

CHATHAM HOUSE

Illegal Logging and Related Trade: Pilot Assessment of the Global Response, 2008

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OF JULY**

Published by:

Energy, Environment and Development Programme

Chatham House

10 St James Square, London SW1Y 4LE, UK

www.chathamhouse.org.uk/eedp and www.illegal-logging.info

June 2009

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NOTE: Chatham House would like to thank the many government, private sector, NGO and other experts who kindly provided information for this study, and also to thank the members of the study's advisory group for their assistance in its development and implementation.

1. Introduction

Illegal logging and associated trade has for some years been recognised by international decision makers as one of the world's most pressing environmental problems. In many timber producing countries the majority of trees are illegally cut, resulting in vast losses of assets and revenues and devastating damage to the forests upon which hundreds of millions of the world's poorest people depend. Ten years have now passed since the G8 leaders recognised the problem and committed to act. During that time, large amounts of time and money have been spent trying to tackle the problem. This paper attempts to measure what difference all this effort has made.

1.1 Background

In 2006, Chatham House published an initial assessment of how the global response to the problem of illegal logging and associated trade might be measured.¹ The paper sought to find a way to measure not just the ultimate end goals, but also the earlier phases of response, including such things as building awareness and political will, providing financing, and developing policies. It examined a range of possible indicators with which to measure these phases of response in three country types – producer countries, ultimate consumer countries, and countries involved in processing timber for re-export.

A second Chatham House study in 2007² brought the long list of potential indicators and verifiers together under four major headings – awareness, government policy development and implementation, private sector policy development and implementation, and levels of illegal logging and trade. It looked at what lessons could be drawn from attempts to measure other problems such as corruption, sought to collect baseline data where possible from a sample of five producer, two processing and five consumer countries, and examined the viability of each indicator, both in terms of feasibility and reliability. The study looked at how monitoring of the chosen indicators might be conducted in future, and made a number of recommendations for next steps.

With support from the UK Department for International Development (DFID), Chatham House has developed these recommendations, and is now rolling out an initial pilot assessment of the response to illegal logging and associated trade, with a view to expanding this to a broader range of countries and potentially repeating the exercise on a regular basis in future years.

1.2 Methodology

1.2.1 Advisory group

In 2008 Chatham House formed an advisory group of illegal logging experts to assist with the development and implementation of an assessment of the indicators. The advisory group has played a particularly useful role in assisting in developing the ideal policy list and the expert perceptions survey questionnaire (see below).

1.2.2 Focus countries

The initial Chatham House study examined twelve producer, processing and consumer countries. Given that new, untested methods such as the ideal policy list and expert perceptions survey were to be rolled out during the first assessment against the indicators, Chatham House decided to conduct a pilot assessment on a more limited list of five countries – two producers, one processor and two consumers. Indonesia, Cameroon, Vietnam, the US and the UK were chosen. It is hoped that the

¹ Chatham House (Emily Fripp), 2006, 'Illegal Logging and Related Trade: The Global Response and Indicators of Change'

² Chatham House (Sam Lawson), 2007, 'Illegal Logging and Related Trade: Measuring the Global Response' - http://www.illegal-logging.info/uploads/Measuring_the_response.pdf

assessment will soon be expanded to cover a broader range of countries, and the pilot should provide lessons which can be learned in this next phase. It should be borne in mind, of course, that the pilot countries are among the best studied, and the collection of data on the indicators and the conduct of a survey may be more difficult in other places.

1.2.3 Indicators and means of verification

The indicators / verifiers used to conduct the assessment for the different focus countries of the pilot study are detailed in table 1 below. A version of this table which shows the results of the assessment in terms of trends is included in the last chapter. All of these measures are imperfect – data is often unreliable or incomplete, only poorly reflects what it is used to measure, and it is often difficult to distinguish actual progress from other factors which can influence the figures. Unfortunately, no better means exist by which to measure the response, and only limited primary research can be justified as part of this project. For brevity, this document does not go into extensive detail in assessing the indicators and their potential flaws, but a full discussion can be found in Chatham House’s earlier study.³

Table 1: Indicators of response to illegal logging and associated trade

	Producer		Process	Consumer	
	Indonesia	Cameroon	Vietnam	UK	USA
Awareness					
NGO reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Volume & nature of newspaper coverage	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Government Policy Development & Implementation					
Ideal policy list	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Enforcement & revenue capture data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Forest governance aid				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Expert perceptions of government response	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Private Sector Policy Development & Implementation					
Certification & verification schemes extent	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Price premiums & trade volumes for cert/verif timber	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Diversion to less sensitive mkts	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Expert perceptions of progress by private sector	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Actual Levels of Illegal Logging & Associated Trade					
Imbalance between legal supply & demand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Illegal logging in national parks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Trade data discrepancies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Import-source assessment of illegally-sourced imp			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Expert perceptions of scale of illegal logging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Ideal policy list

The 2007 study examined the possibility of structuring and quantifying an assessment of the response of governments using an ‘ideal’ list of policies required to tackle the problem in each of the country types. The hope was that a Boolean (yes/no) assessment could be made against each ideal, a score of 1 or 0 given, and that the results could then be enumerated. In order to pilot such an assessment, Chatham House worked with the advisory panel to develop and reach consensus on ‘ideal’ policy lists. To provide for more nuance, the scoring employed allowed for three possibilities – 0 for no policy, 2 for the policy clearly in place, and an interim score of 1 where the policy was under development, partial or incomplete. The ideal policy list for producer countries eventually stretched to 75 separate policy questions and sub-questions, the list for consumer and processing countries 18. Lists of the policy questions are included in Annex A. The policy questions can be grouped under a much smaller number of major headings, and these major headings are used to present the results in the chapter on the government response.

³ *ibid.*

Assessments against the ideal policy lists were carried out by Chatham House for consumer countries and by country partners for processing and producing countries.

Survey

The 2007 study on indicators found that there was a dearth of information available with which to assess certain aspects of the response to illegal logging and associated trade, particularly with regard to end goals - actual levels of illegal logging. The study recommended that a limited survey of perceptions of relevant experts in producer countries may help to fill this gap.⁴ Following this recommendation, Chatham House has developed a survey questionnaire with the assistance of the advisory panel. In addition to questions related to the nature, scale and trends in illegal logging itself, the survey also sought to garner information on the responses of government and the private sector. Most questions were targeted at a full range of respondent groups, though a small addendum survey was designed solely for private sector representatives. An extended version of this last addendum survey was also used in Vietnam, to assess the private sector response in a processing country. Copies of the main and private sector addendum survey questionnaires are available on the Chatham House illegal logging website.⁵

There are a limited number of experts with intimate knowledge of illegal logging and the response in each producer country, so the survey aimed only to obtain around 30-40 responses in each. Given the risk that certain respondent types might be inclined to be biased in a given direction, the survey sought to obtain a balance of respondents from government, the private sector, NGOs, academics and the donor community. An analysis by Chatham House of the findings of the pilot surveys in Indonesia and Cameroon found some evidence of bias, with government and private sector respondents slightly more positive and NGOs more inclined to be negative, but on the whole there was a surprising degree of consensus between different stakeholders on almost all of the questions. Obtaining responses to the survey proved to be difficult, generally requiring multiple follow-up contacts with respondents. In Indonesia 36 responses were eventually obtained, but in Cameroon the response rate was low and only 18 responses were collected. Basic analysis and graphical interpretation of the survey results was carried out by Chatham House; this did not use sophisticated statistical methods to try to eliminate bias or establish confidence intervals. Given the above, care should be taken in interpreting the results. In particular, greater confidence should be placed in the responses relative to one-another than in the numerical differences.

In general, the pilot survey seems to have been successful. The results mesh well with what is known from other indicators and from anecdotal information. Though some questions regarding trends were included in this initial survey and can provide some initial measure of change, it was hoped that were the survey repeated in future then differences between responses from year to year could also provide an indicator of the direction and extent of developments. It is not yet clear whether the survey will be sensitive enough to reliably pick up such differences, however, and whether this is possible will only be known once follow up surveys are conducted and the results compared.

1.2.5 Time periods

Ideally, all indicators would be assessed for the same time period. In practice this is impossible: perceptions surveys and ideal policy assessments measure the situation at the time they are conducted, but trade & production data, enforcement data and other information is often only available some years into the past. If an assessment was held back until all indicators related to the same time period

⁴ Since the 2007 indicators study was produced, one example of the use of a perceptions survey to assess levels of illegal logging has been published, a private sector survey in Tanzania (TRAFFIC, 2007, Forestry, governance and national development: Lessons learned from a logging boom in southern Tanzania - http://www.traffic.org/forestry-reports/traffic_pub_forestry12.pdf)

⁵ www.illegal-logging.info

– i.e. the lowest common denominator year - it would be many years out of date by the time it was published. A compromise was therefore made in this case, and this study includes data from a range of baseline dates. This pilot study should principally be viewed as an assessment of the situation in 2008: the ideal policy assessment and perceptions surveys were conducted at the end of 2008, and the media analysis was for 2007 and 2008 (year to end September 2008 for partner assessments). Some other information however, particularly the quantitative estimates of actual levels of illegal logging and trade, use data from 2007 or in some cases 2006. The assessment period is always made clear in the text and graphs.

1.2.6 Partners

In Vietnam, Cameroon and Indonesia Chatham House commissioned research by local country partners. In Vietnam, TRAFFIC provided assistance, in Cameroon the local office of CIFOR, and in Indonesia a team of independent consultants. In Vietnam the partner examined government policies against the ideal list, sought available enforcement data, and conducted a survey of the private sector. In Indonesia and Cameroon, partners examined policies, carried out an assessment of media coverage, collected data on enforcement and revenue capture, assessed levels of illegal logging in a sample of national parks, collected data with which to conduct wood balance assessments, and conducted the survey of experts.

1.2.7 Presentation

The results of the assessment are presented under the four major headings – awareness, government, private sector and actual levels of illegal logging and trade. Since the indicators are fewer, the sections on awareness and the private sector are much shorter, those on government and levels of illegal logging longer. A summary and conclusions are also included. Results are further sub-divided into sections on producer countries and consumer and processing countries. In some cases (such as actual levels of illegal logging), results are presented by indicator, but in others (such as the section on government response), information from a range of indicators is brought together and analysed under major headings.

1.3 Lessons learned and next steps

The first draft of this study was produced in April 2009 and reviewed by the project's advisory group. Some comments received and lessons learned could be incorporated into this revised pilot report, but in many cases it will only be possible to amend methodologies in future full-phase assessments. An immediate expansion of the pilot phase is already being developed, which would see additional assessments for a further seven countries (Malaysia, Ghana, Brazil, China, Japan, France and the Netherlands). The intention is that the results from these additional countries will be combined with the pilot results and published in late 2009 as a full colour report, presented as a measure of the situation in 2008.

The pilot has demonstrated how expensive and time-consuming the process of measuring the indicators can be; based on this and the likely difficulty in discerning patterns of change over short time periods, Chatham House are now recommending that any future regular assessments are conducted biennially rather than annually. If funding can be found, this would mean a follow up assessment would be carried out in early 2011, measuring the status of the response in 2010. Additional financial and technical support will need to be found if a second assessment is to be carried out.

Since the pilot was conducted, both the survey questionnaire and ideal policy list have been shortened. A large number of questions included in the pilot questionnaire relating to the implementation of specific government policies have been removed, and the intention in the next phase is to instead attempt to measure implementation and effectiveness of government policies in a structured way

through the country partners. It is hoped that the much shorter questionnaire will encourage an improved response rate.

A number of indicators are likely to be dropped for the full, expanded assessment, either because they proved to be poor indicators, or because the collection of useful data proved to be impossible within resource constraints. Both the national parks and forest governance aid indicators will be dropped in future.

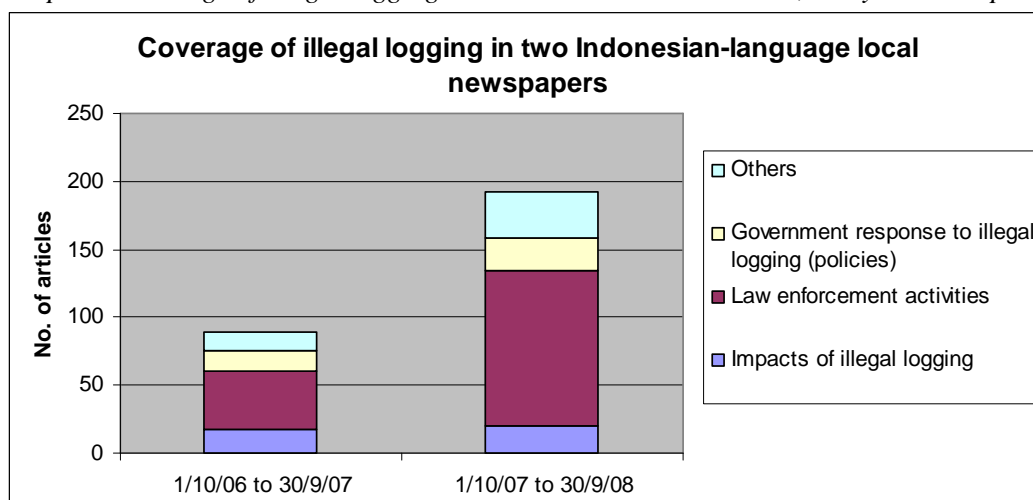
2. Awareness & Attention

2.1 Producer countries

Indonesia

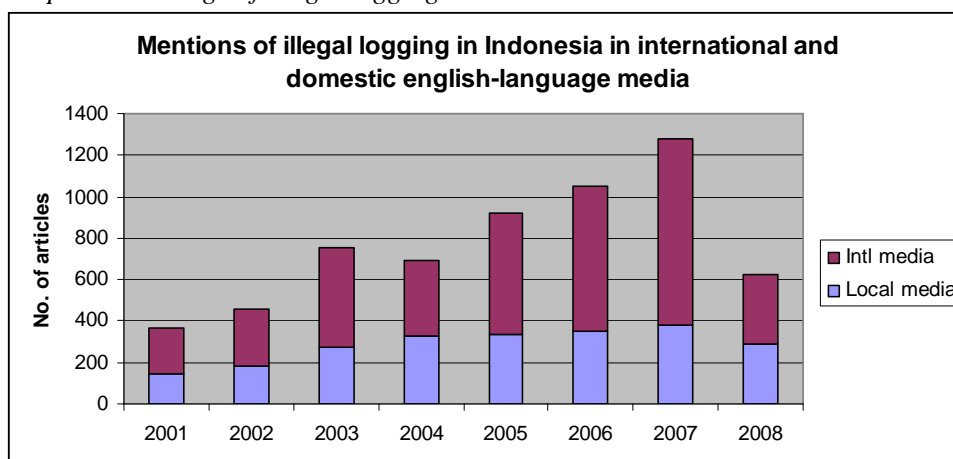
An analysis of relevant stories in a sample of two major Indonesian-language newspapers for the two years to 30th September 2008 found that coverage of the subject had more than doubled year on year (see graph 1). This pattern runs contrary to broader analysis of relevant stories in the English language media in Indonesia and abroad, however, both of which fell for the first time in 2008 after steadily increasing for many years (see graph 2).

Graph 1: Coverage of illegal logging in domestic Indonesian media, two years to September 2008



Source: Analysis by Chatham House partners of relevant stories in Kompas and Koran Tempo newspapers

Graph 2: Coverage of illegal logging in Indonesia in local and international media, 2001-2008



Source: Factiva news search for phrase 'illegal logging' combined with 'Indonesia' in global media, and for phrase 'illegal logging' in Indonesian domestic media

The proportion of articles in Kompas and Tempo which relate to law enforcement activities expanded in the most recent year. Two meaningful subcategories were identified: articles that implicate government officials in illegal logging activities (corruption), and articles that track high profile cases. Coverage of corruption-related illegal logging stories trebled year-on-year, while stories on high profile cases almost doubled, with the case of illegal-logging baron Adelin Lis dominating this latter

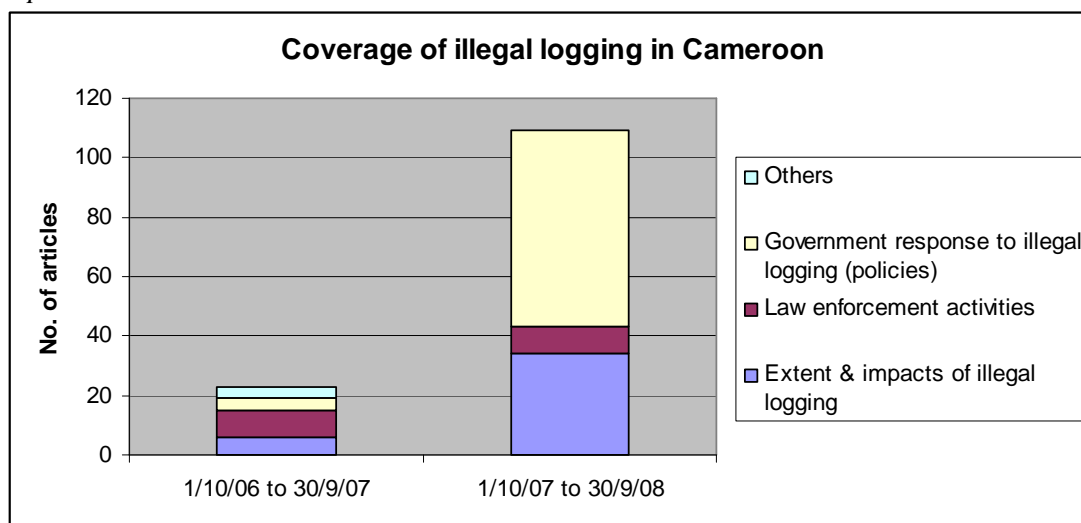
sub-category. The increased coverage of corruption is interesting in view of the finding in the expert perceptions survey that corruption was the one aspect of the problem felt to have worsened during 2008 (see Chapter 5). It is possible that the increased perception of corruption as a problem may stem from the increased media coverage, and it is not clear whether the increased media coverage itself reflects a real increase in illegal-logging related corruption.

A brief review of the international media stories on illegal logging in Indonesia, which fell in 2008, suggests that one factor in the decline may have been a drop in NGO attention. EIA/Telapak, for instance, had produced a major report on illegal logging in Indonesia in each of the previous three years, and Greenpeace and others were also active in media campaigning; in 2008, EIA/Telapak shifted focus to Vietnam, while Greenpeace have focused on Papua New Guinea and China. The Indonesian government has also been less active in bringing attention to the issue, and the decline in trade in stolen wood between Indonesia and Malaysia has also reduced media attention on the subject.

Cameroon

The year to September 2008 saw a dramatic increase in the number of relevant articles in the media in Cameroon when compared to the previous year. For 2006/7 only 23 articles were found, while in 2007/8 103 were counted (see graph 3 below). Though part of the difference may be accounted for by the greater difficulty experienced in finding older articles, there was certainly a genuine increase in attention.

Graph 3: Volume and nature of newspaper coverage of illegal logging in Cameroon, two years to September 2008



Source: Analysis by Chatham House partners of relevant stories in Cameroon newspapers

The increased coverage appears to have stemmed from the appointment of Elvis Ngolle Ngolle as Minister of Forests in September 2006. His determination to make real changes in the way the forestry sector was managed has been widely covered over time, and in the government controlled press good news stories are more likely to be published. The Ministry of Forests and Wildlife (MINFOF) under Ngolle Ngolle has also been much more pro-active in terms of public relations. This is reflected in the dramatic increase in the number of stories regarding the government's response to illegal logging, a category which has also expanded as a result of coverage of the development of a voluntary partnership agreement with the European Union.

The Ministry of Forests and Wildlife (MINFOF) also published official responses to several international publications denouncing illegal logging activities in Cameroon, such as a report by Friends of the Earth International (FOEI) published on the illegal operations by a large logging company in April 2008. This has been reflected in an increase in the number of articles on the extent

and impacts of illegal logging. The increase has not been solely due to more public relations activity by the government. A number of stories in 2008 also stemmed from more pro-active public relations activity by the domestic private sector. Despite the largely government-controlled press, critical stories about illegal logging, including ones discussing the role of corruption, stemming from NGO investigations and other sources were also published in increased numbers.

2.2 Processing Countries

Since the interest of this study in countries such as Vietnam is in relation to their role as importers, processors and re-exporters of illegally sourced wood, media coverage solely regarding domestic illegal logging is excluded from an analysis of awareness. In an analysis of domestic Vietnamese news coverage, such exclusion reduces the amount of coverage to nearly zero. While Vietnamese newspapers regularly report on domestic illegal logging cases, and also regularly report on the growing volumes of timber being imported into the country, between 1999 and 2007 there was not a single article addressing the country's role in importing illegally sourced wood and thus contributing to illegal logging elsewhere. Between 1997 and 1999 there were some occasional stories stemming from work by the NGO Global Witness which exposed the import and re-export of illegal Cambodian timber, but the problem reduced and attention quickly tailed off.

A resurgence of coverage of the subject of illegal timber imports was seen in Vietnam in 2008, however. The release of a report by the NGO EIA in March 2008 regarding imports of illegal timber from neighbouring Lao PDR sparked a storm of denial by the government and industry in the domestic media. This was followed later in the year by stories covering the increasing efforts having to be made by Vietnamese furniture companies to ensure the legality of imported timber, resulting from the imposition in May 2008 of the Lacey Act amendment⁶ in the US, a major market for Vietnamese wood products. These articles reported on workshops on the issue held by the verification body SGS and by the government alongside the NGO IUCN. These revealed how Vietnamese wood product manufacturers had moved on from outright denial to an acceptance of the need for action, calling on the government to follow the lead of the EU by implementing an 'Action Plan' to tackle the problem.

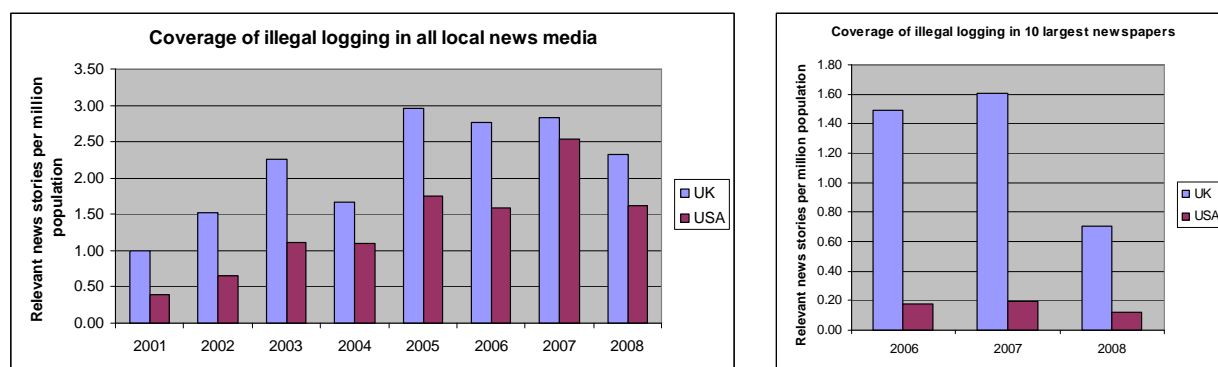
2.3 Consumer Countries

Though there are generally more articles published in US media than in UK media, adjusting for population size suggests that the issue has a much greater profile in the UK.

Media coverage of illegal logging in both the UK and the USA fell significantly during the last year (2008), the first time such a significant fall has been seen since the issue first came to prominence in the late 1990s (see graphs 4 and 5 below). Coverage had been slowly growing in both countries, reaching a peak in the UK during 2005 and in the US in 2007. Analyses of stories carried by the ten largest selling newspapers in each country, and stories carried by the UK's main trade journal, also show steep declines in coverage in 2008.

⁶ See section on the US government response in Chapter 3 below for an explanation of the Lacey Act amendment.

Graphs 4 and 5: Coverage of illegal logging in UK and US media

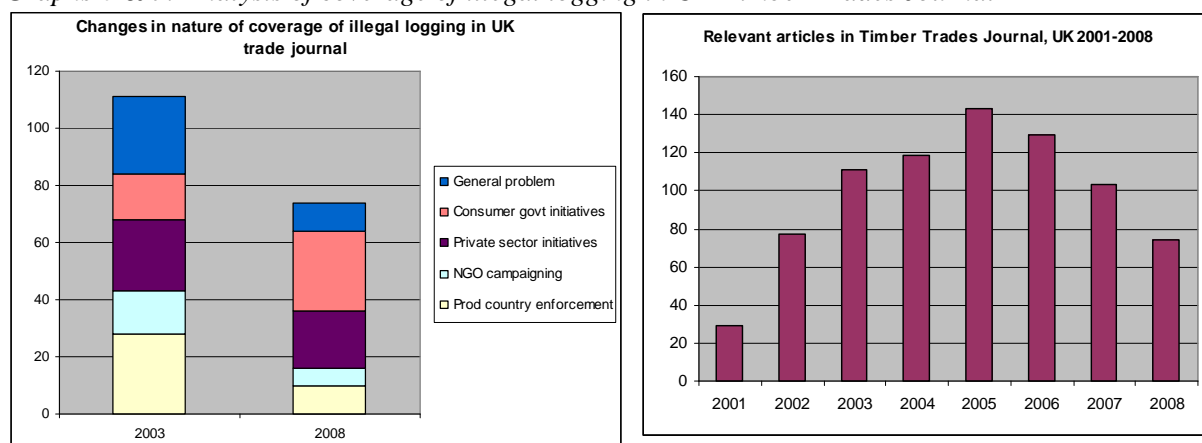


Source: Factiva news search for phrase ‘illegal logging’ in all UK media outlets, and in 10 largest-selling newspapers.

The reason for this recent decline is unclear. Qualitative analysis of relevant articles in major outlets and in the UK Timber Trade Journal (see graph 6 below) suggests that articles on the nature, scale and impacts of the problem in producer countries have declined, as have articles covering efforts at enforcement in these countries. On the other hand, stories covering the development of domestic responses to the problem have expanded, particularly those related to action being taken by the UK government and the European Union. This shift reflects how the issue has progressed in recent years through the stages of response, with the focus now on the development and implementation of new laws and regulations aimed at reducing the flows of illegally sourced timber and wood products.

The fall in coverage in the general media in the US and UK, and in the UK trade journal, also appears to reflect a recent decline in the activity of NGOs on the subject. This is supported to some extent by an analysis of the number of reports and press releases issued by the major NGOs with a history of working on the issue. This may signal a strategic change of direction by such NGOs – with the battle for awareness and political attention largely won, focus has shifted to the less overt lobbying regarding the technicalities of the response. It may also reflect a growing shift in attention amongst NGOs active on forest issues towards links between forests and climate change, particularly the development of initiatives on reducing emissions through deforestation and degradation (REDD).

Graphs 6 & 7: Analysis of coverage of illegal logging in UK Timber Trades Journal



Source: Search on archive function of TTJ website for stories containing the phrase ‘illegal logging’; analysis by authors.

Qualitative analysis of coverage in major newspapers in each country in recent years, however, reveals that surprisingly few stories examine the issue of the role of these countries in driving the problem. The most common reasons for stories are deaths resulting from floods and landslides in affected countries, and concerning the negative effects on wildlife. Of 42 stories in the major UK papers during 2008, for instance, only six mentioned the role of the UK as a consumer of illegal wood, and of these just one examined the aspect in depth and included a case study.

3. Government Policy Development & Implementation

This chapter examines government policy development and implementation in producer, consumer and processing countries. The state of each country's policy development was measured against a framework of 'ideal' policies (see methodology section in Chapter 1 above). Chatham House researchers and partners used a range of primary and secondary sources to conduct the assessment, including direct contact with relevant government, NGO, and IGO representatives as well as reports, databases, and websites, available from government, NGOs, IGOs academia/research and the media. In addition, enforcement data (in all countries) and revenue capture data (in producer countries) was also collected from a range of sources, analyzed and incorporated into the country assessment. The expert perceptions survey also provided information for this indicator in producer countries.

The following analysis examines government action on a country by country basis as well as providing summaries in each country group. Most of the indicators related to government policy development and implementation are being assessed for the first time, so only baseline data is available and relatively few conclusions can be drawn on the extent of improvement in the last year. Any subsequent assessment in a later year would be able to say more.

As discussed in Chapter 1 above, an attempt was made to add a quantitative element to the assessment of government policies against the ideal policy list. This proved to be very problematic in practice, however. The policy questions were carefully formulated so as to facilitate standardized responses and reduce inconsistency in the assessment process. Nevertheless, although the policy questions had a high level of specificity and were accompanied by detailed guidance, many of them still allowed for subjectivity. For this reason only an overall summary quantitative analysis is presented briefly in the summary section below, and caution should be taken in comparing the scores between the countries.

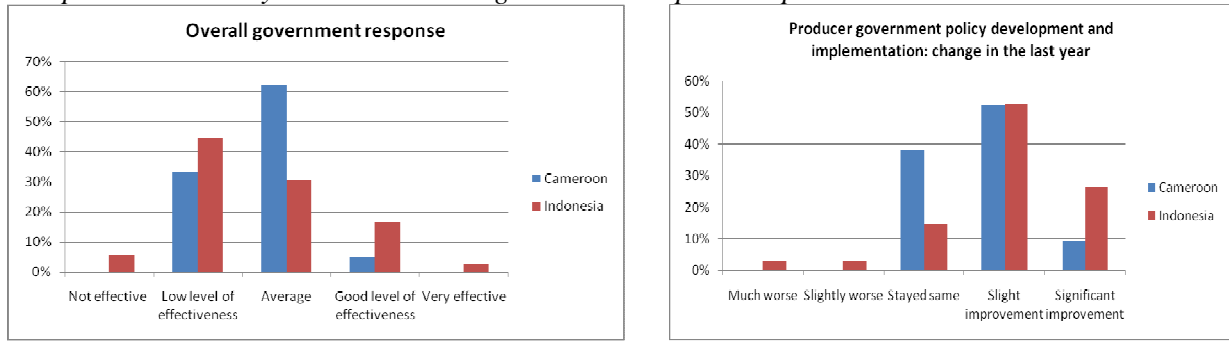
As well as assessing the overall government response in broad terms, the expert perceptions survey also sought to expand on the ideal policy list (which looked only at whether the policy existed) by seeking views on the effectiveness (design and implementation) of each policy on the list. So for instance, the ideal policy list might ask whether the law requires that information on timber concession license ownership is made public, while the survey would seek to determine whether or not any such law was followed in practice.

3.1 Producer Countries

Summary

The majority of respondents to the perceptions survey in both producer countries felt that the government had an average or low level of effectiveness in tackling illegal logging, though a number of respondents rated the government's response as good, particularly in Indonesia. The majority of respondents in both countries felt the government's response had improved at least slightly in the last year, though improvements in Indonesia were considered to be stronger than in Cameroon.

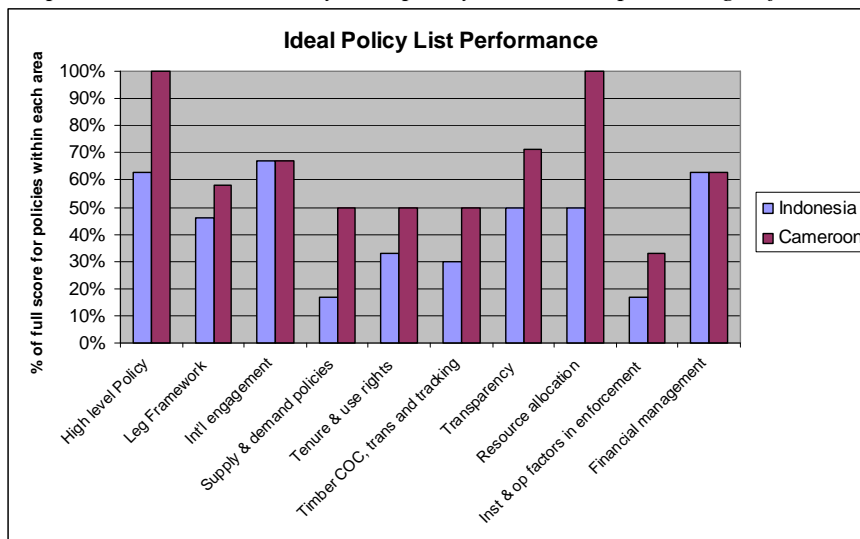
Graphs 8 & 9: Survey results on overall government response in producer countries



Source: Chatham House illegal logging expert perceptions survey, September 2008

The policy list assessment found that both producer countries had relatively few of the necessary policies for tackling illegal logging in place, scoring 50 per cent or less in most areas (see graph 10 below). While both countries scored relatively well for high-level policy arrangements and international co-operation, both also scored particularly poorly regarding policies aimed at balancing supply and demand, at respect for tenure rights, for use of chain of custody and timber tracking procedures, and for law enforcement-related policies, procedures and technologies. Though resource allocation procedures (the process for granting concessions) were scored highly in Cameroon, it is uncertain to what extent these procedures are actually followed in practice.

Graph 10: Producer country deal policy list results, percentage of maximum score



Source: Chatham House project partner scores for existence of individual ideal policies in pilot producer countries.
NOTE – subjectivity in scoring means comparisons between the two countries are unreliable.

In each country section below, survey results are discussed which evaluate specific impediments to the government response as well as change in the government response in these areas during the last year, (see graphs 11 & 12 for Indonesia and 14 & 15 for Cameroon). The survey graphs assess political will, corruption, transparency and accountability, data on forest resource utilization, enforcement capacity and enforcement effectiveness. In both countries, corruption and a lack of transparency were found to be the most important problems, (though in Indonesia most problems were considered almost equally important). In addition, in both countries, the survey respondents felt that the government response was improving across all areas, though generally only by a small degree.

Table 2 below summarizes findings from the country studies by collating results from the policy framework assessment, the survey and other sources.

Table 2: Summary of government policy status in producer countries⁷

POLICY AREA	INDONESIA	CAMEROON
<p>Political will;</p> <p>High level policy arrangements;</p> <p>High level coordination of action.</p>	<p>Some high level arrangements are in place for promoting and coordinating action by government to tackle illegal logging, and high level commitments have been made. The survey results indicate that the current situation is marred by a lack of implementation and limited effectiveness, but is improving. Although survey results identified political will as a problem, they also indicated that it has improved considerably in recent years.</p>	<p>Most high-level policy arrangements are in place, though the survey results indicate that their effectiveness is not high. Survey respondents ranked Cameroon's high-level policy arrangements, in general, as just below average, although coordination of action and consultation procedures were considered to be weaker. Progress on FLEGT VPA negotiations was, however, identified as a positive influence on the level of stakeholder consultation. The survey also indicates that political will is improving significantly.</p>
<p>Strength and cohesion of laws</p>	<p>Partially incoherent and ambiguous: numerous overlapping and contradictory laws and regulations. Inconsistencies are found in the legal framework and also result from the country's decentralization process.</p>	<p>Partially incoherent and ambiguous: contradictions exist between law provisions and regulation texts and some regulations are missing. In addition, the forest law is partially conflicting with other laws affecting forests.</p>
<p>Combating corruption and improving transparency and accountability;</p> <p>Checks and balances to ensure government fully applies forest law and regulations.</p>	<p>Corruption was identified as most the important problem by the survey but it also indicated that there was a stronger improvement in this area over the last year than any other policy area.</p> <p>Some checks and balances are in place but the survey indicates these are generally poorly implemented or not yet effective.</p> <p>The survey found that the drafting of the law on general right of access to information is good, but compliance with it is weak.</p> <p>Some information related to resource allocation and management is available, though transparency appears to be low across a number of the selected indicators. Some quantitative data is collected on enforcement activities but not systematically nor transparently.</p>	<p>Corruption was identified as the main problem by survey but was also considered to have improved slightly over the last year.</p> <p>Several measures have been put in place to ensure that government fully applies forest law, but some key elements are missing. The survey indicated that where such measures exist their effectiveness is limited.</p> <p>Cameroonian law contains provisions designed to ensure transparency in resource allocation and concession use. Provisions for transparency of information on enforcement activities are not explicit on the publication of data on forest crimes.</p> <p>Several of the transparency provisions are implemented, though there are areas where transparency can be strengthened, in particular, but not limited to, enforcement activities.</p>
<p>International cooperation</p>	<p>Indonesia is in the discussion and preparation stage of a FLEGT VPA. In addition, the country has declared MOUs⁸ with a number of countries though the impact & effectiveness of some of these agreements is questionable.</p>	<p>Strong with multiple commitments at the international level, in particular a FLEGT VPA. Cameroon is one of the leading producer countries in this process. Survey respondents considered international cooperation to be generally good.</p>

⁷ In this table all survey results are specified as such. All other findings are drawn from analysis of project partners' policy framework assessment and other data collection by partners and Chatham House researchers.

