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TREES

PROTECTING FROM ILLEGAL WOOD

**Timber Regulation Enforcement to protect European
wood Sector from criminal infiltration**

Final report

TREES Project (Timber Regulation Enforcement to protect European Wood Sector from criminal infiltration – HOME/2013/ISEC/AG/FINEC/4000005240) is a transnational project aiming at enforcing the EU Timber Regulation (N. 995/2010) implementation as instrument to fight corruption as facilitator of organised crimes activities. It is a research project funded by the Internal Affairs DG of the European Commission as part of the ISEC Program (Prevention of and Fight against Crime). The project is developed by Conlegno (EU Monitoring Organization for EU Timber Regulation), PEFC Italy, RiSSC,- Research Centre on Security and Crime (IT), Risk Monitor (BG) and CNVP (NL), and supported by a range of partners including INTERPOL, PEFC International and several PEFC National members.

For more information

www.trees-project.eu

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INTRODUCTION

A UNEP and INTERPOL joint study (2012) states that illegal logging accounts for up to 30% of the global logging trade and contributes to more than 50% of tropical deforestation in Central Africa, Amazon Basin and South East Asia. Between 50% and 90% of logging from the key countries in these regions is being carried out by organized criminal entities. A very recent assessment (Hoare, 2015) estimated that nine producer countries in those geographical zones produced more than 80 million m³ of illegal timber in 2013.

Such illegal trafficking damages significantly the legal market and also the Governments, due to its influence on the revenue system (fiscal evasion, VAT payment), lack of state contribution (tax burden) and opportunities for money laundering.

Existing literature shows that the problem extends well beyond tropical countries' boundaries and provides examples in developed nations: every year in Europe tons of timber are object of illicit trade and origins are not clearly traceable. Therefore a big space is given to criminal operations of illegal traffic that damages significantly the legal market.

Consequently, the European Union (EU) initiated the EU Forest Law Enforcement Governance and Trade (FLEGT) action plan. In March 2013, an additional step was taken with Regulation no. 995/2010 of the European Parliament and of the Council, commonly known as the EU Timber Regulation (EUTR – EC, 2013a): the EUTR was welcomed by many as a long awaited effort to curb illegal logging. The EUTR creates a new framework within which various actors involved in the timber trade can interact. The regulation incorporates the roles of existing actors with new actors who are responsible for new tasks. Officially, the EUTR operates with reference to six main actors (ClientEarth, 2011):

- the European Commission (EC): responsible for the effective implementation of the Regulation;
- Member States (MS): each responsible for the implementation of the regulation through national competent authorities;

- Operators: the primary placers of timber or timber products on the European market;
- Traders: actors who receive timber or timber products from operators and trade on the European market;
- Monitoring Organizations (MOs): assisting operators with adequate DDSs.

The TREES Project (Timber Regulation Enforcement to protect European wood Sector from criminal infiltration) **aims at enforcing the EU Timber Regulation implementation as instrument to fight corruption as facilitator of organized crimes activities.** Specific target of the project is to explore the anti-corruption potentiality of the EUTR, increasing cooperation among Law Enforcement Agencies (LEAs) and private operators, improving their cooperation to fight against crime and transfer project results to European Union Member States.

In order to reach this goal, as first step, the project has collected data concerning criminal routes and events in the European market, with a specific focus on the Balkans area. Hence, a survey has been created to identify LEAs and private operators perceptions and experiences concerning corruption in timber sector. Simultaneously, in order to increase and reinforce the knowledge on the phenomenon of illegal logging and on the EUTR, several meetings (face to face meetings in Albania, Kosovo, Macedonia, Bulgaria, France and Italy and 30 hours of webinars addressed to European private operators and LEAs) have been organized.

This document represents the final deliverable of the TREES project and it contains a synthesis of the main issues presented on the TREES deliverables. It is divided into three sections. The first one is aimed at analyzing the phenomenon of illegal logging and its relation with the corruption.

With the second section the focus is moved to the emerging risk of corruption in the forest sector in Europe. The last one section has the objective to give some indications and suggestions on how to prevent and reduce the criminality in the timber sector.

More information about the TREES Project are available on: www.trees-project.eu

SECTION I

THE PHENOMENON

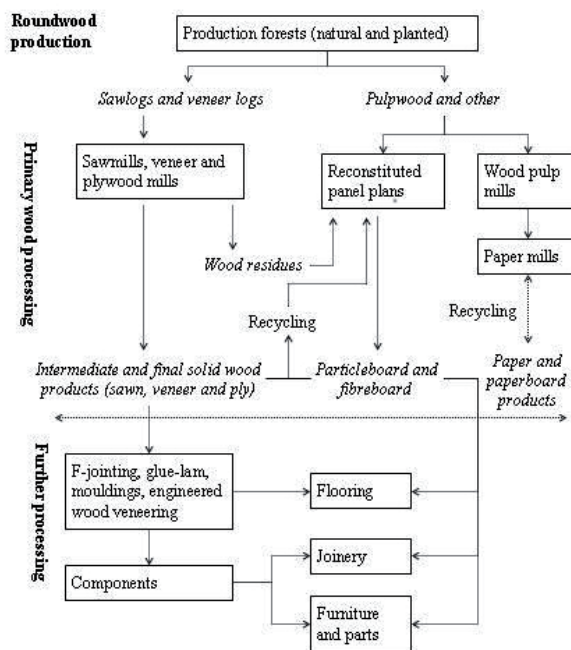
Corruption and other crimes in the forest sector in Europe and their perception

1. General background

In 2011, European Union imports of solid timber and timber products (excluding internal EU trade) had a value of €15.11 billion and estimated roundwood equivalent (RWE) volume of 64.3 million (Forest Trends, 2013). The timber industry consists of a chain of successive manufacturing activities, each having traded outputs.

Each part of the chain absorbs some of its added value. Figure 1 provides an overview of raw material and wood product flows in the forest processing industry. Figure 2 shows the

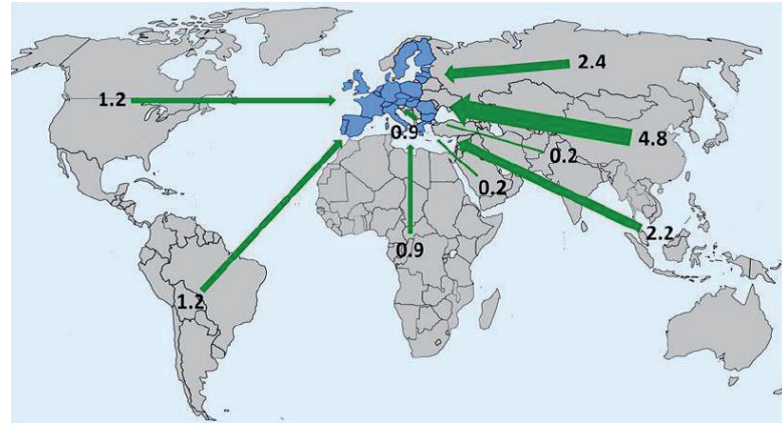
Figure 1 – Raw material and wood product flows in the forest processing industry (ITC/ITTO, 2002, modified).



source of these products by region of origin.

A recent study by Centro Studi Federlegno Arredo, in collaboration with WWF and Conlegno (2014) shows that 3 billion of euros is the amount of Wood-Furniture-Paper imported from Extra EU countries entering the EU-28 market through customs (Table 1).

Figure 2 –European Union values of imports by supply region in 2011 (billion of €) (Forest Trends, 2013)



United Kingdom, Germany and Italy are the countries that imports the most and the first 10 importing countries imports around 86% of the total amount of Wood-Furniture-Paper in terms of value and the (with the 84% of the total amount in terms of quantity). This kind of products come mainly from China, United States, Brazil and Russia. Even countries with strong forest tradition import from third countries (e.g. Austria, Norway).

About wood sector: 50% of the imported goods (in thousands of tons) come from Russia (27), Belarus (31) and Ukraine (26); for paper sector: 50% of the imported goods (in thousands of tons) come from Brazil (43) and the United States (74); regarding furniture sector: 50% of imported goods (in thousands of tons) come from China (36) with serious difficulties in identifying the origin and the wood species they are made of.

The Main sorts of EUTR products imported in the EU-28 in terms of values are: 1) sawn timber; 2) firewood; 3) plywood. In terms of quantities: 1) firewood; 2) roundwood; 3) sawn timber. The ranking of the major third countries exporting to the EU28 varies according to the selected parameter – value or quantities is: a) in terms of value not strictly linked to quantity but rather to transformation and processing of products subject to EUTR, China (36) is the first exporting country; b) in terms of quantity expressed in tons, which is more meaningful to identify the origin of raw materials, Russia is the first exporting country.

In general, a steady and high increase is observed in imported firewood. For example in

United Kingdom there is a 27,3% increase between 2013/2014, in the same period for Italy this increase is of 23,7%, showing that illegal activities have to be checked not only for tropical timber as they can happen much closer to EU borders as well. Looking to the first Countries in Table 1, these cover around 60% of the total importations.

Moreover, it has to be taken into account that, in Wood-Furniture-Paper, Italy (involved in the project TREES) is ranking 3rd in terms of value (10 billions of euro) and 4th in terms of quantities (21 millions of tons) among importing countries, importing mainly from Brazil, China, United States, Russia, Bosnia Herzegovina, etc. suggesting that Italy - as well as United

Table 1 – Imports of wood-furniture-paper from extra EU28 Countries. Source: Federlegno Arredo and WWF (2014)

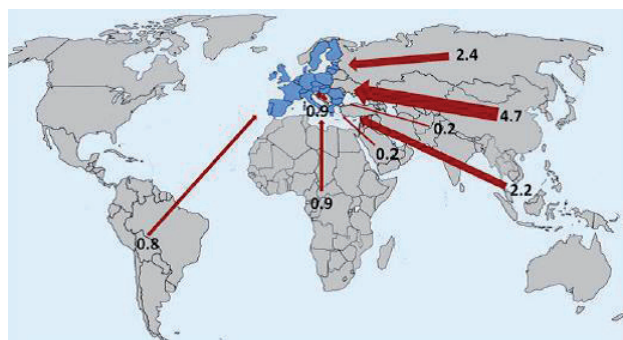
RANK	COUNTRY	2008	2009	2010	2011	2012	2013	2014	var. % 08/14	var. % 13/14
1	United Kingdom	4.236	3.475	4.165	4.043	4.389	4.265	4.798	13,3%	12,5%
2	Germany	3.989	3.440	4.286	4.230	3.974	3.663	3.765	-5,6%	2,8%
3	Italy	3.102	2.282	2.987	2.972	2.543	2.567	2.605	-16,0%	1,5%
4	Netherlands	2.407	1.918	2.660	2.679	2.536	2.144	2.115	-12,1%	-1,4%
5	France	2.325	1.852	2.213	2.138	2.065	1.832	1.800	-22,6%	-1,7%
6	Belgium	1.764	1.503	1.631	1.653	1.689	1.522	1.547	-12,3%	1,6%
7	Sweden	1.090	816	1.013	1.008	959	925	985	-9,6%	6,5%
8	Spain	1.452	923	1.120	1.121	910	825	871	-40,0%	5,6%
9	Poland	620	483	629	684	647	634	776	25,2%	22,4%
10	Finland	999	407	545	535	501	532	503	-49,6%	-5,5%
11	Austria	370	346	425	464	404	434	484	30,8%	11,5%
12	Denmark	525	386	471	462	411	397	427	-18,7%	7,6%
13	Romania	297	207	225	242	246	269	313	5,4%	16,4%
14	Greece	507	405	357	299	242	227	251	-50,5%	10,6%
15	Ireland	333	199	210	183	186	186	215	-35,4%	15,6%
16	Lithuania	151	83	104	133	130	142	187	23,8%	31,7%
17	Portugal	240	167	261	241	152	169	184	-23,3%	8,9%
18	Czech Republic	194	164	199	206	187	183	183	-5,7%	0,0%
19	Estonia	138	91	127	143	153	162	179	29,7%	10,5%
20	Bulgaria	187	122	118	132	133	131	142	-24,1%	8,4%
21	Latvia	144	64	89	108	105	95	140	-2,8%	47,4%
22	Slovenia	115	96	130	142	116	121	140	21,7%	15,7%
23	Hungary	129	104	111	114	113	117	137	6,2%	17,1%
24	Croatia	129	110	122	126	125	124	124	-3,9%	0,0%
25	Slovakia	64	45	52	63	59	70	74	15,6%	5,7%
26	Cyprus	85	61	68	59	44	36	41	-51,8%	13,9%
27	Malta	19	16	22	25	21	17	20	5,3%	17,6%
28	Luxembourg	10	6	4	4	5	5	5	-50,0%	0,0%
	UE28	25.621	19.771	24.344	24.209	23.045	21.794	23.011	-10,2%	5,6%

Kingdom and Germany, ranking respectively 1st and 2nd but not involved directly in the project TREES - have to be the leading countries in the EUTR implementation.

In the EU timber market dynamic, a key role is played by what are called “strong relationships”: for example Sweden imports from Norway about 73% of the products (mainly roundwood and firewood); Poland imports from Belarus about 61% (mainly roundwood and firewood). Strong relationships between countries underline the presence of “entry points”, generally favoured by the proximity between EU and extra-EU countries. In some cases, extra-EU countries have high-risk country profiles (such as Belarus – Corruption Perception Index (CPI) of 31 exporting to Poland more than 50% of its total EUTR exports). This phenomenon deserves attention as it especially emphasizes the importance of a harmonized implementation of EUTR all over the EU territory. Already in 2011, according to the basic definition of “high risk” used by Forest Trends (2013) - national Corruption Perception Index of less than 50 out of 100, where “0” is “high risk” and “100” is “low risk” - 52.7 million m³ with a value of € 12.4 billion (82%) of total EU imports derived from high risk countries.

Figure 3 shows the source of EU imports from

Figure 3 – European Union values of imports by high-risk countries in 2011 (billion of €) (Forest Trends, 2013).



“high risk” countries by region of origin. It highlights that with the exception of North and South America, the overwhelming majority of timber from all supply regions outside the EU is from high risk countries.

Finally, EU imports from high risk countries are dominated by wood furniture, with moderate amounts of sawnwood, plywood and vene-

ers, low amounts of logs, flooring, and energy wood, and negligible amounts of joinery products and composite panels.

1.1. The international policy context

The issue of illegal logging gained prominence in international policy discussions during the 1990s. Tackling illegality in the forest sector and improving governance were recognized as essential for improving the sustainability of the sector, with respect to both the environment (through facilitating better forest management) and the economy (through boosting government revenues). Illegal logging was included in the 1998 G8 Action Programme on Forests. During the first half of the following decade, the World Bank organized a series of regional conferences on “forest law enforcement and governance” (FLEGT) (Overdevest & Zeitlin, 2014).

The EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, has framed the European approach to tackling illegal logging since 2003, when the plan was agreed (for details see EU FLEGT Action Plan), recognizing that the EU was an important market for illegal wood-based products, the plan sought to use trade as a lever to support governance improvements. It set out a range of measures aimed at preventing illegal imports into Europe and increasing demand for legal imports, while at the same time supporting producer countries’ efforts to improve legality in their forest sectors. The two most significant developments have been the introduction of the EU Timber Regulation (EUTR) prohibiting illegal timber from being placed on the European market, which came into force in 2013 (EC, 2013a) and the elaboration of voluntary partnership agreements (VPAs), under which only timber licensed as legal (that is, with a FLEGT licence) can be imported into Europe from partner countries.

