

**Guidelines for Formulating and Implementing  
National Action Plans to Combat Illegal Logging  
and Other Forest Crime**

**Draft**

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## 1 INTRODUCTION

Illegal activities in the forest sector, especially illegal logging, have become a major topic on the global forestry agenda. Globally, it is estimated that that illegal logging in public lands alone causes losses in assets and revenue in excess of USD 10 billion annually (World Bank 2002). In addition to the financial losses, illegal logging poses a threat to the sustainable management and conservation of forest resources. It impacts negatively on local communities and indigenous forest-dependent people and contributes to weak governance and lawlessness in general e.g. by providing opportunities for money laundering and weakening the rule of law in forest areas. Legitimate forest enterprises are subjected to unfair competition and discouraged from making socially and environmentally responsible investments into the sector.

Trade has been identified as an important driver of illegal logging and other forest crime. Consequently, combating this phenomenon requires both strengthening forest governance in problematic producer countries and implementing environmentally and socially responsible procurement policies in consumer countries.

Not all illicit activities in the forest sector are driven by commercial interests. They may also be driven by poverty and lack of feasible alternatives (e.g. illegal harvesting of fuelwood), requiring very different approaches from those related to commercial illegal logging and associated forest crime.

The seriousness of the problem is increasingly recognized by affected governments and other stakeholders worldwide as indicated by the large number of international and national initiatives launched recently. Since September 2001, three regional Forest Law Enforcement and Governance (FLEG) Ministerial Conferences to address this issue have taken place, in East Asia (2001), Africa (2003), and most lately (2005) in Europe and North Asia (the ENA region). Several international and intergovernmental organizations such as the World Bank, the European Union, FAO, and ITTO provide substantial technical and financial support to governments and stakeholders grappling with the problem. The Group of Eight Industrialized Countries (G8) has included illegal logging in its forestry agenda, and several bilateral donors have prioritized the issue in their work.

The St. Petersburg Declaration, result of the ENA FLEG Ministerial Conference on Forest Law Enforcement and Governance, expresses the strong commitment of the governments of the ENA region to address critical issues related to illegal logging and other forest crime. Concrete actions, as outlined in the Declaration have already been initiated by a number of countries, and others are planning to embark on similar actions.

However, many of the involved governments and stakeholders have indicated that they are unfamiliar with the methodologies and approaches applied in such processes, and that they would appreciate having access to more developed technical aids. These guidelines were formulated to respond to this call based on the experiences obtained in developing this type of participatory plans both within and outside of the ENA region. The aim is to provide a relatively simple tool establishing a framework for the analytical process as well as enabling focused discussions in workshops and other consultations with the stakeholders.

The guidelines have three focal areas (i) conducting the formulation process, (ii) designing contents for the Action Plan, and (iii) establishing arrangements to implement the Action

Plan. The guidelines are best suited for countries where criminal acts are associated primarily with domestic timber production or where controlling timber imports is a pertinent measure. In regional terms, the guidelines have highest relevance in the ENA region.

The guidelines have been developed by SAVCOR-INDUFOR in collaboration with the World Bank ENA FLEG Secretariat, and should be seen as a “living document” to be improved on and updated continuously based on experiences from practitioners. Comments, additions and improvements to the guidelines are welcome, and should be addressed to the World Bank ENA FLEG Secretariat to *ena-fleg@worldbank.org*.

## **2 MANAGING FORMULATION PROCESS**

Formulation of Action Plans is as much a political process as it is technical. Management of the political aspects involves reconciliation of the various stakeholder interests in a manner that enables change. Proper technical management ensures that the process is democratic and that all relevant stakeholder groups have an equal and real chance to contribute to the outcome.

The way in which technical management should be handled can be staked out in more concrete terms than the political process where the process managers have to deal with a web of interests and easily changing interest coalitions. As in politics in general, there are no “hard-and-fast rules” to rely on but the past experience suggests that there are a few general principles that successful managers follow.

### **2.1 Political Process**

Where the economic stakes in illegal activities are high, powerful interest groups can have their way even if the outcome is clearly negative from the society’s point of view. For instance, in Ecuador the use of independent monitors was stopped – as soon as monitoring proved its effectiveness. Obviously, the stakeholders that wished to bring about a change by introducing the independent monitors did not have the political clout necessary to resist the interests that benefited from *status quo*.

There is rarely one stakeholder group that is able to push through a major change in the established power balance. Instead, successful change processes rely on coalitions of several interest groups with different capacities. Local and international NGOs have often managed to bring the problem of illegal logging out in the open and raise awareness among politicians and the general public of the need to act. Representatives from interest groups directly involved in timber production can wield considerable influence among their peers and colleagues. It is also important to identify and win the support of high-level “political champions” who are able to fend off efforts to slow down the implementation of the proposed measures through behind-the-scenes maneuvering.

To identify a “coalition for change” with respect to illegal logging, it is necessary to map out the stakeholder landscape to identify those who benefit from the current situation and those who are negatively affected by it. It is also important to realize that there may be hidden motives; true interest may be different from what is said in public. For instance, forest

enterprises may see benefits in the elimination of illegal logging but are reluctant to express their views for fear that corrupt officials react negatively and restrict their timber supply.

Partners willing to support the development and implementation of Action Plan can be found among many stakeholder groups. Ministry of Finance and local municipalities are probably interested in the increased tax revenue that reduction of illegal activities could bring about. Forest enterprises may be motivated to join the effort because of market pressure or ethical reasons. Local people whose rights are trampled by illegal loggers are potential partners as well as NGOs concerned about protection of the environment, human rights, and democracy. In addition, there are always individuals in all stakeholder groups and institutions including public forest administration who need no other motivation than pursuit for fairness and justice. The aim of the political process is to bring all these partners together to enable them to reinforce each other.

## **2.2 Technical Process**

Action Plans are formulated in highly varied contexts; the extent and character of the problem may be vastly different from one country to the other. The key drivers may be inside or outside the forest sector, irregularities may concentrate in public administration or in the private sector, related processes may be underway etc. All such circumstances may have a bearing on the way in which the formulation process is best conducted and any guidelines should therefore be applied flexibly adapting them to the local context.

Still, there are a few basic elements which should in one way or another be found in every sound process. The key steps include:

- (i) Identification of partners in public and private sectors and among civil society
- (ii) Establishment of mechanisms for co-ordination
- (iii) Conducting a participatory planning process

The main issues and options in taking the formulation process through these steps are discussed in the following chapters.

## **2.3 Identification of Partners**

Illegal activities in the forest sector have impacts beyond the forest sector and the remedies must often be sought by partnering with players in related sectors and at higher levels of administration. Where illegal timber finds its way to export markets, international cooperation may be necessary to effectively address the problem.

National partners may include:

- government institutions from the forestry and forest industries sector;
- representatives from the government and higher levels of public administration and related sectors such as judiciary, police force, energy, agriculture etc.;
- representatives of civil society including non-governmental organizations, community-based organizations, special user groups (e.g. forest dwellers, farmers);
- representatives of private sector such as industry associations and private enterprises;
- research and training institutions; and

- representatives of on-going initiatives or development projects focusing on forest and forest industries sector or areas potentially related to illegal activities in the forest sector such as judiciary, police force, energy, agriculture, anti-corruption, awareness raising, etc.

Government institutions in forestry and forest industries sector obviously play a key role. Still, it is equally important to involve partners from the government and higher levels of public administration where the decision-making power lies. Preferably, the involved officials should have limited or no stake in the forest sector. Collaboration with judiciary and police force should be sought from early on to ensure that potential bottlenecks for effective law enforcement can be properly tackled. Representatives from other sectors such as energy and agriculture can be invited to join depending on how they impact on illegal activities in the forest sector. Since illegal activities are often a regional or local phenomenon, it is important that regional and local stakeholders are fully integrated in the process.

Participation of the private sector and civil society is highly necessary to provide a balanced representation of views in the formulation process. Research institutions can furnish valuable background information, and training institutions are able to contribute with assessments on training needs and capacity. Relevant on-going initiatives and development projects in related sectors (e.g. energy, agriculture, public sector reform, anti-corruption) should be actively involved in the process; they often have potential to make significant contributions to activities in the forest sector through minor modifications in their scope and activities.

If necessary, the support of international agencies and other actors can be sought to provide technical and financial assistance. International partners may include:

- international enterprises involved in timber harvesting, wood processing and timber exports
- international NGOs
- development banks and intergovernmental agencies
- bilateral agencies

International enterprises sometimes play a major role in timber harvesting, wood processing and exports. Apart from providing viewpoints from the private sector, they are often able to benefit the process with their experience of international schemes related to illegal logging. International NGOs have accumulated substantial experience of the combat against illegal logging, especially monitoring and participatory approaches.

Development banks and intergovernmental agencies can provide technical assistance drawing on their global experience both in the formulation and subsequent implementation phases. Similarly, bilateral agencies often have a wide pool of expertise available. They can also be a link to other government agencies in their home countries working towards elimination of illegal imports. If major investments become necessary in the implementation phase, development banks are a potential source of funding.

## **2.4 Establishment of Coordination Mechanisms**

Coordination mechanisms will be needed to bring the various stakeholders together in a systematic and organized manner and to provide leadership for the preparation of the Action Plan. Various mechanisms can be put in place but given the significant differences in the

extent and character of illegal activities in the forest sector, it is necessary to carefully tailor them to need. Mechanisms can lack authority to push through necessary reforms or they may be overly complex considering the magnitude of the problem.

Generally, the coordination mechanism should include two components:

- (1) Forum for stakeholder participation, and
- (2) Coordinating unit charged with running the process.