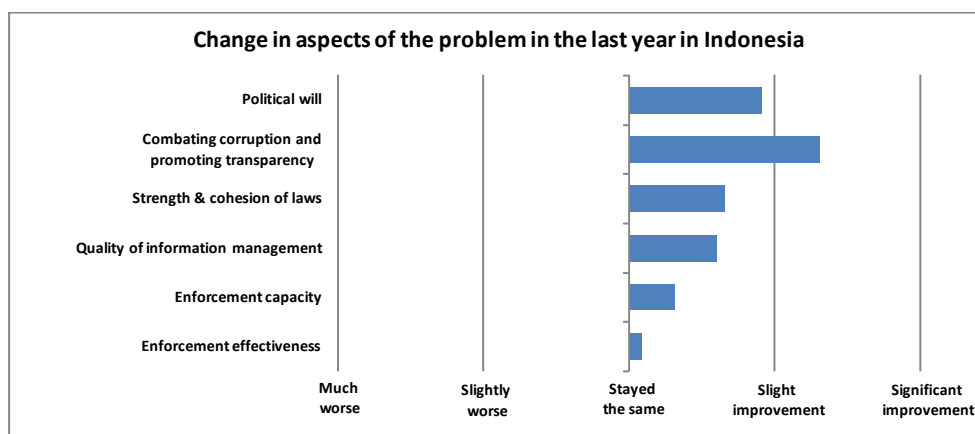
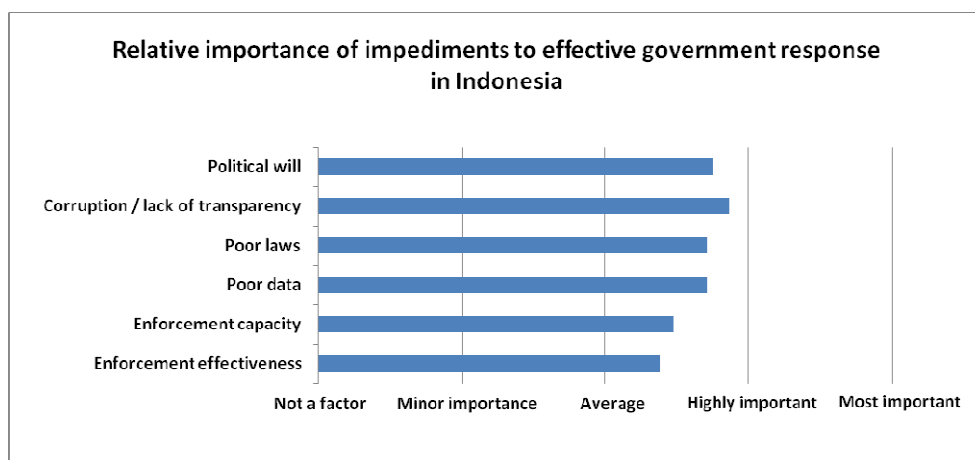
⁸ www.dephut.go.id/informasi/FLEGT/WI/Summary-action-plan.pdf (UK); http://jakarta.usembassy.gov/econ/trade-invest_sept-nov06 (USA); www.indonesianembassy-china.org/id/relations.html (China); www.highbeam.com/doc/1P2-13420990.html (Japan)

POLICY AREA	INDONESIA	CAMEROON
Policies and measures concerning supply and demand of legal timber	The survey and framework indicate that such measures are limited and have weak implementation and effectiveness. An assessment of the country's forest industry capacity was carried out but has had little follow up action. There is no formal mechanism in place for the Ministry of Industry (which grants mill licenses) to coordinate with the Ministry of Forestry (which has authority to assess the legality of forest management units that provide timber to the mills) and together to ensure that at the national level mill demand and legal supply of timber are in balance.	Some measures are in place (capacity assessments have been carried out and a permitting system is in place for large facilities) but there is no mechanism to address any country-wide imbalance. Survey respondents considered that government measures concerning supply and demand were generally adequate on paper but that implementation was weak and their level of effectiveness low.
Tenure and use rights	Tenure and use rights are not clearly defined, documented and secure. Some formalized mechanisms to address some aspects of this issue do exist, but they currently have limited impact. A majority of survey respondents thought that both the effectiveness of customary and legal tenure and use rights arrangements were poor or very poor, although a third thought they were average.	Tenure and use rights are not clearly defined, documented and secure. Survey respondents generally considered the effectiveness of tenure and use rights arrangements to be average to poor, or worse.
Timber tracking system	A system is in place but the survey and other sources indicate that control is weak and it is easily abused. The situation may improve with potential implementation of a computerized system but a lack of capacity pervades. VPA should bring improvements.	A system for tracking timber is in place but is inadequate. The system does not aim to verify timber and lacks critical tools. The survey results indicate that the current system is average or poor. FLEGT VPA should bring improvements.
Resource allocation and management	There are requirements in place for some resource allocation procedures (including prior informed consent procedures and community protection measures) but these are, in general, poorly implemented. Survey results indicate that resource allocation procedures are considered to be average or poor, in general. However, discussions on FLEGT VPAs may lead to a significant improvement in the situation.	A range of resource allocation procedures are in place. The survey indicates that these are not effective or adhered to, but also indicates that the situation is improving.
Institutional and operational factors in law enforcement capacity and enforcement	Enforcement capacity was found to be generally weak against a range of indicators. The survey results indicate a marginal improvement in capacity and effectiveness in the last year.	Enforcement capacity was found to be generally weak against a range of indicators. Some efforts have been made recently to promote effective law enforcement in Cameroon, but in general, the situation is poor. The survey results indicate that the situation is improving, though only marginally, and less so than in other policy areas.
Financial management systems and revenue collection efficiency	Partial system in place with some areas for improvement. Some reviews are carried out of revenue due against revenue owed. Forest administration audits occur, but the full findings are not publicly available. Indications of a lack of data sharing between ministries. Data gathered for this study seems to indicate that the revenue collection rate may be high. However, problems with the reliability and availability of the data mean that it is not possible to determine with confidence the actual rate of revenue collection.	Partial system in place but needs strengthening. There is a mechanism in place for monitoring revenue due against revenue owed but no mechanism for addressing discrepancies, a problem which may lead to an unknown amount of revenue loss. Data collection is quite weak. Data gathered for this study seems to indicate that the rate of revenue collection is high. However, data problems exist with the estimation of what is due. It is therefore likely that the difference between what should be paid and what is paid is actually more than the available data suggest.

3.1.1 Indonesia

When considering various impediments to an effective government response in Indonesia, the survey results indicate that all factors are almost equal impediments to an effective government response, with a marginal tendency to consider corruption as the main impediment. However, the survey results also indicate that all areas showed some improvement during 2007-2008. The strongest improvement was in combating corruption and promoting transparency, followed by political will. The least improvement was in enforcement effectiveness. Though the survey suggested a particularly notable improvement in efforts by the Indonesian authorities to combat corruption and promote transparency, it also suggested that even greater improvements are urgently needed, since the survey found that corruption had nevertheless been the only aspect of the illegal logging problem to have worsened during the year (see Chapter 5 on levels of illegal logging).

Graphs 11 & 12: Survey results on different aspects of government response in Indonesia



Source: Chatham House illegal logging expert perceptions survey, September 2008

High level policy arrangements

The high-level policy arrangements in the country are at various levels of development and effectiveness. The government launched a medium term forestry development plan (2005-2009), one aspect of which is combating illegal logging and related trade.⁹ A presidential instruction of 2005 also called for an acceleration of action to combat illegal logging.¹⁰ Although processes exist for high-level coordination of action¹¹, the survey results indicate that the current situation needs much

⁹ The plan is supported by Ministerial Decree SK. 456/Menhut-VII/2004, www.dephut.go.id/files/InPres4thn2005.pdf

¹⁰ Presidential Instruction 4/2005, www.dephut.go.id/files/InPres4thn2005.pdf

¹¹ In addition, the Ministry of Forestry and the Police also made a high-level agreement to tackle illegal logging in 2001.

improvement, with respondents identifying key problem areas as a lack of joined-up action, ministries' overlapping roles and responsibilities. The unclear division of authority between Ministry of Forestry (MoF), regional governments and villages' authorities can lead to weak forest institutions and overlapping regulations, as discussed below.

The Coordinating Ministry for Politics, Law and Security is currently in charge of coordinating action on illegal logging, but according to the survey it lacks sufficient funding. The ministry has set up a multi-stakeholder team (known as Kormonev), which some survey respondents considered to have improved the situation, although others cautioned that it had only been sporadically effective. This group has drafted an action plan which is not yet accepted by the Coordinating Ministry or MoF.

Stakeholder dialogue is currently limited. Despite the need to take into account a range of opinions in forming policy and legislation, it seems that formal consultation processes have in the past mainly been initiated by donors and NGOs, rather than the government. However, the recently established National Forestry Council (DKN) has the mandate to support multi-stakeholder dialogue on forestry issues, but so far its impact is felt by some observers to have been minimal. The need to improve stakeholder dialogue was highlighted by one survey respondent who noted that the government cannot successfully tackle illegal logging on its own, due to the complexity of the problem, but rather needs the support of all stakeholders. However, the ongoing FLEGT VPA negotiations include a strong focus on stakeholder participation, which should lead to significant improvements in this area in the future.

A recurrent observation from the survey was that while high-level commitments and initiatives aimed at tackling the problem are improving, lack of effective implementation is the key impediment to addressing illegal logging.

Legislative framework and government structures

Forest legislation and regulation in Indonesia was assessed by the Chatham House partner as partially incoherent and ambiguous with numerous overlapping laws and contradictory regulations.¹² Inconsistencies in the legal framework (as well as the decentralization process) provided the political space for district governments and certain provinces to take parts of the Forest Estate intended for protection and reclassify them for the purposes of production.¹³ In addition, uncertainty of ownership can lead to conflict over control of land resources: in particular, communities' use and ownership rights are often not recognized (as discussed below).¹⁴

The survey also found that law drafting can be weak and that apparent good intentions, such as community forest management, can have unintended effects such as preventing other small scale forest-based enterprises that might bring real benefits to the rural poor and help protect forest resources.

A 2001, government Act states that the conflicting laws relating to land and other resource tenure by the government sector should be discontinued because of their negative effects on poverty alleviation and on natural resource conservation and management, but this has not been implemented.¹⁵

¹² World Bank 2003, 'Combating Corruption in Indonesia'; Jarvis and Jacobson 2006, 'Incentives to promote forest certification in Indonesia'. IFC Pensa, Jakarta.

¹³ The programme of decentralization which gave district governments greater control over the management of natural resources has exacerbated the problem of illegal logging, which took place after the Suharto Government fell in 1998, DFID 2007, 'Crime and Persuasion-Tackling Illegal Logging, Improving Forest Governance'.

¹⁴ Contreras-Hermosilla A. and Fay C. 2005. 'Strengthening Forest Management in Indonesia Through Land Tenure Reform: Issues and Framework for Action'. ICRAF/Forest Trends; World Bank, 2007. 'Sustaining economic growth, rural livelihoods, and environmental benefits: Strategic options for forest assistance in Indonesia'. World Bank, Jakarta

¹⁵ Government Act TAP MPR IX/2001

Discussions on a new definition of legality for timber currently being held under the FLEGT negotiations should help to clarify the currently ambiguous and contradictory situation, and thereby facilitate law enforcement and reduce corruption.¹⁶

Although the rights and responsibilities of various government departments are documented and defined, problems exist in the governmental structure. The Chatham House project partner considered that one of the underlying problems in Indonesia's forestry sector is the overlap between the rights and responsibilities of various government institutions, especially since decentralization. In addition, one survey respondent noted that weak coordination between government institutions also constitutes a significant problem.

Government structures: checks and balances.

Some checks and balances are in place to combat corruption and ensure government fully applies forest law and regulations but where such measures exist they are generally poorly implemented or not effective. The law sets limits to use of discretionary powers, but is partially unclear.¹⁷ Penalties for staff are strong enough to dissuade corrupt practices, but are rarely applied.¹⁸

Survey respondents had mixed views on this matter with some identifying a lack of impact of penalties on corrupt officials' behaviour and the rarity of staff being removed for corruption while others felt that the situation was getting better. The new KPK anti corruption commission may bring improvements, although it is not yet focusing on the forestry sector. The MoF has an Inspectorate General to monitor performance, but little relevant information is published. There is a parliamentary commission on forestry which has formal oversight over the MoF and associated agencies but, according to one survey respondent, it is not effective: three of its members are themselves facing charges or have been convicted of corruption.

In general, the survey found that the state of the current checks and balances for ensuring proper conduct by government officials was very weak, though the overall opinion was that government efforts to combat corruption and promote transparency were improving.

International cooperation

Indonesia is in the discussion and preparation stage of a FLEGT VPA, which should contain practical measures to control illegal logging, including a clear definition of legality, an acceptable system of establishing and assuring/verifying legality and increased stakeholder participation. In addition, the country has declared MOUs¹⁹ with a number of countries including the UK, Norway, China, Japan and the USA and made a FLEG-related ministerial declaration, but the Chatham House project partner found that the effectiveness of many of these agreements is questionable, since there has been little subsequent implementation or follow up.²⁰

Opinions of survey respondents on international co-operation by the Indonesian government were very divided. While slightly more than half felt such co-operation to be average or good, almost as many felt it to be poor.

¹⁶ DFID 2007

¹⁷ http://www.dephut.go.id/files/Data_Itgen_2003_2008.pdf

¹⁸ www.kpk.go.id/modules/wmpdownloads/singlefile.php?cid=10&lid=19

¹⁹ www.dephut.go.id/informasi/FLEGT/WI/Summary-action-plan.pdf (UK); http://jakarta.usembassy.gov/econ/trade-invest_sept-nov06 (USA); www.indonesianembassy-china.org/id/relations.html (China); www.highbeam.com/doc/1P2-13420990.html (Japan)

²⁰ An exception is the MoU with the UK, under which some important work has been carried out.

Policies on demand and supply

Imbalance of supply and demand is a key driver of illegal logging in Indonesia. Processing capacity far exceeds the legal harvest levels and the government has resisted calls to reduce processing capacity.²¹

While there has been an assessment of the balance of wood supply and demand, the Chatham House project partner found that little or no follow up action has taken place.²² There is an industry revitalization road map which recognizes that there is an imbalance between supply and demand. However, the roadmap does not fully acknowledge the links between the industry's current overcapacity and the problem of illegal logging. Instead, it is primarily focused on increasing the supply of timber to meet existing capacity and to help 'revitalize' the industry, rather than on reducing capacity to meet existing legal supplies. The roadmap has a strong focus on the development of timber plantations to replace dwindling supplies of logs sourced from natural forests. It also foresees a strong role for community owned plantations (HTR) in providing timber.

The Chatham House project partner found that there is no formal mechanism in place for the Ministry of Industry (which grants mill licenses) to coordinate with the MoF (which has authority to assess the legality of forest management units that provide timber to the mills) and together to ensure that at the national level mill demand and legal supply of timber are in balance. Moreover, although the MoF has, in a very few cases, choked off illegal raw material supplies to mills, and denied those mills permission to operate, the mills still exist as legal entities because only the Ministry of Industry has the power to close them and is not believed to have ever actually exercised that authority.²³

The survey results showed that respondents considered that the structures of arrangements to address wood supply and demand problems were of average quality, but that their implementation and effectiveness was weak.

Tenure and use rights

Weak use rights and tenure arrangements are considered a significant part of the problem of illegal logging and can often lead to hardship for local communities and indigenous peoples.

In Indonesia, property, use rights and tenure arrangements are not clearly defined, documented and secure. Although some formalized mechanisms to address some aspects of this issue do exist, they currently have limited impact. In general, tenure arrangements are not set out on clear maps, are unclearly demarcated and have limited protection, creating a significant impediment to effective forest control and respect for legal and customary rights. A significant portion of the Forest Estate has yet to be properly gazetted, leading to uncertainty over land tenure and often conflict. Traditional community rights often overlap claims by the state, and maps used by the MoF often do not reflect the reality on the ground.²⁴

²¹ The processing capacity is said to exceed legal capacity by a factor of 4 (see DFID 2007).

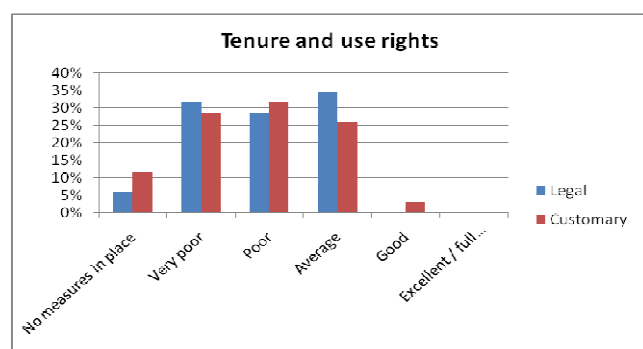
²² Donors have carried out several studies on the imbalance of wood supply and demand as a driver of illegal logging. (National workshop on forestry and illegal logging in August-September 2000; In-House Working Group on Industry Revitalization)

²³ In addition, mills are still required to submit reports to the Ministry of Forestry's Directorate of Forest Products Processing and Marketing each year which represent the precise legal sources of timber which they will process, and on this basis, mills are given permission by the Directorate to process this timber in that year. The project partner's reports indicate that, in reality, both the initial assurances given by the Ministry of Forestry to the Ministry of Industry, as well as the ongoing evaluation of raw material supplies by the Ministry of Forestry's Directorate of Forest Products Processing and Marketing are quite weak and insubstantial.

²⁴ For example, an ICRAF study of areas allocated for community forestry plantations (HTR) by MoF in the Batang Toru district, showed that only 3% of the area did not have a productive tree cover, agricultural use or was a settlement (Noordwijk et al. 2007, 'Is HTR a New Paradigm in Community Based Tree Planting in Indonesia?', ICRAF, Bogor).

A regulation issued in 1999 by the Ministry of Agriculture does specify the conditions for the recognition of community land claims and guidelines for their settlement and directs all district governments to investigate if land claims exist within their district. However, implementation of the regulation seems to be ineffective and although a governmental working group on tenure was established to facilitate discussion of this problem, the Chatham House project partners found that it has had limited influence on policy.²⁵

Graph 13: Survey results regarding the effectiveness of tenure and use rights arrangements in forest management in Indonesia



Source: Chatham House illegal logging expert perceptions survey, September 2008

A majority of survey respondents thought that measures to ensure that for ensuring respect for both customary and legal tenure and use rights in forest management were poor or very poor, although a third thought they were average (see graph 13 above). One survey respondent noted that the decentralization process led to large areas being allocated by local authorities which in many cases overlapped with existing concessions already allocated at national level, but felt that that this issue is gradually being resolved.

Other respondents noted that although the government is trying to facilitate conservation, production and welfare, in terms of implementation, benefits are captured by the strong institutions. One commented that it is very difficult for communities to get tenure rights established, and there seem to be no effective controls if a large company wishes to log a forest that has a community claim on it.²⁶ Another stated that he was not aware of any effective systems to document or uphold customary law, making ‘conflict’ the only option for communities which were losing their rights. One respondent believed the failure of the tenure system to be one of most serious problems affecting sustainable management of Indonesia’s forests.

Timber chain of custody, transport and tracking

Indonesia has a system in place designed to verify the origin of timber (back to the forest management unit) in transport, transfer and delivery, based on a document known as the SKAU (Surat Keterangan Asal Usul/ Letter of Origin). The SKAU, currently being rolled out, will replace the previous SKSHH certificate. The SKSHH/SKAU is printed by the national currency authority, and is therefore in principle tamper proof. However, in practice alterations can be made. In addition, many more SKSHH/SKAU permits are printed than are needed nationally, increasing the chances that the documents may fall into the wrong hands or be corruptly misused.

One survey respondent noted that illegal duplication of transport documents is common. Although computerized systems are not currently used, a new online system is expected to become compulsory

²⁵ Sakai, Minako. 2002; Bakker, L. 2006; and Chatham House Indicators Project partner's observations of policy processes.

²⁶ Instead, it was claimed, concessions are allocated more or less arbitrarily with little or no consultation with local communities (see also ‘Resource Allocation Procedures’ below).

this year, but again capacity to implement it may be weak.²⁷ Another respondent noted that although existing systems are poor the government is working on improving the system in the context of the FLEGT VPA.

Transparency

Increasing transparency is key to improving forest governance in Indonesia. In Indonesia, the public has a general right of access to information held by public authorities. 2008 was an important year in this regard as it saw the passing of a new Public Information Transparency law.²⁸ However, the Chatham House project partner found that in practice in the forestry sector many crucial documents are not available, such as original concession maps and Industrial Raw Material Supply Plans.

In general, the rights and responsibilities of government institutions regarding transparency are well defined and such information is available to the public. However, the decentralization process has created some uncertainty over these functions and there is some overlap in responsibilities of central and regional bodies which reduces the effectiveness of the government response.

Two-thirds of the survey respondents considered that in terms of institutional transparency (i.e. the effectiveness of legislation stipulating a general right of access for the public to information held by public authorities), the drafting of the law is average or good, but most think that compliance is poor. One respondent noted that, as with other areas, the legislation contained good intentions but had no follow through (e.g. ministerial targets or reporting), in a culture that is very resistant to sharing information in the public domain. Another felt that the situation was still poor but improving and highlighted the recent passing of the Freedom of Information Act as well as work by MoF (and several provinces and districts) on information disclosure policy.

Regarding transparency in resource allocation and management procedures, the situation is mixed but generally poor. Some rules, dates and results of resource allocation procedures are available in a timely fashion.²⁹ Information on the location of concessions can be accessed by website, but this information is often inaccurate, incomplete, and is updated irregularly. Yearly harvesting plans (which contain the most accurate information on who currently controls the concessions and how to get hold of them) are now issued locally and are difficult to access, even for MoF headquarters staff in Jakarta.³⁰ Contracts, inventories and plans are treated as confidential. Environmental and social impact assessments are not published, but can be formally requested from MoF, though even then they may be difficult to get. However, most forest management regulations can be found on MoF's website.³¹

Enforcement activities are partially transparent. Some data on forest crimes is available through sporadic press releases and published in newspapers. In general, while some relevant quantitative data is collected on enforcement activities, the Chatham House project partner found that this process is neither systematic nor very transparent. Some data is available with which to assess trends in enforcement cases and seizures (see 'Enforcement activities' below), which can provide a picture of

²⁷ The respondent also noted that the system only covers logs from concessions to mills and that an increasing amount of timber comes from land clearance operations or plantations, which may not be covered by any effective controls. The respondent noted that some companies have implemented effective tracking systems themselves and that these usually reach international standards of best practice (see also 'Private Sector Policy Development and Implementation').

²⁸ Law No 14/2008 on Public Information Transparency. Transparency is also promoted through a press law: Law no 40/1999 on the Press.

²⁹ Auctions for concession licenses were open to the public but the highest bidder did not automatically win the concession and the government's final decision process was not open to the public. Auctions have now been discontinued. Bids are announced through the Ministry of Forestry's website, while some results are published in newspapers, but these tend not to be very specific. However, a list of all concessions and plantations granted by the Ministry of Forestry can in theory be requested from the relevant Directorate in the Directorate General of Production. (www.sinarharapan.co.id/berita/0811/24/eko02.html)

³⁰ Most production and export data is recorded in MoF's statistical publication, which is published the following year (www.dephut.go.id/index.php?q=id/node/2195).

³¹ www.dephut.go.id

activity in this area. Seized timber is often sold through public auctions, but the results of these are not published.³²

Resource allocation and management

Many ideal resource allocation procedures are already in place in Indonesia but these are in general poorly implemented. The FLEGT VPA process may lead to improvements.

The Presidential Decree of 2003 stipulates a pre-qualification process for bidders for resources, the results of which are announced to the public.³³ In terms of prior informed consent procedures and stakeholder consultations, the Chatham House project partner's reports note that according to law, the MoF should consult with communities prior to gazetting sections of the Forest Estate. However, much of the Forest Estate has not been properly gazetted and the MoF has generally shifted the burden of working out issues on the ground to concessionaires.³⁴ Concessionaires are required to implement community livelihood programmes but these are, in general, carried out inadequately, with few benefits to communities.

The survey results indicate that all resource allocation procedures are considered to be average or weak. One survey respondent claimed that those requirements for prior informed consent procedures and consultations which do exist are not taken into account in practice.

Institutional and operational factors in law enforcement

Current policies, laws and regulations only partly facilitate and promote effective law enforcement. A mechanism does exist to prioritize forest law enforcement (Men PolHuKam), but the recent dispute between the police and MoF over a series of illegal logging cases in Riau suggests that the priorities of different agencies are not fully aligned.

Table 3 below provides baseline and trend data for law enforcement activities during 2006 and 2007, which provides a picture of country-wide enforcement activity. The trend data, which is only available for cases of illegal logging reported by MoF, shows a significant decrease in cases from 1,713 in 2006 to 467 in 2007 (a 73 per cent decrease). Other findings suggest that this decrease does reflect a genuine reduction in illegal logging, rather than other possible causes such as a decrease in enforcement effort or effectiveness (see section on actual levels of illegal logging).

The Chatham House project partners note that the overall apparent decrease in illegal logging activities in recent years seems to indicate that penalties are persuasive. However, many stakeholders feel that the backers and facilitators of illegal logging are still getting off too easily. Many working practices of illegal loggers remain categorized as administrative infractions rather than crimes, and this is not dissuasive. As well as reflecting a genuine drop in illegal logging, the fall in recorded MoF illegal logging cases between 2006 and 2007 shown in the statistics above may stem in part from an apparent reduction in enforcement effort following a surge during 2005-6.

The table also shows baseline data for the volume and value of timber seizures during 2006 and 2007 by the National and Forest Police, which is considerable. However, it also shows that only 24 per cent of National Police cases and only 38 per cent of MoF cases resulted in prosecutions.³⁵ Since no prior year data for prosecution rates was available, trends could not yet be ascertained. No data could be obtained on the payment of fines, and it is not clear if this is collected.

³² This may allow for a loophole, facilitating corrupt practices, see DFID 2007

³³ www.dephut.go.id/files/2a_VII_DIPA_07_LLG_3_2008.pdf

³⁴ AMAN and WALHI 2003. 'Application of FSC Principles 2 & 3 in Indonesia'

³⁵ See footnote 36 below.

Table 3: Indonesia forest sector enforcement activities 2006 and 2007³⁶

Baseline data	Confiscations		Total
	National Police, Calendar year 2007, Volume of timber		1.5 million m3 (approx)
	Forest Police, March 2006 to February 2007, ³⁷ Volume of timber		34,500 m3 (approx)
	Value of confiscations: ³⁸ (Using the higher volume of seizures by the National Police)		USD 30 million to 150 million (est.)
	Cases ³⁹		Total ⁴⁰
National Police, 2007 ⁴¹	No. of cases of illegal logging: ⁴²	1,439	
	No. of suspects:	1,717	
	No. of these cases that led to convictions:	350	
	Percentage of cases resulting in prosecution	24%	
Ministry of Forestry, 2007 ⁴³	No. of cases of illegal logging:	467	
	No. of cases under investigation:	353	
	No. of cases progressing to court:	179	
	No. of these cases that led to convictions:	132	
	Percentage of cases progressing to court	38%	
Trend data	Ministry of Forestry, 2007	No. of cases of illegal logging 2007:	467
		No. of cases of illegal logging 2006:	1,713
		Percentage of reduction in No. of cases between 2006 to 2007	73%

Despite the apparent decrease in illegal logging activities, policy list indicators suggest that government institutions and agencies still do not have sufficient capacity and resources to adequately monitor forest areas and detect and suppress forest crime.⁴⁴ In particular, key factors in this problem

³⁶ This study's review of enforcement activities was carried out by the Chatham House project partner and is based on print media (newspapers), government publications, the internet, and interviews with representatives from the Ministry of Forestry. A key finding of this review is that while some relevant quantitative data is collected on enforcement activities, this process is neither systematic nor transparent.

³⁷ Translation from data in the Chatham House project partner's report to a total round wood equivalent (RWE) and extrapolation to a twelve-month period: For data translation, extrapolation and value methodology see project partner's report for Indonesia.

³⁸ Ibid.

³⁹ No data was available on fines related to illegal logging. Reportedly MoF's Directorate General of Production Forestry (Bina Produksi Kehutanan, BPK) collects some data relating to fines issued by the Forestry Police, but this data was not made available.

⁴⁰ Since the MoF and Forest Police cases are both from 2007 there may be some double counting of the number of cases reported. The number reported by the police is likely to be more inclusive (and much larger) than the number reported by MoF, as eventually cases from MoF would be handed over to the police. As an overall indicator, the police numbers are therefore more meaningful. The MoF numbers are still a useful indicator, as they may reveal changes in the politics of enforcement in the future.

⁴¹ Republika, 2 January 2008; Koran Tempo, 18 September 2007

⁴² There were also 189 special cases of illegal logging in Riau with 248 suspects.

⁴³ Indonesian Ministry of Forestry, 2008.

⁴⁴ See, for instance, Indonesia's Long Term Strategic Plan for Forestry 2006-2025, MoF; and reports from a series of MoF workshops during June 2007- September 2007 on Corruption in the Forestry Sector.

are insufficient resources and staff numbers,⁴⁵ coupled with insufficient and infrequent training both in terms of understanding of the regulatory framework and knowledge of techniques and mechanisms for monitoring and enforcement.⁴⁶ Moreover, government officials do not yet use many of the information gathering tools that could strengthen their effectiveness.⁴⁷ Several NGOs regularly carry out field investigations into illegal logging; though they operate without a mandate from official law enforcement agencies, the work of these NGOs can directly strengthen official law enforcement activities as well as investigate, uncover and pursue illegal activities directly.⁴⁸

One survey respondent noted that weak law enforcement is a root problem in addressing illegal logging, although another highlighted some positive developments where effective law enforcement has had a significant impact on illegal operations in Central Kalimantan.⁴⁹ Another respondent pointed out that a key issue in the area of poor enforcement is the weakness of the judicial process, with few major cases being successfully prosecuted in the courts.

Financial management and revenue capture

The government revenue system is controlled based on data on production and export reported by companies.⁵⁰ The Financial Investigation Agency (Badan Pemeriksa Keuangan, BPK) carries out an annual audit and gives follow-up recommendations to the Ministry of Forestry. Forest administration audits occur but the full findings are not publicly available.⁵¹

An assessment of the extent to which revenue due on the annual licensed harvest is actually captured (an indicator of the extent to which licensed logging companies pay taxes due) reveals that captured fees in 2006 actually *exceeded* (by US\$ 65 million) the amount that should have been collected based on recorded harvests. The Chatham House project partners suggest that while the size of this gap is subject to the uncertainty of some of the assumptions used⁵², it seems to indicate that there is a problem of data sharing between the Directorates within the Ministry of Forestry's Directorate General of Forest Production Development (BPK) responsible for collecting fees and those tasked with keeping track of harvest information. Due to the continuing confusion in forestry jurisdictions following Indonesia's decentralization process it is likely that that some harvests were charged fees at the local level and those fees were sent to the national level, but that the actual amounts of the harvest taking place were not shared with the national level and therefore not recorded in the total licensed harvest volume published by the Ministry of Forestry.

3.1.2 Cameroon

The survey results indicate that corruption, poor enforcement effectiveness and low enforcement capacity are the greatest impediments to an effective government response to illegal logging in Cameroon. On average the survey respondents found there had been some marginal improvement in

⁴⁵ Low salaries are also considered a main reason for lack of commitment to law enforcement, as staff are forced to seek alternative sources of income. See, for instance, Indonesia's Long Term Strategic Plan for Forestry 2006-2025, MoF; and reports from a series of workshops during June 2007- September 2007 on Corruption in the Forestry Sector.

⁴⁶ Customs officials receive infrequent training as part of a wider training package. See www.dephut.go.id/index.php?q=en/berita&page=4. Training for judges and prosecutors exists but is infrequent. A training programme was facilitated by USAID in North Sumatra in 2007 <http://hariansib.com/2007/07/25/as-latih-32-jaksa-sumbagut-tangani-kasus-illegal-logging-terorisme-pencucian-uang>

⁴⁷ Remote sensing systems are not currently used but a study has examined into this option. Similarly, material flow analyses are for identifying illegal activities but mainly by donors and NGOs, and not by law enforcement agencies for this purpose (such as wood input/output estimates, comparison of import/export data) <http://portal.bppt.go.id/berita/index.php?id=188>.

⁴⁸ See the work of Kalimantan's Anti-Illegal Logging Consortium (KAIL), DFID, 2007.

⁴⁹ In this instance the closing of illegal sawmills along the river has led to the stopping of [illegal] timber being sourced from the forest estate.