1.2. The EU approach: FLEGT and EUTR

A series of actions have been undertaken all over the world in order to fight illegal logging and illegal timber trade, such as the Green Purchasing Law (Japan – 2006), the Lacey Act Amendment (US – 2008) and the Illegal Log-

ging Prohibition Act (Australia – 2012).

The main actions promoted by the European Union (represented in the chart below) are: the Bali action plan, the FLEGT Action Plan and the Timber Regulation. The Bali action plan (2001) can be considered the first one pillar of the European fight against illegal logging. This meeting was the first Regional Forest Law Enforcement and Governance (FLEGT) conference.

The main actions undertaken by the EU in order to increase control and prevent criminal infiltration, are two main Regulations:

Fig 4: Timeline of major actions to fight illegal logging in EU

2001	• Bali Action Plan
2003	• EU FLEGT Action Plan
2005	• FLEGT Regulation
2010	• EU Timber Regulation
2013	• EUTR comes into effect

- FLEGT Regulation (N° 2173/2005)
- Timber Regulation (N° 995/2010)

The two instruments are respectively related: they are meant to reinforce each other. The FLEGT Action Plan and Regulation from the supply side and the EUTR from the demand side.

FLEGT Action Plan

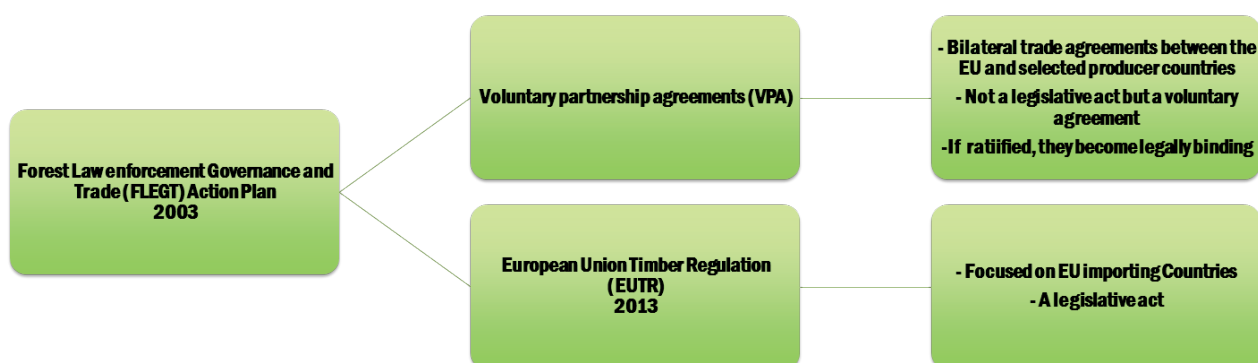
In 2003, the European Commission presented the EU Forest Law enforcement, Governance

and Trade (FLEGT) Action Plan. The main difference between this plan and the previous process is related to the addition of trade sector: actions able to give a new and concrete focus (EFI, 2015). The Plan's objective is to eliminate the demand for illegal timber international trade by sharing responsibilities of exporters and importers. Under the Plan a series of Voluntary partnership agreement (VPAs) are (to be) established and signed between EU and wood importer Countries. To date, six agreement has been signed (Cameroon, Central African Republic, Ghana, Indonesia, Liberia and Republic of the Congo) and nine more Countries are in negotiations with the EU (Côte d'Ivoire, Democratic Republic of the Congo, Gabon, Guyana, Honduras, Laos, Malaysia, Thailand and Vietnam).

The shared responsibility is the key of this kind of agreement: both producer and consumer Countries have to engage themselves in order to combat illegal logging and trade. A series of demand and supply side measures are taken into account. The seven broad areas focused on FLEGT are:

1. supporting timber-producing countries, including promoting fair solutions to the illegal logging problem
2. promoting trade in legal timber, including developing and implementing VPAs between the EU and timber-producing countries
3. promoting public procurement policies, including guidance on how to deal with legality when specifying timber in procurement procedures
4. supporting private sector initiatives, including encouraging voluntary codes of con-

Fig 5: FLEGT Action Plan and its two main instruments.



Source Giurca and Jonsson (2015)

- duct for private companies sourcing timber
5. safeguarding financing and investment, including encouraging financial institutions investing in the forest sector to develop due care procedures
 6. using existing or new legislation to support the Action Plan, including the EU Timber Regulation
 7. addressing the problem of conflict timber, including supporting the development of an international definition of conflict timber.

EU FLEGT Regulation (N° 2173/2005)

Regulation (EC) N° 2173/2005 (FLEGT Regulation) entered into force on the 30th of December 2005 establishes a Community set of rules for the import of certain timber products for the purposes of implementing the FLEGT licensing scheme.

The licensing scheme is being implemented through the above mentioned VPAs with timber producing countries. The Regulation applies to imports of timber products (set out in Annexes II and III) from partner countries (listed in Annex I). The FLEGT licensing scheme however applies only to imports from partner countries. Based on the Regulation, imports into the Community of timber products exported from partner countries is prohibited unless the shipment is covered by a FLEGT license. In that way, the VPAs and their licenses have been upgraded with legally binding mechanism for the EU countries. These FLEGT VPAs and EU import restrictions are related only to the mentioned (tropical) countries. They are for example not foreseen for West Balkans countries. However, for placing of the timber from all other third countries on the EU market now the so called Timber regulation applies.

EU Timber Regulation (N° 995/2010)

Regulation (EU) N° 995/2010 (Timber Regulation) entered into force the 3rd of March 2013 applies to **timber and timber products** (listed in the Annex) **placed on the internal (EU) market for the first time and for commercial purposes**. It brings the following three key provisions:

- **prohibition of placing of illegally harvested timber and timber products derived**

from such timber on the internal market¹;

- **obligation** for EU economic operators (e.g. forest owners/companies, wood and paper processors and importers) when placing the timber products on the EU market **to exercise “due diligence”**, by assuring certain **information** on their timber supply (country of harvest, tree species, quantity, supplier, trader and compliance with applicable legislation), by performing **risk assessment** of risk on entering illegal timber into their supply chain and by undertaking measures for the **risk mitigation**.
- When for the second time on the market, the timber and timber products can be freely sold on and/or transformed, but the operators and traders shall **assure traceability of the products by keeping the records** (at least for five years) of their suppliers and customers.

Products covered by the Regulation

The Regulation covers a wide range of timber product² including solid wood products, flooring, plywood, pulp and paper; not include recycled products, as well as printed papers such as books, magazines and newspapers. The full list of the timber and timber products to which Timber Regulation applies is:

- Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms
- Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
- Railway or tramway sleepers (cross-ties) of wood
- Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm
- Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and

¹ "Placing on the market" means the supply by any means, irrespective of the selling technique used, of timber or timber products for the first time on the internal market for distribution or use in the course of a commercial activity, whether in return for payment or free of charge.

² The Regulation applies to both imported and domestically produced timber and timber products. Timber and timber products covered by valid FLEGT or CITES licenses are considered to comply with the requirements of the Regulation.

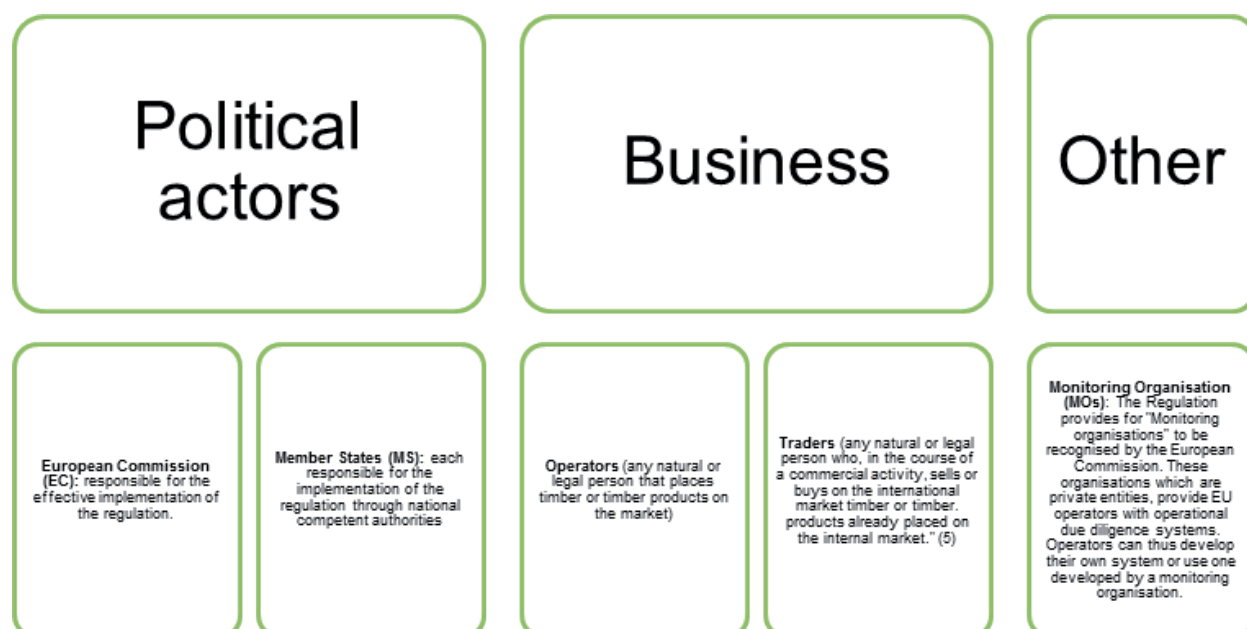
other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm

- Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed
- Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether

packing material to support, protect or carry another product placed on the market.)

- Casks, barrels, vats, tubs and other coopers' products and parts of thereof, of wood including staves
- Builders' joinery and carpentry of wood including cellular wood panels, assembled flooring panels, shingles and shakes
- Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products
- Wooden furniture
- Prefabricate buildings

Fig 6: Actors involved in the Regulation



or not agglomerated with resins or other organic binding substances

- Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances
- Plywood, veneered panels and similar laminated wood
- Densified wood, in blocks, plates, strips or profile shapes
- Wooden frames for paintings, photographs, mirrors or similar objects
- Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood. (Not packing material used exclusively as

The "actors" of the Regulation

What is considered "illegally harvested"?

According to the Regulation, "Illegally harvested" means harvested in contravention of the applicable legislation in the Country of harvest; applicable legislation means the legislation in force in the Country of harvest covering the following matters:

- rights to harvest timber within legally gazetted boundaries
- payments for harvesting rights and timber including duties related to timber harvesting
- timber harvesting, including environmental and forest legislation including forest mana-

- gement and biodiversity conservation, where directly related to timber harvesting
- third parties' legal rights concerning use and tenure that are affected by timber harvesting
- trade and customs, in so far as the forest sector as the forest sector is concerned

What is the Due Diligence System?

The Timber Regulation is based on “Due Diligence System” procedure. The core of the “due diligence” notion is that operators undertake a **risk management exercise** in order to minimize the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market. The three key components of the “due diligence system” contain the following elements:

1. **Gathering of information.** The operator must have access to information describing the timber and timber products, country of harvest, species, quantity, details of the supplier and information on compliance with national legislation. In detail, the required information are:
 - Description, including the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name;
 - Country of harvest, and where applicable sub-national region where the timber was harvested and concession of harvest;
 - Quantity (expressed in volume, weight or number of units);
 - Name and address of the supplier to the operator;

- Name and address of the trader to whom the timber and timber products have been supplied;
- Documents or other information indicating compliance of those timber and timber products with the applicable legislation.

2. **Risk assessment.** The operator should assess the risk of illegal timber in his supply chain, based on the information identified above as well as relevant risk assessment criteria, including:

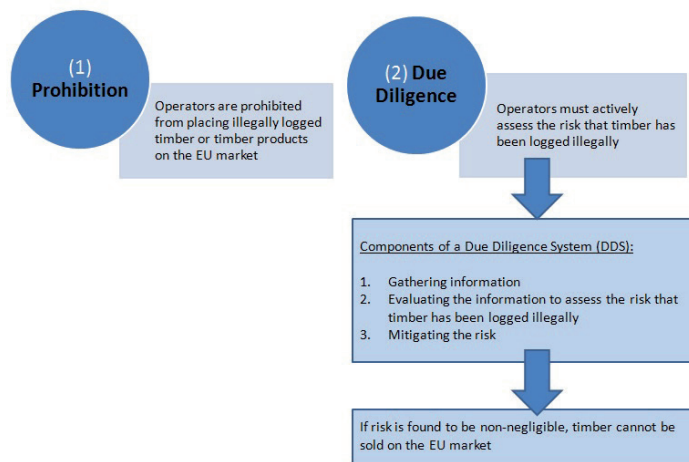
- assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation,
- prevalence of illegal harvesting of specific tree species
- prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict,
- sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports,
- complexity of the supply chain of timber and timber products.

3. **Risk mitigation.** When the assessment shows that there is a risk of illegal timber in the supply chain, that risk can be mitigated by requiring additional information, verification from the supplier, documents and/or requiring third party verification.

2 EU Timber Regulation and Due Diligence System

2.1 General Context

Figure 7 - Source: <http://www.clientearth.org>



As highlighted in the previous sections, the EU Timber Regulation is based on “Due Diligence System” (DDS) procedure.

The core of this notion is that operators must undertake a risk management exercise in order to minimise the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market.

There are three key components of the DDS: 1) Gathering of information; 2) Risk assessment; 3) Risk mitigation (Fig. 7).

This approach is very similar to the anti-corruption systems: e.g. the Italian Anti Corruption Law No. 190/2012 has built a risk assessment and risk mitigation model

to prevent corruption in the Public Sector.

2.2 State of implementation of EUTR³

The EU Timber Regulation (EUTR) is legally binding on all 28 EU Member States, which are responsible for laying down effective, proportionate and dissuasive penalties and for enforcing the Regulation. The ultimate state of implementation of the EUTR within the Member States, **as regards whether they have complied with their obligations provided for by the Regulation, was updated on April, 2016** (<http://ec.europa.eu/environment/forests/pdf/EUTR%20implementation%20scoreboard.pdf> - Fig. 8) and shows that Greece, Hungary, Romania and Spain have still to adopt adequate legislative acts to comply with EUTR requirements.

Figure 8 - State of implementation of the EUTR (last update available: April, 2016)

State of implementation of EU Timber Regulation in 28 Member States			
	Competent Authorities	Penalties	Checks
Austria			
Belgium			
Bulgaria			
Croatia			
Czech Republic			
Cyprus			
Denmark			
Estonia			
Finland			
France			
Germany			
Greece			
Hungary			
Ireland			
Italy			
Latvia			
Lithuania			
Luxembourg			
Malta			
Netherlands			
Poland			
Portugal			
Romania			
Slovakia			
Slovenia			
Spain			
Sweden			
United Kingdom			

Summarizing:

- 27 Countries have designated a Competent Authority;

³ Disclaimer: This paragraph has several parts that follows integrally CLIENTEARTH (2015) and (2016) and official documents on EUTR implementation by EUROPEAN COMMISSION (2015) and (2016).

- 27 Countries have legislation on penalties for breaching the EUTR;
- 26 Countries have started to carry out checks on companies.

Recently, ClientEarth (2016) has developed a map that provides links to each Member State's implementing legislation for the EUTR (<http://www.clientearth.org/climate-and-forests/law-database/eutr-implementing-legislation-and-guidance-2952>). In compiling the scoreboard reported on Fig. 8, the European Commission relies on information from Member States. It does not independently assess whether penalties in Member States are in fact "effective, proportionate and dissuasive", as required by the EUTR, or if there are penalties in place to penalize breaches of all the EUTR's requirements. This aspect has to be further explored as it represents a vulnerability of the system, with some relevance also to corruption.