#### **2.4.1 Forum for Stakeholder Participation**

To provide a forum for stakeholder participation at least the following options could be considered:

- (i) *Rely on existing mechanisms.* This is a good option provided that the mechanism has a focus that is sufficiently close to forest sector. For instance, entrusting the process with an existing consultative forum focused on forest sector (e.g. under National Forest Programmes) would be a suitable arrangement. They would have established procedures for stakeholder participation as well as links to higher levels of decision-making. This would also ensure the integration of Action Plans into a broader context.

The other option is to integrate the process under existing coordination mechanisms at high levels of public administration. Their main advantage is that they are able to exert stronger influence on decision-makers than mechanisms at sector level. However, this benefit has to be weighed against the risk that high-level bodies usually have a broad scope and sectoral issues receive limited attention (Box 2.1).

#### **Box 2.1 Forestry and Anti-corruption Measures in Moldova**

In Moldova, Agenda 21 identified forestry sector as one of those where corruption is rife and measures to eradicate needs to be undertaken. However, anti-corruption measures did not find their way into subsequent forest sector plans, possibly because the coordinating body was focused on other sectors considered to have higher priority.

- (ii) *Establish a High-Level Inter-Ministerial Coordinating Body.* This is a recommended option, if the magnitude and character of the problem warrants it. Inter-ministerial participation creates an authoritative body with capacity to catalyze reforms even in sensitive areas. To enhance its impact, representatives from the private sector and civil society should be invited to participate (Box 2.2).

However, establishment of such a body is a major challenge. High-level politicians and civil servants have limited time available and unless their active participation and can be guaranteed, the arrangement may be counterproductive. Unless key members find participation worth their time, the body could be become an “empty shell” and a bottleneck for decision-making.

## Box 2.2 Interagency Task Force in Albania

In Albania, the Government created a special structure, the Task Force Commission for Forest Resource Protection, to address the problem of illegal logging. The Task Force was established after formulating the Action Plan for Illegal Logging. The Task force involves 11 ministries and governmental institutions. Representation would, however, be more balanced if private sector and civil society were involved.

- (iii) *Arrange ad hoc stakeholder meetings.* This option can usually be implemented swiftly without the inertia involved in establishing more formal and permanent bodies. In many cases *ad hoc* arrangements are sufficient to obtain stakeholder opinions. Provided that the key players are willing to invest time and effort into these meetings, they can also have substantial influence on decision-making at higher levels.

The main risk involved in *ad hoc* arrangements is that follow-up remains weak. Because of the ease of setting up the process, participation does not necessarily indicate strong commitment to the process; it may be difficult to secure continued support from all stakeholders. On the other hand, once launched, the process itself may become the catalyst generating interest among the participants; their commitment may be won only by putting the process into motion, and demonstrating the benefits that will be generated.

## Box 2.3 Process of Formulating Action Plan in Bosnia-Herzegovina

In Bosnia-Herzegovina, the process of preparing Action Plans was launched in fall 2005 with stakeholder meetings organized in the two administrative entities, Federation of Bosnia Herzegovina and Republika Srpska. Further consultation took place by providing the stakeholders to provide written comments on the draft Action Plan. Even though the process was “light”, it appears that the key objective set for it, obtaining political endorsement, will be achieved in spring 2006.

### 2.4.2 Coordinating Unit

The institutional home of the Coordinating Unit, the Lead Agency, should be able to shield the Coordinating Unit from undue influence. Often, the best option is to place it at a high administrative level outside the ministries which themselves may be involved in illegal activities. For instance, the President’s office or a similar institution would be suitable alternatives. If the Coordination Unit is established in the ministries directly affected by illegal activities, it should be subordinated directly to the Minister.

The number of staff in the Coordination Unit depends on the expected work load. The main functions of the Coordinating Unit are to

- liaise with all national and international partners;
- prepare a work plan for the formulation process;
- organize public meetings, information sessions, and workshops;
- coordinate contributions from all sources;
- prepare technical documents; and
- keep all relevant stakeholder groups fully informed of the process.

### **2.4.3 International Support**

Some countries may invite international partners to assist in the formulation process to provide technical and funding support. The way in which international inputs should be coordinated depends on the number of agencies interested to become involved in the preparation and implementation of Action Plan. In Bosnia-Herzegovina one of the donor agencies has been identified as a contact point through which the contributions of other agencies are coordinated. This option is relevant if the number of agencies is large. If number of international partners is limited, the liaison may be arranged directly with the coordination unit.

## **2.5 Enabling Stakeholder Participation**

The formulation of Action Plan needs to be conducted in a participatory manner involving all identified stakeholders (see ch. 2.3). A participatory approach requires that

- (i) the stakeholders are kept continuously informed of the process, and that
- (ii) they have an opportunity to contribute to the formulation of the Action Plan in all critical stages.

At the beginning of the process, it is vital that stakeholders understand what significance their participation has. The issue that often creates confusion is how the results of the participatory process feed into political decision-making. Stakeholders frequently expect that the Action Plan coming out of the participatory process will be implemented without further modifications. The political decision-makers, on the other hand, usually take the view that they have the right to make alterations to the Plan. The stakeholders commonly argue that the outcome of a (true) participatory process represents the views of all concerned parties, and that political decision-making has little to add to it. The political decision-makers tend to consider that they are elected officials who are accountable to the public at large, whereas the stakeholders have not been elected in a democratic process and their interests are therefore not fully representative. The way in which the issue is handled should be clarified and communicated early on to all stakeholders.

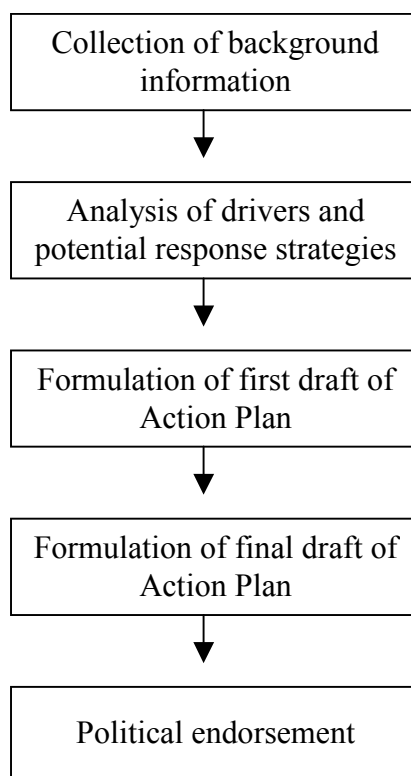
### **2.5.1 Distribution of Information**

The Coordination Unit is responsible for ensuring that all identified stakeholders are made aware of the plan to launch the formulation of Action Plan, and that they will be offered opportunities to contribute to it. It is particularly important to make key decision-makers aware of the process and its objectives.

Dissemination of information should continue throughout the process. Information should be available to prepare stakeholders for important milestones (e.g. workshop) and to report on their results. The latter is particularly important to allow stakeholders to verify that the various outcomes of the process are understood and interpreted in a uniform manner by all participants to the process. Lack of appropriate documentation easily dilutes the impact of participatory processes.

## 2.5.2 Obtaining Contributions from Stakeholders

Due to varying circumstances, the formulation process can take many shapes, and require an effort of varying intensity. However, in most cases the participatory process would benefit, if the following stages were included:



**Collection of background information.** This should involve both a review of available documentation as well as preliminary gauging of stakeholder views. As illegal activities are usually a multi-dimensional problem, it is necessary to ensure that data is collected with a broad scope on all relevant aspects. In particular, one should avoid the pitfall of focusing strictly on law enforcement. Consultations with stakeholders will help in identifying the most critical issues and directing the data collection towards them.

In most countries, some information on illegal activities in the forest sector already exists. However, it is often of variable quality and to validate it, an independent analytical assessment may be necessary. This analysis should have sufficiently wide coverage.

If the available data is of such poor quality that no reliable conclusions on the extent and type of illegal activities can be made, the preparation of Action Plans should be preceded by a basic investigation into the matter. If there are indications that illicit activities are a major problem, the analysis is often best handled by commissioning it to independent experts. Local and international NGOs have frequently been the groundbreakers in collecting evidence on illegal activities and flagging the problem to local and international audiences. Private sector companies may also be contracted to undertake the investigation.

However, analyzing clandestine activities is a complex undertaking and often constrained by lack of resources. Despite best efforts, the evidence on illegal logging and other forest crime may remain anecdotal and contradictory. To move forward, the available data could be subjected to scrutiny by various stakeholders with a view to generating a consensus estimate on the magnitude of illegal activities. Perfect information should not be required; the aim is to assess whether (i) the probable extent of illegal activities is such that special action such as formulation of Action Plans is justified, and (ii) available information is sufficiently accurate to allow proper identification of the main strategies and lines of action.

**Analysis of drivers behind illegal activities and identification of potential response strategies.** This is a key stage. Technical experts should provide a framework for the analysis but it is recommended that the analysis be taken further in a workshop where all stakeholders participate. Often, the critical hindrance for taking action on illegal logging is not so much lack of information rather than lack of opportunities to put pressure on decision-makers. A workshop with open dialogue allowing stakeholders to challenge each others' views can be a powerful instrument in catalyzing action. The moral justification for eliminating illegal logging is so strong that inaction can hardly be justified. However, it is necessary to ensure that the analysis is sufficiently broad and that proper issues are addressed. The methodology for conducting the workshop could be based on the approach presented in ch. 4.

**The first draft of the Action Plan.** The first draft should be based on indications obtained from the stakeholders regarding the preferred response strategies. Drafting should be done by a technically highly qualified expert. At this stage it is important to check whether the Action Plan can be integrated with other initiatives such as National Forest Programmes (NFP). Other initiatives may also provide substantial inputs. For instance, in Bosnia-Herzegovina a large part of the planned activities in the Action Plan will be implemented under the on-going forest sector institutional development programme. Comments on the first draft should be solicited from all identified stakeholders giving them reasonable time to respond.