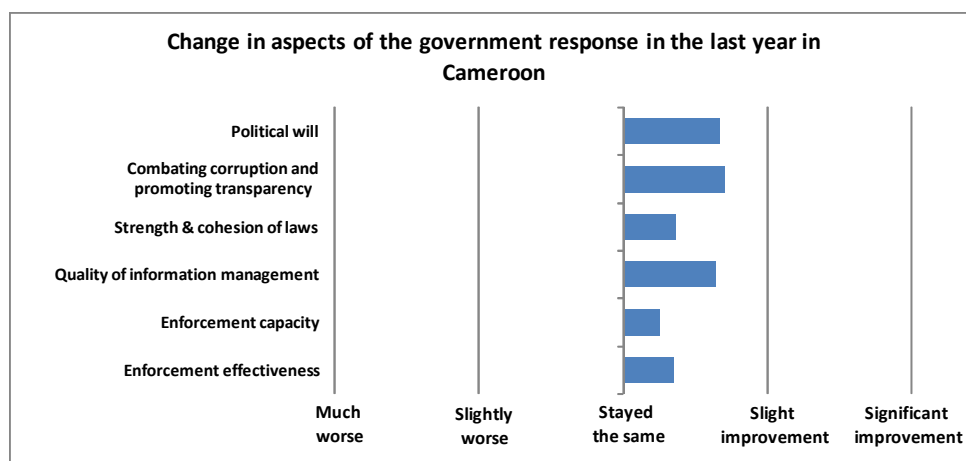
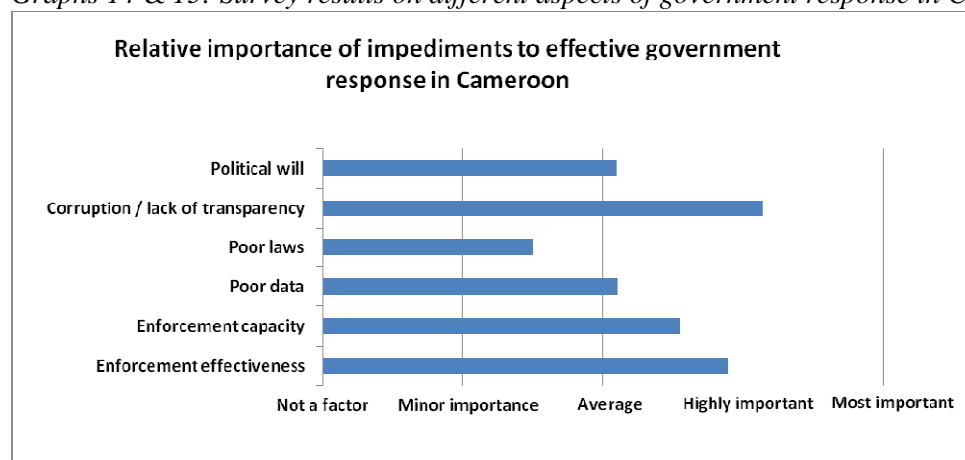
⁵⁰ Forest related taxes and fees are available in government regulations and on the web: www.cess.or.id/docs/2010_08_M_DAG_PER_2_2007.pdf www.bpkp.go.id/unit/hukum/pp/2002/035-02.pdf.

⁵¹ Some investigation results are published on a website, but the information is incomplete and not up to date. www.bpk.go.id/doc/ikhtisar/2005ii/APBN/Bab14-Dephut.pdf

⁵² See project partner's report for Indonesia, 2009, for methodology.

all aspects of the government's response during 2008, however, with political will, combating corruption and promoting transparency the areas showing the greatest improvement (see graphs 14 & 15 below).

Graphs 14 & 15: Survey results on different aspects of government response in Cameroon



Source: Chatham House illegal logging expert perceptions survey, September 2008

High level policy arrangements

Cameroon has most high-level policies identified by this study as necessary to ensure good governance in place, though the effectiveness of these is not yet high. A 'National Strategy Plan for Forests and Fauna Control', has been in place since 2005. Action on illegal logging is coordinated by the National Control Brigade, together with the Direction of Forests at the Ministry of Forests and Fauna.⁵³ In addition, formal processes exist for multi-stakeholder involvement in developing policy. Following the Yaounde AFLEG Conference in 2003, a Multi-stakeholder Platform (MSP) was established, under the IUCN. The MSP is involved in FLEGT VPA negotiations. The government has not yet carried out its own official review of the causes and severity of illegal logging, however.

The expert perceptions survey ranked the adequacy of Cameroon's high-level policy arrangements as slightly below average, with coordination of action and consultation procedures considered to be particularly weak. Progress on FLEGT VPA negotiations was identified as a positive influence on the level of stakeholder consultation, however.

⁵³ There are also two high-level networks: MPs network on SFM and Conservation in Central Africa, (which includes a Cameroonian chapter (REPAR)); and the Association of the Mayors of Forest Councils, (both bodies are involved in the FLEGT process as consultative organizations).

Legislative framework and government structures

The Chatham House project partner classified Cameroon's forest legislation as partially incoherent and ambiguous. Contradictions exist between law provisions and regulation texts and some regulations are missing. In addition, the forest law is partially conflicting with other laws affecting forests. For example, the 1994 forest law and its application texts are partially conflicting and unharmonized with the 1974 land and gazetting regulations. However, the 1994 forest law is almost consistent with the 1996 framework on environmental management, especially on the matter of general principles (e.g. Sustainable Forest Management).

Government structures: checks and balances.

Cameroon has certain measures in place to ensure that government fully applies forest law, but several key elements are missing. Legislation is in place which protects the right of the public to mount legal challenges against the government but the survey results indicate that while the language in the law is adequate, compliance is poor.⁵⁴ There is also a requirement for government forest officials, military personnel and politicians to disclose financial (or 'in-kind') interests. The law makes a general stipulation of penalties for staff for corruption across sectors, while the forest sector law carries some details of penalties for staff, if they commit crimes.⁵⁵ However, survey results indicate that the effectiveness of such penalties is low.⁵⁶ In terms of systems to monitor staff compliance and carry out internal corruption investigation, there is an 'Anti-corruption Committee' in the Ministry of Forests and Fauna, though its results have not yet been published. On average, the survey respondents considered the internal departmental systems for promoting staff's probity to be poor.⁵⁷ In addition, the project partner's report indicates that Cameroon's forest law lacks clear limits to discretionary power, and that codes of conduct and complaints mechanisms are missing.

Crucially, however, unlike Indonesia, Cameroon does have an independent forest monitor in place (Resource Extraction Monitoring – REM). Survey results were positive about the effectiveness of the IFM system.⁵⁸

REM identified a number of key issues in need of attention with regard to staff performance. REM found that permits are issued in clear violation of the required procedures and that the '*passivity of some of the Ministry's offices in response to the trafficking of transport permits and logging documents is patent*'. They also identified 'unorthodox practices' by law enforcement officers in the follow-up of known infractions, including excessive voluntary reductions in fines owed to the state. REM also noted that governance weaknesses within MINFOF are a key factor in widespread abuse of the Timber Recovery Permits (TRPs) system (permits meant for small scale harvesting).⁵⁹

Nevertheless, overall survey findings indicate that while corruption (and a lack of transparency) is the main problem in Cameroon with regard to illegal logging, it is also improving the most quickly.

⁵⁴ Article 153 of the 1994 forest law; article 8 (2), 1996 framework law on environmental management.

⁵⁵ General Criminal Code; Article 162 (2) of the 1994 forest law.

⁵⁶ Survey respondents also commented that penalties can be severe and include being removed from posts, although one respondent noted that such staff may return to posts later. The respondent added that the administrative procedures for sanctioning civil servants are quite complex and long. Another respondent commented that there have been some cases where penalties have been enforced for evidence of corruption; but these are generally used against actors who have lost the favours of their superiors anyway.

⁵⁷ One respondent commented that it requires external pressure, such as donors, for any such internal systems to be used. On the other hand, another respondent noted that there had been some high-level attention to this issue recently, with one minister ordering the implementation of staff rating systems.

⁵⁸ However, one respondent commented that a problem with the system is that the IFM's recommendations and findings are too often ignored, while another noted that a key sticking point in independent monitoring in Cameroon is the difficult relationship between authorities (notably the Ministry of Forests and Wildlife) and the Independent Observer. However, the respondent also noted that, compared to neighbouring countries, the system works better than average.

⁵⁹ REM, 2008, 'Progress in tackling illegal logging in Cameroon-Annual report by the Independent Monitor of Forest Law Enforcement and Governance in Cameroon'.

International engagement

Cameroon has declared multiple commitments to tackling illegal logging in high-level discussions.⁶⁰ It has also demonstrated a political commitment to negotiating a trade agreement on illegal logging in the form of a FLEGT VPA with the EU. Cameroon is one of the leading producer countries in this process.

Survey respondents in Cameroon were more positive than those in Indonesia regarding the level of international co-operation shown by the government on the issue of illegal logging. More than half felt that the level of Cameroon's international cooperation was good, while a further third thought it was average

Policies and measures concerning supply and demand of timber

The Chatham House project partner noted that between 2000 and 2008, Cameroon carried out a series of national-level assessments of the extent of over-capacity in the forest industry and whether this is a driver of illegal logging. It is unclear how useful such analyses are, however. The government does not have mechanisms in place designed to ensure that country-wide industrial capacity does not exceed legal supply; though the permitting system for wood processing facilities does require evidence of sufficient legal sources of raw material for large industrial sawmills, this does not apply to smaller facilities.

Survey respondents on average considered that government measures to balance supply and demand were adequate but that implementation was poor and they were not very effective. One survey respondent commented that while legislation exists that has placed caps on the export of logs of certain species, government authorities frequently grant exceptions to the industry.

Tenure and use rights

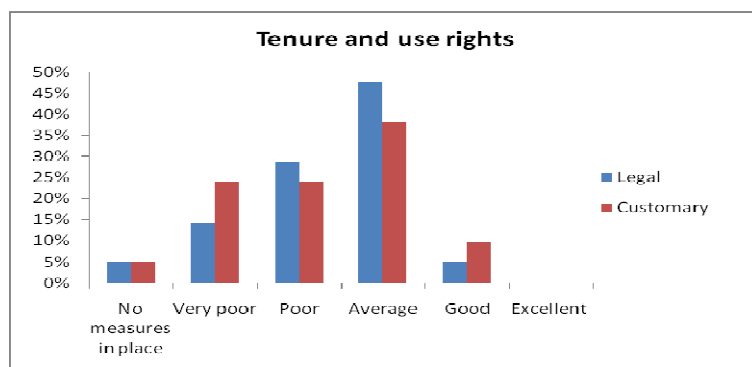
The project partner's study found that in Cameroon property, use rights and tenure arrangements are not clearly defined, documented and secure (including those of indigenous and local communities). Maps are currently inadequate and limits are not clearly demarcated at ground level.⁶¹ Some mechanisms exist for resolving conflicting or overlapping property rights (at the official level, this is the judiciary and at the village level, the village chiefs). There are currently no formalized mechanisms in place for accommodating customary rights in law and regulations. There are, however, ongoing discussions on a new legal framework in this area which may include such mechanisms.⁶²

⁶⁰ Including UNFF; ITTO; CBD; UNFCCC; FLEG; FLEGT; Regional Commitments: COMIFAC; AFLEG; ATO; CBFP.

⁶¹ The most accurate maps for Cameroon are old (1970s) and at scale 1:200,000. Cadastral maps do exist but are incomplete and often accurate.

⁶² Cameroonian land law legislation was issued in 1974. A 1976 decree on conditions of obtaining land titles was revised by the Decree No 2005/481, 16 December 2005, but did not include any formalized mechanisms. Although such mechanisms may be included in the new legal framework currently under discussion, this is by no means certain.

Graph 16: Survey results regarding the effectiveness of tenure and use rights arrangements in forest management in Cameroon



Source: Chatham House illegal logging expert perceptions survey, September 2008

Survey respondents generally considered that measures to ensure that customary and legal tenure and use rights were clearly defined, documented and secure were average to poor, or worse, although a minority thought they were good. A number of respondents commented that this was a contentious and sensitive issue that ‘no-one wants to deal with’. Several noted that certification schemes require this to be addressed but although one respondent felt that tenure issues were addressed adequately in such cases, another respondent noted that, even in certification processes, which represent the best case scenario, such issues are the most important point of disagreement with logging companies.⁶³

In general the survey indicates that implementation and effectiveness of mechanisms for resolving conflicting or overlapping property and use rights and claims are in general average to poor, or worse.⁶⁴ Other studies, however, have discerned a significant improvement in the take up of certification by companies and their increasing regard for the welfare of the environment and forest-dwelling communities.⁶⁵

Timber chain of custody, transport and tracking

There is currently a system in place, The Computerised Forest Information Management System (SIGIF, set up in 1998)⁶⁶, which records the origin of timber (i.e. FMU and other titles) but does not automatically verify it. However a new system (made up of a recording database and a CoC traceability module) will be developed within the FLEGT programme. At present, independent monitoring on the system can be carried out by the independent observer, but their reports could not be considered as official statements of offence. In future, a third party monitor of the FLEGT Legality Assurance System will be put in place. The system does not include tamper-resistant documentation procedures and although it does include reconciliation processes, these are unused.

The survey results indicate that the current system is poor, but one respondent noted that the FLEGT VPA should bring improvements.

⁶³ One respondent noted that the forest law is broad regarding user rights but each zone has its own procedure which makes it hard to generalize on customary law issues.

⁶⁴ One respondent commented that the issue of ‘comité paysans forêt’ does not work anywhere, are non-existent in many forest localities and it is mostly certified companies that are obliged to put in place such mechanisms. Another felt that their application is FSC certified concessions is very weak, but is an ‘interesting starting point’. One respondent commented that, even in the best of cases (FSC-certified concessions) conflicts are extremely frequent and in the absence of any dialogue, can lead to riots. Different forms of conflict-solving mechanisms exist with varying degrees of success, but they generally involve the creation of committees bringing together logging companies, representatives of local populations and other stakeholders (e.g. NGOs). On the other hand, one respondent felt that conflicts between logging enterprises and local populations are becoming scarce, and another thought that conflict is usually solved on the case to case basis and the mixing of traditional and modern laws can help, to some extent, but this nevertheless needs better design to ensure fairness.

⁶⁵ DFID 2007

⁶⁶ ‘Système Informatique de Gestion d’Informations Forestières’

Transparency

The Chatham House project partner found that in Cameroon, the public's right of access to information held by public authorities exists 'on paper.'⁶⁷ Communication and documentation units operate within the Ministry of Forests and Fauna, but their performance to date has been poor.

Cameroonian law contains a number of provisions designed to ensure transparency in resource allocation. The law requires that all forest concessions are allocated on the basis of public auctions and that competing titles are made public ahead of the action.⁶⁸ Rules for allocations of concessions are publicly available. Dates are often also announced in the press and, when it is operational, on the MINFOF's website. The inter-ministerial commission and an independent observer are in charge of deliberations. The provisions of Forest Law and Environmental Legislation do not explicitly require that results are made published. This is an interpretation/implicit in those provisions. In practice, results are publicly available and can be consulted at MINFOF's secretariat. The law does not stipulate that harvest data is made public, but MINFOF nevertheless publishes some.

Similarly, the law also contains provisions to ensure transparency in concession use. Under these provisions, the location of concessions and ownership details should be publicly available and generally are, although contact details are not provided.⁶⁹ The provisions also require concession contracts, inventories and plans to be available, but they remain very difficult to obtain. The law stipulates that results of environmental and social impact assessments and mitigation measures as well as up-to-date and comprehensive forest practice regulations are also publicly available, and the Chatham House project partner considered that these requirements are generally implemented.

In terms of whether the law contains provisions designed to ensure that information on enforcement activities is available, the situation is mixed. The law is not explicit on whether data should be published on forest crimes but the Forest Administration has published such information in newspapers in the past. The law also stipulates that results of public auctions of confiscated wood are publicly available but this is poorly implemented.⁷⁰

Resource allocation and management procedures

Cameroon has a number of measures in place which are designed to promote good governance in resource allocation and management. Some prequalification criteria exist for prospective bidders and concession allocation must be done on a competitive basis.⁷¹ However, at least in previous years, irregularities have been detected in adhering to the procedures of public auctions. Tenders have been accepted from companies which have been recently involved in reported and confirmed illegal activities and boundaries of harvesting have been modified or entirely relocated after the title has been granted.⁷²

The law contains provisions concerning prior informed consent procedures for local communities with respect to logging interests and rights. These procedures involve a tripartite consultation procedure between the local community, the Administration and the logging company.⁷³ In addition, measures to protect and develop forest-based livelihood opportunities for local communities within

⁶⁷ African Charter on Human and Peoples' Rights, incorporated within the 1996 Constitution. The 1990 Law on Social Communication. The 1996 Framework Law on the Environment, with only one exception: 'secret information related to the defense of the nation'.

⁶⁸ Articles 51, 63 and 64 of Décret 95-53-PM of 1995,

⁶⁹ Additionally, according the article 72 of the 1996 framework on environmental management, populations shall have free access to environmental information.

⁷⁰ 146 and 148 of the 1994 Forest law

⁷¹ Article 1 of the 1995 Forest decree

⁷² Global Witness 2005 'Forest Law Enforcement in Cameroon. 3rd Summary Report of the Independent Observer, July 2003-February 2005. April 2005'.

⁷³ 1994 forests law; Article 68 of the Forests law; and Article 72 of the 1996 Framework on Environmental Management.

concession areas are built into concession contracts.⁷⁴ According to financial regulations, between 10 per cent and 40 per cent of annual forest fees must be distributed for communities and local councils in the area of the forest concession, but in practice this does not always occur.⁷⁵ Findings in the section above on tenure and use rights indicate that PIC procedures and measures to protect forest-based livelihoods do not work well in Cameroon, but are improving, especially in light of increasing certification.

The survey results were mostly positive concerning prequalification processes and the level of openness to bidders but generally negative concerning the adequacy of protection for forest based communities and prior informed consent procedures.

Institutional and operational factors in law enforcement

There have been some efforts taken and measures put in place to facilitate and promote effective law enforcement in Cameroon, but the general situation remains poor. The situation was felt by survey respondents to be improving, though less so than other areas of the government response.

The Chatham House project partners found that enforcement priorities within the forest sector have been determined and include: capacity building of control structures; involvement of all stakeholders; information, education and communication; and promotion of good governance.⁷⁶ On the other hand penalties and sanctions against illegal activities are only partially proportionate and dissuasive. Forestry sanctions comprise penalties and damages, but despite this distinction, administrative sanctions are still non-dissuasive because forest authorities often under-evaluate the damages.

In addition, government institutions and agencies do not have sufficient capacity and resources to monitor forest areas and detect and suppress forest crime. There is a severe lack of sufficient numbers of staff and equipment. However, the National Strategy for Forest and Wildlife Control recognizes that one of the main problems in this sector is the lack of resources. Capacity shortcomings should be at least partially resolved by the 'Forest Sectoral and Environment Programme' (PSFE)⁷⁷, under which several hundred foresters were recently recruited. The PSFE is also providing vehicles and technical know-how. The 2007 recruits were left for more than one year without salary, however, and the vast majority of those sent to the field came back to Yaoundé because they could not live without money. The majority of the salaries were paid at the end of 2008 and most of the employees have returned to their field offices.

The Ministry of Forests and Wildlife does provide some training to forest officers relating to the regulatory framework, but does not provide training in techniques and mechanisms for monitoring and enforcement as a matter of course, though some training workshops for forest officers have been organized by the administration and other stakeholders. Neither judges and prosecutors, nor customs officials are provided with forest sector training.

As of 2008, Cameroon government agencies were only making ad hoc use of appropriate information gathering tools to identify illegal activities. Cameroonian forest officers have used remote sensing tools occasionally during some field inspections,⁷⁸ and WRI's Global Forest Watch also assists the government in this task, though not systematically. In-the-field investigatory tools⁷⁹ are mainly used by the Independent Observer but rarely by the government. Material flow analyses are mostly carried

⁷⁴ Article 66 (1) of the 1994 Forests Law institutionalized Annual Forest Fees based on forest area.

⁷⁵ DFID 2007

⁷⁶ National Strategy for Forest and Wildlife Control.

⁷⁷ 'Programme Sectoriel Forêts et Environnement'

⁷⁸ Independent Forest Monitor reports of Global Witness www.globalwitness.org and REM www.rem.org.uk/Cameroon.html.

⁷⁹ Such as confidential diagnostic surveys and development and use of informant networks

out by the Ministry of Finance on ad hoc basis.⁸⁰ Furthermore, there is currently no log tracking system, but check points are used, mostly by the Ministry of Finance.

Enforcement data: baselines and trends

Data for this section was collected by the project partner. According to MINFOF, it is difficult to evaluate the overall level of fraud for a determined period. Nevertheless, officials interviewed for the project partner's study and the recent literature reports that illegal logging in State forests where about 80 per cent of the total industrial production is sourced and where management plans are approved is currently minimal (Permanent Forest Domain where large logging concessions are located) but no qualitative or quantitative was information provided. The most recent reports of the Independent Observer note that illegal activities in the Non-Permanent Domain are decreasing, but are not yet completely under control (though only partial qualitative and quantitative information is available).

Available baseline and trend data is compiled and analyzed in table 4 below.⁸¹ Data discrepancies and known problems with data availability and collection indicated above mean that data must be treated very cautiously, and any conclusions are subject to the reliability of this data.

Data from the Independent Observer shows that less than half (45 per cent) of fines due were collected from March 2006 to February 2007, and that this situation deteriorated during March 2007-February 2008 with only 39 per cent of fines due collected.⁸² The data indicates severe problems with the fine collection system. However, the 2007 and 2008 recovery rate is still considerably higher than that seen previous years – typically less than 20 per cent. MINFOF's own published data for 2007 indicates a much lower fine collection rate (just 1 per cent) than that recorded by the Independent Observer. The difference is thought to stem from poor reporting and data and information management within MINFOF.

In terms of cases progressing to court during 2007, MINFOF data shows that only 7 per cent of cases went to court, potentially indicating considerable problems with the effectiveness of the enforcement and judicial process, though any conclusions are again subject to the reliability of the data. Equivalent information from the Independent Observer was unavailable.

⁸⁰ Such as wood input/output estimates, comparison of import/export data.

⁸¹ The data was drawn from interviews and data available at MINFOF and also used the data of the independent observer's annual reports (although these are not aggregated per calendar year). Several types of data were unavailable.

⁸² Another problem raised by the Independent Monitor is that fines are often reduced by as much as 60 per cent in out-of-court settlements. Consequently, while sanctions prescribed by law may be dissuasive on paper, in practice they are not, since the reductions can make illegality financially profitable for loggers, REM 2008.

Table 4: Enforcement activities in Cameroon 2006 - 2008⁸³

		2007 (F CFA)	Mar 2006- Feb 2007 (F CFA)	Mar 2007-Feb 2008 (F CFA)
Total value of fines issued during year.	MINFOF data ⁸⁴	197 162 728		
	REM data		509 406 646	578 004 195
Total value of fines collected during year.	MINFOF data	2 600 000		
	REM data		228 998 427	226 721 525
Percentage of fines collected		1% (MINFOF)	45% (REM)	39% (REM)
Number of illegal logging cases initiated during year				
Number of illegal logging cases initiated during year	MINFOF data	41		
	REM data		18	12
Number of illegal logging cases prosecuted/completed during year.				
Number of illegal logging cases prosecuted/completed during year.	MINFOF data	3 cases <i>taken to court.</i>		
	REM data		N/A	N/A
Percentage of cases progressing to court		7% (MINFOF)	N/A	N/A

The Independent Observer also noted the following improvements:⁸⁵

- 4.5 per cent of infractions detected in 92 forest titles in the past 3 years compared to 22 per cent in the previous 4 years;
- Increased number and quality of government officers' mission reports, which also now feature maps, GPS coordinates and others relevant tools;
- Steady increase of the annual surveillance of forest titles by Government missions (32 per cent in 2005, 36 per cent in 2006 and 45 per cent in 2007) due to joint REM-government missions;
- The rate of respect of procedures during investigation missions by Government officials has increased to 67 per cent in 2007, due, among others, to regular monitoring, joint preparatory meetings and comments by REM on how to prepare a mission and better investigate logging concessions;
- Increased transparency, indicated by a steady increase in the timely approval & publication of REM's reports.

Information management system

There is a partially functioning information management system in Cameroon through which relevant government agencies can access data related to forest enforcement and management. The SIGIF and the Computerised Forest Infractions and Litigation Management System (SIGICOF)⁸⁶ systems have been put in place inside the forest administration for forest exploitation data and forest infractions

⁸³ Interviews at MINFOF concluded that reliable data was unavailable on the volume and value of timber seized during the year and the number and value of fines issued and eventually collected during a year for the whole country. Data is also unavailable on the following; number of custodial sentences issued; Number of mill or harvesting licenses revoked for illegal logging.

⁸⁴ MINFOF data have been extracted to MINFOF Communiqué 2008, www.minfof.org, only the infraction cases of 2007 year are calculated.

⁸⁵ www.rem.org.uk/index.html

⁸⁶ 'Système Informatique de Gestion des Infractions et du Contentieux Forestiers'.

management but are not linked with other relevant agencies, such as Justice or Finance. Cameroon's independent observer also noted that incomplete data entered into SIGIF has made it dysfunctional and unusable. In this regard, REM highlighted the fact that because the Forest Directorate has failed to recover and follow up real use of timber transport documentation, several unused transport documents remain in the hands of loggers and are used to launder illegal timber.⁸⁷

Financial management and revenue collection

The financial management and revenue collection system is not currently fully effective. The forest administration has a system for monitoring revenue due against revenue owed but does not have a systematic mechanism for addressing discrepancies, a problem which may lead to an unknown amount of revenue loss (see discussion below on data availability).⁸⁸ There is no appropriate and public audit of the forest administration. Some economic and fiscal audits of the forestry sector have taken place, but the latest results from 2006 have not been validated by the Ministry and are thus not publicly available.⁸⁹ Mechanisms are in place for regularly reviewing levels of taxes, fees and royalties. Such fees are clearly defined but it is difficult for the general public to access them.⁹⁰

Under the Cameroonian revenue system logging companies self-declare what they have harvested or processed and send the information and taxes based on their declarations (apart from area taxes) to the Ministry of Finance. Data on licensed harvest volumes against which these declarations would need to be compared in order to assess revenue collection rates, however, is held by the Ministry of Forests. The Chatham House project partners noted that the level of technical (i.e. data exchange), and political cooperation has historically been weak between the two ministries, and as a result discrepancies are rarely assessed and addressed. In addition, until recently (2006-2007), the Forestry Revenue Programme (PSRF)⁹¹ lacked the means and the personnel to carry out extensive cross-check analyses and comparisons, thus limiting its potential power to impose sanctions. The impending implementation of the Legality Assurance System linked to FLEGT VPAs, may lead to increased data exchange and the interconnection of recording systems between different governmental bodies. Currently, however, available data do not allow a rigorous assessment of the amount of money which should have been invoiced.⁹²

⁸⁷ REM, 2008.

⁸⁸ Collected revenues are regularly monitored by the Forestry Revenue Programme (PSRF) and the Ministry of Finance, but since owed revenues could only be calculated by using data on logging titles from the Ministry of Forests, which are often not available at the Ministry of Finance, discrepancies are rarely assessed and addressed

⁸⁹ In 2005, an audit of the PSRF took place, but did not have a wide dissemination. Internal controls do take place at the Ministry of finance, but are not made public.

⁹⁰ March 1999, forestry revenues in Cameroon are managed by a PSRF which is in charge of reviewing levels of taxes, fees and royalties.

⁹¹ Programme de Sécurisation des Recettes Forestière

⁹² Only calculations based on average values paid per cubic meter (on all species) in all logging titles are possible (based on the total national production declared by the Ministry of Forests) in order to estimate discrepancies between what should have been paid and what was eventually paid. But since several logging titles are not recorded by the Ministry of Forests (e.g. Community Forests' detailed production), even those calculations remain partial.

Table 5: Estimated revenue collection rate in Cameroon, 2007⁹³

Tax	Estimated CFA	Paid CFA
RFA	15,142,110,262	14,974,000,000
TA	5,440,000,000	5,712,000,000
SET	3,916,800,000	3,287,541,878
ED	No estimation made	2,968,000,000
ES	No estimation made	838,511,777
Total	24,498,910,262	23,973,541,878
Difference in revenue owed to collected (excluding ED & ES)	525,368,384	
Percentage of revenue uncollected	2.14%	

The available data suggest that almost 98 per cent of revenues due are collected (see table 5 above), indicating that the revenue recovery system is largely effective. However, data problems exist with the estimation of what is due. In several cases, the Ministry of Finance is not aware of logging titles delivered by (or volumes harvested and declared to) the Ministry of Forests, and thus those titles are not included in estimations by the Ministry of Finance.⁹⁴ It is therefore likely that the difference between what should be paid and what is paid is actually more than the available data suggest.

3.2 Consumer Countries

Summary

The US and UK governments have both made significant progress in the last two years in enacting and implementing policies designed to tackle their consumption of illegally sourced timber and assist producer countries in stemming the flow of such timber. Although this study has not examined other consumer countries, the evidence suggests that the US and UK have made much more progress in this regard than most counterparts.

The UK has been a strong leader on FLEG issues for some years, and has focused attention on promoting international action on illegal logging, supporting the FLEGT Voluntary Partner Agreement process, providing practical FLEG-related forest governance aid, and on implementation of a procurement policy. Efforts to implement legislation to tackle imports, on the other hand, have been slow in developing and have had to be passed to the EU under its mandate on international trade.

The US, conversely, has been less engaged until quite recently, beyond some general high level commitments and some financial support; procurement has not been utilised as a tool, and aid focused on FLEG has been relatively low. The recent initiative to amend the US Lacey Act to prohibit imports of illegal wood, however, has seen the US significantly increase engagement and become a leader on the issue.

The effectiveness of enforcement on illegal timber has been difficult to measure until now because so little timber has been subject to control at import in either the UK or US. This has now changed in the US, and is likely to do so soon in the UK; both countries have enforcement systems in place to tackle

⁹³ The main taxes are the annual forestry royalty (Redevance Forestiere Annuelle, RFA), the felling tax/tax d'abattage (TA) (on the volume of the harvested timber), the sawmill-entry tax (SET, on the volume entering the sawmill to be processed), and export taxes, which are made of exit duties (ED, on the exported volumes of logs) and the export surtax (ES, on the exported volumes of logs). Estimations for the ED and ES are unavailable and are therefore not included in the percentage recovered calculation. See Chatham House partner report for methodology.

⁹⁴ Partner assessments are ongoing to work out what the discrepancy between the Ministry of Finance's estimations and the 'real' due could be but are hampered by both unreliable and absent data.

illegal timber imports. Once new import control legislation bites, it will be important to ensure that information on enforcement is collected and made transparent, as it may provide useful information on these countries' efforts to tackle illegal logging.

Table 6: Summary assessment of government indicators for consuming countries

	USA	UK
1. Policies		
High level arrangements	Limited review of US contribution to problem of illegal logging. Interagency committee for coordination of action in place. Formalised consultation processes in place but only started relatively recently and have focused on Lacey Act implementation.	No review carried out by government but work done by other organisations has been supported and used to inform policy. Interdepartmental working-group in place for a number of years for coordination of action; Extensive formalised & regularised multi-stakeholder involvement has been supported since 2003.
Import controls	Lacey Act amendment, 2008, which includes strong penalties. Implementation commenced. Early signs of effectiveness positive but too soon to form conclusive evaluation.	UK has carried out analysis on existing legislation on preventing imports of illegally sourced timber. Analysis recommended additional legislation is needed. Recommendation accepted by government; enactment of legislation at EU level strongly supported.
International Commitments	Relatively strong commitments at various fora made some time ago, no additional recent commitments; Some FTAs in place, but their effectiveness is unclear.	Strong commitments at various fora made some time ago; UK bilateral agreements are now subsumed under EU initiatives.
Procurement policy	No specific central government policy in place, (though see discussion on Lacey Act below). Some state and city policies but generally few, not comprehensive and poorly implemented or monitored.	Extensive procurement policy in place requiring national government to purchase legal timber. Not yet fully implemented. Not mandatory for sub-national government, though uptake is encouraged.
2. Forest Governance Aid	Apparent significant and steady levels of overall forest funding up to 2007 but unclear how much focus on FLEG within this.	High & rising levels of overall expenditure on forests with indications of strong focus on FLEG. Significant levels of commitments made.
3. Enforcement	Training and support networks are provided for relevant agencies. Enforcement data limited due to previous narrow scope of import controls. Increased activity possible in future due to Lacey Act. US provides some regional enforcement assistance.	Training and support networks are provided for relevant agencies. Enforcement data limited due to narrow scope of import controls. Increased activity possible in future from FLEGT VPAs and potential additional legislation.

3.2.1 United States

Policy & legislation

The US government's recent actions on illegal logging indicate that it now considers this issue to be a priority. In particular, the US has taken significant practical action to address its role as a consumer. Legislation has been approved during 2008 which makes the US a forerunner among consumer countries in efforts to tackle illegal logging. Its actions in this area have built on earlier efforts such as the President's Initiative on Illegal Logging, 2003.

Chatham House assessed the US government's policy response against the framework of ideal consumer-country policies developed for the purpose of this project (see Annex A). Information with which to make the following assessment was obtained from a number of sources, including personal communications with US government and NGO representatives familiar with the issues.

The US has a range of high-level political and government mechanisms in place to coordinate and prioritize action on illegal logging. The President's Initiative on Illegal Logging has served as a framework action plan from 2003 to 2008, but focused mainly on support for producer country actions, with less emphasis on preventing timber being imported and sold within the US. The US has carried out some limited reviews of its market activities on the nature of illegal logging. Further work

on both areas is ongoing. Action is also coordinated through an interagency committee⁹⁵ which examines the Lacey Act implementation and enforcement (see below), among other issues.⁹⁶

In terms of developing and adopting progressive legislation on preventing illegally sourced timber from being imported or sold, while little progress had been made until 2006/2007 relative to work in the UK, Germany and the European Union, the US is now a leader through its adoption of the Lacey Act Amendment in 2008.⁹⁷ Although some official analysis was carried out on existing US legislation and regulations in this area, efforts by NGOs also facilitated the government's consideration of this issue through lobbying US Congress, suggesting text for amendments, meeting with members of the US government and by fostering a coalition of NGOs and industry. Consequently, in May 2008, the US Congress passed an amendment to the Lacey Act, the US's oldest wildlife protection statute. The Act combats trafficking in illegal wildlife, fish, and plants. The amendment of 2008 expands the Act's protection to a broader range of plants and plant products making it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant, with some limited exceptions, taken, possessed, transported or sold in violation of the laws of the United States or any foreign law that protects plants. Importers are now required to submit a declaration for certain plants and plant products.⁹⁸ Violations of the Lacey Act provisions may be prosecuted in three ways: civil—monetary penalties; criminal—fines and penalties and potential incarceration; or forfeiture—dispossession of the plant, fish, or wildlife in question.⁹⁹

The Lacey Act is a particularly strong piece of timber control legislation because it bans the import of illegal timber and wood products and breaking this law can entail a range of penalties, including incarceration. Some have argued that the Act's effectiveness may be weakened by the potentially high level of expense and resources required to identify crimes and carry out prosecutions. The very serious potential penalties (direct penalties including potential criminal prosecution and forfeiture, and indirect penalties in terms of brand damage and lost business), however, are likely to mean that most companies will strive to abide by the law even if the likelihood of being caught and prosecuted is low. Indeed, early signs of the impact of the Lacey Act on governments and the private sector are positive¹⁰⁰. For example, the Lacey Act has elicited positive comments from Indonesia's Department of Environment and Natural Resources and progressive action from Vietnam in terms of expressing intent to enter into a bilateral agreement with the EU, which, according to sources, is the result of both of its major markets now enacting measures to control illegal timber. The US Department of Justice and USAID have led efforts to communicate the Lacey Act internationally.

Prior to the Lacey Act amendment, the US had shown a high level of international cooperation over several years, with multiple commitments in numerous high-level discussions.¹⁰¹ It has also included provisions relating to forest governance in a number of Free Trade Agreements negotiated with affected countries and regions during the last few years¹⁰². Environmental groups have argued that provisions in early agreements were poorly implemented and focused solely on addressing illegal logging at source, while the core free trade provisions with which they are associated actually served to facilitate and increase the imports of illegally sourced timber into the US.¹⁰³ Later agreements, such

⁹⁵ Including US Department of State, US Department of Justice, US Trade Representative, US Forest Service; Department of Agriculture and Department of Interior (FWS); Customs & Border Protection (CBP); among others.