In recent times, the European Commission has stepped up its infringement proceedings against Hungary and Greece for failing to properly implement the EUTR; if Hungary and Greece do not adopt the obligatory national



implementing measures and introduce penalty rules into their national law the Commission can decide to bring the matter before the European Court of Justice and they could face fines if they did not comply with a subsequent court judgment.

In their biennial reports, Member States report on legislative or non-legislative acts where penalties for infringement of the EUTR obligations were laid down (Fig. 9): penalties range from notice of remedial actions, fines, seizure of timber and suspension of authorisation to trade to imprisonment.

Differences between the approaches adopted in each Member State have a bearing on how the EUTR operates and can be used in practice. Some examples in terms of the processes by which penalties may be applied, the level of financial penalties and the type(s) of non-financial penalties are reported: in UK where an operator places illegal timber or timber products on the market or breaches due diligence requirements, it is liable (a) on summary conviction to a fine not exceeding £5,000 and/or a term of imprisonment not exceeding 3 months; or (b) on conviction on indictment to a fine and/or a term of imprisonment not exceeding

2 years. For offences related to traceability, record-keeping, obstruction of an inspector or notices of remedial action, an operator is liable on summary conviction to a fine not exceeding £5,000. In Italy criminal penalties apply to operators placing illegal timber on the market and can include fines (ranging from € 2,000 to € 50,000) and/or detention (from one month to one year) and/or seizure of timber; administrative penalties apply where an operator fails to put in place or maintain a due diligence system (fines

Figure 9 - Member States' Legal Framework to Apply the EUTR (Source: EC, 2016)

Country	Applicable laws
 Austria	Holzhandelsüberwachungsgesetz
 Belgium	Law on Sustainable Ways of Consumption & Production (1998)
 Bulgaria	Forest Law
 Croatia	Official Gazette JSC 54/13), and the Law on Croatian Customs Directorate (Official Gazette 68/13).
 Cyprus	Law for the Regulation of Trade of Timber and Timber Products (2013)
 Czech Republic	Act on Placing Timber and Timber Products on the Market (2013)
 Denmark	Danish European Union Timber Regulation Law
 Estonia	Law Enforcement Act, Forestry Law, Penalty Law
 Finland	Laki Puutavaran ja Puutuotteiden Markkinoille Saattamisesta (Law on bringing timber and timber products to market) (2013), Criminal Law, Forest Legislation
 France	Law for the Future of Agriculture, Food and Forests
 Germany	Timber Regulation Law
 Greece	Draft Joint Ministerial Decision (for the Timber Regulation – EUTR)
 Hungary	Draft amendments to Government Decree No 143/2009 of 6 July 2009
 Ireland	EU Timber and Timber Products (Placing on the market) Regulations (2015)
 Italy	Decree 178/14, Criminal Code
 Latvia	EUTR, Regulation of the State Forest (SFS) Law, Administrative Violation Code, Criminal Law, Law on Accounting, Law on Inventory of Trees and Round Timber, Forest Law, Criminal Law
 Lithuania	EUTR, Law on Forests and Administrative Code
 Luxembourg	National EUTR Law
 Malta	Timber and Timber Products (Placing on the market) Regulations (2015)
 Netherlands	Decree implementing EUTR Regulation, Administrative Law, Nature Conservation Act, Economic Offences Act, Criminal Laws,
 Poland	Administrative Law
 Portugal	Decree No. 76 (2013)
Romania	Draft amendment of Act No 171/2010
Slovakia	Act on Forests (no.182/2014); Act on Environmental Protection and Landscape Preservation (no. 543/2002); Act on Internal Market and Consumer Protection (no. 128/2002)

ranging from € 5 to € 5,000 for each 100 kg of merchandise with a minimum fine of € 300 and a maximum fine of € 1,000,000).

In practice, such fines may be combined with administrative penalties applying to operators for lack of record keeping (ranging from € 1,500 to € 15,000). Breach of the traceability obligation by a trader is subject to an administrative fine ranging from € 500 to € 1,200.

In Germany, administrative fines (up to € 50,000) may be applied by the CA for a breach of the prohibition and due diligence requirements (incl. for not correctly documenting information gathered under the due diligence obligation) and for not complying with certain types of injunctions. Administrative fines (up to € 20,000) apply to non-compliant operators for different types of smaller offences, for example for not cooperating during checks. An administrative fine (up to € 20,000) may also apply to traders for a breach of the traceability obligation.

Article 10 of EUTR requires CAs to carry out checks to verify if operators comply with the requirements set out in Articles 4 and 6 of the Regulation. In addition, Article 8 of the EUTR submits MOs to checks by CAs. Article 10 further specifies that checks on operators shall be conducted in accordance with a periodically reviewed plan following a risk-based approach and, additionally, may be conducted when a CA is in possession of relevant information, such as substantiated concerns provided by third parties concerning EUTR compliance by an operator.

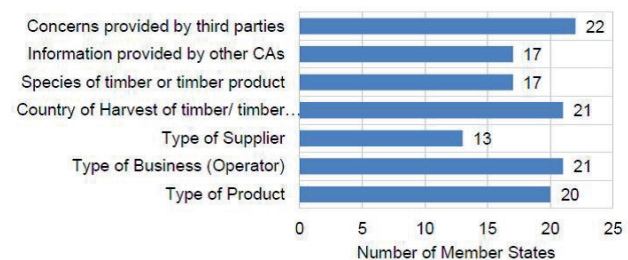
The vast majority of Member States reported that their CAs have plans in place for checking operators. All of them provide for a range of risk factors for the preparation and review of their check plans.

The plans and risk factors therein address characteristics of suppliers and their products, and type of operators. Risk factors also include information received from external parties (stakeholders and/or other authorities).

The most common risk factors applied by Member States are summarized in Fig. 10. The number of checks reported by Member States varies significantly and is not easily comparable.

The reason is that their frequency may depend on the size of the respective country, the importance of the forestry sector in the national economy, the level of preparedness in implemen-

Figure 10 - Examples of risk factors applied to the preparation and the review of the check plan (Source: EC, 2016)



ting the legislation by the actual date of entry into application and, in some cases, on the different criteria being applied for reporting.

Following some information about the number and frequency of checks being made by the Competent Authorities on operators:

- in Belgium, 15 checks were undertaken between March 2013 and October 2015;
- in France 24 checks were carried out by the Ministère de l'Agriculture, de l'Agroalimentaire et de la Forêt during the first half of 2015, and 25 more were planned by the end of 2015. Two formal notices requiring remedial actions have been sent to operators after the checks. Checks by the Ministère de l'Écologie, du Développement durable et de l'Énergie started in May 2015;
- between March 2013 and February 2015, the German authorities carried out 221 checks; notices for remedial action were issued in approximately 120 cases; timber has been seized in two cases; procedures for administrative fines were initiated in five cases and non-compliant operators have been penalized by regional CA in approximately 12 cases;
- as of mid-July 2015, approximately 20 checks have been carried out on operators in Italy, and one check was undertaken on a Monitoring Organisation;
- in the Netherlands, as of July 2015, 101 checks, and ten follow-up checks, have been carried out on operators. 29 written warnings have also been issued to operators.

2.3. Considerations about EUTR's state of implementation

According to the recent official position of the European Commission about the developments of the EUTR implementation, it is clear that almost all EU Member States now either have a law in place or are subject to a reasoned opinion. Full implementation is only a first, but necessary, step to the EUTR working as intended, and is an important message and incentive for EU companies and for companies in Countries working towards the legality of their timber exports. The implementation process has to be finalized as soon as possible, allowing the European Commission to shift its focus to monitoring the quality of implementing legislations and enforcement thereof. Moreover, there is still a mixed evidence on whether the EUTR is indeed being implemented consistently and effectively in the different Member States of the EU, revealing very different scenarios: some Countries have been frontrunner in the development and implementation of measures against illegal timber product import long before the EUTR was implemented and gave a strong contribution to the design and the development of the EUTR at an EU scale. As a consequence, in these Countries (f.i. United Kingdom), the EUTR was introduced into a favourable regulatory environment facilitating the timely implementation of enabling an effective domestic legislation. Vice versa, in other Countries (f.i. Italy), the EUTR was formally adopted after one or more years of delay, representing a completely new element in domestic legislation: the differences in terms of implementation can also be noticed with regard to effective controls in place (FSC, 2015) and sanctions.

Also penalty regimes must be looked at in the context of national enforcement approaches. The resources that CA have at their disposal therefore clearly matter, as does the extent to which Member States are conducting checks and enforcing compliance with the EUTR's provisions (as already stated). The capacity of some CAs are still limited in many Countries, with quite small numbers of staff members assigned to EUTR implementation, despite the very large number of operators and traders in

these countries (Heir & Hoare, 2014). In some cases, the CAs that oversee the largest number of operators are also the last staffed (Hein & Hoare, 2014; Jonsson et al., 2015).

A better coordination among the CAs in different countries is still needed on the development of document-authenticity validation processes, sharing of information on monitoring organizations and the development of inter-state communication mechanisms. An ongoing issue is the lack of coordination of CAs with CITES management authorities, which could potentially become a weak point in the implementation of the EUTR (Jonsson et al., 2015). Even if penalties were finally approved in almost all Countries, in some legislations decrees are needed to make the system fully operative; sometimes it could happen that actual laws did not include further restrictions on EUTR measures or "illegal harvested" and "applicable legislations" definitions. While national legislation basically mirrors the EU text, it also includes some additional issues such as the development of a national register of the operators and of a multi-stakeholder permanent board on EUTR issues, with the aims to coordinate different parties and achieving effective implementation. Similarly, where national legislation hardly allows deforestation, affecting the interests of traders and processors of wood in the EU, businessmen immediately moves their own business in Countries where the law is more permissive (Niță, 2015) leading to a new phenomenon related to a migration of wood business within the EU. Over two years after the EUTR and its due diligence obligation came into effect, its application is often still seen as a challenge. Part of this challenge comes from an apparent uncertainty around the detail of what operators need to do to meet their due diligence. In some Member States, implementing the EUTR is a reason for several concerns also from a private forest owner's perspective also in terms of interpretation of requirements, prosecutions and fines, and the role of third-party evidence (Trishkin et al., 2015). These concerns are also related to the role and awareness of forest owners and their preparation to implement a DDS in order to comply with the EUTR obligations. It has

been also emphasized that the role of third party forest certification (i.e. according to the FSC or PEFC voluntary schemes) is not acknowledged as an asset when demonstrating the compliance with the national legislation. Moreover, FSC (2015) reports a lack of transparency about the fact that several operators have not received evaluation reports of inspections of their Due Diligence System emphasizing the needing of clear guidelines for exerting Due Diligence.

A quantitative evaluation of the effectiveness of the EUTR is still challenging due to the clandestine nature of the illegal activities and the

absence of precise data on their volume and cost. At EU level, insufficient human and financial resources allocated to the CAs to effectively implement the EUTR have prevented it from developing its full potential. Finally, official report clearly states that EU is on track to achieve its objectives to combat illegal logging and associated trade in illegal timber, but challenges remain; some positive trends are visible, namely that EU operators are gradually taking steps to ensure the legality of their suppliers and that there is more awareness of the problem of illegal logging amongst EU consumers.

3. Illegal forest activities and illegal logging

Illegal logging can take many different forms and there was no internationally accepted definition of what is illegal (FERN, 2002). As recently defined in the EU Timber Regulation (EUTR), illegal logging can be considered as the harvesting of timber in contravention of the laws and regulations of the country of harvest (EC, 2013b).

Another recent definition of illegal logging defines it as: “all illegal practices related to the harvesting, processing and trading of timber” (Hoare, 2015). This definition includes also activities not confined to forests themselves, it extends to breaking the law at any point along the supply chain, for example: logging under an illegally acquired licence or in protected areas, exceeding permitted harvest quotas, processing logs without the necessary licences, tax evasion and exporting products without paying export duties. This definition also includes illegal clearance of forests for other land uses (a practice known as “forest conversion”). The practice can involve converting forest land without the necessary permit or operating under a licence that has been obtained illegally, including through corrupt processes. Such conversion may involve illegalities in other sectors – for example, the breach of requirements enshrined in agricultural or mining legislation. The harvesting of timber from illegally established plantations is also included in this definition of illegal logging.

Another aspect of illegal logging is often described as “informal” logging. This term refers to logging activities by small-scale producers that may be operating illegally because of the challenges of complying with the law – for example, because parts of the legislation may be unclear or because compliance may either be too expensive or involve lengthy bureaucratic processes.

The main causes of illegal logging are poverty, weak governance (Bouriaud, 2005) and the absence of sustainable forest management, although these reasons are not extensive to all the countries where illegal logging occurs.

In economic terms illegal logging results in lost revenues from taxes and other duties that could be used by producer countries for sustainable development purposes and other benefits.

In environmental terms illegal logging is associated with deforestation, water pollution, spread of disease, climate change and a loss of biodiversity due to habitat destruction.

In social terms illegal logging can be linked to conflicts over land and other resources, the disempowerment of local and indigenous communities, the loss of lives and livelihoods, human rights violations, corruption, and armed conflicts. Illegal logging also undermines international security, supports organized crime and money laundering activities, and leads to unfair competition in the marketplace that negatively impacts the sincere efforts of responsible operators in Europe and other regions of the world to comply with the law.

3.1 Types of illegal forest activities

Timber is not an illegal product per se, its possession, trade, or transportation may not constitute a crime as such, unlike drugs. At border controls or customs check points, the Law Enforcement Authorities must be able to prove the timber’s illegality to take any further action (in case of FLEGT licences for wood imported from VPA Countries only, or for CITES’ timber) and when it is placed on the market (in case of the EUTR). It can, in many cases, become difficult or impossible to state whether the origin of the timber is legal or illegal. The origin is all the more difficult to assess when the timber has been processed into finished manufactured products, which is often the form in which illegal timber arrives at the country of importation.

The legality or illegality of the timber also depends on the legislation of the country where the goods are located, not on the legality or illegality of the upstream process. A piece of wood can originate from illegally logged timber and yet be sold with complete legality in another country.

In itself, illegal logging constitutes a local crime that falls under national legislations. It is then a crime which is very difficult to prosecute.

te “up to destination” since it does not imply the infringement of the laws or regulations of the countries that import and consume the timber or the countries in which the timber is in transit. Illegal logging becomes relevant to international law enforcement only once the timber has left, or is in the process of leaving, the country in which it was cut. Consequently, illegal logging must not become dissociated from the problem of illegal timber trafficking which is not as difficult to prove and prosecute. To a better comprehension of the types of illegal forest activities, an old but very useful and general classification divide them in (from: Callister, 1999): illegal logging; timber smuggling; practices specifically aimed at reducing payment of taxes and other fees - illegal timber processing.

3.1.1. Illegal logging

In this group the following activities are included:

- logging timber species protected by national, regional, local laws;
- buying logs from local entrepreneurs that have been harvested outside the concession;
- logging outside concession boundaries;
- contract with local forest owners to harvest in their land but then cutting trees from neighbouring public lands instead;
- logging in protected areas such as forest reserves;
- logging in prohibited areas such as steep slopes, river banks and catchment areas;
- removing under/over-sized trees.
- extracting more timber than authorized;
- logging without authorization;
- logging when in breach of contractual obligations
- obtaining concessions illegally.

