

Illegal logging: who gains from tighter controls

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There is increasing recognition that the conservation and sustainable management of forests depend on a consensus in society over the rules and regulations under which forest goods are processed. However, despite the widespread promotion of forest management plans, timber harvest controls and traditional law enforcement, illegality within the sector remains widespread. This is for a number of reasons. Political instability in many countries has led to frequent changes of governments and institutions with negative effects on the capacity of forest departments and other government agencies that play a role in forest conservation. At the same time, powerful economic groups currently benefit from illegal logging.

Those people living in forest areas are among the poorest groups in society, from the perspective of both social services and general welfare. Illegal timber harvesting harms them directly – by the social disruption it causes – and indirectly – through the deterioration in respect for the law and norms of society. They bear an excessive share of the environmental costs without compensation, while others reap the benefits. Yet, with improved governance, the forest and its timber and non-timber products could be the means of raising these people out of poverty.

Illegal logging has a range of negative impacts and poses a variety of problems. Firstly, there is the question of regulating an industry, often in isolated environments, the high cost base and potentially very high returns of which make it exceptionally prone to illegality. The high value of the product and the technical complexity of sustainable forest management, leads to very restrictive legislation. Where public institutions are weak the heavy-handed nature of the regulation itself becomes an opportunity for illegality, creating ample opportunities for corrupt practices at all levels – in policy setting, in permit procedures, as well as in field-level monitoring and enforcement.

Forest regulation in many cases thus denies or restricts the tenurial and resource rights of the forest dependent poor,

criminalising key aspects of their livelihoods and leaving them in a weak bargaining position with the industry. The costs of regulatory compliance weigh heavily on community-based timber producers, in particular. In many cases, this forces reliance on well-connected traders to facilitate documentation and market entry, with highly inequitable outcomes for the poor.

Recent ODI research has helped unpick these barriers to legality. There is a clear need to reform the regulatory framework of the industry to reduce transaction costs, while at the same time, better targeting institutional corruption. This requires a combination of measures, including strengthening rights in land and resources, including demarcation of indigenous land boundaries, land titling for migrant families, and allocation of secure community concessions with long-term title. There is a need to simplify administrative procedures to enable market entry and increase the returns on legal forest management for small scale producers. It is also necessary to increase transparency and improve data collection and access to information in order to make illegal logging and other forest crimes more difficult to hide.

The growing ecological awareness of many consumer markets for tropical timbers is increasing pressure to improve the management of tropical forests. This includes efforts to certify the legality of timber production, as well as improved monitoring to ensure legal compliance. These represent strong external pressures on timber-producing states to improve their enforcement operations. The forest industry also needs to demonstrate its commitment to credible verification systems to secure its future markets. However, the regulatory environment within producer countries impinges heavily on such initiatives. The basis for proving legality may be weak, given conflicting jurisdictions and unclear regulation.

Producer-country constituencies for forest-sector monitoring remain small. Initiatives to date are largely the result of

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external pressure and remain vulnerable to domestic or foreign markets with less stringent sourcing requirements. However, such trade-related initiatives can use market pressure to lever greater transparency and accountability. A recent ODI review of donor-supported initiatives to strengthen forest-sector monitoring highlighted the need to build strong national ownership of and public engagement in monitoring initiatives within producer countries, if they are to secure lasting governance reform. Experience suggests that, properly constituted and subject to agreed reporting and publication rules, effective verification can be the lever for further gains in governance, and become a motor for broader reform. This is particularly likely where links are made to internationally supported policy processes, such as regional initiatives on forest governance in Africa and East Asia, and also poverty reduction strategies.

The prospects in this area appear encouraging. Producer governments are increasingly aware of their own need for reliable information (and the deficiencies of internally-generated enforcement data), to sustain their own credibility as international actors. Growing differentiation within the forest industry gives those companies that are investing heavily in sustainable forest management an added incentive to both prove their own virtues and to exclude free-riders from the market place.



Taking timber to market, Nicaragua

And, as the international aid environment becomes more narrowly focused on poverty alleviation and the achievement of the millennium development goals, environmental NGOs are under increasing pressure to come to an accommodation with the timber industry, and to channel their interest in positive directions towards the promotion of legitimate enterprise.

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