

## *Transparency International*

### *Forest Integrity Network* *Concept Paper*

At a meeting in May 2000 held at the Harvard University Center for International Development, a group of NGOs, donor organizations, academic institutions, and specialists in forestry and related disciplines undertook to collaborate in the fight against corruption in the forestry sector. To this end, they agreed to establish a Forest Integrity Network (FIN) with the objective of seeking peaceful, effective, and long-lasting solutions to the problems of forestry corruption. This initiative is being led by Transparency International, with support to date from the Center for International Development, IUCN, and the World Bank. At a follow-up meeting hosted by the World Bank in Washington DC on November 29-30, 2001 was attended by a broad spectrum of interested stakeholders. The participants reached a broad understanding on the role, modalities and governance of FIN, as well as on the key activities to be undertaken in the near to mid term. This understanding is described in the attached *Summary of Proceedings* of the meeting. The purpose of this *Concept Paper* is to explain the background to FIN and to set out its role, modalities and initial work program. This *Concept Paper* and the attached *Summary of Proceedings* constitute FIN's two basic documents.

#### ***What are the problems to be addressed by FIN?***

Deforestation around the world is having catastrophic consequences in terms of loss of biodiversity, climate change, disruption of the hydrological cycle, and the loss of livelihood for forest communities. Best estimates indicate that approximately 56 million hectares were lost between 1990 and 1995. The present rate of deforestation has clear and documented adverse effects on the Earth's ecosystems: it threatens the forests' role as a major reservoir of biological diversity and store of carbon, it impacts the daily life of hundreds of millions of people around the world, and has profound consequences for the planet's future.

Corruption is the most pernicious and deep-rooted cause of forest degradation. Corruption in forestry has many manifestations, ranging from give-away logging concessions and illegal logging operations to fraud and tax evasion schemes. Such corruption reflects the lack of accountability of corporations, governments, and other actors involved in the forest sector. Documentation of these illegal practices is hindered by data-collection limitations and methodological difficulties. Researchers and reformers at all levels -- national and international, official and non-governmental, public and private -- see their efforts to tackle corruption frustrated by the lack of a common methodology, appropriate tools of analysis, and concerted action. Corruption undermines efforts to achieve sustainable forest management, and renders most regulations and control mechanisms worthless. Most official statistics on timber resources and harvests are seriously defective.

A multiplicity of organizations have an interest in promoting sustainable forestry, ranging from members of the UN family of organizations (such as CIFOR, FAO, ITTO, and World Bank), to international NGOs (such as IUCN, The Nature Conservancy, and WWF), to activist NGOs (such as Greenpeace, EIA, Forest Monitor and Global Witness), to more research oriented organizations (such as Yale School of Forestry and Environment, IIED and WRI), to business

or market oriented organizations (such as Future Forests, FSC and WBCSD). A number of fora have been established where various groupings meet to exchange information and ideas. In some cases corruption in the forestry sector is explicitly addressed, but often in the past this sensitive topic has been avoided or treated only tangentially. However, attitudes are changing and more recently there has been an increasing willingness to openly confront the issue of illegal logging. Nonetheless there is as yet no satisfactory mechanism to bring overall coherence to the disparate global and country level efforts to curb corruption in the forestry sector.

### ***What might FIN do to tackle these problems?***

FIN's goal is to establish the basis for a concerted international effort to understand the nature of forestry corruption more thoroughly, develop common methodologies, identify promising solutions, and initiate action to implement those solutions. To this end, FIN will: (i) establish and coordinate a coalition of stakeholders (international and national organizations, public and private) willing to engage in the fight against forestry corruption, (ii) create a web-based document center and data base on initiatives to fight corruption, and work to expand awareness of the issues related to forestry corruption and their adverse consequences, and (iii) seek to promote appropriate case studies and research on forest corruption by the academic and research communities and to help co-ordinate these studies. In these endeavors, FIN will emphasize the interaction between research, information dissemination and action rather than three parallel sets of actions.