3.1.2 Timber smuggling

Here are considered the following illegal activities:

- export/import of tree species banned under national or international laws;
- export/import of tree species listed under national or international laws without the appropriate permits;

- export/import of log, lumber or other timber products in contravention of national bans;
- unauthorized movement of timber across district or national borders;
- movement of illegally logged timber from forest to market;
- exporting volumes of forest product in excess of the documented export quantity.

3.1.3 Practices specifically aimed at reducing payment of taxes and other fees

Here, the following types of illegal forest activities:

- declaring selling forest products at prices below market prices to reduce declared profits and corporate and income taxes;
- declaring buying inputs at prices above market prices to reduce declared profits and corporate or income taxes;
- manipulation of debt cash flows (transferring money to subsidiaries or a parent company where debt repayment is freer than the export of projects);
- inflating repayments allowing untaxed larger repatriation of profits, reducing the level of declared profits and, therefore, of taxes);
- overvaluing services received from related companies to reduce declared profits and corporate and income taxes;
- avoiding royalties and duties by under-grading, under-measuring, under-reporting and under-valuing of timber and mis-classification of species;
- non-payment of license fees, royalties, taxes, fines and other government charges.

3.1.4 Illegal timber processing

Finally, the last group of illegal forest activities includes:

- processing timber without documentation (if required) verifying its legal origin;
- operating without a processing license;
- operating without other necessary licenses and approvals (e.g. effluent disposal permits);
- failing to meet license provisions, including pollution control standards.

3.2 The amount of illegal logging

The scale of illegal logging has been always difficult to be assessed with accuracy, espe-

cially for the following issues:

- coverage of illegality estimates is far from comprehensive with respect to countries supplying timber and timber products to the EU;
- where they exist, estimates of illegality in different countries are of variable quality and comparability, typically based on different definitions of illegality and using a range of time frames, are often out of date, and may be influenced by researcher bias;
- even where reasonably robust estimates of illegality in national wood production can be identified, there is no clear relationship between this and the actual proportion of illegal wood that ends up being exported. Differing market drivers, distribution networks and regulatory regimes for wood destined for export and local markets often leads to wide variation in the proportion of illegal wood entering each supply chain.
- Nevertheless several studies have attempted to assess the level and sources of EU timber imports from illegal sources.
- For instance, WWF (2008b) estimated that an area of forest equivalent in size to the territory of Austria disappears worldwide every year as the result of illegal logging. They also estimate that the percentage of timber marketed worldwide of illegal origin stands at between 20% and 40% of all marketed timber products and that 30% of the wood-based products imported from Latin America come from illegal sources, mainly from Brazil. The share of illegal wood products from Africa is at least 36%, although the actual figure is probably significantly higher as the scale of illegal logging is unknown in several African countries. In addition, UNEP (2012) stated that between 50 and 90% of logging in key tropical countries of the Amazon basin, Central Africa, and Southeast Asia is being carried out by organized crime, leading to the increase of murder, violence, and atrocities against indigenous forest dwellers.

The World Bank (2006) has estimated that illegal logging causes losses of approximately US\$15 billion every year (the legal forest industry loses more than US\$10 billion while governments lose about US\$5 billion

in revenues).

UNEP and INTERPOL (2012), reported that this value has increased between twofold and 6.7-fold, that is, the economic value of global illegal logging, including processing, is now estimated to be worth between US\$30 and 100 billion, or 10–30 % of the global wood trade. Estimated imports of illegal and suspicious wood from four critical non-EU regions (Eastern Europe and Russia, South East Asia and China, Latin America and Africa) range between 26.5 and 31 million m³ (Markus-Johansson et al., 2010). The largest quantity of illegal timber (more than 10 million m³) is imported from Russia, mainly in the form of round and sawn spruce and pine logs. Indonesia is in second place, but is expected to be overtaken by China in the coming years. At European level, it is estimated that 9 percent of illegal EU charcoal imports derive from Bosnia and Herzegovina, mainly through Germany and Italy. Italy also imports substantial quantities of firewood (estimated at 280,000 m³) from Bosnia and Herzegovina (due mainly to the low degree of forest governance in the exporting country). Even if important progress has been made in reducing illegality in the forest sector over the past decade, the problem remains widespread as recently assessed by Hoare (2015). In 2013 more than 80 million cubic metres (m³) of timber – as measured by roundwood equivalent (RWE) volume – were illegally produced in some producer countries (e.g. Brazil, Cameroon, China, Ghana, Indonesia, Malaysia, etc.): this is equivalent to nearly one-third of their total production of timber, releasing at least 190 million tonnes of carbon dioxide into the atmosphere.

3.2.1 Illegal logging in the Balkans area

Illegal logging is an issue in several of the Balkan countries. In these zones, forests are degrading and weak forest governance with governments of whom several, are recovering from an armed conflict and a radical political change from a socialist regime to a liberal system with a market-based economy.

Two types of illegal logging can be clearly distinguished in these countries: (a) poverty driven; and (b) commercial. These types of

illegal logging generally take place in different forest areas, are carried out by different offenders, and have different impacts: poverty-driven illegal logging is typically carried out in remote locations, out of sight of the state forest management and law enforcement bodies (Markus-Johansson et al., 2010). Usually poverty-driven illegal logging typically involves fuelwood, while commercial illegal logging is related to both fuelwood and high quality wood. At the same time, in South-East Europe many countries have weak forest information system (UNECE/FAO, 2011). Most forest services are largely doing their business with “pen and paper” and digitization of processes and documents are incomplete or lacking.

Other issues are related to the fact that there is no commonly used method for estimating the volume of legal or illegal logging. In Montenegro for instance, the Forest Administration bases its estimate on tenders for harvesting concessions. Secondly, the range of estimated figures for illegal logging is wide: in Montenegro is only 1%; in Albania it is 7%; while the figure is significantly higher in the former Yugoslav Republic of Macedonia (between 25 and 30%) and Kosovo (35%) (Markus-Johansson et al., 2010). In Bosnia and Herzegovina, a 2009 study (Savcor Indufor Oy) estimated volumes between 0.3 and 2.2% of the timber supply with an estimated value of between USD 10 and 20 million. According to the same study for Serbia, the estimated amount of illegally cut wood in Serbian public forests is between 10 000 and 32 000 m³ per year. There are no confirmed estimates of the amount of illegally cut wood in private forests, but the total amount of cut wood in private forests is estimated at around 1 million m³.

According to the World Bank (2005), the minimal assessment of illegally logged wood in private forests in Serbia amounts to some 500 000 m³.

Summarizing, in bibliography, the following characteristics were recorded as common to all the Balkan countries (Markus-Johansson et al., 2010):

- volumes of illegal logging are increasing or at best stagnating in most of the countries. One partial explanation behind this trend is

improved access to more reliable forestry data originating from forest administrations, NGOs and civil society. Another important reason is the emergence of more organised logging activities affecting a greater forest area;

- although firewood is one of the main target usage areas behind illegal logging, it does not normally represent the biggest volume. For instance, in the former Yugoslav Republic of Macedonia firewood is estimated to represent 40% or slightly more of the total illegally logged wood;
- there is a lack of reliable figures for both legally and illegally logged wood;
- the main driver behind illegal logging is the socioeconomic conditions, especially in rural, forested regions;
- official figures are grossly underestimated;
- there is a clear incentive to purchase illegally logged wood since it is significantly cheaper and the quality is the same or better.

3.3 *Illegal timber trafficking and routes*

Illegal timber follows the same routes and the same trafficking modalities of the legal timber being greatly facilitated with the developments in multi-modal transport. Longer distances and larger regions are now covered within a shorter period of time since road, rail, air, and sea transport routes are better inter-connected. Due to the size of shipments and relatively high cost, the use of air transport for timber trafficking is limited, almost absent.

Timber is mainly transported either by land or by sea. The container system enables the transport of timber in high quantities and at a low cost. Timber, logs, or wooden products are loaded in containers standardised in size and shape that can then be transferred rapidly and easily via automatic equipment to other ships for onward travel, or to commercial railroads and trucks for overland transportation. The complexity of the multimodal system and an inability to inspect all the containers enables criminals to more easily conceal the true origin and ownership of cargo. Although in some countries the government has officially designated certain seaports for timber imports, most import crimes remain undetected at sea-

Figure 11 - seaports that handle more than 1 million containers annually
(Source: Lacoste R, Tourret P, 2007)



ports since less than two percent of the cargo

traffic is inspected (Interpol & The World Bank, 2010). Figure 11 shows seaports that handle more than 1 million containers annually (Source: ISEMAR, Lacoste & Tourret, 2007). Products make it harder to trace the origin of the wood and are less likely to raise suspicions as to the origin of the timber. At the end, inside EU, it is possible to suppose that illegal logging in border areas is primarily trafficked between and within neighbouring countries by truck.

4. Corruption

The term “corruption” covers a broad range of human actions. To understand its effect on an economy or a political system, it helps to unbundle the term by identifying specific types of activities or transactions that might fall within it. The most accepted definition is: “the abuse of public office (or the abuse of entrusted power) for private gain”. This definition is both simple and sufficiently broad to cover most of the corruption and it is widely used in the literature (Transparency International, 2014). The causes of corruption are always contextual, rooted in a country’s policies, bureaucratic traditions, political development, and social history. Still, corruption tends to flourish when institutions are weak and government policies generate economic rents. Some characteristics of developing and transition settings make corruption particularly difficult to control. Corruption is evident in the form of bribes, extortion, kickbacks, protection money, and, most sinister of all, the erosion of institutions beyond the sector and across the economy. More often than not, it will facilitate the occurrence of illegal acts, especially large-scale illegal logging.

4.1 Types of corruption associated with the forestry sector

The strong correlation between illegal logging and corruption (see f.i. Figure 12, where the size of bubbles represents volumes of suspect roundwood, including imports) shows that corruption and illegal logging are “twin brothers” generally (Reboredo, 2013).

Figure 12 - The relationship between corruption and illegal logging (Source: American forest & paper association, 2004)

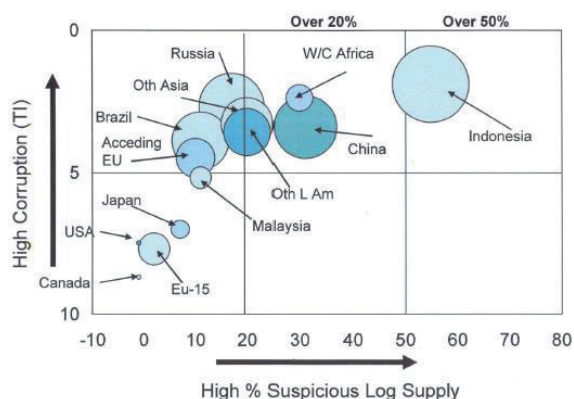


Table 2 – Extra EU Countries that imports into EU ranked by decreasing order (values are in million of €) and their CPI Score for 2015. Countries from South and East Europe are highlighted in bold.

Rank	Country	CPI Score 2015	2014 imports
1	China	37	4622
2	United States	76	3447
3	Brazil	38	2471
4	Russia	29	2086
5	Switzerland	86	1399
6	Norway	87	1053
7	Canada	83	741
8	Indonesia	36	720
9	Chile	70	708
10	Ukraine	27	672
11	Turkey	42	508
12	Malaysia	50	462
13	Vietnam	31	447
14	Belarus	32	400
15	Bosnia and Herzegovina	38	372
16	Uruguay	74	351
17	Serbia	40	339
18	Camerun	27	229
19	India	38	226
20	South Africa	44	195
21	Japan	75	145
22	Gabon	34	144
23	Thailandia	38	130
24	South Korea	56	123
25	Côte d'Ivoire	32	94
	Other Countries		228
	Total Extra EU		22312

The CPI score (2015 value) for the Countries involved in this study is reported on Table 3. Both CPI values comes from Transparency International (2015).

Corruption is a leading driver of illegal logging, it facilitates illegal forest activities and frustrates many efforts to combat them as explained

Table 3 – CPI Score of the Countries

Country	CPI Score 2015
The FYR of Macedonia	42
Bulgaria	41
Italy	44
Albania	36
Kosovo	33

below (FGIP, 2010):

- bribes and political influence may be used either to facilitate logging without appropriate permits or to gain access to forests through questionable land concessions;
 - enforcement officials are bribed to turn a blind eye to trucks carrying logs;
 - corrupt transactions may similarly occur in order to process and trade the logs once they have been harvested, in a form of 'timber laundering' similar to money laundering;
 - timber certifiers can be paid off to "whitewash" illegally sourced logs;
 - when violations are found, judicial corruption may prevent prosecution and accountability, leaving citizens without legal recourse;
 - financial transactions also can be corrupted as a way to hide paper trails of sales and to keep the timber trade flowing.
- obtain a timber concession;
 - obtain approval for a timber processing venture;
 - avoid prosecution for transgressions;
 - avoid payment of fines or other fees;
 - negotiate favorable concession or investment agreements, including tax holidays and other investment incentives;
 - politicians and high-ranking military and government officers using their status to affect the same outcomes as listed above, for their own companies or those of relatives or political allies;
 - companies and/or other actors involved bribing local communities to influence them to agree to the granting of timber harvesting rights.

At any of these points along the chain, the unsustainable global demand for forest products creates added pressures for corruption.

Corrupt activities which have been observed in the forest sector were also divided into two groups, "grand" and "petty" corruption, following Callister (1999), with the distinction largely based on who is acting corruptly and their rank and status in the community, rather than the size of the bribe or the scale of the impact of the resulting activity. Some corrupt activities can span either category, such as payment to avoid prosecution for transgressions.

4.1.1 "Grand" corruption

In this "group" are considered:

- companies and/or other actors involved (e.g. organised crime groups), providing support to political parties, bribing politicians, bribing senior government officials or military officers, to:
 - obtain extensions to existing concessions;

4.1.2 "Petty" corruption

Petty" corruption usually is related to:

Companies and/or other actors involved bribing junior government officials, military personnel and local government officials to:

- falsify declarations of volume or species harvested;
- avoid reporting harvesting of prohibited species or diameters;
- falsify export documentation or ignore document irregularities;
- avoid reporting and prosecution for non-compliance with forest management regulations established in the concession contract;
- permit illegal movement of timber;
- ignore logging in protected areas and outside concession boundaries;
- allow timber processing without the necessary approvals; and ignore infringements of timber processing regulations, including pollution controls.

The twin brothers: illegality and corruption

the forestry sector, corruption is present along the whole production chain, especially in that of illegal logging. As already reported in literature, corruption and illegal logging are "twin brothers" generally: fraudulent acquisition of licenses, racketeering by public officials of timber traders, as well as tax evasion and judicial negligence have been all observed. Nevertheless, collection of empirical data about corruption represents a real challenge due to the complex and covert nature of corruption itself, and the size of the phenomenon remains largely unknown.

5. TREES survey about corruption and illegal activities in forestry

One of the activities implemented by TREES Project partners was the realization of a survey aimed to get information on LEAs' and private operator's perception and experience concerning corruption and illegal activities in forestry while implementing the Due Diligence (DD) procedure in the framework of the EUTR 995/2010. The aim of the survey is to find some information that can confirm that corruption exists in the timber market, where are the grey areas/gaps where criminal activities can infiltrate, and if the Due Diligence System could prevent/contrast this phenomenon.

This activity was addressed to two main target groups:

- Law Enforcement Agencies representative – through Interpol network (associate partner);
- Timber market operators (identified and suggested by Project's partners: PEFC, Conlegno and CNVP networks).