**The final draft of the Action Plan.** The final draft should be prepared by revising the first draft based on the feedback received from the stakeholders. If the comments require only minor revisions, it may be sufficient to incorporate the comments into the first draft and send the revised version back to stakeholders with a brief account of the comments received and the revisions made. If the comments require major changes in the first draft, the stakeholders should be given an opportunity to react to the proposed changes. This could be done in a second workshop involving all stakeholders from the first workshop or only selected representatives from all stakeholder groups (see also Box 2.4). The latter option is often preferable as discussion in a smaller group is more efficient. However, it is necessary to ensure that representation of stakeholders remains balanced. At this stage, it would be highly desirable to involve selected decision-makers in the deliberations so that the stakeholders could interact with them directly.

## Box 2.4 Interaction between Government and Stakeholders in Estonia

To enhance transparency, the Estonian government has used an interesting approach providing “feedback-on-feedback” when formulating National Forest Policy (1997) and National Forest Programme (2002). All comments received from stakeholders on the first draft of the document in question were organized in a table with the following complementary information

- comment
- stakeholder group that provided the comment
- government’s view on the comment
- indication whether or not the comments was incorporated in the draft text.

The table constituted the basis for a high-level discussion with the Minister from the Lead Agency and selected stakeholder groups. The table served to make the arguments on both sides explicit and it also managed to focus the discussion on key issues. The final draft was produced after this discussion was held.

*Source: Former National Coordinator Mr. Aigar Kallas, 2006*

**Political endorsement of the Action Plan.** Once the final draft of the Action Plan is approved by the stakeholders, the process moves to obtaining political endorsement for the final draft. This is a key step, since the proposal often includes measures that are sensitive and cannot be implemented without political approval. Whether to seek endorsement from the government or the parliament depends on the local context; obtaining governmental approval is usually speedier but endorsement from the parliament provides continuity; change of government would not necessarily cancel the approval.

The modalities of seeking the endorsement should be discussed and agreed in the stakeholder forum but, in practice, the official request would have to be made according to the local administrative procedure. Often, the arrangement is to have a high-level official or Minister from the Lead Agency to make the submission. To expedite the process, the stakeholder groups should be active in lobbying and communicating their views to the government/parliament. The coordinating unit could launch a supporting media campaign to raise awareness of the Action Plan and the submission among the general public.

It is emphasized that the endorsement of the Action Plan does not automatically bring about the proposed changes. It provides political backing and facilitates further steps but tangible changes will be obtained only through subsequent legislative work, institutional changes or field implementation. To ensure that the intentions expressed in the Action Plan become reality, intensive follow-up is necessary. This is a highly critical stage and stakeholders should remain active providing information and lobbying for the implementation of the Action Plan among the decision-makers. It is particularly important to follow closely the legislative process to make sure that the proposed legislative changes are implemented as proposed in the Action Plan.

In addition, political processes may be lengthy and the positive momentum gathered during the preparation of the Action Plan is easily lost, if no concrete action is undertaken. To avoid this, it is advisable to immediately move on to implementing actions that are non-controversial and do not require political approval. In this manner the process will be kept alive, even if progress on the political front were slow. Parliamentary decisions may be subject to delays that have nothing to do with sector specific issues but rather the broad political context.

### 3 TYPICAL CONTEXTS AND RESPONSES

To design an effective Action Plan, it is necessary to understand the broader framework underpinning illegal activities, particularly the drivers instigating illegal activities. It is also necessary to target the Action Plan appropriately on activities with most serious negative consequences. It is usually unfeasible to try to eliminate all illicit activities in one comprehensive sweep. A phased approach may not only be more realistic but also more effective; if available resources are spread too thinly over many activities, there is a risk that the impact will be limited in all spheres.

While each country is unique and needs a tailored approach to combating illegal activities, there are nevertheless patterns that are typical for certain contexts. The following chapter provides an overview of frequently encountered drivers behind illegal activities as well as examples on best practice responses. The depicted cases may not reflect the situation in any individual country; the discussion is intended only as a stimulus for the thinking process. In this presentation, illicit activities have been grouped into illegal logging, and other forest crime. Table 3.1 provides a quick summary of the discussion.

**Table 3.1 Potential Drivers and Responses Related to Illegal Logging, Illegal Conversion of Forest Land and Other Forest Crime**

Typical contexts	Potential drivers	Potential responses	Type P=prevention D=detection S=suppression
<b>Illegal logging</b>			
<i>Illegal logging for securing subsistence</i>	<ul style="list-style-type: none"> <li>- people unable to meet their basic needs</li> <li>- lack/high cost of alternative energy sources</li> </ul>	<ul style="list-style-type: none"> <li>- legalize illegal use and/or simplify regulations concerning access to public forest resources</li> <li>- create opportunities for income generation</li> <li>- offer alternatives to fuelwood as energy source</li> </ul>	<ul style="list-style-type: none"> <li>P</li> <li>P</li> <li>P</li> </ul>
<i>Small-scale illegal logging to enhance livelihoods by</i> <ul style="list-style-type: none"> <li>- people without legal access forest land</li> <li>- managers/owners of community forests</li> <li>- private forest owners</li> </ul>	<ul style="list-style-type: none"> <li>- poverty</li> <li>- complex legal procedures related to harvesting and access to forest resources</li> <li>- disputes over land tenure</li> </ul>	<ul style="list-style-type: none"> <li>- create opportunities for income generation</li> <li>- reduce bureaucracy and fees associated with legal timber harvesting</li> <li>- clarify land tenure, consider establishing local tenure of forest land</li> </ul>	<ul style="list-style-type: none"> <li>P</li> <li>P</li> <li>P</li> </ul>
	<ul style="list-style-type: none"> <li>- poorly organized, under-resourced and corrupt forest law enforcement</li> <li>- corrupt community leaders</li> </ul>	<ul style="list-style-type: none"> <li>- strengthen forest law enforcement</li> <li>- improve internal control on law enforcement staff</li> <li>- improve internal control in communities</li> </ul>	<ul style="list-style-type: none"> <li>D+S</li> <li>D+S</li> <li>D+S</li> </ul>
	<ul style="list-style-type: none"> <li>- criminal groups organizing illegal logging by recruiting rural poor</li> <li>- inefficient legal procedures</li> </ul>	<ul style="list-style-type: none"> <li>- strengthen co-operation with police force and judiciary and target the organizers/financiers behind these activities</li> <li>- amend forest-related legislation and penalty code</li> </ul>	<ul style="list-style-type: none"> <li>D+S</li> <li>P</li> </ul>
	<ul style="list-style-type: none"> <li>- poorly motivated staff in public forest administration/enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- reorganize public forest administration to increase staff motivation</li> </ul>	<ul style="list-style-type: none"> <li>P</li> </ul>
<i>Large-scale commercial illegal logging</i>	<ul style="list-style-type: none"> <li>- high cost of legal timber</li> </ul>	<ul style="list-style-type: none"> <li>- reduce bureaucracy and fees associated with legal timber harvesting</li> </ul>	<ul style="list-style-type: none"> <li>P</li> </ul>
	<ul style="list-style-type: none"> <li>- capacity of wood processing industries exceeding legal supply</li> </ul>	<ul style="list-style-type: none"> <li>- embark on phased programme of capacity reduction in wood processing industries</li> <li>- increase supply by establishing plantations or adjusting forest management regulations</li> </ul>	<ul style="list-style-type: none"> <li>P</li> <li>P</li> </ul>
	<ul style="list-style-type: none"> <li>- export demand insensitive to legality of timber</li> </ul>	<ul style="list-style-type: none"> <li>- collaborate with governments and private sector in importing countries to increase demand for legal timber/deter imports of illegal timber</li> </ul>	<ul style="list-style-type: none"> <li>P</li> <li>P</li> </ul>

Typical contexts	Potential drivers	Potential responses	Type P=prevention D=detection S=suppression
<i>Large-scale commercial illegal logging (contd)</i>	- poorly organized and corrupt forest law enforcement and auditing system	- increase resources and enhance independence of forest law enforcement - enhance effectiveness of financial audits on public forest administration/enterprises - provide support to patrolling networks among private forest owners	D+S  D  D D
	- inadequate monitoring data on timber flows and origin of timber	- improve data management and transparency in public forest administration/enterprises - promote responsible business practices (chain-of-custody systems, certification) in private industries	P
	- inefficient legal procedures	- strengthen co-operation with police force and judiciary - provide owners/managers of community and private forests with legal services - amend forest-related legislation and penalty code	S  S P
<i>Conflict timber</i>	- high cost of armed conflict	- focus on conflict resolution/management	P
	- poor control of timber imports in recipient countries	- improve controls on origin of timber	D
	- ineffective international sanctions	- promote international collaboration in sanctioning conflict timber	S
<b>Other forest crime</b>			
<i>Irregular timber sales, award of concessions and service contracting</i>	- low risk of sanctions	- improve procedures for timber sales and awarding concessions to increase transparency and accountability - increase proportion of timber sold/concessions awarded through competitive bidding	P  P
	- poorly motivated staff in public forest administration/enterprises	- reorganize public forest administration to increase staff motivation	P
	- poorly organized and corrupt financial audit system	- enhance effectiveness of financial audits on public forest administration/enterprises - improve data management and transparency in public forest administration/enterprises	D  D
	- inefficient legal procedures	- strengthen cooperation with police force and judiciary - amend penalty code	S  P
<i>Evasion of taxes, royalties and other fees by enterprises</i>	- unreasonably high tax burden in relation to timber price and general tax level	- adjust taxes as appropriate - impose sanctions on enterprises found guilty of tax evasion	P S
	- poorly organized and corrupt financial audit system - inadequate accounting systems in private enterprises	- enhance effectiveness of financial audits on enterprises - oblige enterprises to provide required information in an easily accessible form	D  D
	- inefficient legal procedures	- strengthen cooperation with police force and judiciary to achieve minimum acceptable level of compliance - amend penalty code	S  P
<i>Evasion of taxes, royalties and other fees by communities or private forest owners</i>	- low risk of sanctions	- adjust taxes, royalties and other fees to a level where most communities/private forest owners would make the payments voluntarily	P
	- inadequate accounting systems in private enterprises/communities	- promote sound accounting practices in community forestry - enhance effectiveness of external financial audits on community forests and private woodlots within the limits of available resources	D  D+S
	- inefficient legal procedures	- strengthen cooperation with police force and judiciary to achieve minimum acceptable level of compliance - amend penalty code	S  P