⁹⁶ It also discusses the illegal logging component of the US-China bilateral Strategic Economic Dialogue and used to focus on the President's Initiative.

⁹⁷ Lacey Act Amendment 2008: H.E. 2419 section 8204

⁹⁸ The declaration must contain, among other things, the scientific name of the plant, value of the importation, quantity of the plant, and name of the country from which the plant was harvested. The Act also specifies documentation requirements for paper and plant products.

⁹⁹ US Federal Register / Vol. 73, No. 196 October 8, 2008.

¹⁰⁰ EIA 2008, 'Early impacts of the 2008 Lacey Act Plant Amendments'

¹⁰¹ Including at FLEG Ministerials (East Asia, Europe and North Asia, Africa), ITTO, UNFF, G-8, CITES, and the UN Crime Commission.

¹⁰² Including with Singapore, Peru, Malaysia, Indonesia, and Central America and the Dominican Republic

¹⁰³ EIA, 2006, 'America's Free Trade for Illegal Timber – how US trade pacts speed the destruction of the world's forests'

as that with Peru, included demand-side commitments, however¹⁰⁴, and the Lacey Act amendment should overcome any negative side-effects of the earlier agreements. The US has also committed significant aid funding to forestry issues (see below 'Forest Governance Aid').

In terms of other policies to address supply side issues, the US government has supported initiatives such as the WWF-led GFTN network, to promote the use of forest certification. In terms of further policies to address demand side issues, the US does not have a federal public procurement policy to exclude illegal or sustainable timber from government purchasing and there is little activity at the state or municipal level. The relative paucity of action in the US with regard to procurement is now arguably of less importance as a result of the Lacey Act Amendment, which should theoretically ensure that all purchases of timber by government are legally sourced. Given the potential difficulties with enforcement, however, the extent to which the Amendment can guarantee legal sourcing is uncertain. Procurement policies such as those implemented in the UK and elsewhere in Europe can also set a stronger standard than the Lacey Act provides for, requiring upfront proof of legality and also sustainability of wood supplies, though such standards are limited to government purchases.

In terms of supporting operational aspects of preventing illegal imports of timber, the US provides training and support networks for customs inspectors primarily through the plant inspection officers of US Department of Agriculture's Animal and Plant Health Inspection Service (USDA APHIS). CITES shipments are jointly processed by Customs & Border Patrol (CBP) and the USDA plant inspection officers, with USDA botanists primarily responsible for biological inspections. These botanists are trained through USDA APHIS internal mechanisms, with additional training on wood ID given periodically in conjunction with the USDA Forest Service Forest Products Laboratory (FPL).¹⁰⁵

Enforcement activities

This section examines enforcement activities under current US import legislation. As noted above, the Lacey Act provides for strong timber controls. It has a strict liability provision regarding seizures of illegally harvested timber. Under previous theft statutes, the government is obliged to prove that the defendant intentionally illegally harvested or sold the product. Under the Lacey Act, products can be seized which are proved to be illegally harvested, irrespective of whether intent can also be proved (although prosecution of the individual still requires proof they had knowledge, or showed lack of due care). It is therefore possible that more seizures (and information about seizures) may occur in the future as the Lacey Act may make it easier to enforce against illegal activities. However, as indicated above the Lacey Act could also have a strong deterrent effect which would potentially reduce the number of attempts to trade in illegal timber.

Table 7 below shows U.S. seizures of shipments of CITES-listed timber¹⁰⁶ species during 2006 and 2007. Although there is a clear increase in the number of seizures from 2007 to 2008, no conclusions can be drawn from the year-to-year fluctuations of such a small data set. As higher volume timber species like Mahogany and Ramin (and Cedar and others) are added to the CITES appendices, it can

¹⁰⁴ EIA, 2007, 'No Questions Asked: The impact of US Market demand for illegal timber - and the potential for change'

¹⁰⁵ In addition, for cases where the local APHIS inspection officer has questions about a particular identification, a sample can be submitted to the FPL for a more thorough examination. As the recent Lacey Act will now potentially require increased capabilities, the FPL is considering expansion of its wood ID and training facilities, although this is subject to future budget priorities.

¹⁰⁶ Non-CITES timber that has been illegally harvested or traded could also potentially be seized on the basis of false customs declarations, stolen property laws and smuggling statutes, among others. However, if any such seizures occur the data would be collated with the wide range of enforcement actions under these laws. Consequently, it is difficult to disentangle prosecutions related to illegal logging from the broader set. The different law enforcement agencies involved in such issues - US Forest Service (USFS), US Fish and Wildlife Service (USFWS), National Park Service, Customs & Border Patrol, APHIS, and sub-federal state and city forestry administrations, among others - maintain their own databases and there is no single comprehensive repository for this type of data. The exception to this situation is for CITES species, where US FWS maintains all records. The Lacey Act amendment will result in more data becoming available, but it will be important for effective monitoring that the various authorities involved in enforcing the act co-ordinate data management and that the information is transparent.

be expected that more seizures will occur, even if enforcement efforts or effectiveness remain static. In addition, several countries such as Indonesia and Peru have had some success at seizing illegal timber before it enters international trade, and the US is continuing to support capacity building programmes to strengthen such efforts¹⁰⁷ Future data on the implementation and enforcement of the Lacey Act may be more useful in assessing enforcement efforts and effectiveness.

Table 7: U.S. seizures of shipments of CITES-listed timber species during 2006 and 2007¹⁰⁸

2006	SCIENTIFIC NAME	CTRY ORIGIN	CTRY REEXPORT	QUANTITY	UNIT	TYPE SPECIMEN	PURPOSE	SOURCE	STATUS	NO. SHIPMENTS
	Aquilaria sinensis	China	None	5,310	no	Derivatives	Commercial	Unknown	Seized	1
	Gonystylus spp.	Indonesia	None	68	m3	Wood Products	Commercial	Wild	Seized	1
	Gonystylus spp.	Malaysia	China	1	m3	Wood Products	Commercial	Wild	Seized	1
	Swietenia macrophylla	Honduras	Belgium	1,826	m3	Plywood	Commercial	Wild	Seized	1
2007	SCIENTIFIC NAME	CTRY ORIGIN	CTRY REEXPORT	QUANTITY	UNIT	TYPE SPECIMEN	PURPOSE	SOURCE	STATUS	NO. SHIPMENTS
	Aquilaria crassna	Indonesia	None	50	no	Seedlings	Personal	Art. Prop.	Seized	1
	Aquilaria spp.	Unknown	China	60	no	Medicinals	Personal	Unknown	Seized	1
	Aquilaria spp.	Unknown	Unknown	4	vials	Powder	Commercial	Unknown	Seized	1
	Araucaria araucana	France	None	64	no	Seeds	Commercial	Unknown	Seized	1
	Beccariophoenix madagascariensis	Germany	None	4	kg	Seeds	Commercial	Art. Prop.	Seized	1
	Beccariophoenix madagascariensis	Germany	None	100	no	Seeds	Commercial	Art. Prop.	Seized	1
	Dalbergia nigra	Brazil	None	20	kg	Sawn wood	Commercial	Wild	Refused entry	1
	Dalbergia nigra	Unknown	Unknown	4	no	Wood products	Commercial	Unknown	Seized	1
	Dipteryx panamensis	Nicaragua	None	4	kg	Wood products	Commercial	Wild	Seized	1
	Gonystylus spp.	Malaysia	UK	1,823	no	Wood products	Commercial	Wild	Refused entry	1
	Gonystylus spp.	Unknown	Unknown	1	no	Wood product	Personal	Wild	Seized	1
	Swietenia macrophylla	Ecuador	None	32	m3	Sawn wood	Commercial	Wild	Seized	1

Source: Pers. comm., USFWS

Forest governance aid

The vast majority of US foreign assistance for forests is disbursed through USAID. Forestry includes a range of economic growth and biodiversity conservation efforts, including protection of natural forests, sustainable management of forests for timber and non-timber forest products, reforestation of degraded lands, the use of woodlots and agroforestry to reduce pressure on natural forests, and research and capacity building activities which help communities and governments benefit from markets for ecosystem services and certified forest products. It is, however, difficult to identify how much of US forest aid is directed at FLEG-related issues, so the overall figures provided below may not be indicative of US FLEG expenditure.¹⁰⁹

USAID supported nearly \$96.9 million in forestry activities in FY 2007, most of which (\$89.9 million) occurred in tropical countries or had a focus on tropical forests.¹¹⁰ In addition, the US Department of Treasury provided \$20 million and USFS provided \$6.88 million in funding for forestry and forest conservation, totalling \$123.78 million.¹¹¹

The largest share of forestry support was provided through Africa regional and country programmes, which managed \$34 million (36 per cent) of total USAID forestry expenditures. Latin America & the Caribbean received \$29.5 million while Asia received \$23.6 million of overall forestry spending (the remainder was allocated to central funding).

¹⁰⁷ For example, through supporting initiatives such as the Peru and Central America-Dominican Republic (CAFTA-DR) Free Trade Agreement; Responsible Asia Forestry and Trade (RAFT) network; and the Association of Southeast Asian Nations, Wildlife Enforcement Network (ASEAN-WEN).

¹⁰⁸ Data for 2008 is not yet available. Also, the USFWS does not have data on the dollar value of these shipments or data on U.S. seizures of non-CITES timber species. Data on arrests, prosecutions and/or penalties associated with the seizures is also unavailable.

¹⁰⁹ USAID investments in forestry prioritize areas that are biologically significant, and activities which conserve biodiversity. In FY 2007, \$81.3 million (84 per cent) of Agency-supported forestry work fulfilled the requirements of the Congressional biodiversity earmark. Most funds came from development assistance, but some came from economic support fund, Andean Counter Drug Initiative and Child Survival and Health as well as Emergency Development and Food Assistance. See USAID 2008, 'USAID's Biodiversity Conservation and Forestry Programs, FY 2007'.

¹¹⁰ USAID 2008, op cit

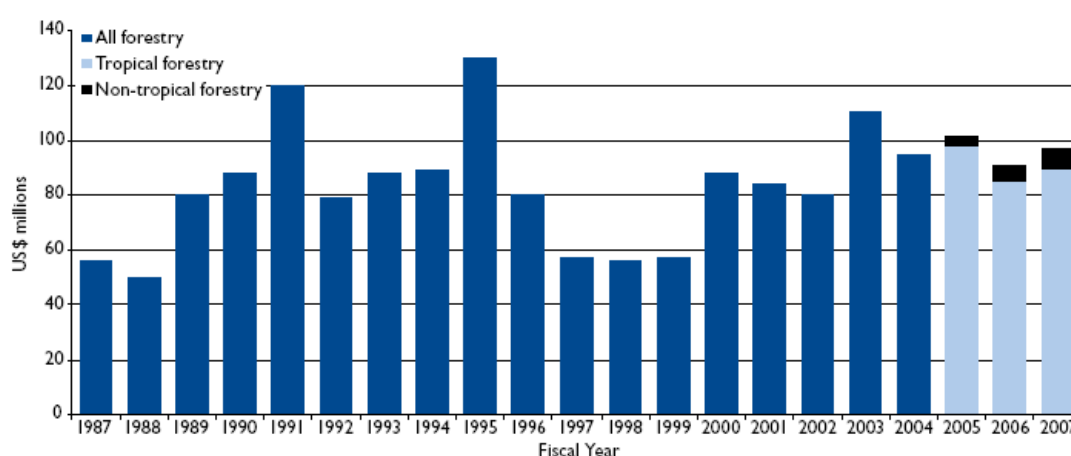
¹¹¹ This list is not necessarily comprehensive.

The levels of funding observed in recent years are largely due to an increase in USAID support for biodiversity activities in forests, including community and indigenous forest management in the Amazon basin, combating illegal logging in Southeast Asia, landscape planning and protected areas in the Congo Basin and Madagascar, sustainable forestry certification in Central America, and reforestation and agroforestry in West Africa and Central Asia.

The US provided approximately \$1 million in 2006, 2007 and 2008 for co-financing of ITTO projects on forest law enforcement and trade as well as the ITTO work on CITES.

The US also provides funding to other international organisations, some of which is spent on forests. However, it is difficult to determine how much of an individual country's funding is directed towards forests in general or forest governance in particular.

Graph 17: USAID Funding of Forestry Activities, 1987 to 2007



* Figures for tropical and non-tropical forestry funding were disaggregated beginning in 2005

Source: Pers. comm., USAID.

3.2.2 United Kingdom

Policy & legislation

The UK has sought to promote efforts on tackling illegal logging in the international community and has itself taken positive action towards addressing the problem. These actions seek to address its role as a consumer and to help put in place practical measures to prevent illegal logging and improve forest governance in producer countries. The UK can be considered a leader among consumer countries in promoting action on this issue.

There are a number of high-level policy arrangements in place to coordinate and develop action on illegal logging. An interdepartmental working group, created in 2002, currently holds ad hoc meetings on illegal logging and has been very effective in coordinating government action.¹¹² It appears that the UK's arrangements are more effective than other EU governments in this respect. The UK government has also been very effective in formalising full stakeholder consultation, including through regular Chatham House meetings held since 2003 and via submissions to the UK Parliament's Environmental Audit Committee. Although there is no specific national action plan on

¹¹² The group includes the Department for International Development (DFID), the Department of Food, Environment and Rural Affairs (DEFRA) (co-chairs) and the Foreign and Commonwealth Office (FCO) as core members. Other agencies are included depending on the issue being addressed. Initially, the group met on a regular basis but changed to ad hoc meetings in order to deal with specific issues. The group considered planning and conceptual activities for FLEGT and now discusses its operational aspects. The group will carry out similar functions for developing 'Due Diligence' measures.

illegal logging, the government has initiated a number of policies aimed at addressing various key aspects of the issue and its role, discussed below. The government has not however carried out a specific review to assess the country's market activities on the impact on the problem of illegal logging and also investigate the extent and sources of potential illegal imports, although it has supported work carried out by other organisations which has served to inform policy in this area.¹¹³

The UK was the first consumer country in the world to carry out comprehensive analysis on its existing legislation and regulations on preventing import and sale of illegally sourced timber¹¹⁴. This analysis recommended that additional legislation is needed. The UK government accepted this recommendation, but concluded that any new laws would need to be enacted at the EU level. Such legislation is currently under consideration by the EU, and the UK government is applying high-level ministerial pressure to expedite this process, though progress has been very slow. An additional independent initiative to put in place unilateral British legislation similar to the US Lacey Act amendment has also been launched within the UK parliament, but is not supported by the government.

The 2003 EU Action Plan on Illegal Logging recognized that voluntary bilateral licensing agreements alone could not prevent illegal timber entering the EU, and recommended that additional legislative options be considered. After an extensive consultation process examining five options, a general prohibition on import or sale of illegally-sourced timber similar to the Lacey Act was rejected by EU authorities in favour of legal requirements for due diligence by companies involved in importing wood products.

The UK is proactive in its international engagement on illegal logging and can be considered a leader in this area. It has made multiple commitments on addressing illegal logging at high level discussions.¹¹⁵ The UK has also demonstrated a strong commitment to negotiating agreements to tackle illegal logging and related trade. It was among the first consumer countries to sign a bilateral MoU with an affected producer country¹¹⁶, is leading discussions on a FLEGT Voluntary Partnership Agreement (VPA) with Ghana and is involved in such negotiations with Indonesia, Liberia and Malaysia.¹¹⁷ The UK has helped to lead the FLEGT VPA process, in particular in developing regulations and principles for negotiation.

To date, the UK has also provided steadily rising levels of aid for forest governance improvement and, during 2008, has made large commitments for future funding (see 'Forest Governance Aid' below).

The UK has a number of other initiatives concerning supply and demand. On the supply side, it has provided support to GFTN in Ghana and Brazil as well as the FSC. On the demand side, the UK has introduced a public procurement policy which is mandatory for central government and covers all

¹¹³ Including reports produced by the Environmental Investigation Agency/Telepak and others.

¹¹⁴ Analysis was conducted through commissions to Chatham House which have served as a model to other EU governments. Chatham House/RIIA (Duncan Brack, Kevin Gray and Gavin Hayman), 2002, 'Controlling the International Trade in Illegally Logged Timber and Wood Products'; Matrix Chambers (Tim Owen QC and Charlotte Kilroy), 2004, 'Legal Opinion: In the matter of illegal logging and the Proceeds of Crime Act 2002'; Brack, D. 2006, 'EU FLEGT Initiative: Analysis of national legislation of relevance to excluding illegal timber from EU markets –UK study'

¹¹⁵ Including at FLEG meetings, UNFF meetings, Sustainable Development Dialogues with China and Brazil and at the Birmingham G8, 1998. It has also highlighted the problem of illegal logging in relation to ramin at CITES. The UK has earmarked budget commitments specifically for international engagement since 2002.

¹¹⁶ Indonesia-UK MoU on co-operation to improve forest law enforcement and governance and to combat illegal logging and the international trade in illegally logged timber and wood products, April 2002.

¹¹⁷ A VPA is a binding agreement between the EU and a partner country by which the EU and the partner country undertake to work together to implement a timber legality licensing scheme; once such an agreement is in place the EU agrees to refuse entry to shipments of timber without a valid license. VPAs support improvements in forest law enforcement and governance by producer countries and the development of credible legal and administrative structures and technical systems to verify that timber is produced in accordance with national laws - FLEGT Briefing Series, 2007, can be found at www.illegal-logging.org.

timber products, including paper.¹¹⁸ The policy includes government determined criteria which promote the use of independent certification for identifying products. Assistance is provided to government purchasers by the Central Point of Expertise on Timber Procurement (CPET).¹¹⁹ CPET monitors implementation of the procurement policy through case studies rather than through systematic monitoring or assessment processes.¹²⁰ According to CPET, implementation is not yet complete but the UK Timber Trade Federation has stated that the policy has nevertheless had a considerable indirect impact through increasing the sensitivity of large importers and merchants to negative publicity and thereby providing an incentive to source legal-verified wood.¹²¹

The policy does not apply to sub-national government. A recent study found that local authorities' use of procurement policies to ensure their purchase of wood are from legal sources is low (around 7.5 per cent).¹²² Central government is however making efforts to encourage such authorities to follow the policy and is developing awareness raising strategies.¹²³ This study claims that where such policies exist, quality varies and only a handful are robust. Although the amount of timber and wood product purchasing by local authorities compared with central government purchasing levels is disputed, a wide range of stakeholders agree that the wider public sector is a substantial consumer of such products.

At the operational level of tackling illegal imports of timber, the UK provides regular training for the Border Agency and the Police on identification skills on timber imports and relevant trade documentation, as well as support systems.¹²⁴ Efforts are also made to build relationships between the main bodies involved and to promote collaborative work practices (for example, by training police and customs at the same time and holding joint meetings with them). Currently training and initiatives focus on CITES, but could in future also cover other timber import control legislation.

Enforcement activities

The UK system to prevent and address illegal imports of timber involves coordination and collaboration between a number of bodies, as well as training initiatives. As indicated above, primary bodies involved are UK Border Agency, Police, the Department for Environment, Food and Rural Affairs (DEFRA) and the Royal Botanical Gardens Kew.¹²⁵ Overall coordination on illegal timber

¹¹⁸ The UK government's timber procurement policy requires its departments to actively seek to purchase legal and sustainable timber and timber products. Until April 2009, only legality is required, after this point both legality and sustainability are required (in particular, central government departments, their executive agencies and non-departmental public bodies are required to procure timber and wood-derived products originating from either legal and sustainable or FLEGT licensed or equivalent sources). www.proforest.net/cpet.

¹¹⁹ CPET was set up by DEFRA and is operated by ProForest. CPET provides assistance through guidance notes, a website, a helpline and running workshops.

¹²⁰ A monitoring programme was initiated in 2007 focusing on 10 large construction contracts to explore the extent to which the policy was being implemented and assessed what the costs, barriers and incentives were. It also looked at the feasibility of reporting on timber use in each contract www.proforest.net. Implementation of reporting requirements on timber purchases may enable systematic monitoring in the future. CPET, in cooperation with DEFRA, is currently running a pilot study across a selection of DEFRA agencies to explore reporting possibilities in more detail and to be able to provide advice and guidance if/when reporting requirements are rolled out across government bodies.

¹²¹ ENDS Report 407, 2008, 'Local authorities fail to ensure legality of timber'; Forest Industries Intelligence, 2007, 'UK market conditions for legal and sustainable wood products'.

¹²² ENDS Report 407, 2008, op cit.

¹²³ DEFRA is making CPET available for local authorities to use. CPET, TTF and WWF are working together on awareness raising in this area.

¹²⁴ This includes internet training and also training sessions occurring twice a year at RBG Kew. RBG Kew is the CITES Scientific Authority on timber trade issues. A Police wildlife crime conference is held annually and is attended by UK Border Agency representatives and other relevant bodies. In addition, UK Border Agency and the Police can contact Kew to discuss incidents of concern and Kew will provide ad hoc briefings whenever necessary.

¹²⁵ Other authorities involved in enforcement issues include the Animal Health Agency, which examines CITES activities and timber, and the National Wildlife Crime Unit (NWCU). Efforts against illegal timber imports are supported by the Partnership for Action against wildlife crime (PAW) which considers and develops responses to strategic problems, supports the relevant authorities and runs a forensics group to develop identification techniques for CITES listed timber and wood products.

import issues is provided by a high-level governmental group which reassesses wildlife crime priorities each year.

Table 8 below shows seizures of CITES-listed species during 2006 and 2007. For the same reasons as described in the section on US enforcement above, no conclusions can realistically be drawn from this data in regard to UK enforcement effort or effectiveness.

Table 8: UK seizures of CITES-listed timber during 2006 and 2007

2006	SCIENTIFIC NAME	CTRY ORIGIN	CTRY REEXF QUANTITY	UNIT	TYPE SPECIMEN	PURPOSE	SOURCE	STATUS	NO. SHIPMENTS
	Dalbergia Nigra	Brazil	n/a	46 kg	Wood planks	Commercial	Unknown	Seized	1
	Swietenia macrophylla	Mexico	n/a	21.6 tonnes	Logs	Commercial	Unknown	Seized	1
2007	SCIENTIFIC NAME	CTRY ORIGIN	CTRY REEXF QUANTITY	UNIT	TYPE SPECIMEN	PURPOSE	SOURCE	STATUS	NO. SHIPMENTS
	Gonystylus Spp	unknown	Taiwan	20,000 unit	Tassels	Commercial	Unknown	Seized	1
	Gonystylus Spp	unknown	Taiwan	2184 unit	Dolls House miniatures	Commercial	Unknown	Seized	1

Source: pers. comm., HMRC

In future, implementation of FLEGT VPAs and the EU's Due Diligence legislation may result in more enforcement training and, depending on the strength of the preventive force and monitoring and verification systems of VPAs, may result in more seizures. It should also provide more comprehensive and useful data with which to monitor UK enforcement.

Forest Governance Aid

UK forest governance aid is provided by DFID (which provides central funding for forest governance activities and also funds specific programmes in relevant producer countries such as Cameroon), UK Foreign and Commonwealth Office (FCO) and DEFRA. As with the US, it is difficult to determine amounts and trends in forest governance aid in the UK since separating forest governance related aid from other expenditure is problematic, and since numerous agencies and sub-agencies are involved.

DFID does not record expenditure on forest protection or on reducing deforestation. It uses the two categories of expenditure required by the Development Aid Committee of the Organisation for Economic Cooperation and Development (OECD): Forestry Policy and Administrative Management; and Forestry Development. However, DFID does record total bilateral expenditure on forests, but it is not broken down other than by two OECD DAC codes: The total bilateral expenditure incurred on forests in the last three financial years was: £15.5 million in 2005/6; £15.6 million in 2006/7; and £7.4 million in 2007/8.¹²⁶

Consequently, it is not possible to determine expenditure on 'forest governance', other than through specific programmes such as those noted below, some of which are directed purely at forest governance and others which may contain components related to forest governance.

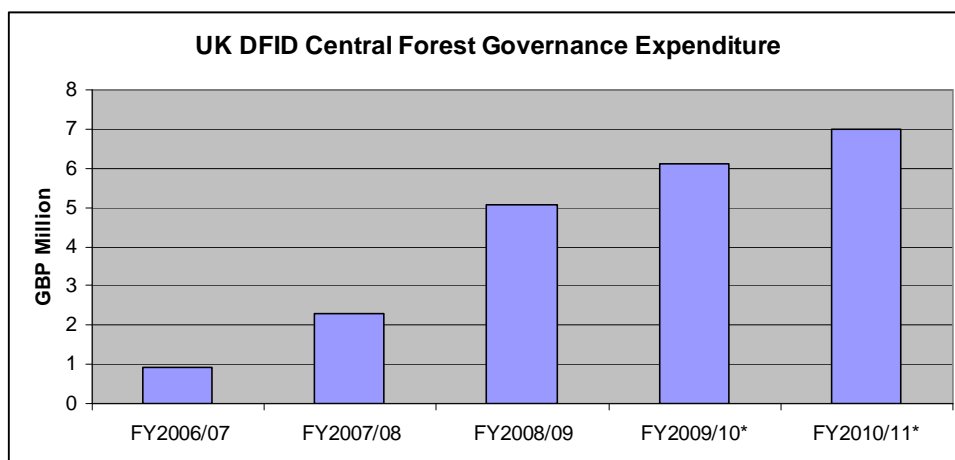
As with the US aid expenditure, DFID provides funding to international organisations, some of which may be spent on forests. Such international organisations include the World Bank, Asian Development Bank, African Development Bank and the Food and Agriculture Organisation of the UN. However, as noted above, it is difficult to determine how much of an individual country's funding is directed towards forests and in particular, forest governance. The UK also provides funding towards the EU but again, it is difficult to determine how much is spent on FLEG.

The central DFID funding line is a five-year, £24 million programme that aims to tackle the problems of illegal logging in developing countries and the associated international trade in illegally logged timber. Its main activity is supporting reforms in countries that enter FLEGT VPAs with the EU.

¹²⁶ See Commons Hansard, 27 March 2009, 'Forests: Environment Protection'
www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090327/text/90327w0020.htm#09032765003701

DFID central funding provided £0.9 million in 2006/2007; this amount more than doubled to £2.3 million in 2007/2008.

Graph 18: DFID central funding on illegal logging and associated trade.



* Projections
Source: Pers. comm., DFID

The FCO provides funding for a range of forest activities. In total, FCO provided £322,233 in 2006/2007, rising to £429,787 in 2007/2008. The highest cumulative expenditure on projects spanning both years was on a FLEG project facilitating China's ability to encourage legality in the global community chain of forest products. Other high expenditure projects took place in Cameroon and Brazil. The funding provided for Cameroon by DFID aims at supporting the development of sound forest sector governance in the country.¹²⁷ DEFRA's expenditure focused on timber policy and CPET.¹²⁸ DEFRA provided £301,000 in 2006/2007 and £300,000 in 2007/2008.

Overall, it appears that UK expenditure is growing and set to rise significantly. As graph 18 above shows, central DFID funding projections are £5 million for 2008/2009, £6.1 million for 2009/2010 and 7 million for 2010/2011. £2.5 million is projected for 2011/2012. The total commitment for the DFID Cameroon fund is £11 million to be spent over four years from 2006.¹²⁹ In addition, the £50 million Congo Basin Forest Fund (CBFF), announced in 2007, is due to begin funding projects in 2009.¹³⁰ This is from the International Window in the UK's Environmental Transformation Fund. However, it is not yet clear how much funding will be directed at forest governance relevant for illegal logging. Besides the main £50m CBFF funding, DFID are also developing several start-up projects in the region, supported by an additional £10 million, two of which currently relate to forest governance and illegal logging. A number of other bilateral commitments have also been made by the UK on forests.¹³¹

¹²⁷ The funding was £2,256,781 in 06/07 and £884,444 in 07/08. Although amounts appear to be reducing, it is reforms by the Cameroon government that largely determine the expenditure levels and operationalizing associated systems and plans has taken some time.

¹²⁸ Although in 2008/2009 DEFRA funded a FLEGT licensing study.

¹²⁹ The funding period may last longer than this timeline.

¹³⁰ Its current total value has increased to £100m, through the Norwegian Government matching the UK's £50m funding level.

¹³¹ See Commons Hansard, 27 March 2009, 'Forests: Environment Protection'

www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090327/text/90327w0020.htm#09032765003701

3.3 Processing Countries

3.3.1 Vietnam

Policy & legislation

Though private sector indicators show a strong response to illegal timber trade in Vietnam during the last year, there has been little equivalent response from government. The Vietnamese government has yet to make an assessment of the extent and sources of potentially illegally-sourced timber imports. The Chatham House project partner found that the government has no action plan in place to tackle such imports, and does not have any formal arrangement to co-ordinate response between different relevant government departments. The government has yet to examine existing legislative options for preventing imports of illegally sourced timber and has not put in place any additional regulatory measures.¹³² It has not provided any specific training on timber issues to customs officials. Though Vietnam has made a number of political commitments to act, including the Bali FLEG Declaration of 2001 and subsequent bilateral MoUs with the Netherlands and Laos, little has stemmed from these agreements in terms of the country's role as an importer and re-exporter of illegally sourced wood. However, as noted above, Vietnam has formally expressed intent to enter into a bilateral agreement with the EU.

Enforcement activities

Data for enforcement activities in Vietnam were not available. Attempts were made by the project partner in Vietnam to ascertain the existence and availability of such data through a number of mechanisms. The partner contacted the General Department of Customs which stated that in their understanding there had been no timber seizures for either imported or exported timber by the customs department due to a lack of capacity and also a perceived lack of importance regarding illegal timber by the customs department in relation to other illegal activities. The department did indicate, however, that this perceived lack of importance is changing and seizures in the future are possible given sufficient capacity for enforcement. They also stated that even if seizures had been made the data would not likely be available outside of the customs department. Several other government departments and sources were contacted but also had no information.

It appears that no seizures of illegal CITES-listed wood or other illegal imports occurred during 2006 – 2008. The only seizure known to have occurred in the past was a barge of illegally-exported Indonesian logs, which were temporarily seized at Hai Phong port in August 2003 following a request from the Indonesian government, but were later released to the owners without charge, apparently due to the lack of a legal basis.¹³³

Given increased efforts in terms of capacity building (for example, training on timber identification skills, and understanding of the law) it is likely that enforcement could be improved, especially as several enforcement agencies in Vietnam, including customs, have stated that they would welcome such training. Efforts have been made recently by several NGOs in Vietnam, including TRAFFIC, to help increase the capacity of enforcement agencies including Customs, FPD rangers and the relatively newly established Environmental Police. Future work is planned to continue such capacity building including with the Judiciary and market control authorities. It is hoped that within the coming year enforcement efforts by the relevant authorities can be improved, but unless the legal basis for action against illegally sourced timber imports is expanded by government, the potential for improvement is extremely limited.

¹³² A FLEG assessment was implemented by the World Bank from 2006-2007, however. The purpose of the assessment was to assist the government in strengthening its overall approach to forest law enforcement and governance, and includes assessment of existing challenges, development of options for policy reform, programmatic development and definition of project opportunities. This assessment has, to date, only been completed in draft form and has not yet been published.

¹³³ EIA/Telapak 2005, 'Stemming the Tide: Halting the Flow of Illegal Timber in Asia'

The study also found that a lack of transparency in several sectors limits the availability of data for certain activities. Some efforts are now underway to address this issue, such as activities under FLEG, but it is likely to be several years until data is made available on a wider basis.

4. Private Sector Policy Development & Implementation

This study provides both baseline and trend data from a range of indicators related to the response of the private sector to the problem of illegal logging and associated trade. First, results from the expert perceptions survey provide some initial baseline indicators of private sector action in focus producer and processing countries, and on expectations of the importance of the issue in future. Next, the study examines trends in take-up by companies in consumer, processing and producer countries of systems and services designed to help ensure the legality and sustainability of timber supplies.

This chapter also examines to what extent information on timber prices can be used to measure the response to illegal logging – both by examining the extent of and trends in price premiums for sustainably certified and legally verified timber and wood products, and by assessing the extent to which prices are perceived to have changed as a result of supply constraints resulting from enforcement. Finally, the chapter attempts to assess, using both the expert perceptions survey and trade data analysis, whether and to what extent timber producers and traders are avoiding increased controls and demands in consumer countries by shifting trade towards less sensitive markets.

The study finds that private sector progress in addressing its role in illegal logging has grown over the assessment period across the country groups. Although it is difficult to determine which drivers are the most influential, it is likely that progress is occurring at least partly in response to growing awareness of problem, legislative developments, impending legislation and other initiatives in the countries studied. In addition, there appears to be little evidence of trade shifting to less sensitive markets in response to efforts to control imports of illegal timber by consuming countries.