For this purpose two separate surveys were created, respectively for Law Enforcement Agencies and for timber operators (including public/state Enterprises and agencies for management/utilization of state forests). The contents of the questionnaire for operators was lightly modified between EU and non EU operators, to better fit for those Countries where there is no obligation to implement EUTR or where there is a different set up of Institutions or forest economy. To avoid the same problem for the answers coming from LEAs' EU and non EU respondents, the on line survey was designed to end when EUTR and DDS were not implemented in the Countries of the respondents or were not part of the task/unit of the respondents themselves.

Questions within the survey have been divided into three blocks:

- Block n° 1: professional profile of the participants in the survey;
- Block n° 2: information about corruption and criminal/illegal activities in forestry sector; experience in illegal activities and risks in the forestry sector supply chain;

- Block n° 3: respondents knowledge about EUTR and Due Diligence System (DDS); opinions about impact/enforcement of the EUTR.

The number of questions varies among the different versions of the surveys: 31 for LEAs, 27 for private operators. To avoid the problems that some respondents (private operators) might not be able to answer properly due to lack of command of the English language (especially in the Balkan countries), the survey for private operators was translated in the native language (Bulgarian, Italian, Kosovo Albanian and Macedonian). The survey for LEAs was created only in English language.

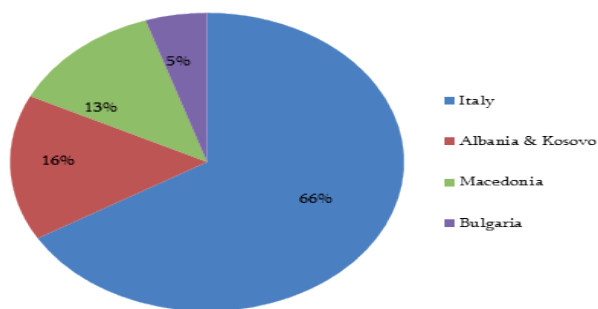
The surveys were distributed online through the Google Forms platform and were conducted from September 2015 to January 2016. In some cases (mainly answers from LEAs), the surveys were filled out using a PDF template sent by mail. The answers were subsequently transferred by the researchers into the Google Forms platform. The survey was anonymous and the sample was not chosen during the sampling method, so the sample of the respondents is a non-probability sample.

5.1 Information about the respondents

In order to analyze the collected data and to compare the results of the survey, all the answers from timber operators have been translated back, from the native language into English. Then, the answers which were a little bit different for the non EU operators (cause to the different set up of Institutions or forest economy on those countries) have been placed in proper line to fit with the answers of the EU operators in order to compare the results. Finally, a matrix containing all the questions and the answers was created with the aim to evaluate how respondents from different countries have answered to the same block of questions. This chapter reports only the information about the professional profile of the participants (Timber operators; Law Enforcement Agencies), so there is no need to separate the results between EU and non EU Countries. A total of 212 people have participated to the survey: 158 were private operators (mainly from Italy) and 54 answers come from

LEAs working in 20 different Countries (Fig. 14): Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Italy, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Spain, Sweden, Switzerland, United Kingdom. About 25.9% of the respondents work in “Pri-

Fig. 13 - Countries of the respondents (timber operators)



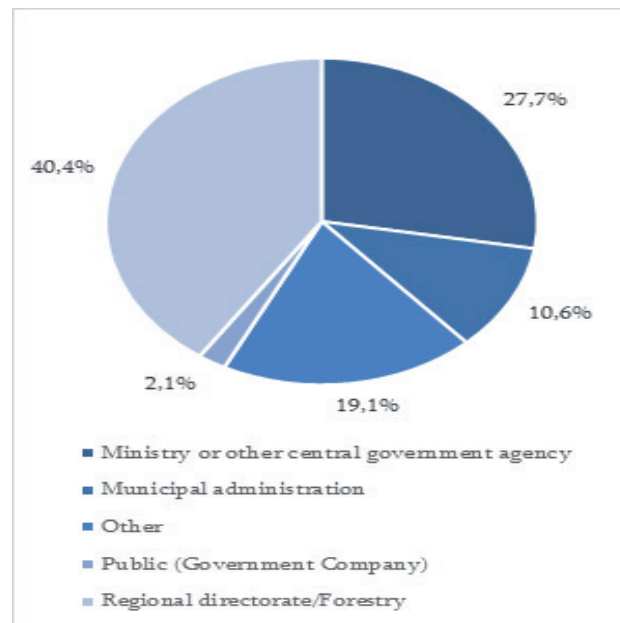
ate organisations in the forestry sector”, mainly in the sector of Regional Directorate/Forestry (Fig. 15); 27.2% work as “Public au-

Fig. 14 - Countries of the respondents (LEAs) are highlighted in green



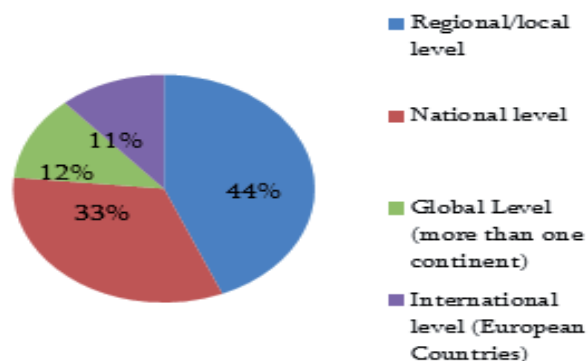
thority with power/competence in the forestry sector”, mainly according to the EUTR definition of “Operator” (those who place timber and timber products on the internal market for the first time); the remaining part (46.8%) have

Fig. 15 - Private operators’ working in “Private organisations in the forestry sector”: percentage of the answers



answered “Other” (f.i. freelance, forestry consultant, Monitor Organization, NGO, etc.). Private operators working mostly at local/regional or national level (almost 80.0% of the total, Fig. 16) and for a period longer than 10 years (60.0%), only 6% are in charge in their position for less than 2 years.

Fig. 16 - Geographical coverage of the organisation where private operators work



The position level of the respondent is almost the same percentage for all the answers: 33% have answered “Top management, director”, 37% were “Administrator, middle management”, the remaining part (30%) have answered “Field worker, Field officer, salesman” or “Other”.

Private operators who have answered the questionnaire are profiled in trading especially with “Timber, logs, etc.” or “Wood biomass for

energy” (see Fig. 17), and work mainly in Italy (Fig. 18).

Fig. 17 - Answers about what private operators are profited in trading with

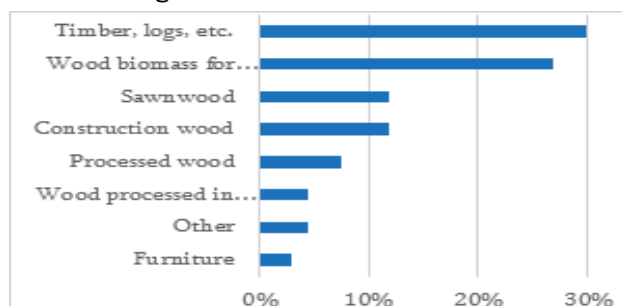
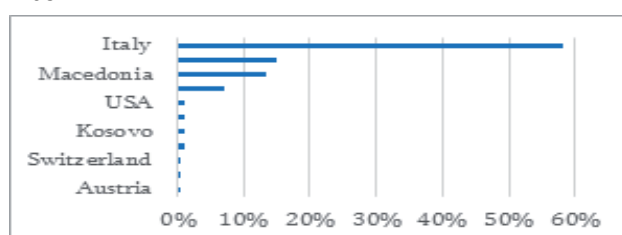
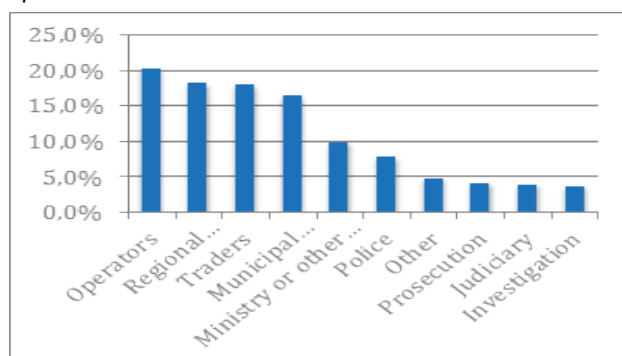


Fig. 18 - Countries where private operators work the most



We received answer from private operators that work in 11 different Countries and from someone who gave also general answer as: North America, Africa, Balkan Countries, Europe in general. About the Organisation the respondents interact most with (Fig. 19), results show that private operators work mainly with other “Operators”, or “Traders”, “Regional directorate/Forestry” and “Municipal Administration”.

Fig. 19 - Organizations most interacting with private operators



5.2 Results

The aim of this chapter is to present the main results of the survey addressed to European

Union and Extra-European Union operators coming for TREES Project Countries and more specifically from: Albania, Bulgaria, Kosovo, Italy and Macedonia. In this section the main results about knowledge and perception on criminal and illegal activities in forestry sector, knowledge and perception on illegal activities and risks in the forestry sector supply chain and EUTR and Due Diligence System (DDS) are shown. For the key questions, a distinguish between the answers of the European Union operators and the Extra-European Union operators has been made in order to highlight the existing main distinction on perception and knowledge existing in the Country where the EUTR is working. More detailed and national-level information are available on the annex 2 of this section.

5.2.1 Information about corruption and criminal/illegal activities in forestry sector and experience in illegal activities and risks in the forestry sector supply chain

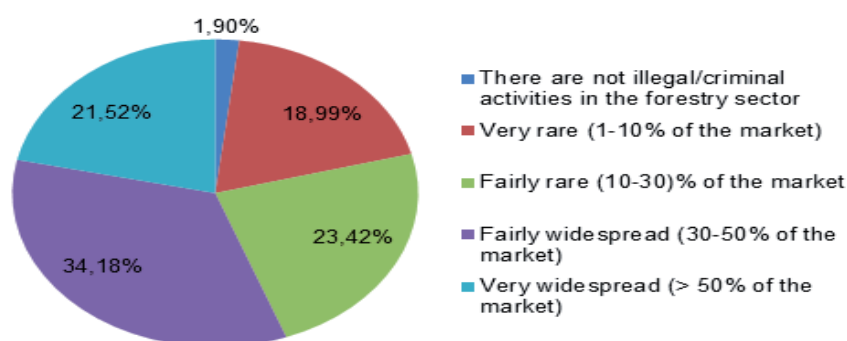
The first part of the survey was aimed at investigating the knowledge and perception of the private operators about corruption and criminal/illegal activities in forestry sector and the experience in illegal activities and risks in the forestry sector supply chain.

According to more than half of the respondents (55,7%), the problem of illegal/criminal activities is a fairly widespread or a very widespread problem (Fig 20).

Splitting the European private operators answers from the Extra-European private operators answers it should be noticed that this percentage increases significantly for the private operators working outside Europe Union (Macedonia, Kosovo and Albania). In fact, more than 82% of them think that forestry sector is characterized by fairly widespread or very widespread illegal or criminal activities. By the other hand, only about the 45% of the European Union private operators responding the survey think that that the forestry sector is characterized by fairly widespread or very widespread illegal or criminal activities.

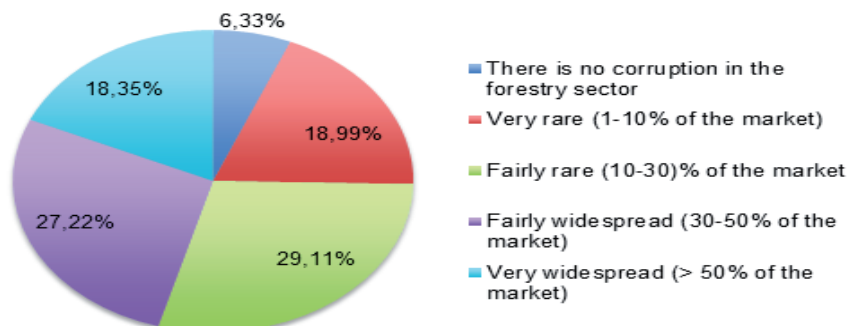
At the question “According to your opinion, how widespread is the problem of corruption?” the percentage of the respondents thinking that

Fig. 20 – Question: According to your opinion, how widespread is the problem of illegal/criminal activities (i.e. any activity in violation of laws/norms/rules)? . Source: Trees project survey, 2016



this problem is widespread decreases in comparison to the previous question. In fact, about level where the

Fig. 21 – Question: According to your opinion, how widespread is the problem of corruption (i.e. the abuse of public power for private gain)? Source: Trees project survey, 2016



the 45% of the respondents think that the corruption is a problem fairly widespread or very widespread.

Taking into consideration only the non-EU private operators, this percentage increase up to almost 69%; for EU private operators, this percentage decrease down to 36,28%.

The vast majority of the respondents (both from EU Countries and non-EU Countries) think that the corruption most likely occurs is the origin country (harvesting level). In fact, more of the 37% of the respondents think that this is the most problematic part of the supply chain. For the non EU operators this value is arriving up to 39% and for the European operators decrease down to about 35%.

These data are confirmed also by the fact that among several processes (logging, transport into EU, transpor-

Fig. 22 – According to your opinion; where does most of corruption - if any - occur in the timber sector? Source: Trees project survey, 2016