Typical contexts	Potential drivers	Potential responses	Type P=prevention D=detection S=suppression
<i>Circumvention of labor laws</i>	- indifferent attitude in enterprises towards labor laws	- impose sanctions on enterprises found guilty of circumventing labor laws	P
	- poorly organized and corrupt oversight	- impose sanctions or disciplinary actions on companies proven to circumvent regulations	D
	- inefficient legal procedures	- strengthen cooperation with police force and judiciary to achieve minimum acceptable level of compliance - amend penalty code	S P
<i>Unauthorized wood processing</i>	- strong domestic and export demand encouraging unauthorized wood processing and illegal logging - excessive bureaucracy related to licensing	- enable an increase in authorized processing capacity by increasing legal timber supply - simplify licensing procedure	P P
	- poorly organized and corrupt oversight	- impose sanctions or disciplinary actions on companies proven to circumvent regulations	D
	- inefficient legal procedures	- strengthen cooperation with police force and judiciary - amend penalty code	S P

### 3.1 Illegal Logging

#### 3.1.1 Illegal Logging for Securing Subsistence

*Typical context:* Illegal logging related to securing basic subsistence involves poor individuals without adequate supply of timber from legal sources to meet their basic needs. Mostly, the needs relate to supply of fuelwood but some construction timber for shelters may also be needed. Law enforcement does not have the capacity, and often not even the will, to prevent this type of illegal logging.

*Regions:* Central Asia, some countries in the Balkans.

*Recommended response:* When subsistence needs are at risk, the emphasis of any response measures needs to be on prevention. Detection and suppression have little relevance in a situation where basic needs cannot be met. Often, the fundamental conflict is between environmental protection and satisfaction of social needs; in many cases it is difficult to achieve both.

The starting point is to adopt an approach that is able to effectively close the gap between supply and demand. The option available for immediate action is to legalize current illegal fuelwood cutting, and by amending the legislation to increase legal supply to a level that enables satisfaction of basic needs. In some countries, this may have to be done at the cost of temporarily sacrificing environmental sustainability. However, controlled excess is usually better than uncontrolled.

Detection of illegal logging for subsistence needs is difficult and costly since extracted volumes are typically small and the number of perpetrators is large. Usefulness of detection is also doubtful, as further action is not necessarily taken. If illegal logging is perceived to be a result of extreme need, it is often condoned by law enforcement staff, and courts show leniency towards the perpetrators

In the longer term, the demand for timber can be decreased by providing alternative sources of energy at no or low cost for the rural poor. Ultimately, the problem can be solved only if rural poverty is reduced. The forest sector can contribute to these efforts by designing appropriate policies but usually one sector's efforts are not enough; the activities need to be part of all broader policies, strategies and plans for rural development and energy provision.

### **3.1.2 Small-scale Illegal Logging to Enhance Livelihoods**

#### ***Local People Without Legal Access to Forest Land***

*Typical context:* Local people illegally harvest timber in publicly owned forests, or less often in community or privately owned forests. In some cases they may claim customary rights to the public forest land in which they harvest their timber. Both fuelwood and logs are harvested sold at local markets or to middlemen to enhance livelihoods. Law enforcement staff has limited resources and is unable to control illegalities. Illicit activities may be facilitated by petty corruption among public officials. In some cases, illegal logging is instigated and coordinated by large-scale commercial operators.

*Regions:* All.

*Recommended response:* The strategy to combat this type of illegal activities should be based on a clear vision of forest ownership. The option to transfer tenure and management rights to local people, especially where they have customary rights, should be carefully assessed. Local people often have continuous presence in the forest, and in appropriate circumstances, they may have the interest to protect the forest against illegal logging and manage it for the long term. Privatization or lease of state forest to responsible private enterprises is another option to consider.

However, circumstances vary and local tenure may not always be a realistic option. Establishing an adequate institutional environment to support this arrangement may be unfeasible or there is a risk that the opportunity to obtain short-term gains proves too attractive for the communities. In this case, maintaining public ownership forests and setting emphasis on developing alternative livelihoods for local people may be the most appropriate long-term strategy. Privatization involves a similar risk.

Where forests stay in public ownership, effective prevention of illegal logging requires that forest managers are interested and capable of protecting their forest. If public forest administration is charged with management, resources to protect the forest against external threat have to be adequate. In addition, the forest administration's institutional structure has to be such that it discourages corruption and provides staff with incentives for protection. In forests managed by concessionaires or other private entities, the responsibility for protection has to be clearly included in the concession agreement with appropriate sanctions if violations occur.

When dealing with small-scale illegal logging, it is necessary to ascertain that the root cause is addressed. Frequently, local people involved in illegal logging have been organized by large-scale commercial operators who provide incentives, resources and marketing outlets for individuals agreeing to work for them. Focusing on people engaged in small-scale illegal logging is an ineffective approach, if the people orchestrating the operations cannot be

brought to justice. Where this is the case, the emphasis should be set on the approach presented in ch. 3.1.3.

### ***Community Forests***

*Typical context:* Managers of community forests do not respect forest management regulations. Legal logging may be burdened by excessive bureaucracy (e.g. with respect to preparing and implementing forest management plans) or tax payments or other fees which are seen unreasonably high. Illegal activities are committed by individuals or they are organized by community leadership. In the latter case, community leaders may co-operate with commercial illegal loggers to market the extracted timber. Community leaders may also divert part of community benefits for their personal use.

*Regions:* pilot areas for community forestry

*Recommended response:* The option to curb the bureaucracy or to reduce the tax burden down to a level where communities see no significant benefit from illegal activities could be considered. If illegal activities are instigated by commercial, large-scale operators, targeting these operators is more effective than focusing on communities or individuals therein.

However, it is obvious that communities may engage in illegal activities even if there are no compelling reasons to do so. In this case, law enforcement should be strengthened and effective sanctions should be applied. Mismanagement of funds within the community should be addressed by obliging them to develop transparent management of community accounts.

### ***Privately-owned Forests***

*Typical context:* Amounts of timber extracted illegally from individual woodlots are small, but in total the illegally extracted volume may be significant. Procedures required for legal logging may be cumbersome. Woodlots are too small and scattered to be effectively guarded by law enforcement staff. Forest owners themselves live far from the lots, and due to limited economic stake have little interest in its management.

*Regions:* Central and Eastern Europe.

*Recommended response:* Regulatory framework should be simplified to a level where forest owners find the obligations reasonable and law enforcement has the capacity to ensure satisfactory compliance. In private woodlots illegality often results from forest owners' failure to follow the administrative procedures related to logging or make appropriate tax payments. Where negative impacts are significant, a potential option is to reduce the bureaucracy associated with harvesting and/or bring taxes down to a level where forest owners would no more consider illegal activities an attractive option.

### 3.1.3 Large-scale Commercial Illegal Logging

*Typical context:* High-level officials in forest administration, state forest enterprises or in related sectors (e.g. police, judiciary, country or regional governments) abuse their authority to enable large-scale commercial illegal logging in state forest areas, including both production forests and protected areas. Large-scale activities may target also community and privately owned forests. Where the structure of public administration is centralized, key individuals involved in corrupt activities may concentrate in one or few “nodes” at the central level; in decentralized or poorly controlled structures, the players at regional and local levels often act independently creating a fuzzy web which is particularly difficult to control. Large-scale illegal logging is frequently fuelled by overcapacity in domestic forest industries or by strong export demand. Monitoring and enforcement systems are weak, focused on theft and unable to eliminate corruption.

*Regions:* All countries with significant forest resources

*Recommended response:* In countries with the most difficult overall governance situation the most effective responses are likely to focus on tackling high-level corruption that allows the perpetrators to circumvent control actions undertaken at lower levels. The tools include increasing the transparency of what is taking place in the forest sector through the provision of independent information, strengthening civil-society participation and promoting elements of good governance in general. The independence of monitoring should be secured by eliminating conflicts of interest within public administration. In dire situations, engagement of international entities providing independent monitoring services (e.g. private enterprises or NGOs) should be considered.

Where illegal logging targets community forests, clarifying tenure arrangements and strengthening of law enforcement are the primary measures. Secure tenure is a basic requirement, because perpetrators may take advantage of unclear arrangements to challenge communities’ rights to their resource. Communities may also need legal services to be able to defend their rights through legal processes. Legal costs are usually prohibitive for the communities and they also lack necessary skills. Where law enforcement staff and the judiciary are tainted with corruption, backing from local advocacy groups able to raise general awareness of irregularities is often vital for the communities.

To better contain the threat from theft in privately owned forests, private forest owners could be encouraged and supported to organize in associations, and through these participate in surveillance activities. In some Eastern European countries, private forest owners have shown interest in forming patrols to detect illegal activities. Availability of low-cost legal services may also be needed.

It is stressed that most of the other potential measures will be fully effective only if corruption, especially at the high level, has been brought under control; otherwise there is a risk that resources are used ineffectively and serve only for window-dressing. If powerful interest groups are involved, any measures taken purely at the technical level can easily be circumvented. In particular, one should be careful not to divert attention from the battle against high-level corruption by focusing on petty corruption.