Table 9: Summary of conclusions from assessment of private sector policy development and implementation

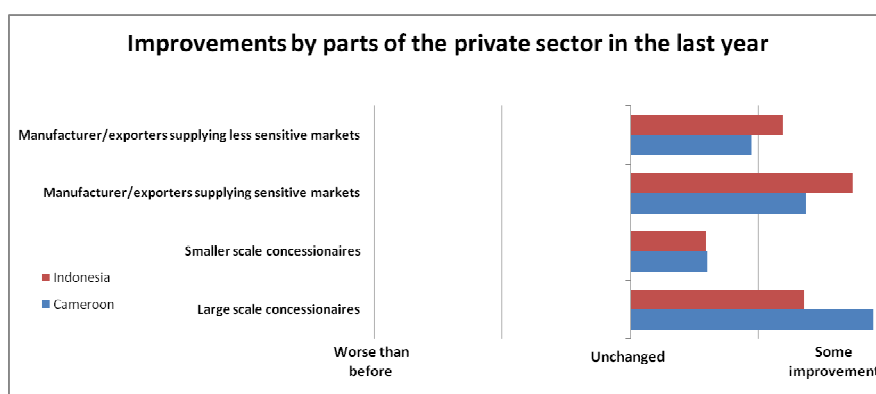
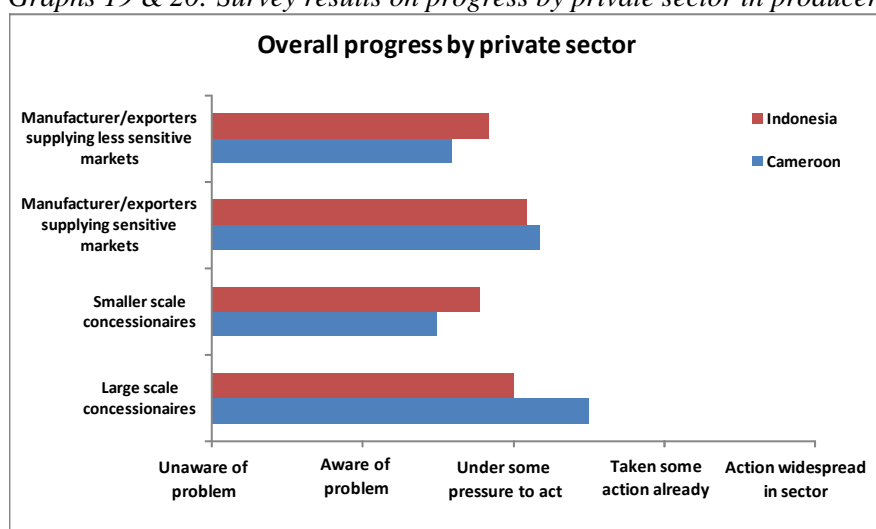
<p>Baseline survey results on private sector action on illegal logging and market demands</p>	<p>Survey results indicate that in both Indonesia and Cameroon, large scale concessionaires and manufacturers/exporters supplying sensitive markets have made the most progress on tackling illegal logging, compared to smaller scale concessionaires and manufacturers supplying less sensitive markets, though all were considered to have made some progress during 2008.</p> <p>Ninety per cent of Vietnamese companies surveyed received regular enquiries about legality during 2008 and had noticed a small or significant increase in such enquiries relative to 2007. All of the private sector respondents in Indonesia had also noted an increase, though in most cases this was small and the overall level of inquiries was lower than that seen in Vietnam.</p> <p>Private sector respondents in Indonesia considered that timber legality & sustainability demands will have slightly more impact on the international competitiveness of the country's timber sector over the next five years than general economic developments such as changes in overall demand, tariffs, subsidies or manufacturing costs. In Vietnam the reverse was true, though demands for legality and sustainability were also considered important.</p>
<p>Commitments and implementation by timber companies: verification and certification schemes</p>	<p>Private sector take-up of voluntary verification and certification services continued to grow during 2008 in all focus producer, processing and consumer countries. The growth rate accelerated in the US & Vietnam, likely in response to the Lacey Act amendment prohibiting imports of illegally sourced wood as well as impending EU regulations. The area of certified forest in Cameroon doubled during the year, but in Indonesia certified forest area and take up of other schemes levelled off following strong growth in preceding years.</p>
<p>Timber price response</p>	<p>Data on price premiums for certified and verified wood were too scarce to ascertain any trends.</p> <p>Survey results from both Vietnam and Indonesia suggest that timber prices increased during 2007-2008 due to reductions in supply resulting from enforcement in Indonesia in the preceding years. The Cameroon survey results were too widely spread on this issue to draw a conclusion.</p>
<p>Diversion to less sensitive markets</p>	<p>Analysis of trade data up to 2006 indicates that there is little evidence of trade shifting to less sensitive markets in response to efforts to control imports of illegal timber by consuming countries, though the private sector survey results from 2008 suggest this may be changing. As new import controls, such as the Lacey Act and FLEGT VPAs begin to take full effect in major consumer markets, it will be important to continue monitoring trade flows.</p>

4.1 Overall private sector action - perceptions survey results

Survey respondents (including NGOs, government officials and private sector representatives) were asked to consider to what extent different parts of the private sector in their respective countries are making progress on tackling illegal logging, and to what extent each had improved its performance over the last year.

Survey respondents in both Cameroon and Indonesia considered that large scale concessionaires and manufacturers/exporters supplying sensitive markets had made the most progress on tackling illegal logging, compared to smaller scale concessionaires and manufacturers supplying less sensitive markets. This indicates that consumer countries' purchasing preferences as well as actions to tackle illegal logging through measures such as procurement policies, import controls and trade agreements have an impact on those private sector actors who feed these markets. In addition, the results may indicate that those companies which have the advantage of scale efficiencies can also take action more easily. The results also show that, overall, there is much progress yet to be made.

Graphs 19 & 20: Survey results on progress by private sector in producer countries



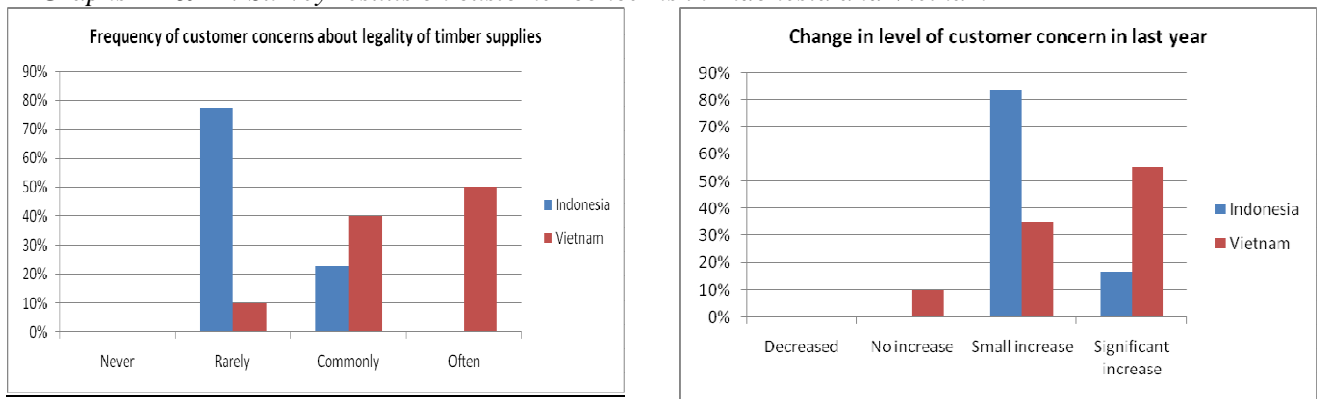
Source: Chatham House illegal logging expert perceptions survey, September 2008

Survey respondents also felt that all parts of the private sector had improved their performance during the year, but, again, large scale concessionaires and manufacturers/exporters supplying sensitive markets had improved the most.

The survey also examined the extent to which companies in producer and processing countries experienced enquiries or demands regarding the legality of timber supplies from customers, and how this had changed in the last year (these questions were asked only of private sector respondents – the sample size in Cameroon proved too small to allow analysis of these questions). All of the companies

surveyed in both countries had registered some level of customer concern about legality during the last year, with the frequency of relevant enquiries higher in Vietnam than in Indonesia (see graph 21). Ninety per cent of Vietnamese companies surveyed received regular enquiries about legality during 2008 and had noticed a small or significant increase in such enquiries relative to 2007 – it is likely that both the high-profile NGO campaigning on the issue during the year and the implementation of the US Lacey Act amendment were key factors in driving this recent growth. All of the private sector respondents in Indonesia had also noted an increase, though in most cases this was small (see graph 22).

Graphs 21 & 22: Survey results on customer concerns in Indonesia and Vietnam



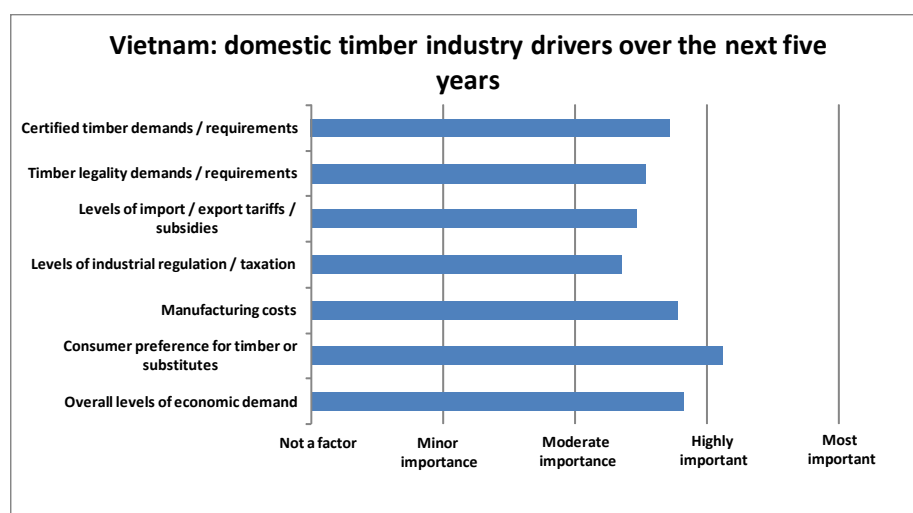
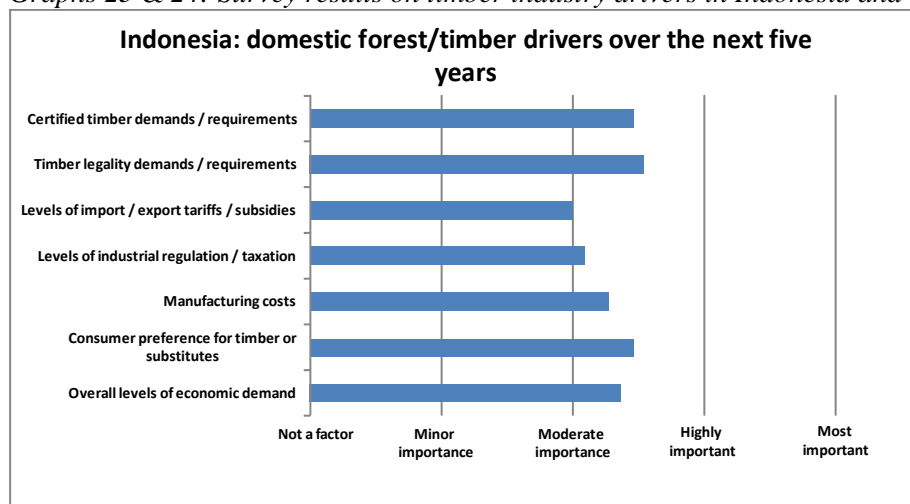
Source: Chatham House illegal logging expert perceptions survey, September 2008

Private sector respondents were also asked which drivers they considered would have the most impact on the global competitiveness of their country’s timber sector over the next five years.

Respondents in Indonesia considered that timber legality demands would have the most impact followed by certified timber demands and consumer preference for timber or substitutes (though all drivers were considered to be of moderate to high importance). In Vietnam consumer preference for timber or substitutes were considered the most important drivers over the next five years, followed by overall levels of economic demand and manufacturing costs (the drivers were again generally ranked as being of moderate to high importance, though consumer preference for timber or substitutes was considered to be of more importance in Vietnam than in Indonesia).

The fact that timber legality & certification requirements were considered of less importance than general economic and market conditions in Vietnam, whereas the opposite was the case in Indonesia, may stem from the disproportionate effect of the response to illegal logging seen in producer countries as opposed to processing countries. Direct supply chains between sensitive consumer countries and producer countries affected by illegal logging are the most likely to receive attention from NGOs, are more directly affected by some policy initiatives (such as FLEGT VPAs), and are simpler for buyers to explore and clean up.

Graphs 23 & 24: Survey results on timber industry drivers in Indonesia and Vietnam



Source: Chatham House illegal logging expert perceptions survey, September 2008

4.2 Commitments and implementation by timber companies

In order to help ensure that they are not involved in handling stolen wood, timber producers, processors, traders and retailers need to explore their supply chains and obtain evidence that the timber they buy was legally sourced. Though companies can choose to attempt this independently, most opt to utilise the services of the many companies and schemes which have been established to help achieve this goal. Though the initial drive towards the growth of these schemes was the demand for certified sustainable timber, in recent years growing concerns over timber legality have become an important driver. Though most schemes provide for both legality and sustainability, the demand for and growth in these schemes can provide a useful quantitative indicator of the extent of the response by the private sector to the problem of illegal logging and associated trade.

The analysis below looks at figures related to the two certification schemes most relevant to affected countries (FSC and MTCC), and also examines the growth of the main programmes and services to assist companies explore and clean up supply chains - WWF's Global Forest & Trade Network (GFTN), the Timber Trade Action Plan (TTAP) and the Tropical Forest Trust (TFT).¹³⁴ The data show strong and steady growth in demand for these services in all pilot focus countries during 2008 and before, with a growing volume and percentage of timber supply chains being cleaned up.

¹³⁴ Future monitoring periods may also include data from legality verification schemes recently developed, such as those operated by SGS and Smartwood.

Government policy developments in consumer countries aimed at tackling illegal logging and associated trade discussed in the previous chapter appear to be driving this growth, and the data suggests that growth is accelerating. There remains huge scope for improvement, however, with the majority of production and trade remaining unverified or certified.

Until recently these schemes have largely been driven by consumer concerns, which in even the most sensitive markets are more limited than often imagined.¹³⁵ Procurement policies implemented in a number of EU countries including the UK have also had an impact, though the proportion of timber involved is still small relative to the overall trade. Comprehensive and legally-binding requirements either recently implemented (the US Lacey Act amendment) or imminent (EU FLEGT VPA licensing schemes and due diligence requirements) are likely to dramatically increase the demand for the services of these schemes, and there is already some evidence of this effect in the US (see section on GFTN below). It will be interesting to note in future how these numbers change in response to these important international policy developments.

Forest Stewardship Council

The Forest Stewardship Council (FSC) maintains criteria and indicators used by assessors to certify forest management units as sustainable. Companies involved in manufacturing, trading and selling timber products made from FSC-certified wood can also have their chain-of-custody (CoC) procedures certified to enable them to use the wood, though it should be borne in mind that many companies which obtain such certification actually use little or no FSC timber. FSC also includes a lower 'Controlled Wood' standard for non-FSC certified wood used alongside FSC-certified wood in FSC mixed-source products. The controlled wood standard requires, amongst other things, that such wood must be legally sourced. There are two controlled wood standards to which a company can be certified – one directly assesses a forest management unit and the other (Controlled Wood CoC) assesses a manufacturer or trader's procedures for assessing controlled wood sources independently.

Table 10 below provides some trend and baseline data on FSC Forest Management and Controlled Wood certification in pilot producer countries and FSC Chain of Custody certification in producer, processing and consumer focus countries.

Table 10: Data on FSC certification in focus countries, 2006-2009

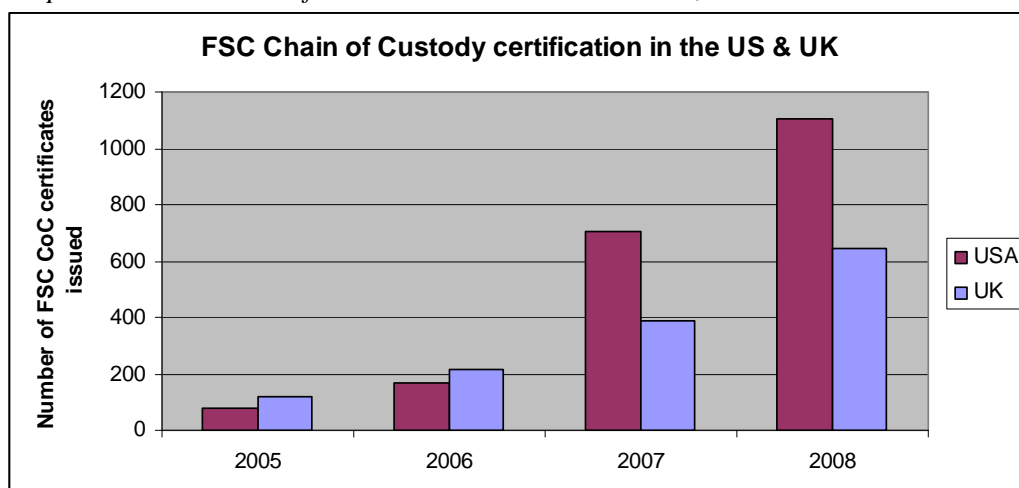
		No. of companies with CoC, Oct 06	No. of companies CoC, Mar 09	No. of companies with CoC CW, Mar 09	No. of FSC concessions, Oct 06	No. of FSC concessions, Mar 09	Area of FSC concession, Oct 06	Area of FSC concession, Mar 09	No. of companies with FM/CW, Mar 09	No. of companies suspended
Producer	Cameroon	0	5	0	1	4	41,965	878,896	0	
	Indonesia	34	90	7	5	8	739,668	1,089,941	1	3
Processing	Vietnam	98	169	9						1
Consumer	UK	608	1,669	16						25
	US	588	2,903	124						3

Source: Analysis by the authors of certificates listed on FSC database at www.fsc-info.org

The data shows that the number of companies with FSC CoC in the UK and US increased dramatically during the 2.5 years to March 2009 – numbers more than doubled in the UK and quadrupled in the US. Additional analysis shows how growth has accelerated in recent years in both countries, and continued to do so during 2008 (see graph 25 below). The greater rate of growth seen in the US during 2007 and 2008 may be due in part to the implementation of the Lacey Act amendment prohibiting imports of illegal wood. It will be interesting to see what effect the implementation of EU FLEGT VPA licensing schemes and due diligence requirements has on the growth of FSC CoC certification in the UK in the coming years.

¹³⁵ As evidenced by low price premiums (see section 4.3.1 below).

Graph 25: FSC CoC certificates issued in the UK and USA, 2005-2008



Source: Analysis by the authors of certificates listed on FSC database at www.fsc-info.org

The data also shows that the area of FSC-certified forest in Cameroon more than doubled during 2008, as two new large concessions (TRC and Pallisco) obtained certification, while in Indonesia only one small-scale community forest area was certified during the year and the total hectareage levelled off after increasing dramatically during 2005-2007 (see graph 26 below). It is unclear why no additional large concessionaires obtained certification in 2008, though it is possible that timber companies are waiting to see whether EU FLEGT licensing may serve to ensure access to sensitive markets in future without the need for certification. Data for FSC Controlled Wood certification has only recently begun to be published, so it is too early to assess trends.

Graph 26: Area of FSC-certified forest in pilot producer countries, 2005-2008



Source: Analysis by the authors of certificates listed on FSC database at www.fsc-info.org

Timber Trade Action Plan (TTAP)

The Timber Trade Action Plan (TTAP), managed by the Tropical Forest Trust (TFT), is a private sector initiative developed by the UK, Dutch and Belgium Timber Trade Federations (TTF) and is co-funded by the European Commission (EC). TTAP's main task is to assist the members of participating TTFs and their suppliers in demonstrating that their timber is legal. The project is working with supplier companies in a range of producer and processing countries, including Indonesia and Cameroon. A 'Gap Assessment' is the first step in the process, which identifies areas of work to

be achieved to meet all of the legality standards of that country. An Action Plan is then implemented to address each element, after which the node (forest, sawmill, factory) can be Third Party Verified (TPV). TTAP data for progress in Indonesia and Cameroon over the last two years show slow but steady progress through the stages of the process (see table 11 below), though as of December 2008 only one supply chain had been verified legal. Progress has been much slower than originally envisaged: when the 5-year programme was started in 2005 it was expected that 350 gap assessments would have been conducted in the four focus countries (Indonesia, Cameroon, Malaysia and Gabon) by February 2010¹³⁶, while at the beginning of 2009 only 29 had been completed in total in Indonesia and Cameroon.

Table 11: TTAP Supply Chain Progress for Indonesia and Cameroon.

Indonesia						Cameroon				
Year	No of engaged TTAP Supply Chains	No of Gap Assessments	No of Action Plans Implemented	No nodes TPV	No of Supply Chains TPV	No of engaged TTAP Supply Chains	No of Gap Assessments	No of Action Plans Implemented	No nodes TPV	No of Supply Chains TPV
Oct-06	2	4	0	0	0	1	0	0	0	0
Dec-07	3	9	3	0	0	3	10	3	0	0
Dec-08	5	14	10	1	1	7	15	10	0	0

Source: pers. comm., TTAP

Tropical Forest Trust

The Tropical Forest Trust (TFT) works with logging companies to improve practices towards FSC or establish systems of legal verification (as described under TTAP). TFT also works with factories in producer and processing countries supplying TFT members in consumer countries to establish wood control systems and monitor production to ensure wood traceability. Table 12 below shows the baseline data for forest areas working with TFT in Indonesia and Cameroon.

Table 12: Baseline data for forest areas working with TFT in Indonesia and Cameroon, as at December 2008.

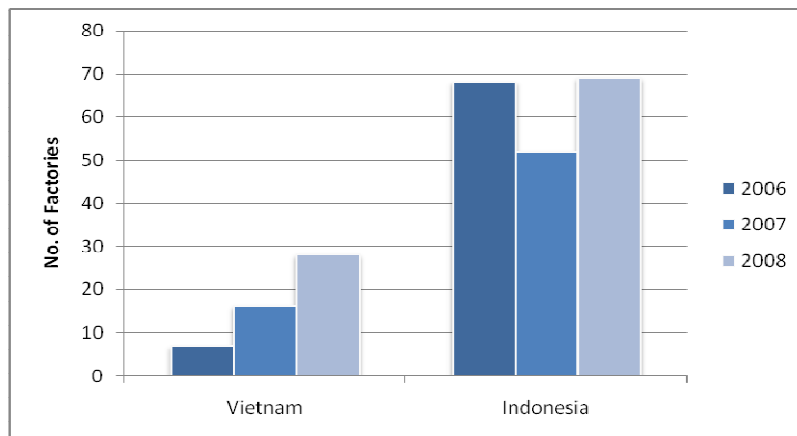
	Forest progressing towards FSC (ha)	Forest Progressing towards Legal Verification (ha)
Indonesia	1,010,850	237,700
Cameroon	0	513,275

Source: pers. comm., TFT

Graphs 27 below provides some trend figures for the total number of factories TFT has been working with between 2006 and 2008 in Indonesia and Vietnam. These show steady growth in Vietnam over the period, though the situation in Indonesia has been largely static. In Indonesia, TFT estimates that 115,587 cubic meters of wood from TFT-Supported Forests moved through the factories CoC systems in 2008.

¹³⁶ TFT EU TFBL Project TOR, 2005

Graph 27: Factories working with TFT to monitor traceability and implement wood control systems.

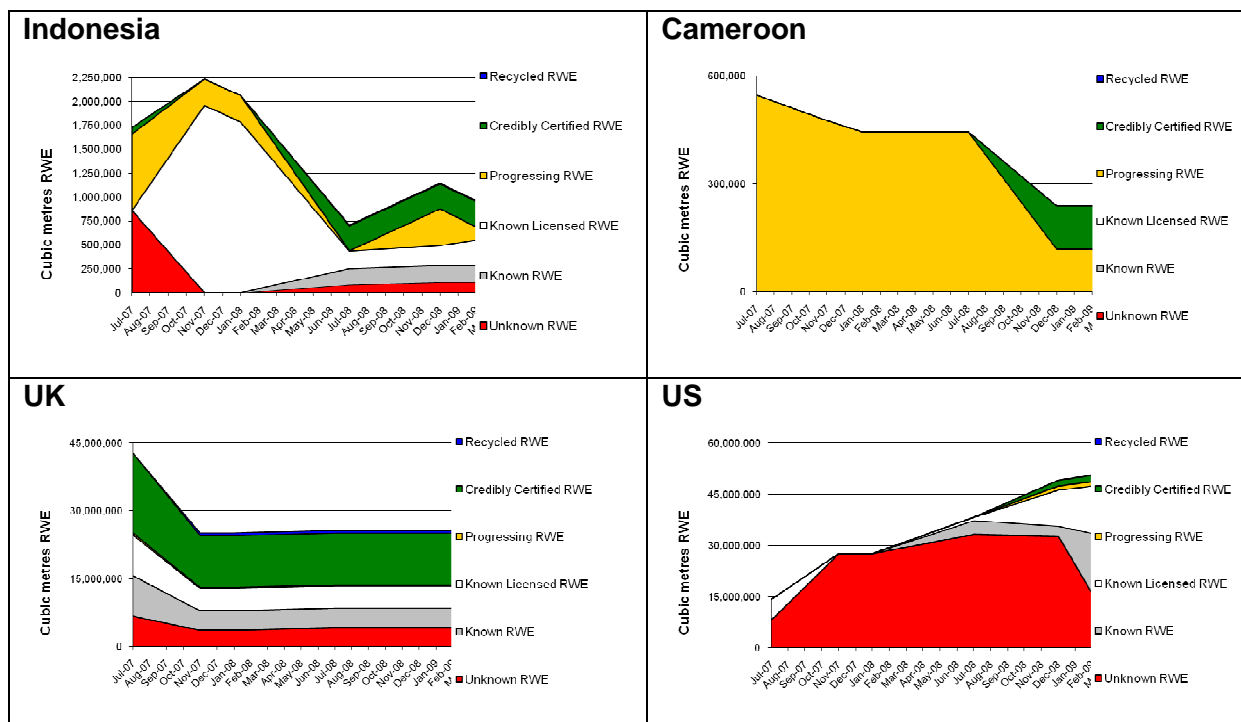


Source: pers. comm., TFT

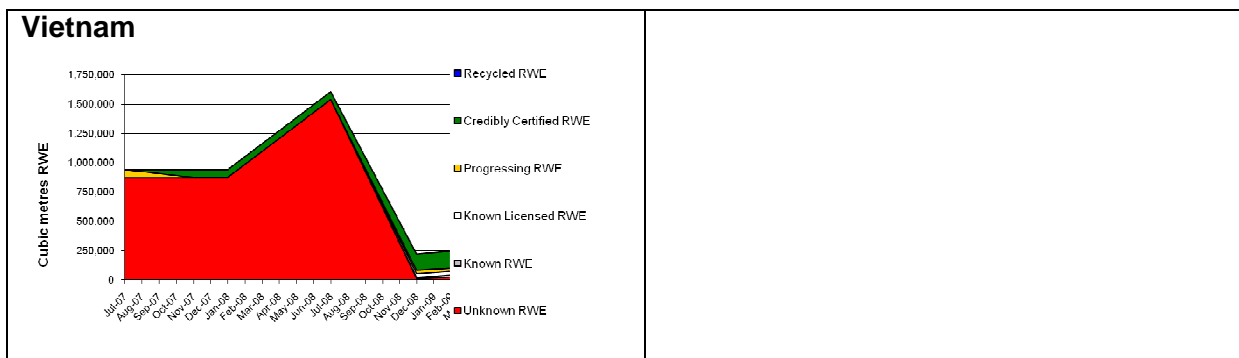
Global Forest & Trade Network

The Global Forest & Trade Network (GFTN) exists to support and facilitate greater coordination of national and regional efforts to expand responsible and credibly certified forest management, including technical assistance throughout the certification process and enhanced marketing opportunities.¹³⁷ The system seeks to encourage member companies to increase the proportion of timber flows through various stages of verification, from unknown source, through known licensed source (legal origin) to full certification. The graphs below show the trends in terms of total timber volumes (in round wood equivalent) in each category for the countries included in this study from July 2007 to February 2009.

Table 13: Graphs showing progress with GFTN programmes in pilot countries, July 2007 – February 2009



¹³⁷ <http://gftn.panda.org/>



Source: pers. comm., GFTN

It is difficult in most cases to draw conclusions, for a number of reasons. Member companies often leave the scheme, either prematurely or once they have reached the later stages or completed the process, while new companies replacing them are likely to have a relatively poor baseline situation; member companies may also reduce their overall timber through-put for reasons not related to their attempts to clean up supply chains.

In Cameroon, all member companies are concessionaires, which already know the origin of their timber and can easily demonstrate that a license exists for harvesting – here the focus is on obtaining full certification, and the proportion of RWE throughput certified did grow during the relevant period. The proportion of timber of unknown origin has fallen in Indonesia, and the proportion of certified timber grown, though this is complicated by a large fall in overall timber volumes.

In the UK, home of the oldest GFTN scheme, progress has been static, perhaps because the easiest improvements have already been made. The US scheme shows the clearest improvement, with overall volumes managed under the scheme growing threefold during the 20-month period, while the proportion progressing to the later stages also grew – an impressive 15 million cubic metres of timber was confirmed of legal origin during the period.¹³⁸ This growth has clearly been driven by the Lacey Act amendment, which was already under development at the beginning of the measurement period though it was not passed until 2008.

The relatively new scheme in Vietnam saw a dramatic fall in overall volumes, apparently as a result of members leaving the scheme prematurely while the majority of their timber remained of unknown origin, though the volume of timber classified in the later stages of the process did also grow slightly over the period.

MTCC

The Malaysian Timber Certification Council (MTCC) operates the Malaysian Timber Certification Scheme (MTCS) to provide independent assessments of forest management practices in Malaysia as well as to meet the demand for certified timber products.¹³⁹ Though Malaysia is not one of the pilot producer countries included in this study, trends in volumes of trade in MTCS-certified timber to specific consumer countries are available and provide a potential indicator of private sector efforts by importers & retailers in the UK.

In 2008 25,195 cubic metres of MTCS certified timber was exported to the UK¹⁴⁰, 31 per cent of the global total of MTCS certified exports. The volume of MTCS timber exports to the UK increased

¹³⁸ Legal origin (known licensed source) under the GFTN typology refers only to verification of a limited range of aspects of legality, principally that the timber is harvested in a licensed concession area. For more see http://assets.panda.org/downloads/keep_it_legal_final_no_fsc.pdf.

¹³⁹ www.mtcc.com.my/index.asp#

¹⁴⁰ The main certified products exported to the UK in 2008 were Plywood = 78% (19,570 cubic metres), Sawn Timber 21% (5,282 cubic metres) and Moulding = 1% (236 cubic metres).

between 2003 and 2007, and declined slightly in 2008.¹⁴¹ The reasons for the recent decline are uncertain; it may have resulted from UK buyers shifting plywood purchases to uncertified suppliers in China, though it might also be a response to concerns expressed by UK NGOs over the controversial certification of the Sela'an Linau forest concession in Sarawak.

Table 14: Volumes of MTCS-certified Malaysian timber exported to the UK, 2003-2008

United Kingdom	2003		2004		2005		2006		2007		2008	
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%
	449	7.85	4,155	21.58	8,026	26.85	30,613	40.67	30,561	43.42	25,195	30.98

Source: MTCC annual reports, www.mtcc.com.my

Note: The percentage figures show what proportion of total MTCS certified timber exports were destined for the UK in each year.

4.3 Market demand and access

The market response to levels of consumer preferences, demand-side measures such as procurement policy and import controls as well as trade arrangements, can be measured through price premiums obtained for these products as well as trends in exports from producer countries to more or less 'sensitive' markets. In this context 'sensitive' means markets which have more stringent regulations and higher demand standards concerning legal origin.

4.3.1 Timber price response

Little or no time-series data is available on price premiums for sustainably-certified or verified-legal timber in pilot focus countries or elsewhere. While an earlier study was able to draw on ITTO data price data for FSC-certified and non-FSC certified sapupira timber in the Netherlands¹⁴², this data has since been discontinued. A series of studies for the UK were commissioned by DFID during 2005-2007 but these have also been discontinued.¹⁴³

The UK studies found that for a number of softwood products certified timber represented such a large proportion of the market and was available in such large volumes that no premium was obtainable. Premiums on tropical hardwood products varied considerably, from as little as two percent to as much as thirty per cent. During the period in 2005 that specific premiums were tracked, most premiums for certified or verified legal timber from countries heavily affected by illegal logging appeared to fall (see table 15 below), but the drop actually reflected a difference between the premium UK suppliers were expecting to obtain against that which they were actually able to achieve.

Table 15: Price premiums for sustainably certified and legally verified timber in the UK, 2005

Wood product:	Legality certification status:	% premium Feb 05	% premium Jul 05
Dark red meranti tembaga GMS kiln dried 2 inch sawn lumber	MTCC certified	2	2
	FSC certified	na	8
Sapele kiln dried 1-2 inch sawn lumber	Verified legal	10	2
Iroko kiln dried sawn lumber 1-2 inch sawn lumber	Verified legal	10	2
Brazilian tatajuba kiln dried sawn lumber	FSC certified	35	13
Brazilian garapa hardwood decking profiles	FSC certified	21	na
Brazilian masaranduba hardwood decking profiles	FSC certified	na	33

Source: Forest Industries Intelligence Ltd, annex to report for UK TTF and DFID, July 2005 - <http://www.illegal-logging.info/uploads/annexJuly05.xls>

¹⁴¹ Only a total of 43 cubic metres of MTCS-certified timber product was exported to the USA in April 2007.

¹⁴² Chatham House (Sam Lawson), 2007, 'Illegal Logging and Related Trade: Measuring the Global Response' - http://www.illegal-logging.info/uploads/Measuring_the_response.pdf

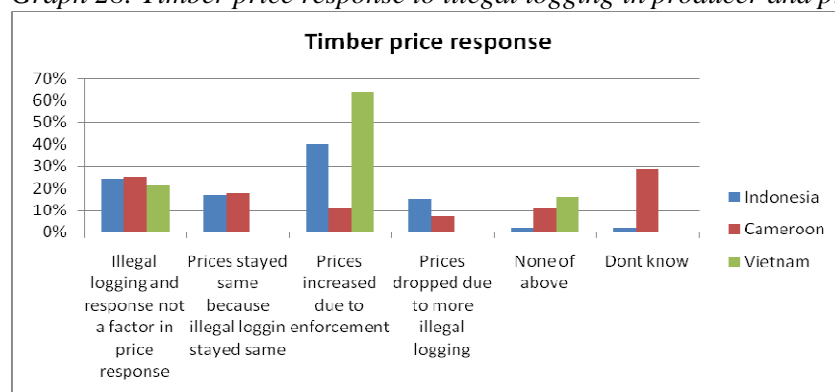
¹⁴³ Forest Industries Intelligence Ltd, for UK TTF and DFID, Feb 2005-July 2007 - http://www.illegal-logging.info/item_single.php?item=document&item_id=177&approach_id=

Though a recent ITTO report on certification collated some anecdotal information on price premiums in the US, the information is too scanty for any trends to be ascertained. The report's overall conclusion is that price premiums for certified tropical timber have been small or non-existent to date, and that those that do exist may disappear as the supply of certified wood increases to meet demand.¹⁴⁴ Attempting to track such premiums in future as an indicator will probably not be worthwhile.

In addition to collating available information on trends in price premiums, the study also used the expert perceptions survey to try to judge what impact (if any) efforts to tackle illegal logging are having on timber prices generally. Private-sector survey respondents were asked their opinions on the timber price response during the last year (see graph 28 below). Survey results show that a clear majority of respondents in Vietnam considered that prices had risen due to enforcement efforts in source countries. The most common view (around 40 per cent) expressed by respondents in Indonesia was also that enforcement had driven up prices. The results from Cameroon were too diverse and the sample size too small to determine a particular viewpoint.

Other evidence shows that enforcement has increased in Indonesia in recent years and that the supply of illegal timber has reduced as a result (see Chapter 5). The survey results indicate that this reduction in supplies has been sufficiently large to affect prices in a noticeable manner. Since Vietnam was a major importer of illegal Indonesian timber prior to this crackdown¹⁴⁵, it is likely that it is the price response to enforcement in Indonesia to which the Vietnamese private sector respondents were referring.

Graph 28: Timber price response to illegal logging in producer and processing countries



Source: Chatham House illegal logging expert perceptions survey, September 2008

4.3.2 Diversion to less sensitive markets

This section analyses data and survey results on whether there has been a shift in trade in exports from producer and processing countries from 'sensitive' markets to less 'sensitive' markets. This analysis is carried out in order to evaluate the risk that traders shift their trade to less sensitive markets, thus limiting the effectiveness of initiatives such as the EU's FLEGT VPAs.

Data was collected from UN COMTRADE and experts were asked their perceptions about whether there had been a shift in trade and whether it was due to sensitivities.