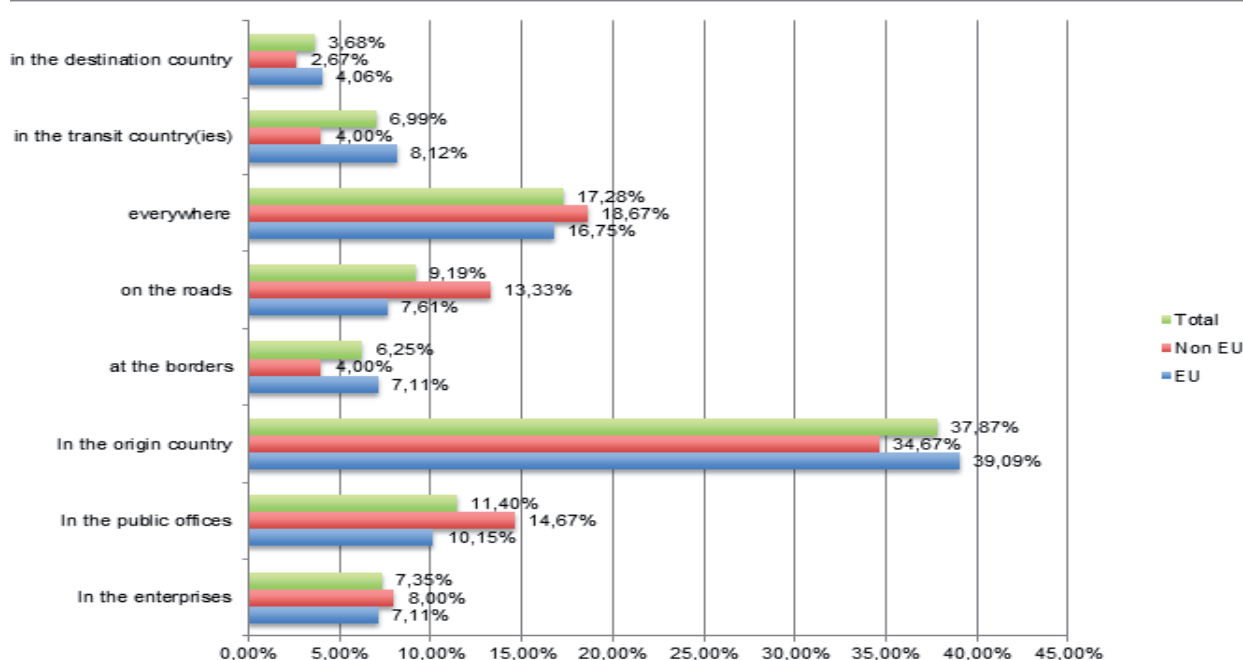
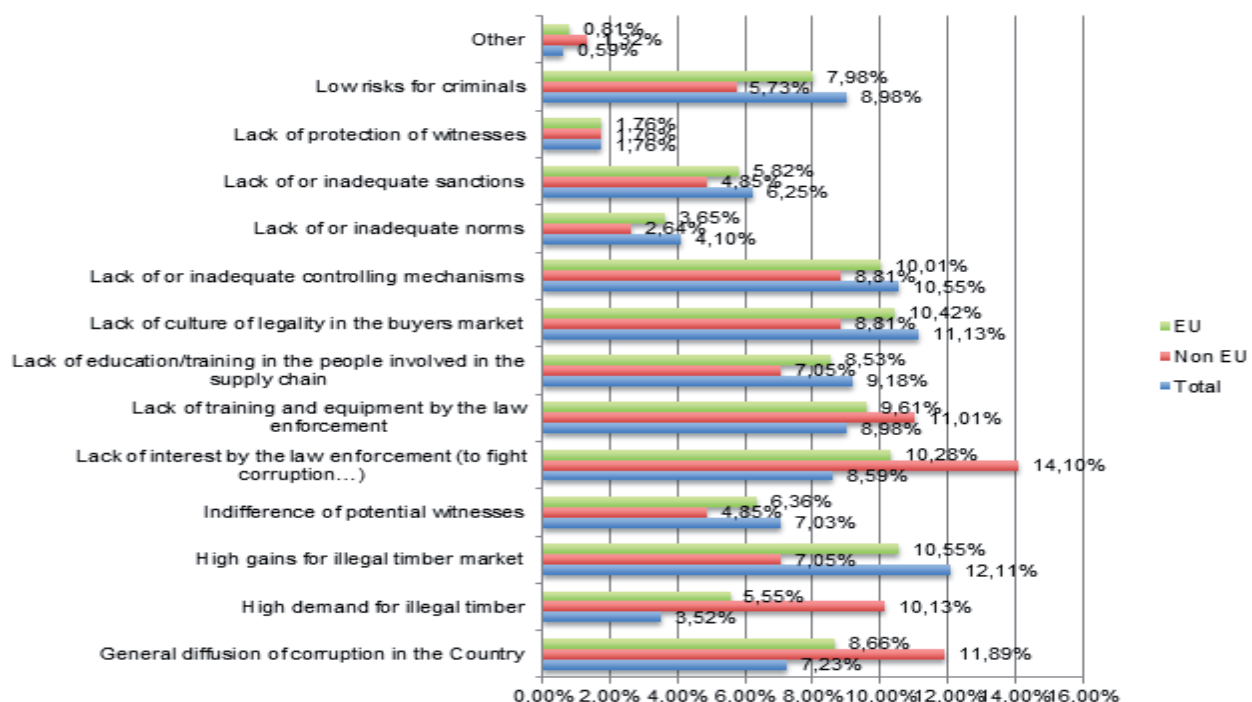


Fig. 23 – According to your opinion or experience; what are the main factors that can facilitate corruption? Source: Trees project survey, 2016

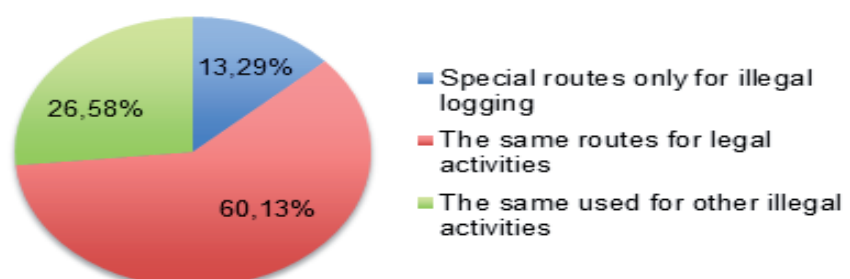


tation to the sawmill, processing, selling) all respondents identify the logging activities as the process more at risk corruption both inside both outside Europe. For more than 60% of the respondents, in fact, the logging activity has a very high or high risk of corruption outside Europe. In Europe this value decrease, anyway having a significant value of about 39%. Another process classified as a process with risk of corruption in Europe is the selling activity, considered by the 32,28% of the respondents as an activity with very high or high risk of corruption. Outside Europe the process of transportation in Europe and the process of transportation to the sawmill are the most risky process (as said, immediately after the logging process).

Moreover, according to the respondents, the corruption is mainly facilitated by high gains for illegal timber market, lack of culture of legality in the buyers market and lack of or inadequate controlling mechanisms. Each one of these three factors, in fact, is representing about the 10% of the factor facilitating the corruption. There are some

gaps between EU and non EU operators, for example for the non EU operators, the lack of interest by the law enforcement is the first factor facilitating the corruption in the timber sector, with a score of 14,1%. In these Countries also the general diffusion of the corruption is seen as having an high impact on the forestry sector. The illegal activities in the forestry sector seem to follow the same routes for the legal activities. In fact, the question “According to your opinion, illegal routes in forestry sector are”, more than the 60% of the respondents think that illegal activities in the forestry sector are conducted through the same routes for legal activities; about the 26% of them think that the illegal routes in forestry sector are almost the same used for other illegal activities and just the 13,29% think that exist special routes.

Fig. 24 - According to your opinion, illegal routes in forestry sector are: Source: Trees project survey, 2016



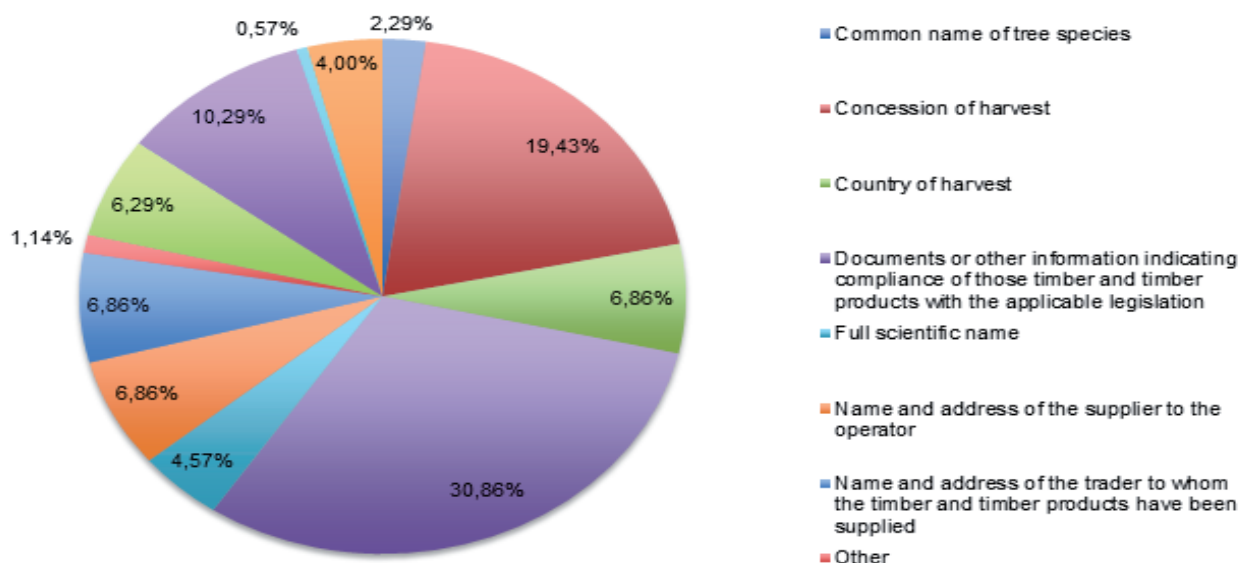
5.2.2 Knowledge about EUTR and Due Diligence System (DDS) and opinions about impact/enforcement of the EUTR

The last section of the survey was aimed at investigating the knowledge about EUTR and Due Diligence System (DDS) and the opinions about impact/enforcement of the EUTR.

For understanding the strength attributed to the EUTR, the question “In your opinion, the enforcement of the EUTR 995/2010” was

attributed to the EUTR. In fact, more than the 84% of the respondents agree that the capacity of helping fighting illegal or criminal activities in the forestry sector is an EUTR strength. This percentage increase up to 86,73% if we consider only the EU respondents. Another strength attributed to the EUTR is the capacity of reducing criminal activities in forestry sector within Europe (78,48% of the respondents agree with this statement).

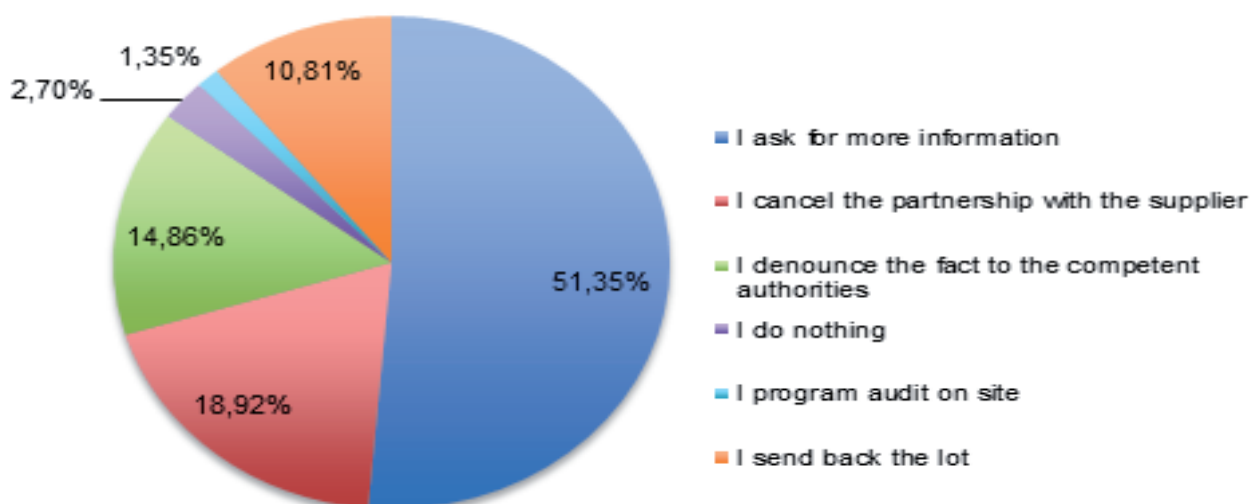
Fig.25 - For which kind of information do you observe the biggest difficulty in gathering? Source: Trees project survey, 2016



asked. Among the existing options, the capacity of helping fighting illegal or criminal activities in the forestry sector is the major strength

The survey asked also the way that the private operators adopted for increasing their own Due Diligence System. Among the responden-

Fig 26 - If you identify a supply with “non negligible risk”, which of the following measures do you adopt? Source: Trees project survey, 2016



ts, the 68,99% is required to implement a DDS (but the 40% has not yet implemented a DDS). The private operators developing a DDS, developed it mainly by themselves, secondary with by reference to a DDS of a forest certification scheme and thirdly by adopting a DDS of a Monitoring organization.

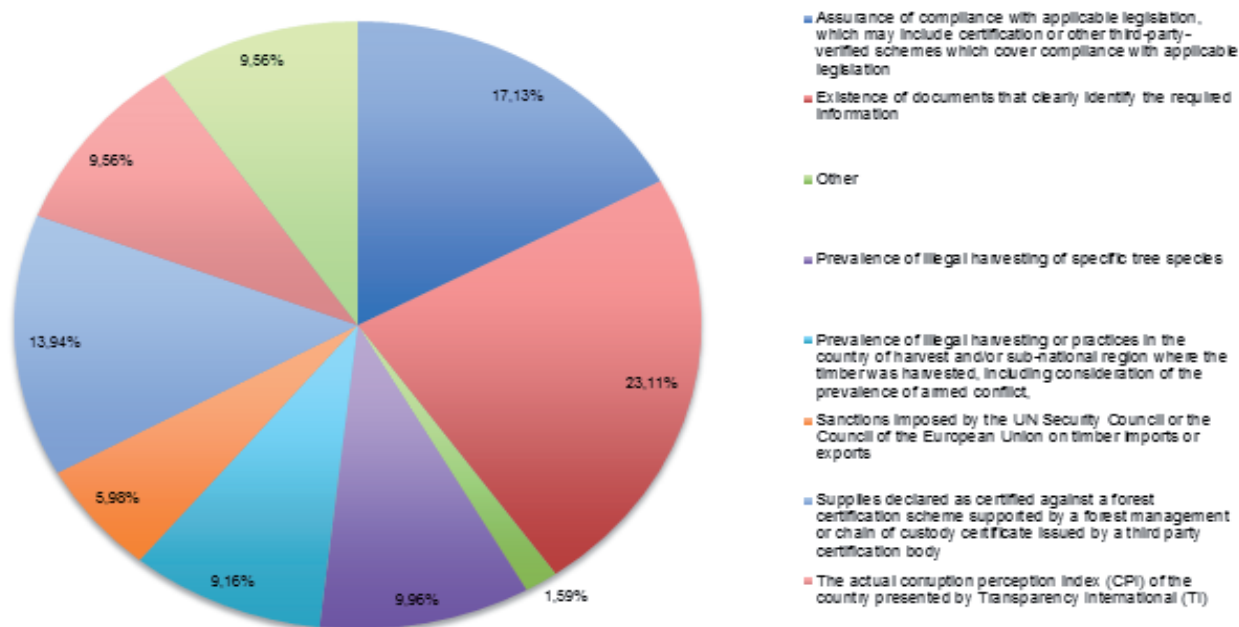
The most difficult information to gather are the documents or other information indicating compliance of those timber and timber products with the applicable legislation (30,86%) and the concessions of harvest (19,43%).

The majority of the respondents (51,35%), in

case of identification of a supply with “non negligible risk” adopted the measure of asking more information to the supplier.

Other adopted measures are shown on the chart below. For the 23,11% of the respondents the indicator considered as the indicator having more important in the risk assessment process is the existence of documents that clearly identify the required information; for the 17,3% is the assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable.

Fig 27 - Which indicators that are part of risk assessment process in EUTR do you consider more important (non-EU); During the risk assessment phase, which indicators do you take into account? Source: Trees project survey, 2016



Annex 1 – TREES survey for timber traders and operators

The researchers have developed a questionnaire for public and private organisations on the integrity of the timber sector/market, and on the impact that EUTR implementation can have in practice to preventing crimes and illegalities. We would like to ask you to complete the survey and to share the link to other public and private organisations of the forestry sector that may have useful insights, experience and perspectives to share. Thank you very much for your collaboration in advance.

The survey will take around 15 minutes. All information will be gathered and stored anonymously in a server, and no personal information will be required. Please respond carefully to all the questions. If you have any doubt or comment, you can leave it in the last page of the survey. More information about the TREES project are available here: www.trees-project.eu

WORKING DEFINITIONS

FORESTRY SECTOR: both forest sector and related productive and trading chains

ILLEGAL LOGGING: all illegal practices related to the harvesting, processing and trading of timber”

ILLEGAL ACTIVITY: any activity committed in violation of the law (civil, criminal, commercial, administrative...)