Whoever is responsible for law enforcement needs to have sufficient equipment and other resources. However, regulation alone is seldom an adequate response; those subject to control

activities must be obliged to provide information that can be verified with reasonable resources. If financial and information systems are complex and opaque, the effort needed to verify legality in a reliable manner may exceed the available resources. Centralized administrative structures generally facilitate control of financial flows.

Where illegal logging involves high-level corruption, forest sector is usually unable to solve the problem. In this case, co-operation with related government sectors (e.g. police, courts, state auditors) as well as with the highest levels of government and public administration are necessary. Where the negative impacts of illegal logging are significant, it may be justified and acceptable to develop procedures expediting the handling of forest-related crimes by the police force and the judiciary.

Where the capacity of wood processing industries exceeds legal supply, downsizing the processing capacity is necessary. This is a gradual process which has to be coupled with measures mitigating the negative effects on employment and income. Downsizing is a painful effort which cannot be accomplished without high-level political backing. The opportunity to provide alternative timber supplies from sustainably managed plantations should be explored to limit the need for capacity reduction.

If illegal logging is induced by strong export demand, the most effective approaches are those where both exporting and importing countries collaborate in eliminating illegal trade. Potential elements of control systems include bilateral or multilateral trade agreements and regulations, certification, or tracking systems ascertaining legality of traded products. These should be coupled with responsible purchasing practices either by private importers or public procurement offices. However, these systems should be designed with care to avoid creating an excessive cost burden for legal timber and wood products which would further reduce their competitiveness compared to illegal goods. Also, compatibility with international and regional trade-agreements needs to be ensured.

### **3.1.4 Conflict Timber**

*Typical context:* Party or parties to an armed conflict harvest and sell timber to finance the war effort, or unscrupulous entrepreneurs utilize the situation in conflict areas to mine the forest resources. Part of the proceeds is often diverted for the personal benefit of key individuals. The international community has agreed to treat timber sold by warring factions as “conflict timber” and has imposed trade restrictions, but their impact is limited because the origin of timber is concealed and timber buyers do not require proof of it. Restrictions may also be circumvented by passing conflict timber through third countries which are falsely declared as their country of origin. Corruption of customs officials facilitates trade.

*Regions:* countries with on-going internal conflict/border dispute.

*Recommended response:* Most of what applies to curbing international trade of illegal logging is relevant to conflict timber. In countries domestic consumption of timber tends to be limited making export markets the main outlet for conflict timber. Even if a domestic market existed, control of trade would be difficult or impossible because in times of conflict national forest administrations are weak or paralyzed, and the prospect of violence prevents international players from entering the scene.

The emphasis should be placed on detection of conflict timber and barring it from entering the international markets. Customs services play a key role. Import bans from countries subject to conflict have proven rather effective if they can be applied to an entire country as customs procedures are applied at national borders. However, if conflict timber originates from one particular region within one country it may be difficult to identify it unless proof of site of origin is required for all imported timber.

The control of conflict timber should be combined with efforts to curb international trade of illegal timber; the volumes of conflict timber are likely not large enough to justify a launch of an independent process.

## **3.2 Other Forest Crime**

### **3.2.1 Irregular Timber Sales, Award of Concessions and Service Contracting**

*Typical context:*, Corrupt officials receive kickbacks for arranging timber sales and concession contracts below market prices, favouring selected customers or service providers, condoning delayed payment of debts by enterprises purchasing timber, overpricing services purchased from private sector etc. Timber is sold mostly through direct negotiations with the buyers. Competitive bidding is limited and unclear and opaque sales procedure enables irregularities. Financial control lacks resources and may be subject to undue influence from high officials or politicians.

*Regions:* All countries with significant forest resources

*Recommended response:* The immediate response is to develop robust procedures for competitive bidding in timber sales and increase sales through this method. The same applies to the concession and/or logging contracts given to private companies. The system of competitive bidding should include clearly specified criteria which is publicly available. All delivery, concession and service contracts should be made public and interested parties should be allowed to challenge the award of such contracts.

Financial control over public forest administration and public forest enterprises should also be strengthened. This involves improved internal control and intensive audits by specialized and independent agencies familiar with the forest sector. In addition, forest administration/enterprises should be obliged to provide comprehensive information in a manner that is easily accessible.

However, it is stressed that elimination of financial fraud is difficult relying only on regulation. Improved oversight must usually be coupled with structural reforms in the administration/enterprises increasing staff motivation and enhancing transparency. This may entail introduction of higher salaries, improving and centralizing financial management systems, etc.

### **3.2.2 Evasion of Taxes, Royalties or Other Fees by Enterprises**

*Typical context:* Enterprises fail to declare the full amount of harvested timber to evade payment of taxes or royalties. Part or all of workers' wages are left undeclared to avoid tax (and social security) payments. In some cases, tax burden may be unreasonable compared to financial gain and other sectors. Financial control lacks resources to control tax payments.

*Regions:* All

*Recommended response:* Tax evasion is often coupled with illegal logging. Law enforcement officials in the forest sector may collaborate with tax authorities to identify enterprises that fail to pay taxes on harvested or transported timber. However, the responsibility for detecting undeclared wages is usually the responsibility of tax authorities. Forest authorities may impose sanctions on enterprises that have been shown to use "black" labour.

The requirements imposed on enterprises in the forest sector should meet the acceptable minimum but they should also be reasonable compared to other economic sectors. Requiring full compliance in one sector may be unjust and represent inefficient use of enforcement resources.

### **3.2.3 Evasion of Taxes, Royalties or Other Fees by Communities or Private Forest Owners**

*Typical context:* Community or private forest owners sell timber but fail to pay income tax, royalties or other fees.

*Regions:* All countries with community or private ownership of forest

*Recommended response:* The efforts to collect taxes from community and private forest owners should be proportionate to the expected impact. Where woodlots and amounts sold by individual owners are small, the cost of tax collection may exceed the recovered amount. If full compliance is aimed for, the tax burden should be adjusted to a level where most forest owners would pay their taxes voluntarily; In this manner, enforcement could target a limited number of forest owners failing to comply with the regulations.

### **3.2.4 Circumvention of Labour Laws by Enterprises**

*Typical context:* Enterprises harvesting or transporting timber default on payment of social security costs on their workers or regulations on minimum wages, working hours, labor protection etc. are not followed. Authorities responsible for oversight lack resources.

*Regions:* All

*Recommended response:* Forest officials do not have authority to assess working conditions; the responsibility for oversight is therefore mainly the responsibility of other competent officials. However, forest authorities may impose sanctions on enterprises that have been shown to circumvent regulations.

The requirements imposed on enterprises in the forest sector should meet the acceptable minimum but they should also be reasonable compared to other economic sectors. Requiring full compliance in one sector may be unjust and represent inefficient use of enforcement resources.

### **3.2.5 Unauthorized Wood Processing**

*Typical context:* Wood processing enterprises that do not have operating license increase overall demand for timber. This may fuel illegal logging especially in a situation where legal supply is not adequate, and the extra demand is met by exceeding the sustainable harvesting volume. The authorities controlling licences lack resources or they may be subject to undue influence from high officials or politicians with links to unauthorized mills. In some cases, bureaucracy related to obtaining a licence is overwhelming.

*Regions:* All countries

*Recommended response:* If the demand generated by unlicensed mills does not lead to supply exceeding sustainable levels, the primary option is to explore opportunities to legalize their status. For instance, elimination of excessive bureaucracy could often be achieved with a reasonable effort. However, if unlicensed sawmills make demand exceed sustainable supply, reduction of wood processing capacity becomes necessary. This is invariably a difficult task due to the economic interests involved as well as the negative impact on employment. While strict enforcement is an option, in most cases a more efficient strategy is to combine it with phased programme for capacity reduction. Collaboration with other sectors is usually necessary to mitigate the negative effects on economy and employment.

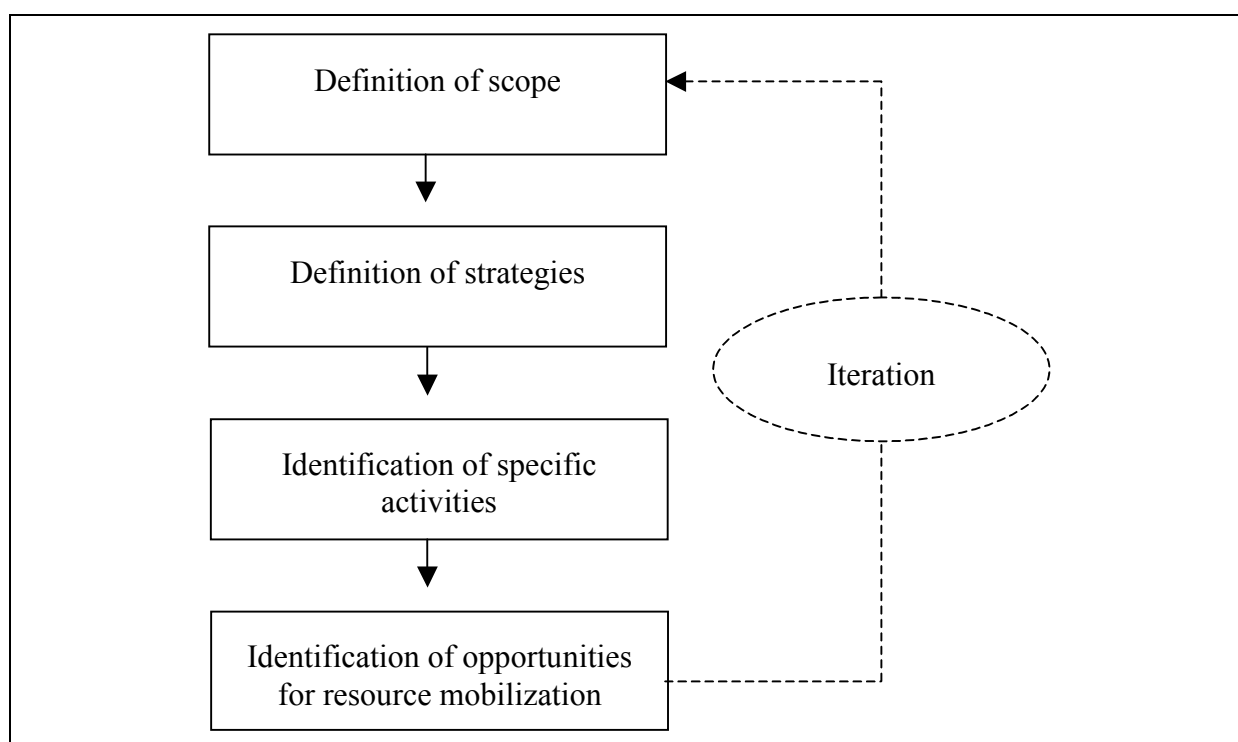
## **4 DEFINING CONTENTS FOR THE ACTION PLAN**

Combating illegal activities in the forest sector is a multi-faceted effort. To enable a structured analysis and formulation process, a step-wise approach consisting of four main stages is proposed as shown in Figure 4.1.