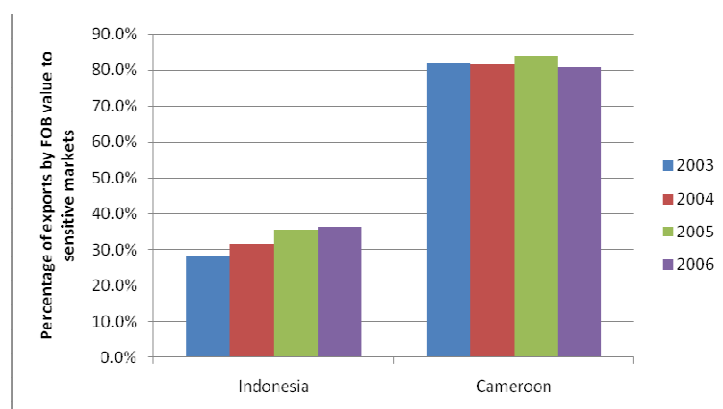
¹⁴⁴ ITTO, May 2008, 'Developing Forest Certification: Towards increasing the comparability and acceptance of forest certification systems worldwide', http://219.127.136.74/live/Live_Server/4092/TS29.pdf, pgs 35-36

¹⁴⁵ EIA/Telapak, 2006, 'Stemming the Tide: Halting the flow of illegal timber in Asia'

The following summary conclusions can be drawn from the analysis which follows:

- There is little evidence of trade shifting to less sensitive markets in response to efforts to control imports of illegal timber by consuming countries;
- The shift in trade to China (a less ‘sensitive’ market) from the pilot producer countries has been less than popular opinion might expect. The shift in trade from Cameroon was very small (1 per cent), and the proportion of Indonesian exports destined for more sensitive markets has actually increased. It is possible that China, rather than taking a market share in established producer countries serving sensitive markets, has developed an increasing role in countries with limited access to these markets. Future monitoring by this study over a broader range of countries will be able to evaluate this possibility.¹⁴⁶
- As new import controls, such as the Lacey Act and FLEGT VPAs, begin to take full effect in major consumer markets, it will be important to continue monitoring trade flows in case a significant amount of trade begins to move towards less-sensitive markets.

Graphs 29: Proportion of exports from producer countries destined for sensitive markets, 2003-2006



Source: UN COMTRADE, HS44 commodity trade, US\$ value, rounded to nearest 0.1%; ‘sensitive’ markets taken to be Europe, the US, Canada and Australia; all other countries taken to be ‘less sensitive’ markets

Indonesia

The data shows that the proportion of Indonesian timber exports destined for sensitive markets (Europe, North America and Australia) actually increased slightly (by around 8 per cent) between 2003 and 2006 (the most recent year for which trade data is available), albeit from a relatively low baseline (see graph 29 above). This is surprising given the growth of China and India as markets for timber during this period, and given the increasing efforts being made in sensitive markets during this period to prevent the import and sale of illegally-harvested timber.

Interestingly, the trend in the actual trade data runs somewhat contrary to the views of the private sector survey respondents in Indonesia, more than half of whom felt that trade had shifted towards less sensitive markets and a majority of whom also believed that this was due at least in part to increasing sensitivity to issues of legality and sustainability (see graph 30 on page 59 below).

The discrepancy between the trade data and survey results may result from the survey (conducted in late 2008) picking up a response which has occurred since 2006, though it is also possible that the very small respondent numbers to the private sector survey are unrepresentative. Another possible explanation arises from the fact that the COMTRADE data assessment is based on US\$ value. It may be that a higher percentage of exports by value is going to sensitive markets, while at the same time a higher percentage by weight or RWE volume is going to less sensitive markets. The discrepancy

¹⁴⁶ It will be important for future assessments to also monitor trade flows *from* less sensitive processing country markets, such as China, since they are also re-exporters to sensitive markets.

between the results may also be due to the fact that the shift in exports is from Japan to China (as a main consumer of primary products). The survey respondents may consider Japan to be more 'sensitive' than China, while the COMTRADE data analysis considered both Japan and China to be 'less sensitive'.

It should also be borne in mind that the Indonesian private sector survey respondents were actually very divided on the subject (a large minority considered that there had not been a shift or that the shift has been to more sensitive markets); this may be because any shift which has occurred has in fact been rather small, as the COMTRADE data indicates.¹⁴⁷

Cameroon

The trade data show that the percentage of Cameroonian timber exports destined for sensitive markets has been generally quite stable (see graph 29 above), but fell slightly in 2006 (the last year for which data is available). This slight fall is from a very high starting point, however (around 80 per cent of exports are destined for sensitive markets).

For various reasons, Cameroonian timber trade has traditionally been more closely connected to sensitive markets than is the case most other tropical timber producer countries. Production in the country is mainly carried out by a small number of large European companies, who tend to have close ties to EU markets and have the advantage of scale efficiencies. The companies are therefore more likely to see a need to take action to retain access to sensitive markets and also more likely to have the resources to put in place the necessary measures. This is less true of Indonesia.

As in Indonesia, survey respondents were very divided as to whether there had been a shift towards sensitive or non-sensitive markets, possibly because any shift which has occurred has been very small. About a quarter of respondents thought there had been a shift in trade to less sensitive markets and also believed that this was at least partly in response to increasing sensitivities elsewhere (see graph 30 on the next page).

Vietnam

Analysis of trade data for Vietnamese timber and wood product exports shows that the proportion of exports destined for more sensitive countries has remained relatively steady in recent years, though there was a slight fall in 2006, the last year for which data is available (see table 16).

Table 16: Proportion of Vietnamese wood exports destined for main sensitive market countries

	2004	2005	2006
Timber	21%	23%	20%
Wood Furniture	72%	71%	70%

Source: UN COMTRADE US\$ value trade data, analysis by the authors

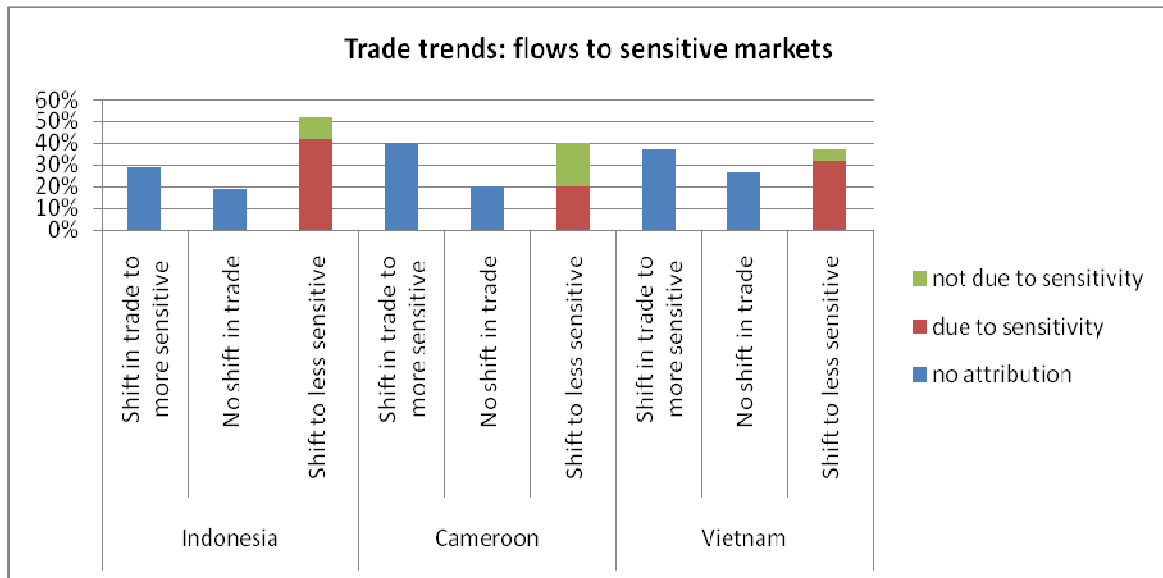
Note: Timber = HS44; Wood Furniture = HS943060; Main sensitive market country destinations – Timber: US, UK, France, Germany, Netherlands, Italy; Wood furniture = US, UK, Germany, France, Netherlands, Belgium, Spain, Italy, Denmark, Finland.

Once more, the relatively subtle changes in actual trade patterns are reflected in the survey, with private sector survey respondents in Vietnam also very divided as to whether there had been no shift, a shift towards sensitive or a shift towards less-sensitive markets (see graph 30 below). About a third of respondents nevertheless felt that there had been a shift to less sensitive markets and that this was due to increasing concerns about legality and sustainability of wood supplies in the more sensitive markets. Analysis of Vietnamese raw timber *import* data also shows a slight shift towards countries

¹⁴⁷ Some survey respondents provided comments on their answers. One commented that some sub-sectors are more responsive than others. The furniture sub-sector appears to have done most to adjust to new demands, but there is now evidence of pulp and paper sub-sector drivers coming into play, restricting certain companies from certain markets. He also felt that price and availability are still more important market drivers, but that sensitive buyers have certainly instigated change in the Indonesian business sector, as evidenced by the increasing areas of certified or verified legal forest.

where illegal logging is less prevalent (see Table 22 in Chapter 5), which may also reflect efforts by Vietnamese wood furniture manufacturers to clean up their supply chains in response to increasing concerns being shown in sensitive markets to the issue of illegal logging.

Graph 30: Trends in exports of timber from producer and processing countries, 2007-2008



Source: Chatham House illegal logging expert perceptions survey, September 2008

5. Levels of Illegal Logging & Associated Trade

It is clear from the previous chapters that awareness of the problem of illegal logging and associated trade has increased across the board, though attention has dropped slightly in the last year. Though limited baseline data are available, it also seems that governments in producer countries and consumer countries are beginning to enact and implement some of the policies which are needed to tackle the problem, at least in the sample countries on which this study is based. Private sector initiatives are also expanding rapidly. Progress is clearly being made in the focus countries on the early phases of the response, though much remains to be done. But of course these steps are only means to an end, and uncertain ones at that.

The most important question remains: are these intermediate responses (or other factors) actually having a measurable effect in reducing illegal logging and associated trade, thereby contributing to the ultimate purpose of protecting the environment and the people dependent upon it? This section is an attempt to answer this question.

Assessing actual levels of illegal activity is very difficult and imprecise. Traditionally, attempts to measure quantitatively the level of illegal logging in producer countries and the trade in illegally sourced timber through processing countries and into consumer countries have drawn on three methodologies: wood balance modelling, trade data discrepancies and import-source analysis. All three methods suffer from serious flaws, but they are the only tools we have. To bolster these methods, this study has commissioned expert perceptions surveys in the focus producer and processing countries, and has also drawn on qualitative, anecdotal information. The hope is that where multiple indicators concur about the direction of change, and to a lesser extent also the degree, then some reasonably confident conclusions can be drawn.

5.1 Producer Countries

5.1.1 Wood balance modelling

Wood balance modelling is the most common method used to quantify illegal logging in producer countries. In its simplest form, the method compares the legal supply of timber (officially permitted logging, legal imports) with the actual consumption (domestic consumption and exports); the extent to which real consumption outstrips legal supply can be used as a measure of the volume of illegal timber being cut and of the percentage of logging which is illegal.

Unfortunately there is no standardised methodology, and various methods have been used in various countries and even within specific countries in the past, partly because of variations in the availability of raw data. This makes comparisons between published studies from different countries and different years very difficult to make with any degree of confidence. There are also some general problems with the methodology which should be borne in mind. The most important is that wood balance modelling only measures illegal logging in excess of the annual allowable cut (outright, unlicensed illegal logging) and fails to account for illegalities related to legally-sanctioned timber production. It also fails to account for timber which is illegally cut and smuggled abroad.

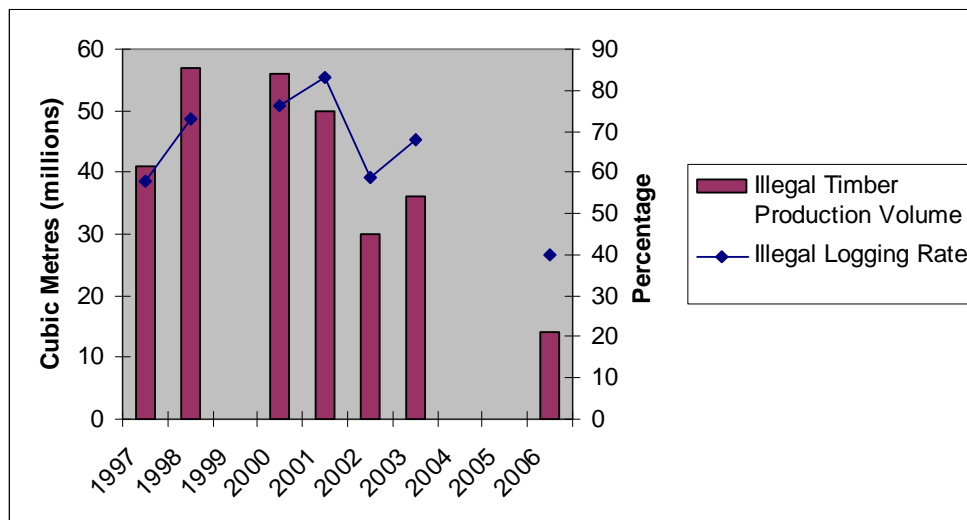
Indonesia

The most oft-quoted estimate of the rate of illegal logging in Indonesia (73 per cent) was derived from a wood balance assessment conducted for 1998. Though almost a decade old, this statistic remains in common use, and has been used to calculate illegal timber imports into the EU as recently as 2008.¹⁴⁸

¹⁴⁸ WWF, *Illegal wood for EU market*, 2008, <http://www.illegal-logging.info/uploads/WWFEUimports.pdf>;

A number of other similar assessments have been undertaken in the years since, and Chatham House commissioned a similar study for the most recent year for which data is available (2006). Caution should be exercised in examining the resulting pattern, since the various studies used different methodologies. With this in mind, however, the pattern certainly seems quite clear, and is supported by a number of other indicators. It suggests that the volume of illegal timber being cut in Indonesia has fallen dramatically in the last few years, since a peak around 1999/2000 (see graph 31 below). The percentage illegal logging rate peaked slightly later, perhaps because the legal cut was being reduced at the same time that illegal logging was falling. The figures suggest that by 2006, following the major country-wide enforcement operations launched by the Indonesian government in 2005, the illegal logging rate had fallen from a peak of over 80 per cent to as low as 40 per cent. Meanwhile illegal timber volumes had fallen by as much as 75 per cent. These figures compare with the Indonesian government's own estimate that illegal logging had reduced by 80 per cent between 2005 and 2006.¹⁴⁹

Graph 31: Wood balance estimates of illegal logging in Indonesia, 1997-2006



Sources: Scotland, 1999 (1997, 1998); Tacconi et.al, 2004 (2000, 2001), NRM/Bappenas/MFP, 2004 (2002), Seneca Creek, 2004 (2003), Chatham House (2008)
 NB: Different methodologies were employed by each of the above studies, so caution is required in comparing results between studies

It is worth re-iterating that this estimate is only of outright illegal harvesting – it does not account for illegalities related to the allocated cut, which may even have been increasing at the same time as outright illegal logging has been falling. Revenue capture on legal timber harvesting, for instance, may well not have improved at the same rate. It is also possible that the unlicensed cutting may exceed that suggested by the analysis, since some trees licensed for harvesting in one part of the country may be being left standing, which would allow an equivalent volume not licensed for cutting elsewhere to be illegally logged without affecting the wood balance.

Cameroon

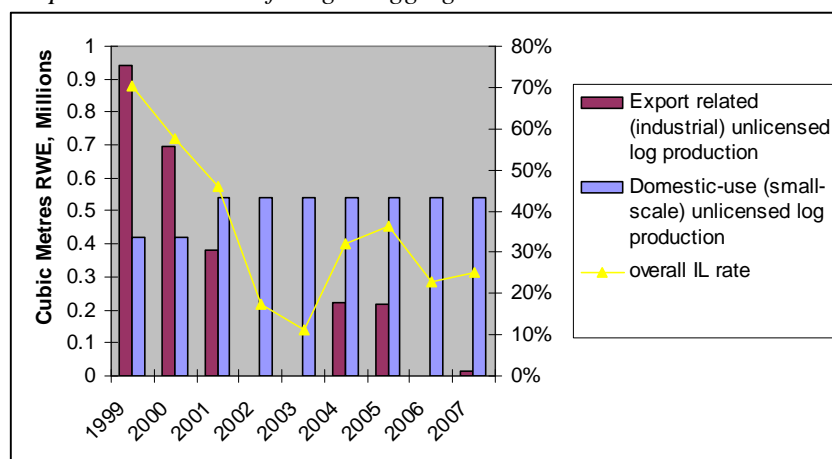
The most oft-quoted estimates of illegal logging in Cameroon are also derived from wood balance modelling, and are also very out of date. A simplified form of wood balance assessment has been used in Cameroon, which compares only the licensed legal concession production with exports (in round wood equivalent) – cutting for the domestic market is not included. Such a simplification is possible because there is a clear division in logging in the country, with production from large concessionaires destined entirely for export, while timber from small-scale logging is almost entirely destined for the domestic market.

An analysis of this kind found that in 1999 as much as 70 per cent of the timber being harvested by large concessionaires for export was illegally sourced – as much as 1 million cubic metres per year.

¹⁴⁹ Antara, 4th January 2006, 'Forestry Minister: Illegal Logging Expected to be Stopped by 2009'

The analysis has been repeated every year since using the same methodology. This showed that discrepancies between licensed harvest and exports had fallen to zero by 2002, and after picking up slightly fell back to near zero again in 2006 and 2007 (see graph 32 below).¹⁵⁰ This suggests that relatively little outright illegal logging is now occurring in major concessions, or at least that any such timber is not being exported. However, importantly the analysis does not account for illegalities within the licensed harvest, such as failure to pay taxes and fines, cutting higher value species than licensed, or cutting trees below legal diameters. It is important to bear in mind that a logging company can increase profits significantly by a wide range of illegal means without logging a volume of timber in excess of the licensed amount. The findings of the independent monitor in recent years attest to the prevalence of these sorts of illegalities.¹⁵¹

Graph 32: Estimates of illegal logging volumes and rates in Cameroon, 1999-2007



Source: Overall rate calculated and graph produced by Chatham House using data in Cerutti & Tacconi, 2008¹⁵²

Alongside the wood balance assessment, the analyses of illegal logging in Cameroon conducted over the past ten years have also included an estimate for the part of illegal harvesting which this simplified balance model excludes – small scale unlicensed log production for the domestic market. This has been estimated on the basis of one-off estimates published in 2000 and 2002 on the volume of timber being consumed in the domestic market, based on extrapolation from limited surveys in a small number of cities.¹⁵³ The most recent study concluded that around half a million cubic metres of logs were being cut illegally each year to feed the domestic market¹⁵⁴; this figure has not been updated since, though studies are currently underway.

Combining the two estimates for domestic and export-related illegal logging suggests that the overall illegal logging rate in Cameroon has fallen from a peak of 70 per cent in the late 1990s to around one quarter of production in 2007, entirely as a result of changes related to industrial-export-related logging. Though the actual percentage of logging in Cameroon which is illegal in some manner is likely to be much higher, the scale of the decline in illegality (around 60 per cent) is supported by other indicators and by anecdotal information.

5.1.2 Expert Perception Survey

A number of questions in the expert perceptions survey conducted in Cameroon and Indonesia for this study were focused on the actual level & nature of illegal activity. Indeed, it was principally to collect

¹⁵⁰ Cerutti, P. O. and L. Tacconi (2008). "Forests, Illegality, and Livelihoods: The Case of Cameroon." *Society & Natural Resources* 21 (9): 845 - 853.

¹⁵¹ Resource Extraction Monitoring (REM) Independent Monitoring Cameroon, Annual progress reports, 2005-2008

¹⁵² Cerutti & Tacconi (2008), op cit.

¹⁵³ CIRAD I&D (2000), Plouvier, D., R. Eba'a Atyi, T. Fouda, R. Oyono and R. Djeukam (2002). *Etude du sous-secteur sciage artisanal au Cameroun*. Yaoundé, Cameroon, Ministry of Environment and Forests.

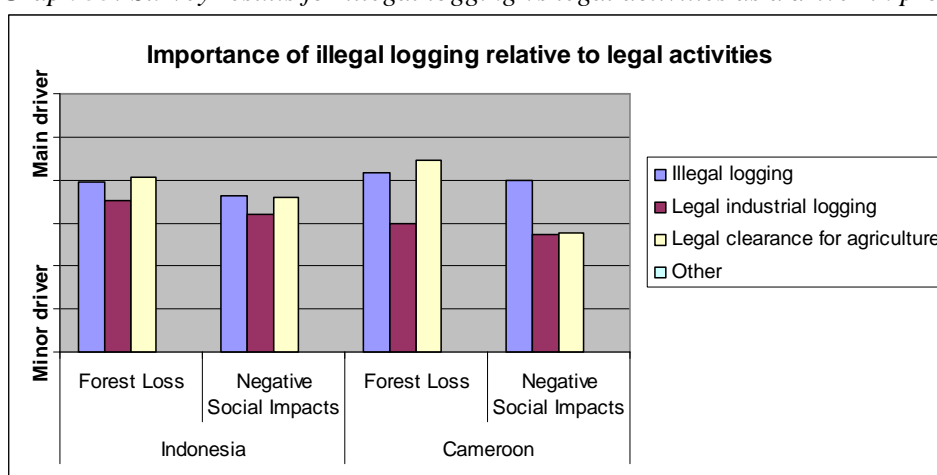
¹⁵⁴ Plouvier et al. (2002), op cit.

information on this hard to reach area that the survey was commissioned. The relevant survey questions looked at the relative importance of illegal logging as a driver of forest loss and negative effects on forest-dependent people, at the overall extent of the illegal logging problem and various aspects of it, and at how these have changed in recent years.

Illegal logging vs other causes of forest loss

Though illegal logging has been clearly identified as an important cause of forest destruction and negative impacts on forest-dependent people in both focus countries, there are of course other drivers. Though illegal logging may be the most important driver when attention is first brought to an affected country, it is possible that attention might be diverted from other problems and that these are allowed to worsen. In the face of tougher enforcement companies may also make greater efforts to encourage the growth of legal but unjust and unsustainable means of accessing timber resources. If efforts to tackle illegal logging are successful, it is also possible that other causes may become relatively more important without themselves increasing. The survey examined illegal logging relative to legal industrial logging and legal clearance for agriculture.

Graph 33: Survey results for illegal logging vs legal activities as a driver in producer countries

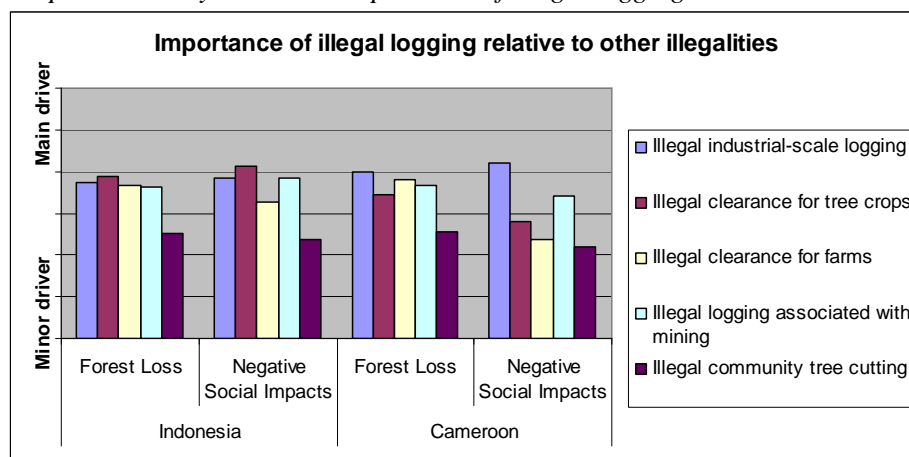


Source: Chatham House illegal logging expert perceptions survey, September 2008

At the time of this first survey, legal clearance was seen by experts as a slightly more important cause of forest loss than illegal logging in both Indonesia and Cameroon, though both are reckoned to be major drivers. Illegal logging is however seen as the most important cause of negative social effects in both countries, especially so in Cameroon. Legal industrial logging is also seen as important driver of both forest loss and negative social effects in both countries, though less important than either illegal logging or clearance for agriculture. It is impossible to know for certain what such a survey might have found five years ago, but given the other evidence suggesting significant falls in illegal logging in both countries in recent years it is likely that legal industrial logging and legal clearance have become relatively more important over time. If reductions in illegal logging continue and are maintained in both countries, this suggests governments, donors and NGOs may need to shift attention to destructive legal activity.

Illegal commercial logging for timber is only one aspect of broader forest governance, though it has received the bulk of international attention. There is some anecdotal evidence from the Philippines and Indonesia that when direct illegal logging becomes more difficult and when legal logging is reduced in the face of dwindling forest resources, companies seeking to source timber cheaply may turn to less direct illegal methods in order to obtain access to wood, including corruptly obtaining licenses for mining or oil palm cultivation as a cover for cutting trees. As in the question above, it is also possible that other aspects of illegal logging (such as small-scale logging by local communities) may grow to become relatively more important as other issues such as large-scale illegal logging are tackled, and it is therefore important to attempt to monitor this.

Graph 34: Survey results on importance of illegal logging relative to other illegalities



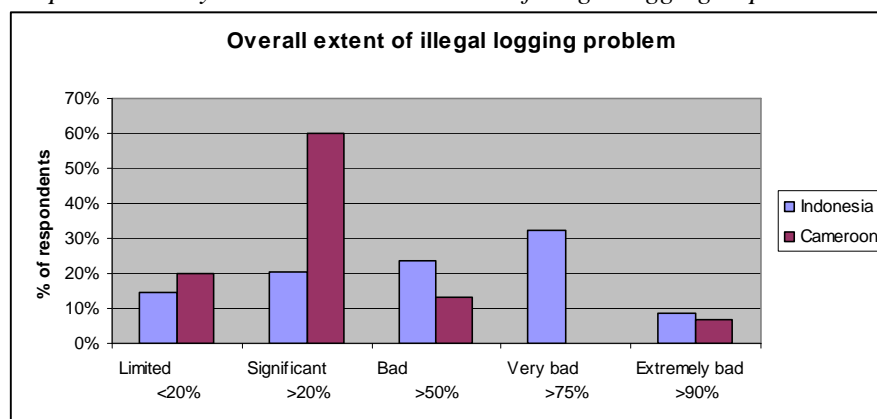
Source: Chatham House illegal logging expert perceptions survey, September 2008

The results of this first survey show that illegal clearance for tree crops is now seen as a slightly more important driver of both forest loss and negative impacts than illegal industrial-scale logging in Indonesia, though both are important; in Cameroon illegal industrial scale logging remains the most important driver, with illegal logging associated with mining the second most important. Small scale illegal logging by communities is seen in both countries as a much less important driver of forest loss and negative social impacts than other forms of illegal activity. Illegal industrial-scale logging is the only illegal activity seen in both countries to be a more important driver in terms of negative social impacts than in terms of forest loss. For the present at least, the survey suggests that the focus on industrial scale illegal logging within the broader gamut of illegalities is correct.

Level of Illegal logging

In order to assess the overall level of illegal logging, respondents were asked to estimate the scale of the problem on a five point scale (see graph below). Responses in both countries ranged dramatically, with some respondents reckoning that less than 20 per cent of timber is being illegally logged, while others estimated the percentage at over ninety. The majority of respondents in Indonesia, however, reckoned the problem to be somewhere between 50 per cent and 90 per cent, while in Cameroon there was strong agreement that illegal logging represents between 20 per cent and 50 per cent of production. Though the private sector did tend to view the situation more positively in the two countries, in general the results showed a remarkable degree of consensus between different stakeholders.

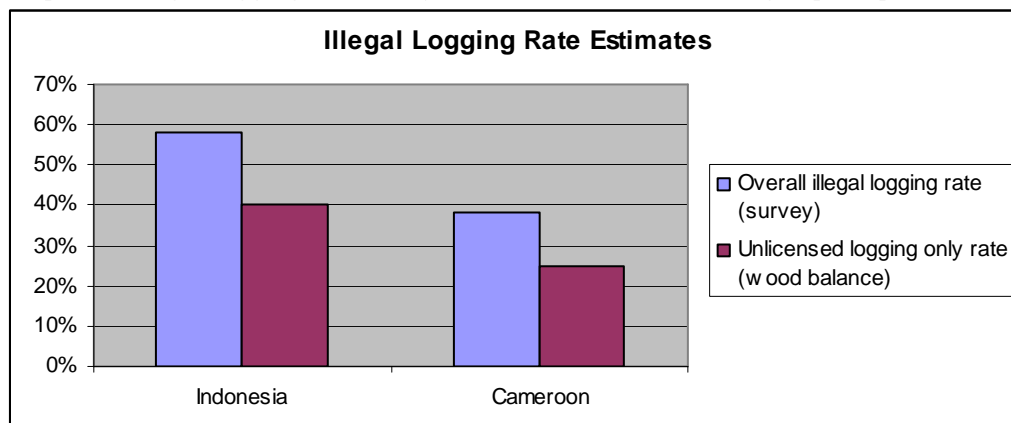
Graph 35: Survey results on overall extent of illegal logging in producer countries



Source: Chatham House illegal logging expert perceptions survey, September 2008

By weighting responses, it is possible to calculate an overall average illegal logging rate based on these survey responses – this suggests an illegal logging rate of 38 per cent in Cameroon and 58 per cent in Indonesia. These numbers shows a strong correlation with estimates of illegal logging derived from wood balance modelling (though these are from a slightly earlier time period). Estimates from the surveys can be expected to be higher than those from wood balance modelling since the former include illegalities related to licensed log production while the latter measure only unlicensed cutting. This is exactly the pattern seen for the different estimates in both countries, with overall illegal logging as measured by the survey around 15-20 percentage points higher than that measured by wood balance modelling (see graph 36 below). The fact that these two very different methods of estimating illegal logging show such consensus means that more confidence can be placed in the results than would be the case for any one method alone.

Graph 36: *Illegal logging estimates from wood balance modelling & perceptions survey*

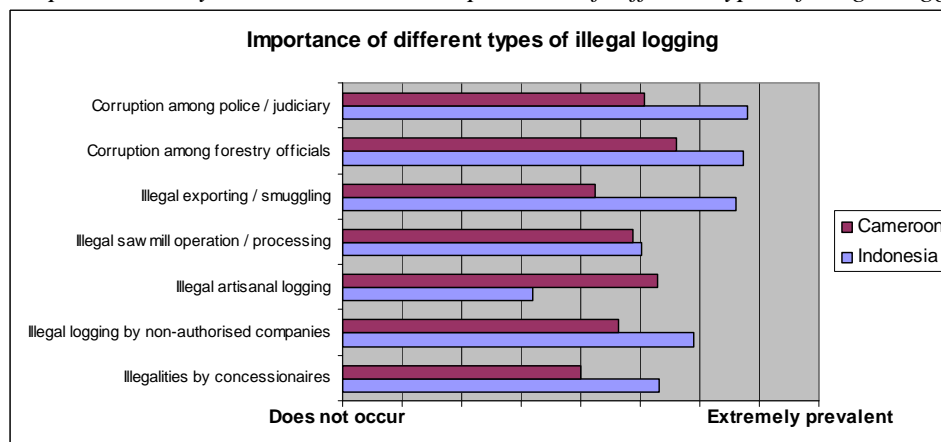


Source: Chatham House illegal logging expert perceptions survey, September 2008 (data represent average of all responses); wood balance analyses as per Section 5.1.1 above.
 NB: Wood balance estimate relates to 2006 for Indonesia and 2007 for Cameroon, while survey-derived rates relate to 2008

Different Aspects of the Problem

In addition to the overall extent of illegal logging, the survey sought to gather information on the relative importance of different aspects of the problem, including illegal logging by concessionaires, other industrial logging and artisanal logging, illegal processing and export, and corruption within the forest service, police and judiciary.

Graph 37: *Survey results on relative importance of different types of illegal logging*¹⁵⁵



Chatham House illegal logging expert perceptions survey, September 2008

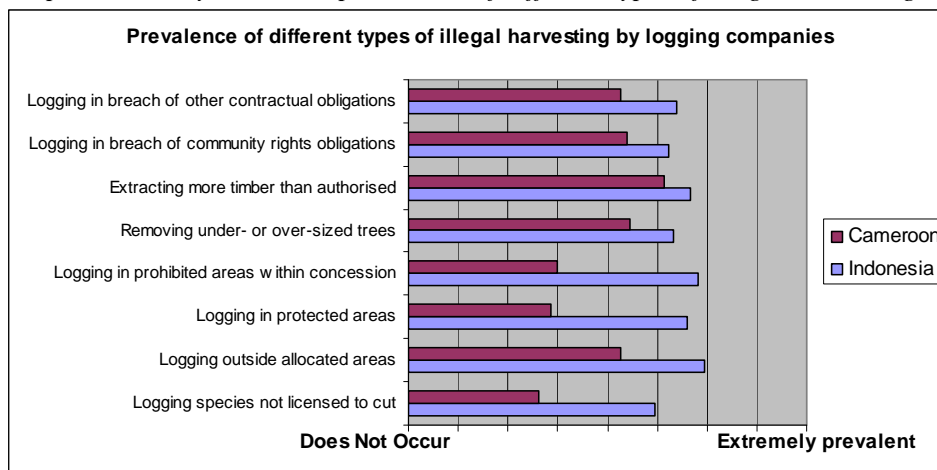
¹⁵⁵ This is not intended to be an exhaustive list, but aims to encompass the bulk of illegalities

Corruption was seen on average as the most prevalent aspect of illegal logging by respondents in both countries. Though corruption may always have been the worst aspect, this finding might also reflect the relative success seen in both countries in recent years with enforcement against the more easily detectable aspects of illegal logging: as these decline but corruption proves more intractable, corruption becomes of greater relative importance.

The survey responses suggest that illegal artisanal logging is much more prevalent in Cameroon than in Indonesia, but all other forms of illegal logging are viewed as worse in Indonesia than in Cameroon.

Illegal export and smuggling were viewed as a much more important part of the problem in Indonesia than in Cameroon, supporting the findings from wood balance modelling which suggest that illegal exportation is now much reduced in the latter country. The geography of Cameroon and the location of the main markets make illegal export more difficult there than in the island nation of Indonesia, and the independent monitoring of log exports and broader forest governance in Cameroon has also helped minimise this problem.

Graph 38: Survey results on prevalence of different types of illegal harvesting by logging companies



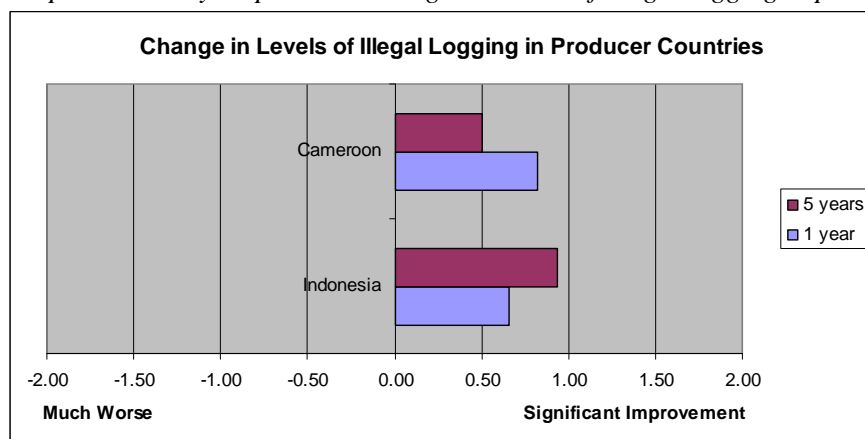
Chatham House illegal logging expert perceptions survey, September 2008

The survey also sought to measure perceptions of the relative extent of different types of illegal harvesting by logging companies (see graph above). Logging in protected areas, outside allocated areas and in prohibited areas within concessions, and logging of banned species are all now reckoned to be considerably more prevalent in Indonesia than in Cameroon; the relatively low prevalence of these types of illegality in Cameroon is likely the result of greater enforcement under the independent monitoring regime. These forms of illegality are arguably among those most easily detected and prevented. In contrast, there is much less difference between the countries in the prevalence of less easily detectable forms of illegality by concessionaires, such as breaches of community rights obligations or other contractual obligations. These aspects, less easily detected and tackled under IFM, are now amongst the most prevalent in Cameroon.