CRIMINAL ACTIVITY: any activity that constitutes crime under criminal law

CORRUPTION: the abuse of public power for personal gain

PROFESSIONAL INFORMATION

1. Are you working for:

☐ Public authority with powers/competence in the forestry sector

In particular:

☐ Ministry or other central government agency

☐ Regional directorate/Forestry

☐ Municipal administration

☐ Other – please specify

☐ A private organisation in the forestry sector

In particular:

☐ Operators [according to the EUTR definition: those who place timber and timber products on the internal market for the first time]

☐ Traders [according to the EUTR definition: those who buy or sell – for commercial purposes – timber or timber products already placed on the EU market]

☐ Other

2. You are profiled in trading with:

☐ Fuel wood (logs, pellets, etc.)

☐ Wood in the rough or roughly squared

☐ Railway sleepers

☐ Wood sawn or chipped lengthwise

☐ Construction wood (including OSB, MDF, parquet flooring)

☐ Processed wood (tool handles, frames, boxes, carpentry)

☐ Furniture

☐ Other – please specify

3. For how long have you been working in your field?

- ☐ More than 10 years
- ☐ From 2 to 10 years
- ☐ Up to 2 years

4. What is the geographical coverage of your organization?

- ☐ Regional/local level
- ☐ National level
- ☐ International level (European Countries)
- ☐ Global level (more than one continent)

5. Please indicate the organizations you interact with in your work:

- ☐ Police
- ☐ Investigation
- ☐ Prosecution
- ☐ Judiciary
- ☐ Ministry or other central government agency
- ☐ Regional directorate/Forestry
- ☐ Municipal administration
- ☐ Operators
- ☐ Traders
- ☐ Other

6. In which of the following country/ies do you operate?

Flag only one choice

- ☐ Albania
- ☐ Bulgaria
- ☐ Italy
- ☐ Macedonia
- ☐ Kosovo
- ☐ Other

7. What is your position/level at the organization you are working for?

- ☐ Field worker, field officer, salesman
- ☐ Administrator, middle management
- ☐ Top management, director
- ☐ Other

INFORMATION ABOUT CORRUPTION AND ILLEGAL LOGGING IN FORESTRY SECTOR

8. According to record or cases, how widespread is the problem of illegal/criminal activities (i.e. any activity in violation of laws/norms/rules)?

Please scale the problem with respect to the legal business (100%) in the forestry sector in your country

- ☐ Very widespread (> 50% of the market)
- ☐ Fairly widespread (30-50% of the market)
- ☐ Fairly rare (10-30% of the market)
- ☐ Very rare (1-10% of the market)
- ☐ There is no illegal logging in my Country

9. According to your opinion, how widespread is the problem of corruption (i.e. the abuse of public power for private gain)?

Please scale the problem with respect to the legal business (100%) in the forestry sector in your country

- ☐ Very widespread (> 50% of the market)
- ☐ Fairly widespread (30-50% of the market)
- ☐ Fairly rare (10-30% of the market)
- ☐ Very rare (1-10% of the market)
- ☐ There is no corruption in the forestry sector

10. In general (not limited to the forestry sector), how widespread do you think is the problem of corruption in your country?

- ☐ Very widespread (> 50% of the market)
- ☐ Fairly widespread (30-50% of the market)
- ☐ Fairly rare (10-30% of the market)
- ☐ Very rare (1-10% of the market)
- ☐ There is no corruption in my Country

11. According to your opinion, illegal routes in the forestry sector are:

Illegal routes: the tracks used for the transit of illegal wood

- ☐ the same routes for legal activities
- ☐ the same routes for other illegal activities
- ☐ special routes only for illegal logging

12. According to your opinion, where does most of corruption - if any - occur in the timber sector?

- ☐ In the origin country
- ☐ In the transit country(ies)
- ☐ In the destination country
- ☐ At the borders
- ☐ On the roads
- ☐ In the public offices
- ☐ In the enterprises
- ☐ Everywhere

13. In the past 12 months, have you experienced illegal/criminal activities in forestry sector?

- ☐ Often
- ☐ Sometimes
- ☐ Seldom
- ☐ Never
- ☐ The risk to experience/witness illegal/criminal activities in forestry sector is negligible

14. Do you know anyone who, in the past 12 months, has been involved in illegal/criminal activities in forestry sector (including import/export)?

- ☐ Many people
- ☐ Someone
- ☐ Few people
- ☐ Nobody
- ☐ The risk to experience/witness illegal/criminal activities in forestry sector is negligible

15. Now, think in particular to the phenomenon of corruption (abuse of public power by someone for private gain). Do you know anyone who, in the past 12 months, have been victim of corruption in forestry sector (including import export)?

- ☐ Many people
- ☐ Someone
- ☐ Few people
- ☐ Nobody
- ☐ The risk to experience/witness corruption in forestry sector is negligible

16. According to your opinion or experience, what are the main factors that can facilitate corruption?

Please think about the forestry sector in your country

- ☐ High demand for illegal timber
- ☐ High gains from illegal timber market
- ☐ Indifference of potential witnesses
- ☐ Lack of protection of witnesses
- ☐ Lack of interest by the law enforcement (to fight corruption in the forestry sector)
- ☐ Lack of training or equipment by the law enforcement
- ☐ Lack of education/training of people involved in the supply chain
- ☐ Lack of culture of legality in the buyers/market
- ☐ Lack of or inadequate sanctions
- ☐ Lack of or inadequate norms
- ☐ Lack of or inadequate controlling mechanisms
- ☐ Low risks for criminals
- ☐ General diffusion of corruption in the Country
- ☐ Other:

17. According to your opinion or experience, who might has been accused of giving or receiving bribes in the forestry sector?

Please think about the forestry sector in your country

- ☐ Land owners
- ☐ Public employees
- ☐ Custom police
- ☐ Forest police
- ☐ Other police officers
- ☐ Politicians
- ☐ Timber traders
- ☐ Timber operators
- ☐ Criminal groups
- ☐ Other:

18. What is the activity/process more at risk of corruption INSIDE Europe...?

Please think about the forestry (timber market) sector in your country

	Very High	High	Medium	Low	Null	Don't know
Logging	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Harvesting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transport of timber into EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export of timber from EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation to the sawmill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. What is the activity/process more at risk of corruption OUTSIDE Europe...?

Please think about the forestry (timber market) sector in origin countries towards your country

	Very High	High	Medium	Low	Null	Don't know
Logging	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Harvesting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transport of timber into EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export of timber from EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation to the sawmill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. If you wanted to complain about a case of illegal/criminal activities in forestry sector, whom would you trust most to deal with it?

- ☐ Police
- ☐ Forest Enterprises/Forestry State Corps/Forest Officials
- ☐ Business intermediary organizations
- ☐ International organizations of the forest sector
- ☐ The justice system (courts, tribunals or public prosecution services)
- ☐ Media, newspaper, internet
- ☐ NGOs and other associations
- ☐ Specialized anti-corruption agency
- ☐ My family
- ☐ My colleagues
- ☐ Other:

EUTR 995/2010

21. In your opinion, the enforcement of the EUTR 995/2010 can:

	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
help in fighting illegal/criminal activities in forestry sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reduce criminal activities in forestry sector within Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reduce criminal activities in forestry sector outside Europe (Africa, Asia, America)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reduce corruption in forestry sector in Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reduce corruption in forestry sector outside Europe (Africa, Asia, America)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
be more effective than other national/regional/local laws in fighting corruption in forestry sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
help detecting if corruption has occurred within the Country of Origin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INFORMATION ON THE DUE DILIGENCE SYSTEM (DDS)

The Due Diligence System (DDS) of this section is the one contemplated by the Regulation (EU) n. 995/2010. The system is composed by 3 main steps:

1. Gathering of information

- Description, including the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name;
- Country of harvest, and where applicable sub-national region where the timber was harvested and concession of harvest;
- Quantity (expressed in volume, weight or number of units);
- Name and address of the supplier to the operator;
- Name and address of the trader to whom the timber and timber products have been supplied;
- Documents or other information indicating compliance of those timber and timber products with the applicable legislation.

2. Risk assessment: the operator should assess the risk of illegal timber in his supply chain, based on the information identified above and taking into account criteria set out in the regulation.

3. Risk mitigation: when the assessment shows that there is a risk of illegal timber in the supply chain that risk can be mitigated by requiring additional information and verification from the supplier.

22. How have you prepared your due diligence system?

- ☐ By yourself (with internal resources or with the support of an external consultant)
- ☐ Autonomously, by reference to a forest certification scheme DDS (e.g.: PEFC DDS)
- ☐ By adopting a Monitoring Organisation DDS
- ☐ Not yet prepared
- ☐ No duty of making DDS

23. Which of the following information do you ask your suppliers?

- ☐ Trade name
- ☐ Type of product
- ☐ Common name of tree species
- ☐ Full scientific name
- ☐ Country of harvest
- ☐ Sub-national region where the timber was harvested
- ☐ Concession of harvest
- ☐ Quantity
- ☐ Name and address of the supplier to the operator
- ☐ Name and address of the trader to whom the timber and timber products have been supplied
- ☐ Documents or other information indicating compliance of those timber and timber products with the applicable legislation

24. For which kind of information do you observe the biggest difficulty in gathering?

- ☐ Trade name
- ☐ Type of product
- ☐ Common name of tree species
- ☐ Full scientific name of the tree species
- ☐ Country of harvest
- ☐ Sub-national region where the timber was harvested
- ☐ Concession of harvest
- ☐ Quantity
- ☐ Name and address of the supplier to the operator
- ☐ Name and address of the trader to whom the timber and timber products have been supplied
- ☐ Documents or other information indicating compliance of those timber and timber products with the applicable legislation

25. During the risk assessment phase, which indicators do you take into account?

- ☐ Existence of documents that clearly identify the required information
- ☐ Assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation
- ☐ Prevalence of illegal harvesting of specific tree species
- ☐ Prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict,
- ☐ Sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports
- ☐ The complexity of the supply chain of timber and timber product
- ☐ Supplies declared as certified against a forest certification scheme supported by a forest management or chain of custody certificate issued by a third party certification body
- ☐ The actual Corruption Perception Index (CPI) of the country presented by Transparency International (TI)

26. If you identify a supply with “non negligible risk”, which of the following measures do you adopt?

- ☐ I cancel the partnership with the supplier
- ☐ I denounce the fact to the competent authorities

- ☐ I send back the lot
- ☐ I ask for more information
- ☐ I program audit on site
- ☐ I do nothing

KNOWLEDGE OF EUTR

27. Did you receive specific formation/information about Timber Regulation?

- ☐ Yes
- ☐ No

If yes, from who?

- ☐ From consultants
- ☐ From certification bodies
- ☐ From Monitoring Organisation
- ☐ From forest certification systems (e.g. PEFC)
- ☐ Professional associations
- ☐ Others

Thank you!

The information you have provided with this survey will be analysed in anonymous and aggregated form. Please check the website www.treesproject.eu.

If you have any request or doubt on this survey, please contact RiSSC (info@rissc.it) or write here below

Annex 2 – Survey results

According to your opinion, how widespread is the problem of illegal/criminal activities (i.e. any activity in violation of laws/norms/rules)?	ALB-KOS	BG	MK	ITA_WEB	ITA_RES	ITA_TOT	EU	NON_EU	TOT
Fairly rare (10-30)% of the market	8,0%	12,5%	25,0%	12,5%	30,3%	27,6%	26,5%	15,6%	23,4%
Fairly widespread (30-50% of the market)	40,0%	12,5%	40,0%	62,5%	28,1%	33,3%	31,9%	40,0%	34,2%
There are not illegal/criminal activities in the forestry sector	0,0%	0,0%	0,0%	0,0%	3,4%	2,9%	2,7%	0,0%	1,9%
Very rare (1-10% of the market)	4,0%	37,5%	0,0%	12,5%	27,0%	24,8%	25,7%	2,2%	19,0%
Very widespread (> 50% of the market)	48,0%	37,5%	35,0%	12,5%	11,2%	11,4%	13,3%	42,2%	21,5%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
According to your opinion, how widespread is the problem of corruption (i.e. the abuse of public power for private gain)?									
Fairly rare (10-30)% of the market	24,0%	25,0%	30,0%	12,5%	33,7%	30,5%	30,1%	26,7%	29,1%
Fairly widespread (30-50% of the market)	32,0%	25,0%	40,0%	43,8%	20,2%	23,8%	23,9%	35,6%	27,2%
There is no corruption in the forestry sector	4,0%	0,0%	0,0%	18,8%	6,7%	8,6%	8,0%	2,2%	6,3%
Very rare (1-10% of the market)	4,0%	25,0%	0,0%	25,0%	25,8%	25,7%	25,7%	2,2%	19,0%
Very widespread (> 50% of the market)	36,0%	25,0%	30,0%	0,0%	13,5%	11,4%	12,4%	33,3%	18,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In general (not limited to the forestry sector), how widespread do you think is the problem of corruption in your country?									
Fairly rare	4,0%	37,5%	10,0%	18,8%	4,5%	6,7%	8,8%	6,7%	8,2%
Fairly widespread	36,0%	0,0%	55,0%	25,0%	57,3%	52,4%	48,7%	44,4%	47,5%
Very rare	0,0%	25,0%	5,0%	0,0%	0,0%	0,0%	1,8%	2,2%	1,9%
Very widespread	60,0%	37,5%	30,0%	56,3%	38,2%	41,0%	40,7%	46,7%	42,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
According to your opinion, illegal routes in forestry sector are:									
Special routes only for illegal logging	12,0%	37,5%	15,0%	6,3%	12,4%	11,4%	13,3%	13,3%	13,3%
The same routes for legal activities	68,0%	62,5%	70,0%	75,0%	52,8%	56,2%	56,6%	68,9%	60,1%
The same used for other illegal activities	20,0%	0,0%	15,0%	18,8%	34,8%	32,4%	30,1%	17,8%	26,6%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
According to your opinion; where does most of corruption - if any - occur in the timber sector?									
In the enterprises	4,5%	15,0%	12,9%	7,7%	6,0%	6,2%	7,1%	8,0%	7,4%
In the public offices	13,6%	25,0%	16,1%	0,0%	9,9%	8,5%	10,2%	14,7%	11,4%
In the origin country	29,5%	25,0%	41,9%	30,8%	42,4%	40,7%	39,1%	34,7%	37,9%
at the borders	4,5%	15,0%	3,2%	3,8%	6,6%	6,2%	7,1%	4,0%	6,3%
on the roads	18,2%	10,0%	6,5%	7,7%	7,3%	7,3%	7,6%	13,3%	9,2%
everywhere	20,5%	5,0%	16,1%	26,9%	16,6%	18,1%	16,8%	18,7%	17,3%
in the transit country(ies)	6,8%	5,0%	0,0%	11,5%	7,9%	8,5%	8,1%	4,0%	7,0%