The first two stages focus on the “big picture” to identify priority areas of action. The subsequent two steps will define in more detail the activities to be undertaken within the identified scope and strategies. Later on, as the analysis becomes more fine-tuned and detailed, it is likely that iteration between stages will become necessary. However, to keep the analysis well-focused, it is recommended that the first effort be conducted in the proposed sequence.

Ideally, the formulation of Action Plan is a collaborative group effort. The proposed methodology is designed to encourage stakeholder participation and interaction. Each stakeholder can provide their view on priorities and the inputs can be displayed in tabular form that can easily be displayed to facilitate discussion. Examples of visual presentations are provided in ch. 4.1.

**Figure 4.1 Step-wise Approach of Four Main Stages**



#### **4.1 Defining Illegal Activities to Be Targeted**

Illegal acts are those which violate national laws. Illegal acts in the forest sector can be grouped in the broad categories provided below. By and large they correspond to the categories identified in ch. 3.

- Illegal removal of trees
- Manipulation of timber data
- Irregular timber sales and service contracting
- Evasion of taxes, royalties and other fees by forest enterprises
- Evasion of taxes, royalties and other fees by community or private forest owners
- Violation of labor laws or defaulting on social security payments by forest enterprises
- Wood processing without authorization

As a first step, it is necessary to define which type of illegal acts will be targeted by the Action Plan. The selection should be conducted taking into consideration the significance of negative impacts, availability of resources to combat the problem, and the anticipated cost-effectiveness in resource use depending on the type of illegal act. Often, full coverage is not possible due to resource constraints; a tighter focus may also enable a more efficient use of scant resources.

If necessary, the scope of Action Plan may be restricted further. For instance, in Bosnia-Herzegovina it was decided that in the first phase, the Action Plan will be limit its scope to state forests and state forest management organization; issues related to private forests were

left for later stages owing to the limited area of private forests and their relatively modest role in illegal activities.

The purpose of this step is to define the broad scope for future work. Detailed analysis on the adequacy of the legal framework should be dealt with later as a separate issue.

Below is an example of table where stakeholder views are displayed to facilitate discussion and group work.

	Government					Private Sector					NGOs			Scope agreed by stakeholders		
	Agency 1	Agency 2	Agency 3	Agency 4	Agency 5	Association 1	Association 2	Company 1	Company 2	Company 3	NGO 1	NGO2	User Group 1		User Group 2	User Group 3
Illegal removal of trees	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Timber data manipulation	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Irregular timber sales, award of concessions & service contracting			√	√				√			√	√				√
Evasion of taxes, royalties and other fees by enterprises			√								√	√				
Evasion of taxes, royalties and other fees by community or private forest owners				√												
Violation of labour laws									√							
Unauthorized wood processing			√					√			√	√		√		√

## 4.2 Identifying Priority Strategies

Once the scope of illegal activities to be targeted has been agreed, the analysis will proceed to identifying the key drivers and priority responses. The following broad set of response strategies has been identified; they have been grouped based on whether their main purpose is to prevent, detect, or suppress illegal activities.

The emphasis is on supply side measures but interventions on the demand side are also important. Where large volumes of illegal goods are finding their way to the local or international markets, demand side measures should be identified in collaboration with buyers.

Prevention comprises institutional and policy reforms that seek to reduce incentives and opportunities for illegal activities. It may also include measures aiming to reduce the gap between timber demand and supply. Because preventive measures target the fundamental problems underlying illegal logging, a number of them can be expected to take effect only in the medium and long terms.

Detection refers to various methods of collecting and processing information on illegal wood harvesting and transport with the objective of identifying illegal activities. All types of oversight carried out by forest inspection and financial audits fall into this category; as a rule their mandate is limited to detecting illegal acts.

Suppression includes measures that are undertaken once illegal acts have been encountered, revealed, and handed over to next legs of the enforcement chain. The key interventions consist of strengthening of the police force and the judiciary.

## **Prevention**

### *Measures with immediate impacts*

- Improve management structure and systems in public forest administration/enterprise (to eliminate opportunities for illegal activities and increase motivation of staff)
- Modify regulations to enable immediate increase in legal supply of timber, especially for subsistence consumption
- Combat corruption at higher levels of public administration
- Support development of responsible business practices in forest sector (chain of custody, certification etc.)
- Introduce demand-side measures locally and/or in importing countries to reduce demand for illegal timber (e.g. public procurement policies)
- Lower costs of legal timber harvesting and trade
- Eliminate key shortcomings in legal framework

### *Measures with medium- and long-term impacts*

- Reduce domestic demand for timber and/or fuelwood
- Transfer property and resource rights to state forest to non-state entities
- Invest in forest management and plantations to increase long-term supply of timber and fuelwood
- Alleviate rural poverty
- Enhance stakeholder dialogue
- Strengthen international collaboration

## **Detection**

- Improve monitoring of forest use, forest conversion and timber trade
- Enhance effectiveness of legal oversight
- Develop transboundary control mechanisms

## **Suppression**

- Strengthen collaboration with police force
- Increase effectiveness of judiciary in combating forest crime

The priority strategies should be selected considering their cost-effectiveness as well as their economic and political feasibility. It is recommended that only a limited number of priority strategies are selected (e.g. 4-6).

The choice of strategies is a key step of the analysis, and the analysis may become more substantive if the stakeholders are required not only to identify their priorities but also to motivate their stance; why certain strategies are selected **and** why other strategies are considered second priority. It is stressed that prioritization does not mean that other strategies are completely neglected; selected activities related to other strategies may also be implemented; prioritization indicates merely where the thrust of the effort should be.

Stakeholder views can be presented in tabular form and displayed visually using the same approach as in step 1.

### **4.3 Identifying Specific Activities and Defining Timeframe for Implementation**

After determining priority strategies, the analysis will proceed to identifying specific, more concrete activities under them. The list of activities presented below is indicative and non-exhaustive; new activities can be added as needed. The potential strategies and activities have been grouped in the same fashion as in the previous chapter 4.2. Stakeholder views can be presented in tabular form and displayed visually using the same approach as in chapter 4.1.

It is often useful to first identify activities under ongoing efforts or plans that already have firm commitments rather than to just focus on incremental or new activities. This helps to provide a context for the incremental/new actions, and ensure that all stakeholders are able to consider the action plan from a common knowledge base. Also the acknowledgement of ongoing efforts and existing commitments helps to empower champions and keep momentum going for these activities which may otherwise face political constraints.

Often, it is necessary to distinguish between activities requiring political decisions, and those that can proceed with no additional political decision-making. The shift from planning to implementation involves natural inertia and the process may slow down or even grind to a halt. By proposing activities that need no political endorsement but can be implemented immediately, the risk of losing momentum at this critical stage can be considerably reduced.

#### **Prevention**

##### ***Measures with immediate impacts***

Improve management structure and systems in public forest administration/enterprises

- Develop and implement robust procedures securing competitive timber sales in public forest administration/enterprise
- Improve transparency of accounting procedures and financial management systems in public forest administration/enterprise
- Improve the financial standing of public forest administration/enterprise to allow salary increases and financial incentives for staff
- Adjust general anti-corruption programmes to pay increased attention to forest sector

Modify regulations to immediately increase legal supply of timber, especially for subsistence consumption

- Relax regulations to increase supply of fuelwood and timber for subsistence consumption
- Lower import duties for timber

Combat corruption at higher levels of government and public administration

- Protect key forest officials from undue private interests and political influence (see example in Box 4.1).
- Oblige high-level public officials and politicians to disclose their assets and income sources.

- Conduct special audits on the financial flows in and out of the public forest administration/enterprise.

#### **Box 4.1      Insulating the Head of Forest Administration from Undue Influences in Bolivia**

In Bolivia, the decision of the head of the forest administration (*Superintendente Forestal*) were often guided by political pressure from the ruling party or by private interests channelled through the Ministers, who had great discretionary powers to remove someone from his/her position. The new legal framework issued in 1996 dictates that the head of the forest administration be appointed by the President of the Republic, who must choose from a shortlist of three candidates proposed by Congress. Appointment is for six years, thus straddling the presidential five-year mandate. The head of the administration can only be removed after an open institutional procedure, which must prove either gross inefficiency or corruption. As a result, the first head of the forest administration to have been appointed under the new system held the position for several years, a drastic change from the revolving door appointments of the past. The administration was also able to attract more qualified candidates and to give more weight to the management of staff based on professional merit. However, the appointment of the new *Superintendente Forestal* was delayed because political parties were unable to reach an agreement about who should be appointed.