Change over last year / five years

If monitoring of indicators becomes a regular event, then subsequent follow-up surveys will allow changes in responses between surveys in different years to be compared and trends ascertained. While this is not possible in this baseline year, some questions were included in this first survey which sought to gauge perceptions amongst experts of how levels of illegal logging have changed in the last year and within the last five years.

Graph 39: Survey response on changes in levels of illegal logging in producer countries

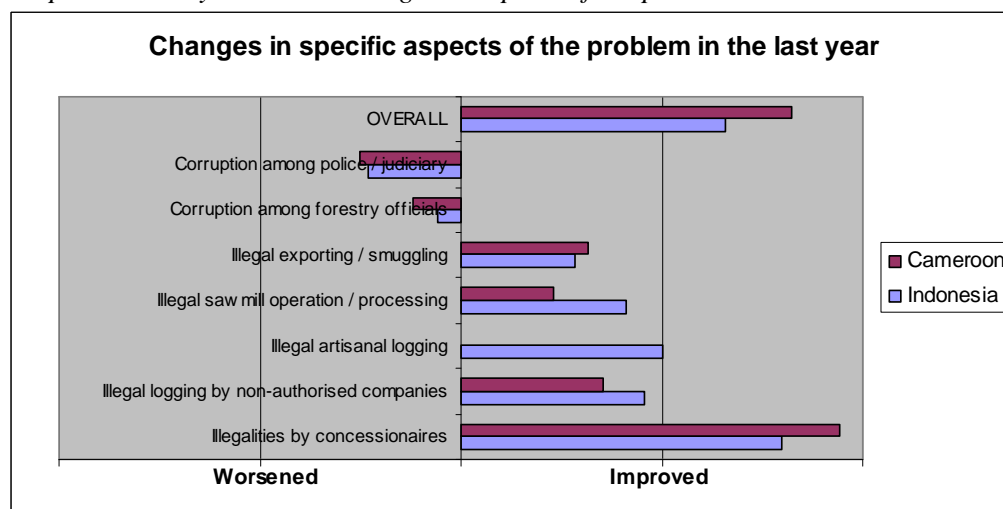


Scale: -2 = 100% recording situation much worse; +2 = 100% recording significant improvement
Chatham House illegal logging expert perceptions survey, September 2008

In both Indonesia and Cameroon, survey respondents unanimously agreed that the situation with illegal logging has been improving for 5 years or more, and continued to improve in the last year (2008). Government and private sector respondents did view the situation more positively, but there was also consensus that there had been improvement amongst NGO respondents.

In Cameroon the survey suggests that the rate of improvement has increased in the last year relative to the previous four, while in Indonesia it seems to have slowed. The declining rate of improvement in Indonesia may reflect the fact that serious action against illegal logging began some time ago (circa 2005), and the easier elements of the problem have already been addressed.

Graph 40: Survey results on changes in aspects of the problem in 2008



Chatham House illegal logging expert perceptions survey, September 2008

In both countries, the greatest improvements noted by respondents are in relation to illegal logging by industrial timber concessionaires; all other forms of illegal logging, including smuggling, processing and small scale-logging, are also felt to have improved, with the exception of artisanal logging in Cameroon, which is felt to have remained roughly the same.

The exception to this pattern of improvement in both countries, however, is that average responses showed a slight worsening of the situation with regard to corruption by forestry officials, police and judiciary. These aspects are often the most difficult to tackle, and may possibly have been encouraged by crackdowns on outright illegal logging: where enforcement is greater, logging companies have

more reasons to resort to bribery to avoid the consequences, and corrupt officials have more leverage to extract such bribes.¹⁵⁶ The survey findings on corruption for Indonesia appear to run contrary to anecdotal enforcement information, with numerous cases of officials being prosecuted or fired for corruption related to the timber sector published in the news media in recent years. It also runs contrary to the broader governance environment, with perceptions of overall corruption falling (see section on reduced corruption as a driver of changes in levels of illegal logging below).

5.1.3 National Parks

The level of logging and forest destruction in protected areas is likely to be a good indicator of the level of forest governance more broadly within a given country. Since all cutting in such areas is illegal, the difficulties of distinguishing legal from illegal activity are largely negated. Major national parks in tropical producer countries also often receive disproportionate attention from NGOs, donors and academics, so information is more likely to be plentiful. For the purposes of this study, a sample of four protected areas in each producer country were chosen, and available quantitative and qualitative information on levels of illegal logging in recent years (2006-2008) collected by partner organisations.

Indonesia

In Indonesia, illegal logging was found to have decreased dramatically across all four protected areas examined, generally having reduced by as much as 95 per cent or more in the last few years. Most of the improvement seems to have occurred between 2003 and 2005, with the precise timing often closely related to the arrival of joint-agency special enforcement operations implemented by the Ministry of Forestry in each area. An important driver of this improvement has been multi-stakeholder involvement, including multiple agencies of government as well as civil society (including in some cases the direct involvement of large international NGOs in park management and enforcement), though equally important have been better governance at provincial level and effective anti-corruption efforts within local forestry administrations and police forces.

The information from the National Parks supports the evidence from other indicators of a widespread and significant reduction in illegal logging across the country as a whole. The improvements appear to have taken place slightly earlier and been more dramatic in these protected areas than elsewhere. The earlier response is likely a result of these areas having been prioritised by government, donors and civil society and the high level of awareness of illegal logging problems within them. The disproportionate extent of the reduction in illegal logging may in part be due to the longer history of improvement, but is more likely the result of disproportionate attention and resources and the relative simplicity of detecting illegal logging in protected areas relative to other parts of the forest estate where both legal and illegal logging occur.

It is to be hoped that a similar dramatic reduction in illegal logging has occurred elsewhere in the protected area network. Though it is likely some improvements have been seen in less well-studied parks, anecdotal evidence suggests that such improvement may not have been so dramatic. One of the largest cases of illegal logging exposed in 2008, for instance, involved Bentuang Kerihun National Park, a large, remote and lesser known protected area in the heart of Borneo.¹⁵⁷ For some protected areas, enforcement has come too late. In August 2008 officials closed Mt Selok National Park in central Java, conceding that efforts to rehabilitate the park in recent years had failed. The park was left without a single tree as a result of devastating illegal logging during the peak years of 1999-2000.¹⁵⁸

¹⁵⁶ In one example from West Kalimantan, a district illegal logging task force was found to have colluded with local timber mafia, enabling them to launder illegal timber by having it seized and then buying it back cheaply at rigged auctions (DFID, Crime & Persuasion, 2008)

¹⁵⁷ Koran Tempo, 8th April 2008

¹⁵⁸ 'Illegal logging closes down Mt. Selok national park', Jakarta Post, 28th August 2008

Table 17: Scale and trends in illegal logging in focus protected areas in Indonesia

Park	Recent Developments	IL Trend
Gunung Leuser NP (Aceh/N Sumatra)	Illegal logging has decreased substantially in the last 2-3 years, but is still occurring at a smaller and less organised scale. Drivers of reduction include a provincial logging moratorium, and increased direct involvement of large NGOs in park management	▼▼
Bukit Barisan NP (Lampung/Bengkulu)	Illegal logging has decreased in recent years; there is now no large-scale illegal logging and only sporadic small scale illegal logging in less than 1% of the park; main threat is instead illegal encroachment, which has remained high. Drivers of decreased IL include high population densities and the limited access roads for extracting timber.	▼▼
Tanjung Puting NP, (Central Kalimantan)	Illegal logging vastly reduced following major joint-agency enforcement operations in 2002/2003; NGO OFI now operate network of guard posts around park; these have reported virtually no movement of illegal timber out of the park in the past two years. Where once there were thousands of people involved in illegal logging in the park, now the figure is in the tens. Most remaining illegal logging is small scale local use for construction, or targeting non-timber forest products such as bark and agarwood.	▼▼
Gunung Palung NP (West Kalimantan)	Since 2004 illegal logging in the park has decreased by an estimated 95%. Sawmills which depended on illegal timber have gone out of business. The decline can be attributed to an effective collaboration between the national police & local forest service, anti-corruption efforts, strong leadership from the park administration and civil society organisations involved in monitoring illegal logging in the park. Central MOF-led enforcement operations occurred in 2004, and in the last few years park staff suspected of corruption have been re-allocated, and the regional chief of police and some forest service personnel have been jailed for corruption.	▼▼

Source: Chatham House Indicators Project 2009, Measuring the response to illegal logging – Indonesia partner report



Source: Global Forest Watch

Cameroon

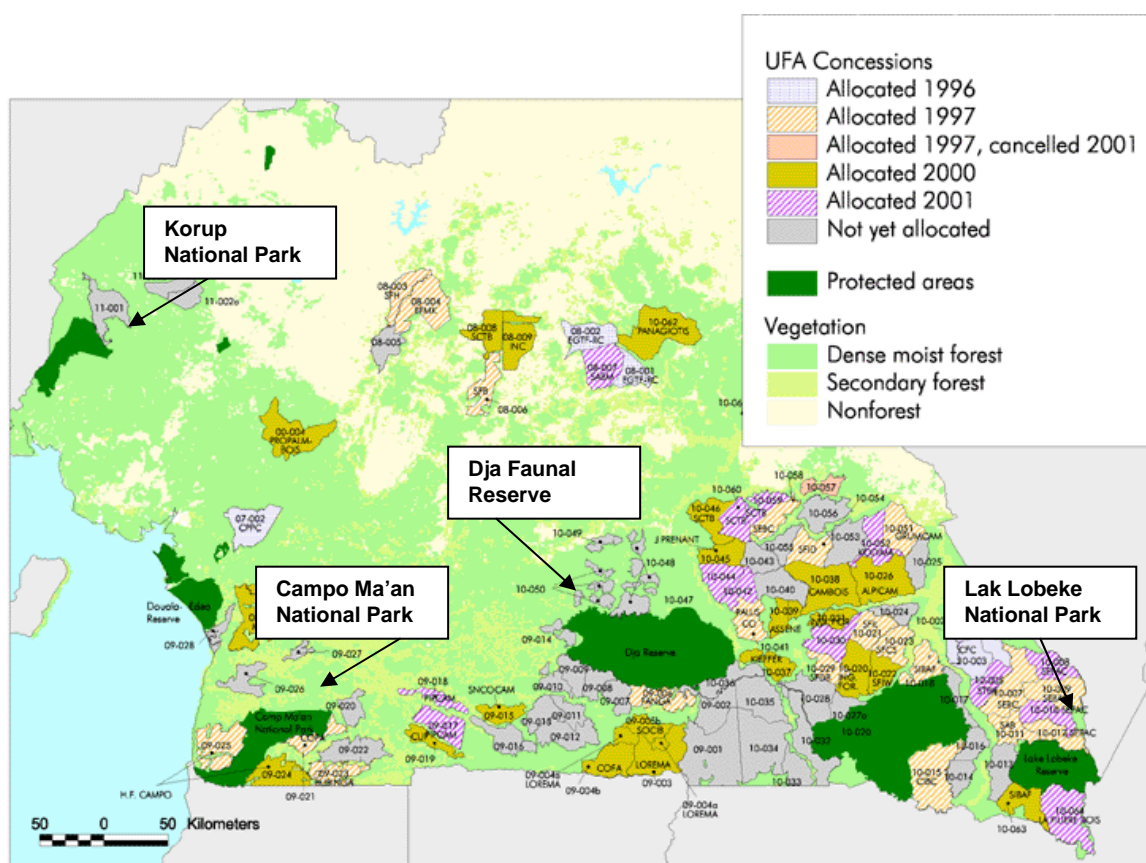
In Cameroon, very little quantitative or qualitative data on current levels of illegal logging or recent trends was available on the chosen focus areas. What few indications did exist suggested that illegal logging in these parks is very limited at present. Past deforestation and forest degradation (high-grading), both legal and illegal, in the areas surrounding the focus protected areas in Cameroon has been much less than that around the Indonesian parks and this has meant that the motivation to

encroach on the parks has been less, and that access has been more difficult. The level of illegal logging in the Cameroonian protected areas may therefore be a poor indicator of illegal logging in the country as a whole.

Table 18: Scale and trends in illegal logging in focus protected areas in Cameroon

Park	Recent Developments	IL Trend
Campo Ma'an NP	Generally unaffected in recent years. Only minor very small scale illegal harvesting, targeting high value species, reported to be occurring. Last large scale case exposed by IFM in 2001, suggesting reducing trend.	▼?
Lac Lobeke NP	No quantitative or qualitative data available on current or past patterns of illegal logging in this park.	?
Dja Faunal Reserve	No significant illegal logging has occurred in the reserve since at least 2006; information is not yet available on whether illegal logging was higher before this.	?
Korup NP	Small-scale illegal logging and smuggling to Nigeria is common and ongoing at present, quantities are unknown. Nigerian authorities said to be set to intervene soon to intercept the smuggled wood. No information yet available on past trends.	?

Source: Chatham House indicators project partner report



Source: Global Forest Watch

5.1.4 Trade data discrepancies

Another method which has occasionally been used to estimate the amount of illegal timber being exported by producer countries and imported by consumer and processing countries is the comparison of reciprocal import and export data for specific bilateral trade flows. Where importing countries

register much larger volumes of certain wood products on import than the associated producer country records as being legally exported, one possible cause is illegal timber being smuggled out of the country. In 2004 the International Tropical Timber Organisation (ITTO) commissioned a number of studies of trade data discrepancies for timber from major producer countries affected by illegal logging. Though many of these studies found that illegal behaviour was a probable contributor to such discrepancies, the studies also found that such discrepancies were a poor indicator of illegality because so many other factors contribute.¹⁵⁹

Another problem with trade data discrepancies is that at best they can only give an indication of illegally *exported* timber in trade, and not overall rates of illegal logging or the total amount of illegally-sourced timber in trade. Though it is possible that a rise or fall in the extent of illegal exportation from a producer country may reflect trends in broader forest governance, this is by no means always the case.

Nevertheless, the initial Chatham House study found that in certain specific circumstances such discrepancies can be reliable indicators of illegal export.¹⁶⁰ Trade data discrepancies tend to be more pronounced and a more reliable indicator of illegal trade for large volume flows, for log and sawntimber flows, for direct flows from producer countries, and for relatively short distance regional trade. Particular confidence can be attributed to the cause where the discrepancies are particularly pronounced (80-100 per cent) and where certain products are entirely banned from export from producer countries.

Cameroon

The initial 2007 study examined trade data discrepancies for shipments of logs and sawntimber between Cameroon and major European destinations and found that discrepancies were relatively small and a poor indicator of illegal export. For some years the certifier company SGS has been contracted by the Cameroonian government to independently verify that all logs and sawn wood are exported legally and it is unlikely that smuggling occurs on a significant scale. The SGS checks relate only to legal export, however, so this conclusion cannot be taken to mean that timber of illegal origin is not being traded between Cameroon and Europe, only that discrepancies cannot be used as a measure.

Indonesia

Analysis of discrepancies in primary wood product trade data for Indonesia is simplified as a result of the bans on export of logs and sawn timber implemented in 2001 and 2004 respectively.¹⁶¹ Both bans were implemented with the deliberate goal of aiding enforcement and reducing illegal logging and timber smuggling.

In 2002, immediately following the log export ban, large volumes of round logs from Indonesia continued to be recorded at import at various countries, principally China, Malaysia and India, as a result of widespread smuggling. By 2003, the volume had dropped by more than 90 per cent. This did not reflect a real reduction in illegal trade, however, but was due to smugglers falsifying the origin of the illegal Indonesian logs so that they were being recorded by importing countries as from Malaysia. This shift in turn led to a dramatic increase in the discrepancies in trade data between Malaysia and major importers such as China. In 2005, however, the huge trade data discrepancies related to the

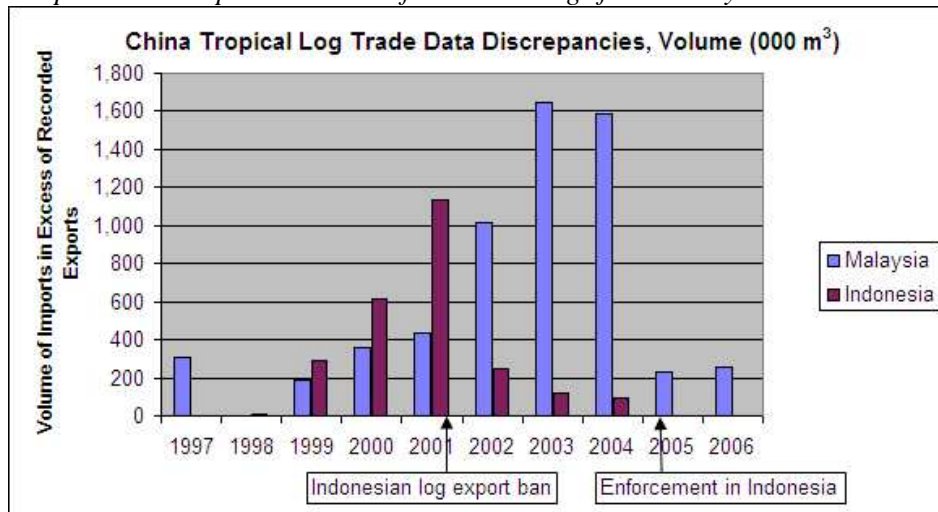
¹⁵⁹ ITTO, Report on the Case Studies On Assessing Export and Import Data on Tropical Timber and Tropical Timber Products, ITTC(XXXVII)/8 Rev.1, 13 December 2004

¹⁶⁰ Chatham House, *Illegal Logging and Related Trade: Measuring the Global Response*, Nov 2007, pg 64

¹⁶¹ Log exports were banned in October 2001, and most forms of sawn timber banned from export in October 2004. The log ban covers all items under HS Code 4403; the definitions of the sawntimber ban are less clear, and it is possible some of the imports of 4407 recorded since are from elements of HS Code 4407 which are legally permitted to be exported; it is also possible that part of the trade data discrepancies for sawntimber from Indonesia since the ban result from legally exported moulded items classified as HS4409 at export being mis-classified as 4407 on import.

smuggling of illegal Indonesian logs declined, coinciding with a major enforcement operation by the Indonesian authorities in the main source areas. These phases of discrepancies can be clearly seen in Graph 41 below. At the peak in 2003 the data suggest that around 1.6 million cubic metres of illegal round logs were being smuggled from Indonesia to China alone each year. By 2006 this had fallen to less than 0.25 million.

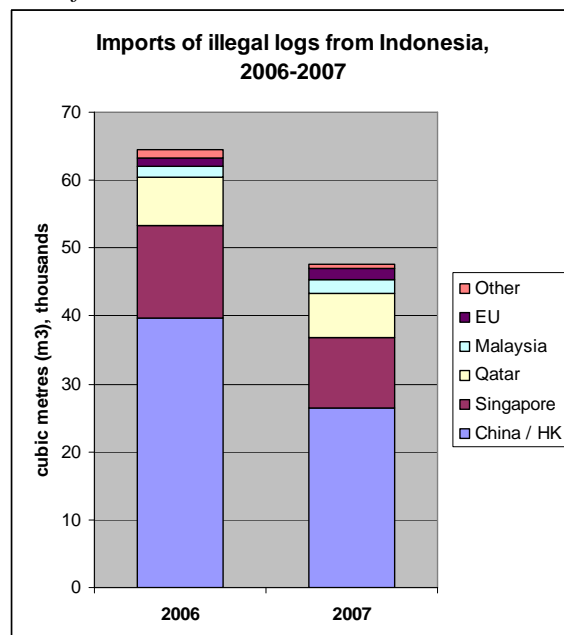
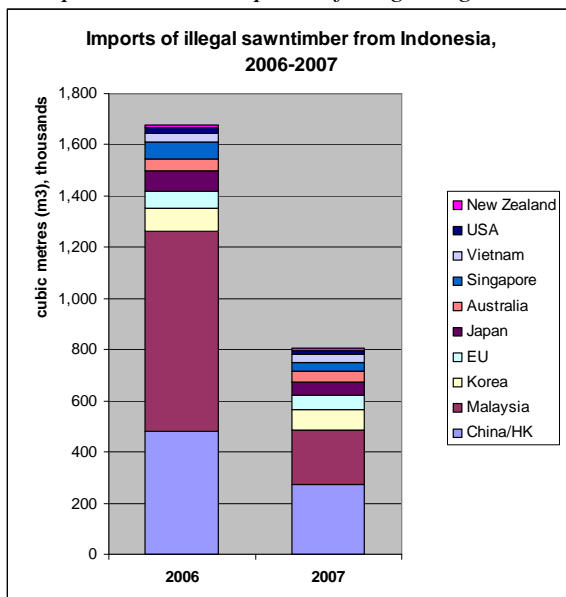
Graph 41: Discrepancies in data for trade in logs from Malaysia and Indonesia to China, 1997-2006



Source: Trade data drawn from ITTO Annual Reviews, analysis by the authors

After the sawn timber export ban was enacted in 2004, importing countries around the world have also continued to record imports of sawn wood from Indonesia which are apparently being smuggled abroad. Log imports from Indonesia also continue to be recorded, though at a much lower level than in 2002. The most recent data for 2007 show these imports are falling, possibly as a result of improved enforcement of the bans in Indonesia (see graphs 42 & 43 below), though misdeclaration of origin or product type might also be a factor. Even so, in 2007 countries including the EU, Australia and the US recorded imports totalling over 800,000 cubic metres of Indonesian sawntimber, and almost 50,000 cubic metres of logs.

Graphs 42 & 43: Imports of illegal logs and sawn timber from Indonesia, 2006-2007



Source: UN COMTRADE; where volume figures were not available these were estimated from US\$ values and weights in kilogrammes; Vietnamese data for 2007 not yet available – import volumes assumed to have remained static.

5.2 Consumer & Processing Countries

5.2.1 Import source analysis

While a number of methods exist for estimating illegal logging in producer countries, and discrepancies in trade data for raw timber products can give some clue to the illegal trade to processing countries, often the only way to measure imports of stolen timber by consumer countries is to simply multiply import volumes by levels of illegality in source countries. Almost all estimates of illegal timber imports commonly cited in the literature on the subject are calculated in this manner.

Though useful as a means of obtaining ‘worse case scenario’ baseline figures with which to garner attention and motivate action, this method as practiced in the past has been so imprecise as to be of little value in measuring change over time. As with wood balance modelling, different methodologies have been used in different countries and at different times, making comparisons all but impossible.

To be useful as a measure of change, such analyses need to be conducted in a more sophisticated manner, using updated estimates for illegal logging in source countries, and adjusting the results to account for efforts by governments and the private sector to increase the proportion of legal timber in relevant bilateral trade flows. Updating estimates for illegal logging in source countries is difficult, but the efforts being made by Chatham House to monitor levels of illegal logging in a range of producer countries should make this easier.

Table 19: Import source analysis estimates of illegal timber imports to focus consumer and processing countries, 2005-2006

Illegally-Sourced Timber Imports	m3 RWE mill		US\$ million	
	2005	2006	2005	2006
UK		3.3		
USA	10.0		4800	
Vietnam	1.2	1.4	100	200

Source: UK - WWF, Illegal wood for EU market, 2008, <http://www.illegal-logging.info/uploads/WWFEUimports.pdf>; US - Hewitt, J. 2007, <http://www.globaltimber.org.uk/USAIllegalTimber.doc>; Vietnam – assessment by the authors

United Kingdom

Estimates of illegal timber imports to the UK have been conducted intermittently by NGOs over the last few years. No comparative studies have been attempted, and the studies which have been done have used very methodologies and cannot be compared. The most recent assessment was carried out by WWF in 2008 and used import data for 2006. This study used some old and arguably exaggerated estimates for illegal logging in source countries (the figure for Indonesia is actually for 1998), and did not allow for the efforts of the private sector in raising the percentage of legal wood in the relevant trade flows, which some evidence suggests may be significant¹⁶². Nevertheless, for the purposes of this study, an attempt was made to update the figures for the most important bilateral trade flows for 2007; the same illegality estimates were used, so the resultant changes are solely a reflection of the changes in the volumes of wood in the given trade flows.

¹⁶² Forest Industries Intelligence Ltd for UK Timber Trade Federation/DFID (Rupert Oliver), Price Premiums for verified legal and sustainable timber, Feb 2005 – July 2007, http://www.illegal-logging.info/item_single.php?item=document&item_id=177&approach_id=4

Table 20: Estimates of major illegal timber flows into UK, 2006-7

source	product	2006	2007	illegal % rate used
Russia	Sawn	375,000	317,625	27% in NW, 50% in Far East
Latvia	Sawn	365,000	224,475	20%
Estonia	Sawn	230,000	179,400	50%
Brazil	Ply	370,000	378,880	47% in natural forests
China	Ply	230,000	278,530	32% through imports
China	Furn	350,000	452,200	32% through imports
Indo	Furn	150,000	121,050	73%
Indo	Prods	110,000	124,410	73%
China	Prods	135,000	146,610	32% through imports
Grand total		2,315,000	2,223,180	

Source: 2006 round wood equivalent illegal timber volume estimates derived from WWF, 'Illegal Wood for the EU market', July 2008; 2007 figures extrapolated using % change in weight (kg) of imports between 2006 and 2007 as recorded by UN COMTRADE (i.e. % of illegal timber in trade flows assumed to remain the same year on year).

NB: Some illegal logging rates used by WWF and repeated here are exaggerated and/or out of date (e.g. 73% figure for Indonesia dates back almost ten years), so absolute figures should be treated with caution, but the trend should still hold true.

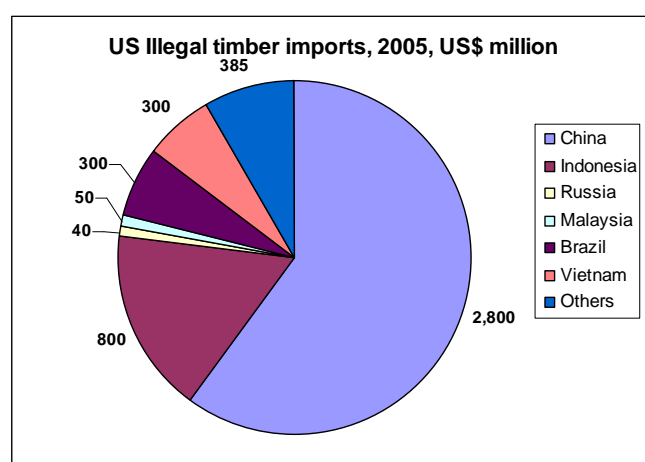
Assuming source country illegality percentages remain the same, then, this analysis suggests that the overall quantity of illegal timber entering the UK dropped by around 4 per cent between 2006 and 2007, as a result of changing patterns in trade. This masks major variations however: while large reductions have resulted from reduced imports of sawn timber from Russia and Latvia, this has been almost entirely counteracted by a large 20-30 per cent increase in imports of wood furniture and plywood from China.

Though the available evidence indicates that the level of illegality fell in Indonesia during the year, factoring in such a fall would not have a significant impact on the overall estimate of UK illegal timber imports. Of potentially much greater significance would be changes in the percentage of illegal timber in Chinese wood product exports, which is much more difficult to assess; though Indonesia is a major supplier to China and has seen reduced illegality, as or more important are Russia, Papua New Guinea, Gabon and Burma, for which there is little evidence of reduced levels of illegal logging.

USA

Only one import-source analysis estimate of the volume of illegally sourced timber being imported into the US has been conducted in the past. Using trade data from 2005, this concluded that the US imported illegally sourced timber and wood products worth \$4.75 billion during the year – almost ten million cubic metres of round wood equivalent volume. This estimate cannot be compared with those carried out for the UK, as different estimates for illegal timber percentages in trade flows were used, and different ranges of wood products included.

Graph 44: Import-source estimate of US imports of illegally sourced timber in 2005



Source: <http://www.globaltimber.org.uk/USAIlegalTimber.doc>

The assessment also examined the trend in the overall volume of imports within the largest trade flows (product-source country), and estimated the trend in the percentage of these likely to have come from an illegal source. By combining these estimates, it is possible to extrapolate a trend in the volume of illegally sourced wood for each flow (see table 21 below). This showed that while the amount of illegal timber being imported as plywood, sawn timber and paper from Indonesia and Brazil was falling, the amount of illegally-sourced timber being imported from China in the form of plywood, furniture, paper and other processed products was rising fast, as was import of illegally sourced timber in the form of furniture from Vietnam. The percentage of illegally sourced timber entering the US via third-party processing countries was increasing rapidly, potentially problematic for government and private sector efforts to clean up supply chains.

Table 21: Estimated scale and trends of largest bilateral trade flows of illegally-sourced timber into the US, 2005

Supplying country	Product group	Estimated illegal volume (million m3)	Estimated illegal value (US\$ million)	Trend in Illegal imports
China	Furniture	1.9	1700	▲▲▲
China	Plywood	1.6	240	▲▲▲
Indonesia	Plywood	0.8	150	▼
China	Profiles & joinery	0.6	220	▲▲▲
Indonesia	Furniture	0.4	380	▲
Brazil	Plywood	0.4	50	▼
China	Other wood items	0.31	210	▲
Vietnam	Furniture	0.3	290	▲▲▲
Brazil	Profiles & joinery	0.3	120	◀▶
Indonesia	Paper	0.3	90	▼
China	Paper	0.22	160	▲▲▲
Malaysia	Plywood	0.2	160	◀▶
Russia	Plywood	0.2	30	◀▶
Indonesia	Profiles & joinery	0.14	70	◀▶
Brazil	Sawn wood	0.13	40	▼
Philippines	Furniture	0.1	80	▲
Peru	Sawn wood	0.08	40	▲
Other trade flows		1.59	645	?
TOTAL		9.57	4675	▲

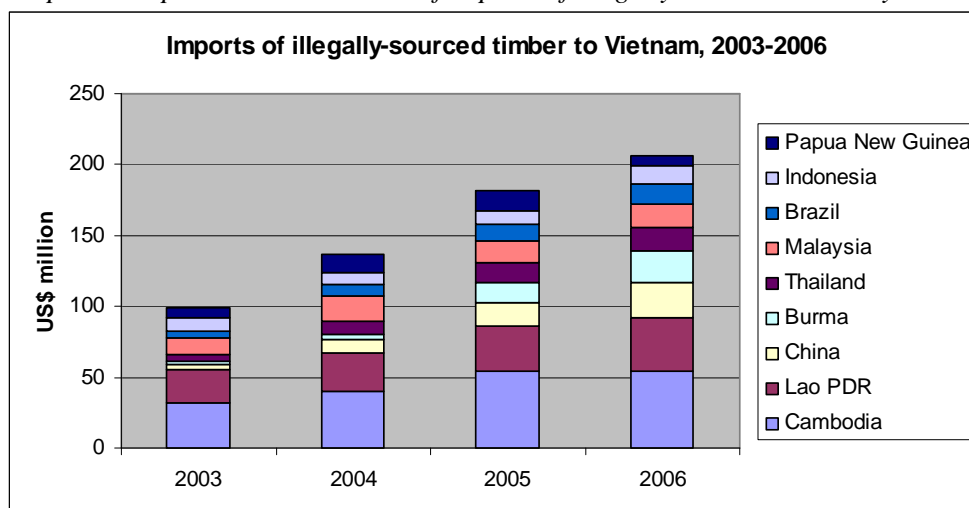
Source: Adapted from Hewitt, J., 2007, <http://www.globaltimber.org.uk/USAIlegalTimber.doc>

This import-source analysis has never been updated, but it is probable that the trends identified in 2005 continued into 2008. With the passing of the Lacey Act amendment in the USA in 2008, it is likely that the proportion of illegal wood in these timber flows will fall dramatically as importers act to clean up supply chains. Revised and updated import-source analyses will be needed to assess the impact.

Vietnam

The lack of quantity data for imports of timber into Vietnam makes import source analysis less reliable as an indicator, since the use of values can be distorted by changes in timber prices from year to year. Nevertheless, the pattern of dramatic growth in volume of Vietnamese timber imports in recent years is well established¹⁶³, and the trend is so pronounced that it exceeds any variation in timber prices. Import-source analysis of Vietnamese timber imports conducted for the purpose of this study using value figures shows illegal timber imports having doubled between 2003 and 2006 (the most recent year for which data are available) – from \$100 million in 2003 to more than \$200 million in 2006. A rough conversion to round wood equivalent volumes for each country indicates that 1.4 million cubic metres RWE of illegally-sourced wood was imported into Vietnam in 2006.

Graph 45: Import source estimates of imports of illegally-sourced timber by Vietnam, 2003-2006



Source: Analysis by authors, using UN COMTRADE trade data & estimates of source country illegal logging rates derived from WWF, 'Illegal Wood for the EU market', July 2008; percentage of illegal timber in individual trade flows assumed to remain the same year on year. NB: Some illegal logging rates used by WWF and repeated here are exaggerated and/or out of date (e.g. 73% figure for Indonesia dates back almost ten years), so absolute figures should be treated with caution, but the trend should still hold true.

This measure does not reflect changes in the levels of illegal logging in source countries during the years in question, and it assumes that the percentage of illegal logging in a source country is reflected in exports to Vietnam. Though information presented elsewhere in this study suggests that volumes of illegal timber being exported from Indonesia have fallen since 2005, this would not have a significant impact on the overall pattern. The bulk of the increase in illegal timber imports stemmed from general growth in imports from Burma, Lao, Thailand and China – all countries with significant illegal timber flows, with limited or non-existent supplies of verified legal or certified wood, and ones where there is no evidence of a significant reduction in illegal timber flows during the four-year period in question.

While the private sector section of this paper notes how Vietnamese wood product manufacturer-exporters responsible for consuming the bulk of imports are showing increasing concern over the legality of timber sources, there is little strong reason yet to believe that this has been reflected in the

¹⁶³ Including in numerous Vietnamese news articles – eg. <http://xttmnew.agroviet.gov.vn/TestE/load/hang/go-spec-detail.asp?tn=tn&id=30083>

proportion of timber from affected countries which is of illegal origin – in general so far it has instead led to increased imports of lower-risk plantation species from lower-risk countries such as South Africa and Uruguay. Indeed, though the overall volume and value of illegally-sourced timber entering Vietnam has been increasing, after remaining steady between 2003 and 2005, in 2006 the proportion of the country’s timber imports from high-risk countries dropped slightly (see table 22).

Table 22: Proportion of Vietnamese timber imports from high risk countries

	2003	2004	2005	2006
High risk	77%	77%	77%	73%
Low risk	23%	23%	23%	27%

Source: UN COMTRADE data, analysis by authors

5.2.2 Trade data discrepancies

Another method which has occasionally been used to estimate the amount of illegal timber being imported by consumer and processing countries is the comparison of reciprocal import and export data for specific bilateral trade flows, which as described in the producer country section above can sometimes give an indication of the extent of and trends in illegal exports.