**Building a coalition of stakeholders.** An important feature of FIN is its aim to bring together in an electronic network all the relevant stakeholders on the local, national and international level in pursuing its mission. These will include: public forestry agencies; public and private sector logging companies, traders and consumers, local community organizations in the areas where illegal logging is taking place; local civil society; international NGOs and research organizations concerned about corruption, environmental protection and the impact of forest degradation on the poor, especially forest dwellers; and interested donor agencies. In this way, FIN also facilitates connections among national programs, and between national and international programs. Each stakeholder will be encouraged to bring to the fore their own viewpoints, perceptions and proposals for action. But no stakeholder will be allowed to block the effective functioning of FIN or compromise its independence and willingness to address the issues of corruption openly and candidly.

**Information dissemination.** FIN will establish an electronic information center and database of reliable quantitative and qualitative information on corruption both thematically and country-specific on forest corruption. This information/data is urgently needed to facilitate effective policy dialogue and assessment of action plans. FIN will gather, manage and provide this information on a webpage, and could possibly develop a country-based Forestry Corruption Perception Index.

In all these activities, FIN shall pursue an integrated approach which links forestry corruption with its root causes such as poverty and poor governance. In this line, FIN shall promote the inclusion of forestry corruption issues in wider programs of governance reform, poverty alleviation and national anti-corruption programs. TI could provide valuable know-how of successful corruption reduction (e.g. Integrity Pacts, Surveys, Citizen Watch activities, etc.).

FIN must avoid duplication with existing related initiatives in the forestry sector. Rather it should build these initiatives into the network to promote greater overall coherence. At the international level there are already many actors and initiatives in the forestry sector. These include ongoing international forestry fora (e.g. The Inter-governmental Forum on Forests, Inter-agency Task Force on Forests, the International Forestry Advisers Group, the UN Forest Forum, Forest PACT, the Canadian Round Tables, the International Forest Industries Round Table, the World Bank/WWF Alliance, the World Bank/CEOs Forum, GLOBE/WCFSD, the Global Forest and Trade Network, and The Forest Dialogue) where forestry corruption is discussed *inter alia*, the anti-corruption activities of the international organizations (e.g. FAO, World Bank, and International Timber Organization,) and the Forest Stewardship Council.

**Case Studies and Research.** To avoid launching an initiative that is largely academic and to root FIN's actions in the realities on the ground, FIN will promote the compilation of case studies in a number of countries where forestry corruption is reputed to be extensive and where it is having particularly serious environmental consequences. Cross country comparative analysis of these case studies will help to focus the efforts on identifying practical and effective ways to fight corruption, taking account of the special circumstances of each country. Based on comparison of the lessons derived from these case studies, the wider implications for international action may be established.

FIN will also promote thematic research on selected topics, such as forms of corruption and actors involved, combating corruption at the policy making level, fighting corruption at the implementation or grass root level, the role of local communities in forest protection, tools of external law enforcement, illegal logging and industry standards, and governance reforms essential for tackling forestry corruption. The outcome of the thematic research will be guidelines to help design clear recommendations, and the convening of panels or workshops to promote dissemination and debate. In order to make research results and recommendations more coherent, a catalogue of analytical questions on the causes and effects of forestry corruption and solutions should be prepared, as well as a catalogue of best practices in tackling forestry corruption. These will be drafted either as a new chapter of the TI Sourcebook or as a stand-alone document but with a similar format and purpose.

***FIN's role is to focus sharply and exclusively on combating corruption.*** This is a need that is not the central concern of any of existing institution and is not adequately covered by the other initiatives. Indeed, the subject of corruption has been to a large extent shunned in these fora and institutions in response to governmental sensitivities. In order to create synergies rather than duplication, FIN should systematically scan other organizations' ongoing activities and studies in the field of forestry.

Thus, FIN's uniqueness derives from the following:

- It is the only ***international network*** that focuses exclusively on curbing corruption in the forestry sector.
- It is ***inclusive*** incorporating all stakeholders, official and non-official, national and international, and both public and private.
- It aims to create a ***unique pool of knowledge*** on the subject of forestry corruption
- It aims to bring together ongoing field experience and thematic and case study research to achieve more effective country and local level action to curb forestry corruption – it is ***action and results oriented***. Its success will be judged by whether effective action is actually taken within countries to curb forestry corruption.