*Source: Contreras-Hermosilla and Vargas Rios, 2002 IN: FAO 2002*

#### Support development of responsible business practices in forest sector

- Promote forest certification and chain of custody systems.
- Support the development and adoption of codes of corporate conduct in forest enterprises
- Encourage incentive contracts with private companies and promote the use of performance bonds
- Establish local-foreign partnerships in the private sector (e.g. to manage forest concessions)

#### Introduce demand-side measures locally and/or in importing countries to reduce demand for illegal timber

- Adjust domestic public procurement policies to reward legal timber
- Collaborate with governments in importing countries to adjust their public procurement policies to provide incentives for legal timber
- Collaborate with governments in importing countries so that they ban all timber imports without proof of legality

#### Reduce costs of legal timber harvesting and trade

- Simplify administrative procedures (e.g. when granting logging licences, preparing forest management plans)

#### Eliminate key shortcomings in legal framework

- Amend relevant legislation to remove gaps, inconsistencies and/or excessive detail
- Adjust penalty codes to be reasonable and effective

### ***Measures with medium- and long-term impacts***

#### Reduce domestic demand for timber

- Eliminate excess capacity of wood processing industries
- Enhance the supply of alternative energy sources
- Review policy regarding energy subsidies

#### Increase long-term supply of timber

- Expand log supply from plantations
- Enhance fuelwood supply by intensifying farm and community-level plantations
- Enhance fuelwood supply by securing natural regeneration of forest and bush land.

#### Transfer property and resource rights of state forest to non-state entities

- Privatize or lease state forests to private enterprises
- Transfer ownership or lease state forests to local communities

#### Alleviate Rural Poverty

- Enhance rural incomes and reduce population pressure

#### Enhance stakeholder dialogue

- Encourage involvement of civil society in forest dialogue
- Establish multi-stakeholder forums for dialogue

#### Strengthen international collaboration

- Sign and ratify relevant international conventions to provide backing for changes in domestic legislation
- Intensify co-operation with international and regional processes related to governance and illegal logging (e.g. FLEG) .
- Intensify networking with international organizations and/or NGOs

### **Detection**

#### Improve monitoring of forest use and timber trade

- Enhance the use of technology in detecting crimes related to harvesting, transport, processing and trade
- Provide more reliable estimates on the extent illegal logging
- Oblige forest managers to provide financial data in an easily verifiable form
- Improve exchange of crime-related information between government institutions
- Improve statistical systems to enable analysis of illegal timber flows

#### Enhance effectiveness of legal oversight

- Establish institutional arrangements separating monitoring and law enforcement from timber production and sales
- Engage independent forest monitors (e.g. semi-public organizations, domestic/international NGOs, private companies, see examples in Box 4.2 and Box 4.3)
- Conduct intensive financial audits on forest administrations/state forest enterprises

- Increase resources available for law enforcement
- Improve organization and procedures of law enforcement to use resources more efficiently and to target most serious crimes/most vulnerable geographic areas
- Provide training to law enforcement staff
- Provide financial incentives for law enforcement staff

Develop transboundary control mechanisms

- Coordinate customs procedures and improve compatibility of technical terminology
- Coordinate or organize joint patrolling along border areas

#### **Box 4.2      British Columbia's Independent Forest Watchdog**

The Forest Practices Board in British Columbia (B.C.), Canada, conducts audits and investigations and issues public reports on how well industry and government are meeting the intent of B.C.'s forest practices legislation. While it does not lay penalties, its recommendations have led directly to improved forest practices such as stronger government decision-making processes and better communication among forestry professionals to manage risks to the environment.

Although other jurisdictions have forest watchdog bodies, B.C. may be the only one with an arms-length relationship from government, and a mandate to hold both government and the forest industry publicly accountable for forestry practices. It chooses which operations to audit, and its reports and findings are published without government revisions or comments.

By law, the board must audit government and industry forestry practices, and it must deal with complaints from the public regarding forest practices and government enforcement. In addition, it may appeal enforcement decisions and penalties imposed by government, seek review of government decisions to approve plans for forestry operations, and carry out special investigations.

The appointed board members represent a broad range of expertise and experience in forestry and the environment from across the province. Its staff of professional foresters, biologists, accountants and lawyers conduct the audits and investigations and report to the board, which makes recommendations to the forest industry or government.

*Source: Forest Practices Board (2005)*

### **Box 4.3 Typical status of an Independent Forest Monitor (according to Global Witness, international NGO)**

Global Witness has undertaken Independent Forest Monitoring (IFM) in Cambodia (1999 to 2003) and Cameroon (2000 to date). Other examples of IFM exist in Indonesia, the Philippines, Ecuador, and Canada. In our experience, the strengths of IFM are:

- *Independence*: Protocols on field missions, reporting, and publication are critically important, and the Monitor must use considerable diplomacy and tact in implementing these. The credibility of IFM rests on an ability to investigate politically sensitive situations and a commitment to adhere strictly to those protocols.
- *International and multi-donor funded*: International organisations are less likely to be subjected to domestic partisan pressure. Funding from multiple sources (such as through a trust fund) increases accountability and minimises accusations of bias.
- *Non-governmental, non-profit making*: IFM benefits from broad civil society support. Monitors will be proactive in seeking and reporting the facts, and facilitating reform in the sector as a whole. The role of the Monitor should eventually be taken over by domestic governance structures that fully involve an empowered local civil society.
- *An official role*: It is essential that the state acknowledges the need for and supports the objectives of IFM; otherwise it is not possible to verify the activities of the government's officials nor the implementation of logging concessions.
- *But not an enforcement role*: At all times, however, the responsibility for law enforcement and prosecution of offenders against forest and related legislation remains with the appropriate state authorities.

Source: Global Witness (2006)

## **Suppression**

### Strengthen collaboration with police force

- Improve collaboration in field work between forest inspection and police force
- Streamline procedures for handing over cases from forest inspection to police force
- Prioritize cases related to forest sector in the internal procedures of the police force

### Increase effectiveness of judiciary

- Focus on prosecuting key forest crime offenders
- Improve the use of non-forest legislation to prosecute forest crime offenders
- Enhance the capacity of judges and prosecutors to handle forest-related cases
- Prioritize cases related to forest sector in court procedures
- Increase capacity of forest crime investigators to put together comprehensive cases for prosecution
- Raise awareness about the importance and significance of forests among judges and law enforcers
- Establish tracking and monitoring system for forest-related court cases
- Establish public monitoring of the judicial process.

## **4.4 Identifying Opportunities for Resource Mobilization**

### **4.4.1 Internal Resources within the Public Administration**

The need for resources varies greatly depending on the type of activity. Some key components of Action Plans can often be implemented by re-allocating existing resources. This applies particularly to development of policy and legal framework for which there usually is staff available. Improving the structure of institutional framework (e.g. to ensure independence of law enforcement and monitoring function) is often a low-cost effort.

Funding major investments depends on the financial standing of the institutions in question and to some extent on prioritization; re-assignment of funds from other activities is always on option. However, in practice major investments in the combat of illegal activities usually require additional funding. The main opportunity under the Action Plans is the possibility that improved oversight and enforcement result in higher revenue capture. In this manner, the need for additional funds would be temporary and extra outlays would no longer be necessary once a higher proportion of timber is sold legally resulting in higher government revenue. In some countries, the potential to improve revenue capture is large but the case would have to be prepared carefully before presenting it to the Ministry responsible for government budget.

### **4.4.2 Support from the Private Sector and Civil Society**

The private sector has indicated their willingness to provide support for the combat against illegal activities either because they foresee benefits for their own activities or simply for ethical reasons. The private companies can make a huge input to improve monitoring of timber flows by collecting, processing and presenting required information in a form that is easily verifiable. In this manner, the need for monitoring resources on the government side can be reduced dramatically. Certification and chain-of-custody systems are typical examples of this type of systems, and several major companies are already applying them. Private sector inputs may also be available for awareness and information campaigns.

The civil society can provide valuable support by ensuring that the political momentum for the implementation of Action Plans is maintained. Civil society groups often wield considerable influence among key decision-makers, and their capacity to raise awareness of the general public can be a major input to the implementation process. In many countries, non-governmental organizations have excellent technical capacity for monitoring and reporting on illegal activities.

### **4.4.3 Transboundary resources**

Eliminating crossborder traffic of illegal timber is usually of interest to governments on both sides of the frontier. Considerable synergy in the use of available resources could be achieved if the two customs and border guard services were able to coordinate their activities. For instance, incompatible customs terminologies create confusion and prevent effective crosschecking of customs declarations. Where timber is smuggled across the border, coordinated or joint patrolling by the border guards would considerably enhance the effectiveness of their effort.

#### 4.4.4 External Assistance

##### *Types of external assistance*

There are often opportunities to obtain external assistance for implementing the Action Plan. External assistance is usually available as

- grants
- loans

Bilateral agencies usually provide their assistance in the form of grants including technical assistance and minor investment support. International development agencies (e.g. FAO) may also provide some technical assistance. Development banks (World Bank, Asian Development Bank) offer loans to fund technical assistance and major investments. International non-governmental organizations provide technical assistance, and multinational companies may engage in public-private partnerships providing technical assistance and funding.

There are by and large three approaches to utilizing external assistance for implanting the Action Plan.

- Re-orienting or expanding on-going projects
- New projects focused on combat against illegal activities in the forest sector
- New projects where combat against illegal activities in the forest sector is one of the project components

The contexts in which the various approaches may be suitable are summarized in Table 4.1. Examples of the type of assistance that may be relevant are also given.