Consumer countries

The bulk of the imports by the UK and USA from affected countries are of processed wood products such as plywood, mouldings and furniture, a large and growing proportion are imported from intermediary processing countries, and almost all are imported from far away. For this reason, such discrepancies are generally a poor indicator of the level of illegal trade – they are unlikely to be pronounced, and if they are it is likely that other factors are responsible.

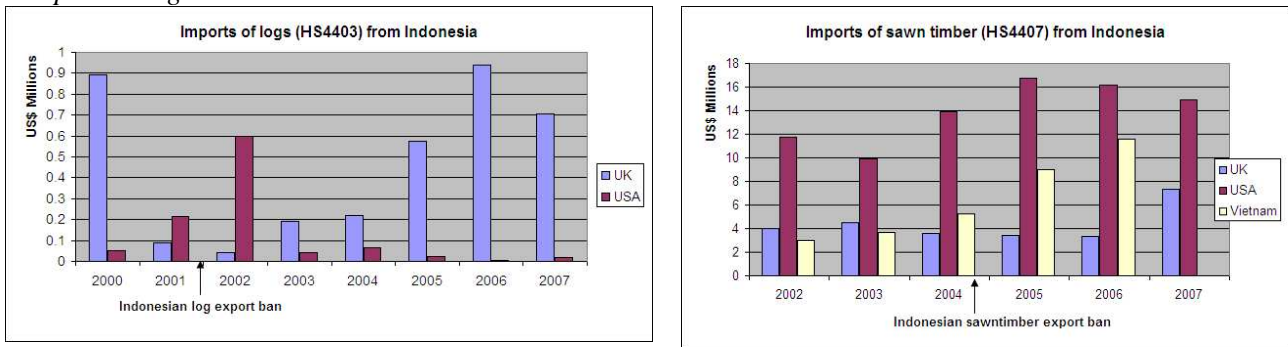
A limited exception to this exists in the case of imports of primary products which are supposed to be banned from export in source countries – the principle examples being logs and sawn timber from Indonesia (global breakdowns of which for 2006 and 2007 were presented above in graphs 44 and 45 on page 65). Such imports represent a tiny percentage of the overall imports of wood products from high risk countries by the UK and USA, and as such care should be taken not to read too much from the relevant trends.

Graphs 46 and 47 below show the pattern of imports of logs and sawntimber into the US, UK and Vietnam (sawntimber only) from before and after the imposition of the export bans in 2001 and 2004. These show that in many cases, recorded imports actually *increased* following the bans on exports. The UK’s small imports of logs from Indonesia rose steadily in the years following the export ban, as did imports of sawn timber. Though US log imports have almost ceased, and sawntimber imports have shown a slight decline in the last two years, sawn timber imports remain higher than before the ban took effect. In 2007 the US imported around 17,000 cubic metres of sawn timber from Indonesia, and the UK imported around 5,500 cubic metres.¹⁶⁴ Initial data from the first six months of 2008 showed UK imports of Indonesian sawn timber had increased by 60 per cent compared with the same period the previous year, and were the highest of any EU member state.¹⁶⁵

¹⁶⁴ UN COMTRADE

¹⁶⁵ ITTO MIS, Volume 13 Number 18, 16-30 September 2008

Graphs 46 and 47: Imports of logs and sawn timber from Indonesia by focus consumer and processing countries



Source: UN COMTRADE

NB: 2007 data for Vietnam not yet available; data for imports of logs from Indonesia into Vietnam not presented (see Graph 50 for this data)

Processing countries

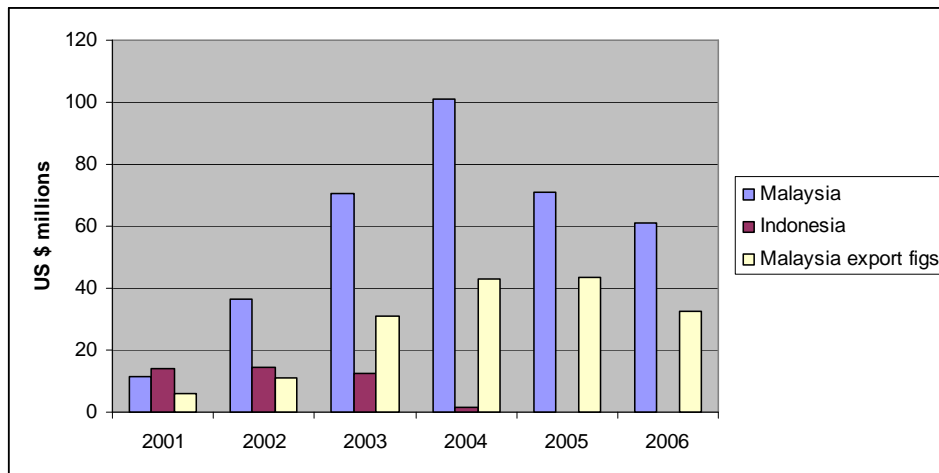
Conducting analysis of discrepancies in timber trade data between major producer countries and Vietnam is made almost impossible by the absence of Vietnamese data on the weight or volume of imports. Despite considerable efforts, this data has not been forthcoming from the Vietnamese government, though it almost certainly exists. Some limited conclusions can perhaps be drawn from figures reported by Vietnam on the *value* of imports, however.

Graph 47 above shows that Vietnamese imports of Indonesian sawn timber have continued to rise since 2004, when the Indonesian government implemented the export ban. In the most recent year for which data is available, Vietnam imported almost \$12 million of sawn wood from Indonesia, timber which is likely to have been exported illegally.

The graph below shows Vietnamese import data for round logs from Malaysia and Indonesia, plus mirror data from Malaysia on log exports to Vietnam. It is natural that logs on arrival in Vietnam will have a higher recorded value than they had at point of departure from Malaysia, but one would expect that such a premium would remain relatively constant from year to year in percentage terms. Yet this is not the case. During 2001 and earlier, Vietnamese valuations tended to be less than double the value recorded by Malaysia at export, but between 2002 and 2004 this difference broadened. In 2002, Vietnam recorded log imports purported to come from Malaysia almost 3.5 times the value of those recorded as exported from Malaysia to Vietnam. As with the China trade discrepancies described in the section on Indonesia above, this almost certainly stemmed from the log export ban enacted in Indonesia in 2002; indeed, accounts from traders during the period confirm that a large volumes of illegal Indonesian logs were being falsely declared as Malaysian on arrival in Vietnam during the period.¹⁶⁶ The data discrepancy in valuations fell back to its previous level in 2005/2006, likely as a result of enforcement in Indonesia.

¹⁶⁶ EIA/Telepak, *Stemming the Tide*, 2005

Graph 48: Vietnamese import data for round logs from Malaysia and Indonesia, compared with Malaysian mirror data for export of round logs to Vietnam



Source: UN COMTRADE

6. Summary & Conclusions

The table below summarises the status of the response in the various sample countries by indicator; the entries in green indicate improvement in the last year. It is clear from this figure that improvements have been seen across the board.

Of the four major areas, awareness is the only area of general concern: media coverage of illegal logging and the attention of NGOs are falling in a number of focus countries, partly in response to improvements in the problem and a shift towards less attention-grabbing policy development, and possibly also as a result of the growth in attention towards other issues, particularly the role of forests in climate change. Though actions to tackle illegal logging now have considerable momentum, there is a risk that as the spotlight shifts, moves to deal with the problem may fail at the final hurdle.

The response of governments appears to be improving, though many countries exhibited poor baselines, particularly Vietnam. It is to be hoped that the increased awareness of the problem shown there in the last year will help spur the government into a greater response. The private sector has also seen a positive response in almost all indicators across the pilot countries: though Cameroon has seen a shift towards less sensitive markets, this was very slight and does not appear to have been a response to efforts to control illegal logging.

Indicators of the actual level of illegal logging and associated trade have shown a marked improvement, particularly in the pilot producer countries. The apparent increase in US imports of illegally sourced timber is from before the Lacey Act amendment prohibition took effect, which should serve to reverse this, while the negative trend for the UK based on trade data discrepancies is perhaps unrepresentative since it relates only to a tiny proportion of overall imports.

Table 23: Trends in indicators during 2008

	Producer		Process	Consumer	
	Indonesia	Cameroon	Vietnam	UK	USA
Awareness					
NGO reports - number increased	▼	◀▶	▲	▼	▼
Volume & nature of newspaper coverage - increasing	▲	▲	▲	▼	▼
Government Policy Development & Implementation					
Ideal policy list - no. of policies in place improving				▲	▲
Enforcement & revenue capture data - indicate improvement	▲	▲			
Forest governance aid - increasing				▲▲	▲
Expert perceptions of government response - improving	▲	▲			
Private Sector Policy Development & Implementation					
Certification & verification schemes - take-up increasing	▲	▲	▲	▲	▲
Price premiums & trade volumes for cert/verif timber increasing	▲	▲	▲	▲	▲
Diversion to less sensitive mkts decreasing	▲	▼			
Expert perceptions of progress by private sector - improving	▲	▲	▲		
Actual Levels of Illegal Logging & Associated Trade					
Imbalance between legal supply & demand falling	▲▲	▲▲			
Illegal logging in sample national parks falling	▲	◀▶			
Trade data discrepancies falling	▲	▲	▲	▼	▲
Import-source assessment of illegally-sourced imps reducing			▼	▲	▼
Expert perceptions of scale of illegal logging & trade improving	▲	▲	▲		

Note: indicators phrased to enable increasing trends (upward arrows) to represent improvement in all cases

Legend	
Rising trend - improvement - (double arrow - strong)	▲▲
Falling trend - worsening - (double arrow - strong)	▼▼
No significant change	◀▶
Improving / Already good	▲
Worsening / Remains poor	▼
Not relevant / not assessed	
Pattern inconclusive / only baseline available	

6.1 Producer Countries

The evidence is mixed on the attention to the problem of illegal logging in Indonesia and Cameroon - NGO reports and international media attention are definitely lower in Indonesia in 2008 than before. This is at least partly because illegal logging is so much less of a problem than it was a few years ago; other drivers of forest loss are now receiving increased attention. In Cameroon, media attention has grown as has the attention of the private sector, both in response to improvements within government and to interest from European firms and governments. Declining attention in Indonesia may also reflect the relative growth in the importance of other drivers of deforestation as illegal logging has declined.

The policy response of the Cameroonian and Indonesian governments to illegal logging was seen to have improved during 2008. Though both countries now have many key regulations in place, implementation is generally poor. Corruption remains a critical problem, though efforts to tackle it were seen to have improved the most in the last year.

Private sector initiatives grew rapidly in Cameroon during 2008, but levelled off in Indonesia following dramatic increases in the previous three years. The recent prohibition on illegal timber imports in the US, and the development of similar additional legislation in Europe, are key drivers, as demonstrated by apparently greater action being taken by large concessionaires and manufacturers exporting to sensitive markets than by smaller companies focused on the domestic market. FLEGT VPA licensing systems may come to replace some of the voluntary actions being taken by companies, and such an expectation may be one reason for the lack of growth seen in Indonesia during the year. There is little evidence that timber flows from the two producer countries had shifted to less sensitive markets in response to actions on illegal logging by 2006, though survey results in both Cameroon and Indonesia suggest this may have changed more recently. There is some evidence that timber prices have risen as a result of increased enforcement in Indonesia.

A range of indicators support the conclusion that illegal logging has fallen in both Indonesia and Cameroon during the last few years – in Indonesia overall illegal logging has fallen by as much as 50 per cent and illegal log and sawntimber exports by 90 per cent since 2005, while in Cameroon illegal logging has fallen by around half since the beginning of the decade; the rate of improvement seems to have been rising in Cameroon, but falling in Indonesia, during 2008. The declining rate of improvement in Indonesia might be because the ‘low hanging fruit’ have already been taken, with attention now having to shift to more intractable forms of illegal logging and to regions which are less well governed or more inaccessible. The data also suggests that the response has been disproportionately great for some aspects of the problem, while improvements have been small or the situation worsening for other aspects. The greatest improvements have been made in relation to outright unlicensed logging by large industrial concessionaires with a focus on exports. Much less improvement has occurred with regard to small-scale illegal logging for domestic markets, which has not felt the same pressure from consumer country governments and buyers.

Contrary to overall trends, corruption amongst forestry officials, police and judiciary in producer countries may actually be worsening. It is possible that this could itself be a response to efforts to control illegal logging: as outright anarchic illegal logging is brought under control through increased enforcement, companies are increasingly motivated to circumvent this, legalising timber or avoiding penalties by corrupt means, while opportunities to officials involved in licensing or enforcement to provide such services simultaneously expand.

Though improvements in Cameroon and Indonesia have been dramatic, illegal logging remains a major problem in both countries. In Indonesia, best estimates suggest that between 40 and 55 per cent of production is still illegal in some form, while in Cameroon the figure is between 30 and 40 percent. Though both countries have many necessary policies and regulations in place, there remains considerable room for improvement in this area, both in terms of written regulations and in implementation of those already on the books.

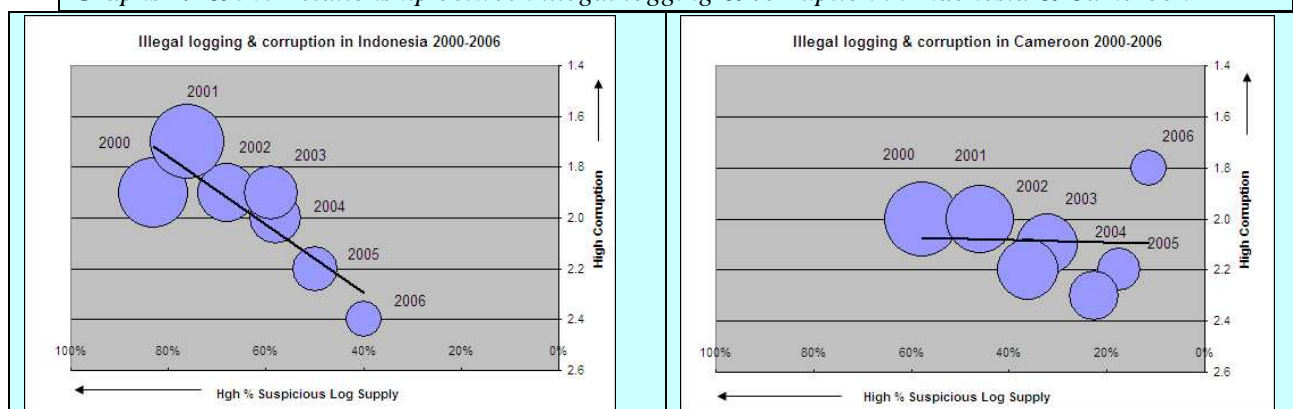
Actions by consumer country governments and companies have been key in driving improvements in producer countries, as have the activities of NGOs. In Cameroon, the involvement of an independent monitor has been critical, while in Indonesia there is some suggestion that a general improvement in governance has been important (see box below). If improvements are to be maintained and expanded, it is vital that these key drivers remain in place. It is in this context that the current global recession is of concern – as the FAO recently pointed out, the last major recession in Asia was a key driver of a boom in illegal logging.¹⁶⁷

BOX: Relationship between corruption and illegal logging in producer countries

Previous studies have shown a close relationship between illegal logging and corruption in producer countries, though no causal relationship or direction was proven.¹⁶⁸ Given the apparent dramatic reductions in illegal logging in Cameroon and Indonesia documented in Chapter 5, it is interesting to observe how these have compared with changes in levels of corruption within these countries during the same period. The graphs below compare levels of illegal logging in each country between 2001 and 2006 (as estimated using wood balance modelling) with the index rating for each country calculated by Transparency International’s Corruption Perceptions Index (CPI).¹⁶⁹

The first graph shows that in Indonesia illegal logging has fallen closely in line with corruption, suggesting that improved levels of overall governance in the country were an important driver (below left) – this is supported by some of the anecdotal evidence from Indonesian national parks, though it also runs somewhat contrary to the expert perceptions survey, which suggested that corruption amongst those directly involved in enforcing forest laws had actually increased even as illegal logging had fallen. In Cameroon, by contrast, the reduction in illegal logging has not coincided with an equivalent reduction in the level of corruption (below right). The fact that illegal logging has reduced in Cameroon in spite of this continued corruption may stem in part from the role of the independent monitor and associated donor leverage, which has succeeded in forcing improvements in an otherwise poor governance environment. It might also stem from the importance of the EU as a market for Cameroonian timber, with market demands emanating from outside Cameroon driving large concession companies to improve performance regardless of domestic enforcement.

Graphs 49 & 50: Relationship between illegal logging & corruption in Indonesia & Cameroon



NB: size of bubbles represents volume of illegal timber cut (sizes not comparable between graphs)
 Source: Corruption figures from Transparency International CPI 2000-2006; illegal logging estimates derived from wood balance modelling (see relevant section of this chapter for more on methodology and limitations)

¹⁶⁷ FAO State of the World’s Forests, 2009.

¹⁶⁸ Seneca Creek, 2004.

¹⁶⁹ Caution should be taken with this analysis, as TI advise that due to the methodology used to construct the CPI, changes in scores for given countries over time are not a reliable indicator of changes in levels of corruption - http://www.icgg.org/corruption.cpi_2004_faq.html. The changes in the scores recorded in each country over the five-year period are also very small, compared with the overall range (1.9 – 9.5 in 2006).

6.2 Consumer & processing countries

Processing Countries

Attention to the problem of imports and re-exports of illegally sourced timber in Vietnam has been low in recent years, but revived in 2008 as a result of NGO campaigning and the fall-out of the US Lacey Act amendment. The government response remains poor, however, and showed no obvious improvement in 2008. It is possible this will change as a result of the increased attention. The private sector's response in Vietnam has remained ahead of the government's, and government and private sector responses under development in consuming countries continued to drive increased efforts by Vietnamese companies to clean up supply chains in 2008, as did the NGO exposés seen during the year. These same exposés showed how far there still is to go, however, and an apparent shift towards less sensitive markets for Vietnamese wood product exports poses a risk.

The lack of reliable information on the volume of illegally sourced timber entering Vietnam makes it difficult to draw firm conclusions. There is some evidence that imports of illegally sourced timber from Indonesia (both declared and misdeclared as Malaysian) have fallen in the last few years as enforcement in Indonesia against log smuggling has increased. But Indonesia represents only a small portion of Vietnam's timber imports. Cambodia, Lao, China and Burma are much more important sources of timber, with imports from the latter two increasing particularly quickly. Though the proportion of illegal timber in Chinese wood exports may have been pushed down slightly by a reduction in throughput of illegal Indonesian wood, on the whole there is little reason to believe that the proportion of illegal logging in these source countries has eased. Though the increasing efforts documented in the private sector section of this paper being made by Vietnamese importers and manufacturers may be lowering the percentage of illegal wood in relevant trade flows, it is unlikely that this has been sufficient to counteract the overall growth of imports: Vietnamese imports and re-exports of illegally-sourced timber almost certainly grew during the year.

Consumer Countries

Attention to the problems of illegal logging and associated trade has grown dramatically in recent years in both the US and UK, but began to fall for the first time in 2008. This is partly a result of improvements in producer countries, and partly a result of a drop in NGO campaigning. Both the UK and US are now actively engaged in developing policies to tackle imports of illegally sourced wood, shifting the attention of stakeholders to debates on the technicalities of such measures which are of less interest to the general media than stories on the dramatic nature, scale and growth of the problem which have been more common in the past. These countries are now at a later phase of response, having moved from building awareness and political will, to designing and implementing policy solutions. Though there is now considerable momentum in both countries behind these efforts, it is important that attention is maintained if the efforts of the past 10 years are to reach fruition and have a lasting impact.

While the UK has until recently had more necessary policies and procedures in place and has been a leader on the issue of illegal logging and associated trade for some years, the Lacey Act amendment prohibiting import of illegally-sourced wood enacted in 2008 has seen the US take a great step forward. The implementation of equivalent laws and systems in the UK is now being taken forward by the EU; though progress continued to be made during 2008 development has been slow.

Growth of private sector voluntary initiatives accelerated in both countries in 2008, boosted by the development of new laws to control imports of illegally sourced wood. There is little evidence available with which to judge the growth of price premiums for independently legally-verified and sustainability-certified wood, but these may expand in future in response to the Lacey Act amendment and the additional legislation being considered for the EU.

While financial assistance by both the UK and US to producer countries to tackle the problem at source is significant and UK assistance grew considerably in 2008, the amount of illegally-sourced wood entering these countries has either remained roughly static or grown in recent years. Though indicators for earlier stages of response show strong progress by consuming and processing countries in terms of such things as awareness, political will, policy development, and private sector concern, it remains too early in the response for this to have fed through to a meaningful reduction in illegal timber flows. The greatest impediment in this regard has been the delay in consuming & processing countries in implementing legislation to prohibit the import and sale of illegally-sourced wood.

Though the percentage of illegal wood in trade flows from some countries such as Indonesia has declined due to reductions in illegal logging at source, and voluntary efforts by the private sector have had an effect, many other producer countries have not shown such reductions, and as in Vietnam, the combined effect has been counteracted by the overall growth in imports as a result of general economic expansion. Another factor has been the shift towards indirect imports of processed products from processing countries such as China and Vietnam.

The most recent estimates suggest that the US imports around 10 million cubic metres RWE¹⁷⁰ of illegally sourced wood products, and the UK around 3 million cubic metres. More sophisticated and standardised methods for estimating these imports are needed in future, to ensure that changes in illegal logging rates at source and policy developments in the importing countries are reflected in the analysis. It is to be hoped that developments such as FLEGT and the US Lacey Act amendment will see a dramatic reduction in imports of stolen wood, and the figures included here will act as a baseline against which future improvements can be measured.

The global recession currently underway may provide useful ‘breathing space’ in which efforts to reduce the proportion of illegal timber in trade flows can outrun overall growth, resulting in a genuine reduction of illegal timber in trade.

6.3 Impacts so far on end goals

Environmental Effects

Using estimates of illegal logging over the last few years derived from wood balance modelling and other methods described above, it is possible to estimate the amount of forest which has been saved from destruction or degradation as a result of the fall in illegal logging found to have occurred in the two focus producer countries in recent years. Since the problem was so much larger to begin with in Indonesia, and the improvement there has apparently been more profound, the bulk of the savings are found in that country. If illegal logging had continued at the rate and scale seen in 2000, then during the 5 years between 2001 and 2006 around 160 million cubic metres more timber would have been illegally cut in Indonesia than is estimated to have actually been cut due to reductions in illegal logging. Based on average selective logging rates, this represents around 7.8 million hectares of forest which have been saved from being seriously degraded or destroyed, slightly more forest than is estimated by the FAO to be being lost each year worldwide¹⁷¹, and more than half the size of England. A similar analysis produces a figure of approximately 0.2 million hectares for Cameroon.

Studies suggest that around 200 tonnes of carbon dioxide equivalent is lost during selective logging of one hectare of tropical forest, from a combination of the extracted timber and associated damage.¹⁷² Using this figure, it is possible that as much as 1.6 billion tonnes of CO₂e emissions may have been avoided in Indonesia and Cameroon between 2001 and 2006 as a result of efforts to reduce illegal

¹⁷⁰ Round wood equivalent

¹⁷¹ FAO State of the World's Forests 2009, estimates net loss of 7.3 million hectares of forest per annum worldwide during 2000-2005

¹⁷² Meizlish, M., et al, 2007, Carbon Finance for Reduced Emissions from Deforestation & Degradation at the Forest Frontier: Financial Analysis of Alternate Land Uses in the Amazon, Congo and Papua, Indonesia

logging – 4 per cent of current annual global human-induced carbon emissions.¹⁷³ This does not include carbon savings from areas which may have avoided being burned.

Based on average estimated rates of species loss resulting from tropical deforestation, it can also be estimated that as many as 20,000 species may have been saved from extinction during the period in question.¹⁷⁴ Floods, landslides, fires and pollution of water sources resulting from illegal logging can all also be expected to have reduced proportionately, though quantitative estimates are impossible.

Care should be taken with such estimates however. Aside from the potential problems with the reliability of the estimates of illegal logging on which this analysis is based (as discussed earlier), it is by no means certain that forest which is saved from being logged illegally will be saved from being logged or cleared legally instead. In Indonesia, for instance, the government has steadily increased the annual legal cut as the level of illegal logging has declined. Reports also suggest that clearance for oil palm may also have accelerated in recent years, counter-acting much of the potential benefit in terms of forest loss resulting from the increasing control over the forest sector.

Social Effects

Using the same methods as above, it is also possible to estimate the potential benefits which have accrued to focus partner countries in terms of revenues as a result of successful domestic and international efforts to tackle the problem. The roughly 160 million cubic metres of logs which have not been illegally harvested in Indonesia during the last five years as a result of decreases in levels of illegal logging since 2000 could potentially bring in around \$4 billion in revenues, assuming they are all legally and sustainably harvested in ensuing years.¹⁷⁵ The Indonesian statistical bureau estimates that forestry contributed around \$4 billion to GDP in 2007, up from \$2.4 billion in 2004.¹⁷⁶

Again, these figures should be treated with caution. Revenues cannot immediately be captured on the timber which was previously being illegally logged without increasing legal logging to levels well beyond that which is sustainable; as such it would be unwise in the long term for countries which have successfully decreased illegal logging to increase legal logging proportionately in order to reap the financial benefits mentioned above.

Aside from increased revenues, there will of course have been positive effects on forest dependent people across Indonesia and Cameroon which have stemmed from the reduction in illegal logging seen in both countries in recent years, though this is impossible to quantify.

¹⁷³ Global human-induced climate change emissions in 2005 - 41 billion tonnes CO₂e - http://ec.europa.eu/dgs/jrc/index.cfm?id=1410&obj_id=7810&dt_code=NWS&lang=en

¹⁷⁴ Past estimates indicate 28,000 species are lost for every 10 million hectares of tropical forest destroyed -Reid, W. R. 1992. How many species will there be? Chapter 3 in *Tropical deforestation and species extinction*, ed. T. C. Whitmore and J. A. Sayer. New York: Chapman and Hall.

¹⁷⁵ Based on total royalty figure of \$25 per cubic metre, calculated from government figures quoted in *Timber Trades Journal*, 23rd July 2005, 'Royalties planned in Indonesia'

¹⁷⁶ <http://www.bps.go.id/sector/nra/gdp/table1.shtml>

Annex A: Ideal policy list questions for producer, consumer and processing countries.

1. Producer Countries

High level policy arrangements
1. Does the country have high-level political and governmental mechanisms in place to tackle illegal logging?
a. Has a review of the causes and severity of illegal logging been conducted by the government?
b. Is there a national action plan in place for tackling illegal logging?
c. Does a formal process exist for high-level coordination of action on illegal logging across departments and sectors (e.g. a parliamentary committee or inter-ministerial task force)?
d. Are there formal consultation processes in place for multi-stakeholder involvement in developing policy and legislation to tackle illegal logging? These processes should ensure that viewpoints of stakeholders affected by
Legislative framework and government structures
2. Is forest legislation and regulation coherent and unambiguous?
3. Are formalized forest laws and regulations consistent (non-conflicting) and harmonized with other laws and regulations affecting forests? (Formalized here is used to distinguish between laws designed and enacted by
4. Are mechanisms (checks and balances) in place to ensure government fully applies forest law and
a. Does the law make provisions for protecting the right of the public to mount legal challenges against forest management decisions/practices and failure by government to apply forest law?
b. Does the law stipulate proportionate and dissuasive penalties for staff for corruption?
c. Does a parliamentary committee (or equivalent) have formal oversight over the national government forest
d. Is there a system in place through which relevant government departments and agencies carry out self-monitoring of their performance and internal corruption investigation (this could be carried out by an internal or
e. Is there an independent national forest monitoring system in place?
5. Is customs specifically mandated to check that timber consignments meet the country's relevant (timber-
Legislation and regulations on illegally sourced timber
6. Has additional legislation been enacted and regulations put in place to prevent illegally sourced timber from
International engagement
7. What level of international cooperation has been shown by the country?
a. Does the country have formalized trade or customs arrangements with major trading partners e.g. FLEGT VPAs or Free Trade Agreements (FTAs) which include specific provisions on illegal logging?
b. Does the country have a formalized system in place for sending and receiving enforcement alerts regarding
Policies and measures concerning supply and demand of legal timber
8. Do forest-related policies encourage legal timber production and discourage illegal timber production by ensuring that the level of demand does not exceed legal supply?
a. Does the permitting system for wood processing facilities require evidence of sufficient legal sources of raw
Tenure and use rights
9. Are property, use rights and tenure arrangements clearly defined, documented and secure (including those of
a. Are property, use rights and tenure arrangements set out on accurate and up-to-date publicly-accessible maps (and/or GIS), clearly demarcated at ground-level and effectively protected?
b. Are there formalized mechanisms in place for resolving conflicting or overlapping property rights?
c. Are there formalized mechanisms in place for accommodating customary rights in law and regulations?
Timber chain of custody, transport and tracking
10. Are there effective mechanisms in place to detect instances of illegal timber entering the supply chain?
a. Is there a system in place designed to verify the origin of timber (i.e. forest management unit) in transport,
b. Does the system design include the following components?
i. independent monitoring procedures (independent government body or 3rd party)
ii. reconciliation systems
iii. tamper-resistant documentation procedures
iv. computerized systems
Transparency
Institutional transparency
11. Is there a documented system which describes the roles, responsibilities and controls for all agencies involved in regulating forest utilization and trade from harvest rights allocation to point of sale or export and
Transparency in resource allocation and management
12. Do policies, laws or regulations contain provisions designed to ensure that resource allocation and
a. Do policies, laws or regulations stipulate that rules for resource allocation processes (e.g. concession allocation and competitions) and dates of when such processes take place, are made publicly available?
b. Do policies, laws or regulations stipulate that the results of resource allocation processes are made publicly available (e.g. bids and awards for concession allocation and competitions)?
c. Do policies, laws or regulations stipulate that up to date summary data is published on harvesting,
13. Do policies, laws or regulations contain provisions designed to ensure transparency in concession use?
a. Do policies, laws or regulations stipulate that information on location of concessions, ownership and contact
b. Do policies, laws or regulations stipulate that information on concession contracts, inventories and plans are publicly available (i.e. long term and annual forest management and harvest plans)?
c. Do policies, laws or regulations stipulate that results of environmental and social impact assessments and
Transparency in enforcement activities
14. Do policies, laws or regulations contain provisions designed to ensure that information on enforcement
a. Do policies, laws or regulations stipulate that data is published on forest crimes, including success rates on detection, interdiction, prosecution and conviction (including fines levied and fines paid) and volumes seized?
b. Do policies, laws and regulations stipulate that information on disposals of confiscated wood or results of public auctions of confiscated wood (or other kinds of public bidding) are publicly available?
Resource allocation procedures
15. Do resource allocation regulations and procedures include measures consistent with good forest
a. Is there a prequalification process in place designed to exclude inappropriate bidders from resource
b. Is there a competitive award process which is designed to be open to all eligible bidders?
c. Do prior informed consent procedures or stakeholder consultations exist for local communities with respect
d. Are measures to protect and develop forest-based livelihood opportunities for local communities within
Institutional & operational factors in law enforcement
16. Do policies, laws, regulations and procedures facilitate and promote effective law enforcement?
a. Are penalties and sanctions against illegal activities proportionate and dissuasive?
b. Are there systems in place to ensure coordination between relevant ministries and agencies on illegal logging
17. Do government institutions and agencies have sufficient capacity and resources to monitor forest areas and
a. Are forest officials/law enforcement staff sufficiently resourced for monitoring and enforcement? (Relevant resources include numbers of staff; communications; transport; budgets; and equipment; salaries; and training in
b. Are the following non-forest sector officials who are involved in forest enforcement, trained and kept up to
i. judges and prosecutors
ii. customs officials
18. Do government agencies systematically use appropriate information gathering tools in order to identify
a. Are remote sensing systems used for this purpose (such as satellite imagery and/or aerial surveillance)?
b. Are in-the-field investigatory tools used for this purpose (such as confidential diagnostic surveys, informants
c. Are material flow analyses used for this purpose (such as wood input/output estimates, comparison of
d. Are log tracking and check point systems used for this purpose?
Financial management
19. Is there an effective financial management system in place for the forest sector?
a. Does the forest administration have a system for monitoring revenue collected from utilization of forest resources against revenue owed as well as a system for addressing discrepancies?
b. Is there an audit of the forest administration whose findings are publicly available?

* these lists are provisional revised and shortened versions of the original lists used in the pilot assessment

2. Consumer Countries

High-level policy arrangements
1. Does the country have adequate high-level political and governmental mechanisms in place to tackle
a. <i>Has a review been carried out which assesses how the country's market activities impact on the</i>
b. <i>Is a national action plan in place for preventing illegally sourced timber from being imported or sold?</i>
c. <i>Is a national action plan in place for helping to tackle illegal logging in other countries?</i>
d. <i>Does a formal process exist for high-level coordination of action on illegal logging across departments and sectors (e.g. a parliamentary committee or inter-ministerial task force)?</i>
e. <i>Are there formal consultation processes in place for multi-stakeholder involvement in developing policy and legislation to tackle illegal logging? These processes should ensure that viewpoints of stakeholders</i>
Legislation and regulations on illegally sourced timber
2. Does the county have adequate legislation and regulations in place to prevent illegally sourced timber
a. <i>Has the country analysed its existing legislation and regulations on preventing imports of illegally</i>
b. <i>If the findings of the analysis referred to in Q.2.a are that current legislation and regulations are inadequate, have additional legislative and regulatory options for filling the gaps been considered?</i>
c. <i>Has additional legislation been enacted and regulations put in place to prevent illegally sourced timber</i>
International engagement
3. What level of international cooperation has been shown by the country?
a. <i>Has the country declared a commitment to tackling illegal logging in high-level discussions (e.g. bilateral</i>
b. <i>Has the country demonstrated a political commitment to negotiating trade or customs arrangements which tackle illegal logging and related trade with major trading partners e.g. FLEGT VPAs or other significant</i>
c. <i>Has the country established a formal communications protocol with major trading partners on</i>
Procurement policy
4. Is there an effective public procurement policy in place excluding illegal (and/or unsustainable) timber
a. <i>Does the policy cover all timber products, including paper?</i>
b. <i>Does the policy rest on robust means of identifying legal products (e.g. valid certification or verification</i>
c. <i>Is assistance offered to government purchasers (advice, guidance, training, etc)?</i>
d. <i>Is implementation of the policy systematically monitored and assessed?</i>
e. <i>Does the procurement policy apply to sub-central (provincial, regional, local) government?</i>

3. Processing Countries

High-level policy arrangements
1. Does the country have adequate high-level political and governmental mechanisms in place to tackle
a. <i>Has a review been carried out which assesses how the country's market activities impact on the problem</i>
b. <i>Is a national action plan in place for preventing illegally sourced timber from being imported or sold?</i>
c. <i>Does a formal process exist for high-level coordination of action on illegal logging across departments and sectors (e.g. a parliamentary committee or inter-ministerial task force)?</i>
d. <i>Are there formal consultation processes in place for multi-stakeholder involvement in developing policy and legislation to tackle illegal logging? These processes should ensure that viewpoints of stakeholders</i>
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