanisms and financing
- Obtaining political endorsement and support



NATIONAL STRATEGY/ACTION PLAN (Russia, Bosnia and Herzegovina, Indonesia)

Regional FLEG Ministerial Processes

- Co-organized by both producer and consumer governments, in collaboration with the World Bank, recognizing the shared responsibility of both producers and consumers
- Ongoing in East Asia (since 2001), Africa (since 2003), and the Europe and North Asia Region (since 2005)
- Initial steps are being taken in the Amazon Region and Central America

Components of Regional FLEG Processes

- Analytic country-level work to identify issues and options for solutions
- Multistakeholder technical meetings where experiences within forest law enforcement and governance are shared and common agendas identified
- Inter-governmental negotiations for drafting of a ministerial declaration and action plan
- Regional stakeholder meetings as follow-up to ministerial declarations to establish partnerships, share best practices and tackle specific themes (e.g. customs collaboration)

Achievements of Regional FLEG Processes

- Increased **awareness** of causes and impacts of forest crime
- Established a **shared sense of responsibility** among both **producer and consumer countries**
- Provided understanding of the distinct **roles of various stakeholders**
- Created **political platform and momentum** for national processes
- Helped identify **priority actions** and facilitated **exchange of experiences and best practices**
- Created some level of **basic data on forest crime** as basis for multi-stakeholder discussions and as means for establishing baselines to **monitor** progress
- Provided a network of **information sharing**
- Influenced the **incorporation** of illegal logging and forest crime into several **regional and international processes**

Emerging Directions of the Bank in Forest Law Enforcement and Governance

- Linking Forestry to Broader Governance and Anti-Corruption Work
 - Public Sector Governance
 - Governance and Anti-Corruption Diagnostics
 - Legal and Regulatory Reform
 - Financing Private Investment
 - Corporate Social Responsibility
 - Anti-Money Laundering/Asset Forfeiture
- Systematically integrating forest law enforcement and governance issues in country forestry dialogues in problem countries
- Targeting knowledge management to achieve synergies with other Bank operations