**Table 4.1 Typical Contexts for International Assistance**

<b>Approach</b>	<b>Suitable context</b>	<b>Type of assistance (examples)</b>
Re-orienting or expanding on-going projects	Particularly relevant for activities to be carried out in related sectors (e.g. development of judiciary, adjustment of energy policy); a separate project focused on forest sector is not necessarily justified but forest sector could well be selected among the priority sectors of a broader project	<i>TA:</i> development of policy and legal framework, training  <i>Loan:</i> investments in alternative energy sources
New projects focused on combat against illegal activities in forest sector	Especially suitable for situations where illegal activities are a major problem in the forest sector, and where most of the key remedies can be found within the sector	<i>TA:</i> development of policy and legal framework, institutional reform, adjustment of enforcement methods, training  <i>Loan:</i> equipment for law enforcement staff, technology for monitoring, establishment of tree plantations
New projects where combat against illegal activities in the forest sector is one of the project components	Suited for situations where main drivers of illegal activities are outside the forest sector (e.g. rural poverty)	<i>TA:</i> development of policy and legal framework; project management  <i>Loan:</i> development of infrastructure, investments in appropriate technology, etc.

### ***Formulation of proposals***

The proposals for international assistance can be based on the list of activities identified in the previous stage. Support can take many shapes; it may be limited to individual activities of the Action Plan or cover larger thematic areas.

The first step is to make an inventory of the on-going projects and programmes to see which activities of the Action Plan could be covered under them. This is often a neglected opportunity as administrative barriers between sectors tend to be high. However, the established mechanism for involving stakeholders and promoting intersectoral cooperation (see ch. 2.4) should be used to ensure that these opportunities are taken full advantage of. The available opportunities to engage on-going projects and programmes should be briefly described with respect to

- name of project/programme
- lead national institution
- funding agency
- overall objectives
- activities relevant to Action Plan
- account of desired adjustments in current project/programme, as relevant

The remaining activities in the Action Plan or part of them may be supported with new projects, as necessary. Sometimes the potential donors and their preferences are known and the proposals can be tailored accordingly. If the international community has not given any indications, the activities in need of support should be grouped into 1-3 “clusters” briefly described with respect to

- objectives
- main activities
- rough estimate on type of assistance needed
- lead national institution

Very detailed proposals are not necessary at this stage because the interests and requirements of the international community vary; the details can be worked out in further negotiations in collaboration with respective international entities.

### **4.5 Compiling Action Plan**

There is no established standard for how an Action Plan should technically be designed and compiled. However, based on available Action Plans and other similar documents, a few common elements can be identified. At a minimum, the Action Plan should contain three elements

- Brief description of the problem
- Brief account of the adopted strategies
- Detailed description of specific activities

When describing the problem, the main elements to highlight include the estimated extent of illegal logging and other forest crime, as well as the economic, social and environmental

consequences it may have. The description of the implementation strategy should include the rationale behind it.

When formulating the economic justification one should **not** focus on revenue that was foregone in the past but emphasize the future increase. From the government's point of view, the potential economic benefit is the difference between the current revenue stream and the revenue generated under the scenario outlined in the Action Plan.

Under detailed description of activities, at least the following items may be included

- activities
- principal actor (entities from the government/private sector/civil society)
- supporting actors (entities from the government/private sector/civil society)
- timeframe for implementation
- estimated cost
- (source of external support)

Rough price tags of government expenditure requirements (perhaps in some cases associated with some estimates of corresponding increases in fiscal revenues or other suggestion of source(s) of financing or offsetting budget saving) may be quite an important pre-requisite to political decisions. Obviously, not all actions will involve increased government expenditures, but some will.

For instance, in Bosnia-Herzegovina, the entity Ministries of Finance have indicated that they would be reluctant to make open-ended commitments to actions for which they do not have some knowledge of the costs. The cost is usually best defined as the incremental cost i.e. as the "extra" expenditure above the "business-as-usual" scenario. This information usually allows the Ministry of Finance to estimate the implications on government budget.

## **5 IMPLEMENTATION ARRANGEMENTS**

### **5.1 Organization**

To manage the process in the implementation phase, a coordination mechanism set up in the formulation phase including (i) a coordinating unit, and (ii) a forum for stakeholder participation must be maintained. However, it is often justified to downsize the coordination unit; the shift from formulation to implementation of the Action Plan tends to bring about a reduction in the work load for the coordinating unit.

On the other hand, if the stakeholder forum in the formulation phase was an *ad hoc* arrangement, it is often advisable to replace it with a more permanent and authoritative entity. It is important that decision-makers with sufficient authority are involved in the coordination and monitoring activities, and that they review the achievements of the Action Plan on a regular basis. The forum established under National Forest Program should be considered, if relevant. Another option is to establish a High-Level Inter-Ministerial Coordinating Body.

The responsibilities of the Coordination Unit remain essentially the same as in the formulation phase (see ch. 0). The stakeholder forum should

- provide all relevant stakeholder groups opportunities to participate in the monitoring and evaluation of the implementation of the Action Plan and contribute to its further development
- set out a procedure for monitoring the implementation of Action Plan (frequency of reviews, communication of results etc.)
- endorse progress reports provided to international bodies in compliance with international commitments (e.g. St. Petersburg Declaration)

For its work, the stakeholder forum will depend on the monitoring system. Without sound monitoring information it is difficult to exercise adequate oversight, and lacking a sound basis for their work, there is a risk that stakeholders gradually lose their interest in the forum. The development of an adequate monitoring system should therefore be a key priority in the implementation phase.

## **5.2 Monitoring**

In this context, monitoring is understood to cover the implementation of all activities in the Action Plan. Monitoring legal compliance is part of them, but there are usually a number of other measures (e.g. making planned investments, formulating legal amendments etc.) whose implementation should also be monitored.

### **5.2.1 Structure of Indicator Set**

The key element of a monitoring system is the indicator set. Ideally, the indicators would be derived directly from the Action Plan but this may not be possible because the Action Plan is often a broad document providing the main lines of action but being scant with detail. In this case, the indicator set has to be developed expanding on the indications given in the Action Plan. The set should include

- input indicators (e.g. use of human resources and investment funds for combating illegal activities).
- process indicators (e.g. participation of stakeholders, preparation of policies & plans in a timely manner), and
- impact indicators (e.g. level of illegal activities, change in government revenue, state of environment, employment)

The various indicators should be assigned target values as well as a timeframe by which the target should be reached.

Ultimately, the success of the Action Plan will be measured using impact indicators. Process and input indicators are applied to assess whether the means chosen to achieve the ultimate aims are implemented in a timely and appropriate manner. Process and input indicators are nevertheless necessary because a detectable change in impacts may be observed only after a relatively long period of implementation. If monitoring were based solely on impact indicators, there could be a substantial delay in providing feedback to policy-makers and

stakeholders; input and process indicators enable quick reporting on how implementation is progressing.

## **5.2.2 Technical Arrangements**

When developing the monitoring system it is necessary to ensure that it is both technically sound as well as trusted by the stakeholders. If the stakeholders do not perceive monitoring information as relevant and reliable, the credibility of the entire system is undermined. Distrust cannot be compensated with technical or technological excellence.

Accordingly, the first draft of the indicator set is best prepared by technical experts but the draft should be reviewed and endorsed by the stakeholder forum. If there are national monitoring frameworks (e.g. national criteria and indicators for sustainable forest management), it is necessary to ensure that the indicator set for the Action Plan is integrated with them. Transparency of information is another key issue; all results should be documented and be verifiable afterwards. To this effect, stakeholders should be provided free access to all monitoring information, not only summarized results but also the basic data.

The overall monitoring the Action Plan should be assigned to the Coordination Unit. With respect to monitoring legal compliance, the most common arrangement is a government institution responsible for forest law enforcement. Its independence should be secured with appropriate institutional arrangements where the entity is not administratively or financially dependent on the entities or individuals whose activities are being monitored.

Private companies or non-governmental organizations with sufficient technical competence could also be engaged to conduct selected monitoring of legal compliance. In some cases, the trust of stakeholders can be achieved only by involving independent international parties to assist in monitoring activities. Another option is partnership arrangements between public and private sectors and/or civil society. Apart from often being effective approaches, they are amenable to build trust between the various stakeholder groups (see Box 5.1).

From a technical point of view, it is of utmost importance to establish baselines for monitoring data. Sometimes this is not a major problem, especially if monitoring is based on an analysis of routinely collected data. However, even in this case it is necessary to ensure that routine data is archived appropriately to enable comparisons over time. Routine data must also be specific enough and focused on issues that are important for the Action Plan. On the other hand, quite often the nature of illegal activities is such that monitoring data has to be collected through specific studies. Unless these are carried out early on, there is risk that appropriate comparisons over time cannot be made.

The entity charged with monitoring has to establish a mechanism to coordinate data collection and collate data. Monitoring data usually comes from several sources, and due to different reporting systems the data may not always be compatible. The various entities involved in monitoring need to have clear and detailed directions as to the frequency of reporting and the type of information they are expected to generate.

### **Box 5.1      Successful Partnership in Ecuador to Promote Forest Law Enforcement**

*Vigilancia Verde* (Green Surveillance) was created in Ecuador in 2000 by a coalition involving the National Police, the National Defence Ministry, the Ministry of Environment and five NGOs. *Vigilancia Verde* is a supervising body responsible for controlling the transport of timber between the forest and processing and marketing locations. Thirteen fixed road checkpoints and seven mobile control points are being established, each one of them formed by a representative from the forest authority, one from civil society and two from the police. These teams operate on a 24-hour basis and their members are periodically reassigned to other control points. The system is funded by a trust that receives 50 percent of the sale value of the timber that is detected, confiscated and auctioned. The funds are administered by a bank and managed by three directors from civil society and two from government agencies. All of these features have been designed to avoid unaccountable practices, and to reduce the temptation of corrupt deals. This scheme has already demonstrated its effectiveness. In its first year, the volume of timber seized was nearly 600 percent more than that seized by the government during the previous year.

*Source: Contreras-Hermosilla and Vargas Rios 2002, The Economist 2003 IN: FAO 2005.*

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