## ***Role of Transparency International***

Transparency International brings to this endeavor its particular expertise in mobilizing civil society to fight corruption through its global network of national chapters and by its worldwide efforts to increase awareness of corruption and of its hugely negative impact on people's welfare and the environment. TI advantage lies in:

- its global knowledge of the nature of corruption and of techniques to expose and tackle corruption and mobilize the voice of civil society to oppose corruption
- its status as an international NGO totally independent of other organizations and institutions, and
- its global reach and its country presence.

TI has developed ways to survey and measure corruption and publishes a Corruption Perception Index, which has been effective in alerting the public and public officials to the extent of corruption prevailing in each country; a forest corruption perception index would be a natural extension of this work. Also, TI's expertise in such matters as Integrity Pacts, whistleblowers' protection, and the like is highly relevant to tackling forestry corruption<sup>1</sup>.

## ***FIN's Guiding Principles and Institutional Framework***

The May 2000 meeting at Harvard established the following as FIN's guiding principles:

- FIN is non-profit and politically non-partisan
- FIN recognizes a shared responsibility of all actors engaged in the forestry sector to tackle corruption.
- FIN's emphasis is exclusively on the identification of causes, impacts, and design of measures and reform action plans to tackle forest corruption -- not on exposing individuals or firms which is the role of the law enforcement agencies, forestry departments and activist NGOs and citizen watch groups.
- FIN acknowledges that fighting corruption in the forestry sector must be based on social, political, economic and cultural approaches, and cannot be reduced to any one of them.
- FIN aims to be accountable and transparent in all its actions.

The November 2001 meeting in Washington DC further agreed on the following **mission statement**: *FIN is a broad coalition of stakeholders to fight forest corruption and promote sustainable forest conservation and management and improved livelihood of forest-dependent populations.*

With regard to FIN's **membership**, participants agreed that FIN would be open to individuals and organizations concerned to fight forest corruption. This would include NGOs, international organizations, government forestry departments, researchers, and businesses and business organizations engaged in forest industries. The initial list of members includes those participating in this meeting and those who have indicated an interest by asking to receive FIN's newsletter.

With regard to the **institutional framework**, at least in its first phase, FIN will be an informal, voluntary, and largely 'virtual' network, without a separate legal status. It will be

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<sup>1</sup> See TI's website: [www.transparency.org](http://www.transparency.org)

managed by TI as a distinct TI initiative, with a small number of dedicated staff and a modest budget.

FIN would rely where feasible on other agencies rather than launch its own projects and activities concentrating its own efforts mainly on its role as a knowledge center and database on forestry corruption and as a coordinator and promoter of research, surveys, and case studies. FIN would initiate and facilitate various working groups to advance the objective of fighting forest corruption. FIN will encourage and support the design of innovative pilot programs to fight forestry corruption and liaise with broader programs of governance reform. Such anti-corruption activities would be based on a long-term perspective (5-25 years.).

The FIN initiative will be guided by a **Steering Committee** to be composed of representatives of the different categories of stakeholders. At the FIN meeting held on November 29-30, 2001, it was agreed that the following persons/organizations would participate in this Steering Committee: Ajit Banerjee (India's Community Forestry Program), Lisa Curran (Yale School of Forestry and Environment), Jim Douglas (World Bank), Al Fry (WBCSD), Gudrun Henne (Greenpeace International), James Mayer (IIED), Antoine de la Rochefordiere (SGS), Wynet Smith (Global Forest Watch), Alvaro Luna Terrazas (IUCN), and Clifford Zinnes (IRIS, Maryland University). The Steering Committee will operate mostly on a virtual basis through email consultations and discussions. Additional members may be added as appropriate.

FIN may establish from time to time, as needed and appropriate, informal **expert working groups** to carry forward agreed initiatives such as setting up a FIN webpage, establishing a documentation center and data base, scanning and mapping of existing anti-corruption efforts to be integrated into the network, establishing a framework for country case studies that facilitated cross country comparative analysis, the identification of research gaps, promotion of country level action plans and training programs for NGOs and community-based organizations, and examining ways to move forward on selected topics such as the role of local communities in forest control, law enforcement and donor support, reforms of state forest agencies and forest law, definition/typology and root causes of forest corruption,

### *Next Steps?*

#### *A Work Program for the First Phase*

The first task will be to set up a FIN focal point or unit within the TI structure and to seek dedicated grant funding from interested aid donors and foundations. This unit will establish and coordinate a number of small informal working groups to carry forward the following activities:

1. Map the existing stakeholders and their ongoing programs and activities. This would build on IIED (Steve Bass)'s existing study prepared for the WBCSD (December 2000) and would identify all the on going country case studies and country forest corruption action programs. This would have a strong 'on the ground' component
2. Promote research aimed at providing a fuller analysis of the 'anatomy' of forest corruption, to 'unpack' the various elements/components/dimensions of forest corruption in order to develop a typology and identify where and when action to tackle forest corruption is likely to be most effective. The research should pay particular attention to the role of community forestry management and the protection of forest dwellers' rights in stopping corruption 'at the source'. The research should have short term, medium term and long term sets of action. It would recognize that the forest sector has unique features,

shared to some extent with other extractive sectors (e.g. diamonds and other valuable minerals), namely: remoteness, and a high value tradable commodity that can be 'harvested'. It would build on existing reports on forestry corruption (e.g. *Corrupt and Illegal Activities in the Forestry Sector* by Debra J. Callister and *Forest Law Compliance: An Overview* by Arnolando Contreras-Hermosilla, and relevant CIFOR publications). This research should provide a strengthened conceptual basis for the FIN initiative and contribute to the preparation of a chapter in the TI Sourcebook on forestry corruption.

3. Design and establish a forestry corruption website and make a start to build up a documentation center and information and database on forestry corruption. This will incorporate and expand the existing FIN Newsletter and include 'best practice' policy notes.
4. Establish a working arrangement with The Forest Dialogue partners/Yale Forestry Department to follow up on the initiatives identified at their December 6-8, 2000 meeting, namely to:
  - prepare a report on the shared experiences, issues, failures, limitations and solutions to make certification more practical and effective in collaboration with FSC, SGS and others, and
  - bring together 25-30 selected stakeholders to share experiences and seek a consensus on new and more effective ways to combat illegal logging.
5. In an extension of (4) above, setting up expert working groups on various key topics not currently being adequately addressed from the point of view of fighting forestry corruption. The expert working groups' recommendations could be transformed into training modules for relevant actors and partners, applicable to various country scenarios. Suggested topics include:
  - **Role of local communities in forest control:** Which approaches work best in community forestry and lead to both control and sustainable forest use? Which approaches have failed? Are there groups of countries/institutional arrangements which encourage/discourage the community approach? What types of locally based control/sanction mechanisms are needed (particularly in absence of strong legal state institutions)? Which types of land tenure reforms are necessary in order to motivate local communities and increase local stakeholders?
  - **Law enforcement and donor support:** Can donor assistance programs be used to support anti-corruption measures? Is this approach sustainable in the long run?
  - **Reforms of state forest agencies and forest law:** Experiences with different approaches, and their success or failure. What are the political and institutional preconditions and consequences of such reforms? Can countries be grouped in several types where one approach works better than others?
  - **Root causes for corruption in forestry:** Are there links between forestry corruption and corruption in other sectors? What can be learned from insights concerning corruption in other sectors? Can different types of corruption be linked with specific institutional and social characteristics of countries? How do root causes in certain countries necessarily influence the choice of the above mentioned anti-corruption mechanisms? Can we identify "types" of countries? And, lastly,
  - **Establishing forest industry standards aimed to curb illegal logging:** In what ways can companies engaged in forest industries be encouraged to adopt codes of behavior

that support sustainable forest management and what should be the standards incorporated in those codes?

6. Establishing national FIN networks.

***Resources for FIN***

Where possible FIN would look to well established existing organizations to undertake specific tasks that the FIN members have agreed are needed; in such cases, FIN's role is one of promoter and intermediary between its membership and the organizations undertaking the tasks. In addition, there are some tasks that the FIN unit within the TI Secretariat will need to do itself. So far, to carry out its role, FIN has depended on voluntary effort. Nonetheless, some core is now essential to carry the initiative forward. Consequently, a grant of \$450,000 is sought as "seed" funding to launch FIN over the next three years. These funds would be used to meet the costs of a FIN project officer in the TI Secretariat, secretarial assistance, and specialist services to build a website, and to organize small expert working groups to take forward the various activities discussed above. FIN would continue to mobilize the *pro bono* services of senior advisers who would guide the FIN secretariat/working group.

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