in the destination country	2,3%	0,0%	3,2%	11,5%	3,3%	4,5%	4,1%	2,7%	3,7%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In the past 12 months, have you experienced illegal/criminal activities in forestry sector?									
Never	12,0%	37,5%	15,0%	87,5%	59,6%	63,8%	61,9%	13,3%	48,1%
Often	24,0%	12,5%	20,0%	0,0%	7,9%	6,7%	7,1%	22,2%	11,4%
Seldom	16,0%	25,0%	25,0%	6,3%	18,0%	16,2%	16,8%	20,0%	17,7%
Sometimes	48,0%	25,0%	35,0%	6,3%	11,2%	10,5%	11,5%	42,2%	20,3%
The risk to experience/witness illegal/criminal activities in forestry sector is negligible	0,0%	0,0%	5,0%	0,0%	3,4%	2,9%	2,7%	2,2%	2,5%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Do you know anyone who, in the past 12 months, has been involved in illegal/criminal activities in forestry sector (including import/export)?									
Few people	28,0%	0,0%	25,0%	18,8%	16,9%	17,1%	15,9%	26,7%	19,0%
Many people	8,0%	12,5%	10,0%	0,0%	4,5%	3,8%	4,4%	8,9%	5,7%
Nobody	16,0%	87,5%	15,0%	81,3%	62,9%	65,7%	67,3%	15,6%	52,5%
Someone	48,0%	0,0%	45,0%	0,0%	13,5%	11,4%	10,6%	46,7%	20,9%
The risk to experience/witness illegal/criminal activities in forestry sector is negligible	0,0%	0,0%	5,0%	0,0%	2,2%	1,9%	1,8%	2,2%	1,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Now, think in particular to the phenomenon of corruption (abuse of public power for private gain). Do you know anyone who, in the past 12 months, have been victim of corruption in forestry sector (including import export)?									
Few people	20,0%	12,5%	60,0%	12,5%	11,2%	11,4%	11,5%	37,8%	19,0%
Many people	4,0%	12,5%	0,0%	0,0%	3,4%	2,9%	3,5%	2,2%	3,2%
Nobody	52,0%	62,5%	25,0%	87,5%	79,8%	81,0%	79,6%	40,0%	68,4%
Someone	20,0%	12,5%	15,0%	0,0%	5,6%	4,8%	5,3%	17,8%	8,9%
The risk to experience/witness illegal/criminal activities in forestry sector is negligible	4,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,2%	0,6%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
According to your opinion or experience; what are the main factors that can facilitate corruption?									
General diffusion of corruption in the Country	14,7%	8,5%	9,3%	1,6%	7,9%	7,1%	7,2%	11,9%	8,7%
High demand for illegal timber	10,1%	6,4%	10,2%	0,0%	3,7%	3,2%	3,5%	10,1%	5,5%
High gains for illegal timber market	0,0%	10,6%	13,6%	14,8%	11,9%	12,3%	12,1%	7,0%	10,6%
Indifference of potential witnesses	4,6%	10,6%	5,1%	4,9%	6,9%	6,7%	7,0%	4,8%	6,4%
Lack of interest by the law enforcement (to fight corruption...)	17,4%	12,8%	11,0%	13,1%	7,4%	8,2%	8,6%	14,1%	10,3%
Lack of training and equipment by the law enforcement	11,0%	6,4%	11,0%	11,5%	8,9%	9,2%	9,0%	11,0%	9,6%
Lack of education/training in the people involved in the supply chain	9,2%	6,4%	5,1%	9,8%	9,4%	9,5%	9,2%	7,0%	8,5%

Lack of culture of legality in the buyers market	8,3%	8,5%	9,3%	16,4%	10,6%	11,4%	11,1%	8,8%	10,4%
Lack of or inadequate controlling mechanisms	11,0%	8,5%	6,8%	11,5%	10,6%	10,8%	10,5%	8,8%	10,0%
Lack of or inadequate norms	1,8%	6,4%	3,4%	6,6%	3,5%	3,9%	4,1%	2,6%	3,7%
Lack of or inadequate sanctions	5,5%	6,4%	4,2%	6,6%	6,2%	6,2%	6,3%	4,8%	5,8%
Lack of protection of witnesses	0,9%	2,1%	2,5%	1,6%	1,7%	1,7%	1,8%	1,8%	1,8%
Low risks for criminals	4,6%	6,4%	6,8%	1,6%	10,4%	9,2%	9,0%	5,7%	8,0%
Other	0,9%	0,0%	1,7%	0,0%	0,7%	0,6%	0,6%	1,3%	0,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
According to your opinion or experience; who might have the highest interest to bribe for illegal gains?									
Forest Police	22,1%	12,9%	10,3%	5,4%	3,2%	3,5%	4,5%	15,2%	8,4%
Other police officers	11,8%	3,2%	5,2%	0,0%	3,2%	2,7%	2,8%	7,9%	4,7%
Timber Traders	17,6%	22,6%	18,6%	27,0%	24,3%	24,7%	24,5%	18,2%	22,2%
Timber operators	11,8%	19,4%	9,3%	21,6%	19,7%	20,0%	19,9%	10,3%	16,4%
Politicians	8,8%	3,2%	7,2%	10,8%	6,4%	7,1%	6,6%	7,9%	7,1%
Land Owners	2,9%	6,5%	14,4%	10,8%	12,4%	12,2%	11,5%	9,7%	10,9%
Public employees	14,7%	12,9%	8,2%	5,4%	10,6%	9,8%	10,1%	10,9%	10,4%
Custom Police	5,9%	3,2%	1,0%	5,4%	5,0%	5,1%	4,9%	3,0%	4,2%
Criminal Groups	4,4%	12,9%	14,4%	8,1%	13,8%	12,9%	12,9%	10,3%	12,0%
Other: Forest Guards (part of the State Forest Company)*	0,0%	3,2%	11,3%	5,4%	1,4%	2,0%	2,1%	6,7%	3,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption INSIDE Europe? [Logging]									
High	40,0%	0,0%	20,0%	25,0%	15,7%	17,1%	15,9%	31,1%	20,3%
Low	8,0%	25,0%	35,0%	25,0%	40,4%	38,1%	37,2%	20,0%	32,3%
Medium	20,0%	37,5%	20,0%	31,3%	20,2%	21,9%	23,0%	20,0%	22,2%
Null	4,0%	0,0%	0,0%	0,0%	10,1%	8,6%	8,0%	2,2%	6,3%
Very high	28,0%	37,5%	25,0%	18,8%	13,5%	14,3%	15,9%	26,7%	19,0%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption INSIDE Europe? [Transport of timber into EU Country]									
High	12,0%	37,5%	5,0%	31,3%	18,0%	20,0%	21,2%	8,9%	17,7%
Low	28,0%	25,0%	50,0%	25,0%	39,3%	37,1%	36,3%	37,8%	36,7%
Medium	32,0%	25,0%	30,0%	37,5%	30,3%	31,4%	31,0%	31,1%	31,0%
Null	8,0%	0,0%	15,0%	6,3%	7,9%	7,6%	7,1%	11,1%	8,2%
Very High	20,0%	12,5%	0,0%	0,0%	4,5%	3,8%	4,4%	11,1%	6,3%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption INSIDE Europe? [Export of timber from EU Country]									
High	16,0%	12,5%	5,0%	6,3%	12,4%	11,4%	11,5%	11,1%	11,4%
Low	40,0%	62,5%	45,0%	37,5%	38,2%	38,1%	39,8%	42,2%	40,5%
Medium	32,0%	12,5%	30,0%	25,0%	36,0%	34,3%	32,7%	31,1%	32,3%
Null	8,0%	0,0%	20,0%	18,8%	7,9%	9,5%	8,8%	13,3%	10,1%
Very high	4,0%	12,5%	0,0%	12,5%	5,6%	6,7%	7,1%	2,2%	5,7%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

What is the activity/process more at risk of corruption INSIDE Europe? [Transportation to the sawmill]									
High	32,0%	25,0%	25,0%	18,8%	7,9%	9,5%	10,6%	28,9%	15,8%
Low	20,0%	37,5%	30,0%	31,3%	52,8%	49,5%	48,7%	24,4%	41,8%
Medium	24,0%	37,5%	30,0%	43,8%	30,3%	32,4%	32,7%	26,7%	31,0%
Null	8,0%	0,0%	5,0%	6,3%	6,7%	6,7%	6,2%	6,7%	6,3%
Very high	16,0%	0,0%	10,0%	0,0%	2,2%	1,9%	1,8%	13,3%	5,1%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption INSIDE Europe? [Processing]									
High	16,0%	37,5%	15,0%	25,0%	6,7%	9,5%	11,5%	15,6%	12,7%
Low	28,0%	12,5%	35,0%	37,5%	47,2%	45,7%	43,4%	31,1%	39,9%
Medium	44,0%	25,0%	35,0%	31,3%	30,3%	30,5%	30,1%	40,0%	32,9%
Null	8,0%	12,5%	5,0%	6,3%	14,6%	13,3%	13,3%	6,7%	11,4%
Very high	4,0%	12,5%	10,0%	0,0%	1,1%	1,0%	1,8%	6,7%	3,2%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption INSIDE Europe? [Sell]									
High	32,0%	12,5%	20,0%	25,0%	15,7%	17,1%	16,8%	26,7%	19,6%
Low	0,0%	37,5%	25,0%	31,3%	34,8%	34,3%	34,5%	11,1%	27,8%
Medium	40,0%	37,5%	40,0%	25,0%	28,1%	27,6%	28,3%	40,0%	31,6%
Null	12,0%	12,5%	0,0%	0,0%	10,1%	8,6%	8,8%	6,7%	8,2%
Very high	16,0%	0,0%	15,0%	18,8%	11,2%	12,4%	11,5%	15,6%	12,7%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Logging]									
High	20,0%	12,5%	10,0%	50,0%	31,5%	34,3%	32,7%	15,6%	27,8%
Low	28,0%	37,5%	25,0%	6,3%	5,6%	5,7%	8,0%	26,7%	13,3%
Medium	16,0%	12,5%	35,0%	12,5%	19,1%	18,1%	17,7%	24,4%	19,6%
Null	12,0%	0,0%	20,0%	6,3%	2,2%	2,9%	2,7%	15,6%	6,3%
Very high	24,0%	37,5%	10,0%	25,0%	41,6%	39,0%	38,9%	17,8%	32,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Transport of timber into EU Country]									
High	12,0%	37,5%	20,0%	18,8%	44,9%	41,0%	40,7%	15,6%	33,5%
Low	44,0%	37,5%	20,0%	31,3%	15,7%	18,1%	19,5%	33,3%	23,4%
Medium	24,0%	0,0%	30,0%	31,3%	19,1%	21,0%	19,5%	26,7%	21,5%
Null	12,0%	0,0%	25,0%	12,5%	3,4%	4,8%	4,4%	17,8%	8,2%
Very high	8,0%	25,0%	5,0%	6,3%	16,9%	15,2%	15,9%	6,7%	13,3%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Export of timber from EU Country]									
High	8,0%	25,0%	20,0%	25,0%	15,7%	17,1%	17,7%	13,3%	16,5%
Low	44,0%	37,5%	25,0%	12,5%	39,3%	35,2%	35,4%	35,6%	35,4%
Medium	16,0%	12,5%	25,0%	43,8%	31,5%	33,3%	31,9%	20,0%	28,5%

Null	24,0%	0,0%	30,0%	6,3%	7,9%	7,6%	7,1%	26,7%	12,7%
Very High	8,0%	25,0%	0,0%	12,5%	5,6%	6,7%	8,0%	4,4%	7,0%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Transportation to the sawmill]									
High	20,0%	12,5%	15,0%	25,0%	20,2%	21,0%	20,4%	17,8%	19,6%
Low	20,0%	50,0%	25,0%	25,0%	25,8%	25,7%	27,4%	22,2%	25,9%
Medium	32,0%	37,5%	30,0%	31,3%	38,2%	37,1%	37,2%	31,1%	35,4%
Null	20,0%	0,0%	25,0%	6,3%	5,6%	5,7%	5,3%	22,2%	10,1%
Very high	8,0%	0,0%	5,0%	12,5%	10,1%	10,5%	9,7%	6,7%	8,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Processing]									
High	8,0%	0,0%	15,0%	25,0%	22,5%	22,9%	21,2%	11,1%	18,4%
Low	24,0%	37,5%	35,0%	18,8%	27,0%	25,7%	26,5%	28,9%	27,2%
Medium	40,0%	37,5%	25,0%	25,0%	34,8%	33,3%	33,6%	33,3%	33,5%
Null	20,0%	12,5%	20,0%	6,3%	5,6%	5,7%	6,2%	20,0%	10,1%
Very high	8,0%	12,5%	5,0%	25,0%	10,1%	12,4%	12,4%	6,7%	10,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
What is the activity/process more at risk of corruption OUTSIDE Europe? [Sell]									
High	12,0%	25,0%	10,0%	37,5%	31,5%	32,4%	31,9%	11,1%	25,9%
Low	36,0%	37,5%	40,0%	18,8%	13,5%	14,3%	15,9%	37,8%	22,2%
Medium	24,0%	12,5%	25,0%	12,5%	32,6%	29,5%	28,3%	24,4%	27,2%
Null	8,0%	25,0%	20,0%	25,0%	5,6%	8,6%	9,7%	13,3%	10,8%
Very high	20,0%	0,0%	5,0%	6,3%	16,9%	15,2%	14,2%	13,3%	13,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
If you wanted to complain about a case of illegal/criminal activities in forestry sector, whom would you trust most to deal with it?									
Forest Enterprises/Forestry State Corps/Forest Officials	12,0%	62,5%	10,0%	40,0%	37,1%	37,5%	39,3%	11,1%	31,2%
International organisations of the forest sector	12,0%	0,0%	10,0%	0,0%	3,4%	2,9%	2,7%	11,1%	5,1%
Media, newspaper, internet	16,0%	0,0%	20,0%	6,7%	3,4%	3,8%	3,6%	17,8%	7,6%
My colleagues	8,0%	0,0%	5,0%	0,0%	2,2%	1,9%	1,8%	6,7%	3,2%
My family	16,0%	0,0%	5,0%	0,0%	4,5%	3,8%	3,6%	11,1%	5,7%
NGOs and other associations	8,0%	37,5%	15,0%	6,7%	18,0%	16,3%	17,9%	11,1%	15,9%
Other	0,0%	0,0%	5,0%	6,7%	2,2%	2,9%	2,7%	2,2%	2,5%
Police	8,0%	0,0%	25,0%	20,0%	10,1%	11,5%	10,7%	15,6%	12,1%
Specialised anti-corruption agency	12,0%	0,0%	5,0%	6,7%	11,2%	10,6%	9,8%	8,9%	9,6%
The justice system (courts, tribunals or public prosecution services)	8,0%	0,0%	0,0%	13,3%	7,9%	8,7%	8,0%	4,4%	7,0%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can help in fighting illegal/criminal activities in forestry sector]									
Don't know	8,0%	0,0%	30,0%	0,0%	7,9%	6,7%	6,2%	17,8%	9,5%
Tend to agree	40,0%	62,5%	50,0%	37,5%	60,7%	57,1%	57,5%	44,4%	53,8%

Tend to disagree	4,0%	12,5%	5,0%	6,3%	5,6%	5,7%	6,2%	4,4%	5,7%
Totally agree	48,0%	25,0%	15,0%	56,3%	24,7%	29,5%	29,2%	33,3%	30,4%
Totally disagree	0,0%	0,0%	0,0%	0,0%	1,1%	1,0%	0,9%	0,0%	0,6%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can reduce criminal activities in forestry sector within Europe]									
Don't know	8,0%	12,5%	30,0%	0,0%	6,7%	5,7%	6,2%	17,8%	9,5%
Tend to agree	56,0%	62,5%	45,0%	50,0%	57,3%	56,2%	56,6%	51,1%	55,1%
Tend to disagree	8,0%	12,5%	5,0%	12,5%	12,4%	12,4%	12,4%	6,7%	10,8%
Totally agree	28,0%	12,5%	20,0%	37,5%	21,3%	23,8%	23,0%	24,4%	23,4%
Totally disagree	0,0%	0,0%	0,0%	0,0%	2,2%	1,9%	1,8%	0,0%	1,3%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can reduce criminal activities in forestry sector outside Europe (Africa, Asia, America)]									
Don't know	28,0%	12,5%	50,0%	6,3%	10,1%	9,5%	9,7%	37,8%	17,7%
Tend to agree	48,0%	37,5%	25,0%	56,3%	51,7%	52,4%	51,3%	37,8%	47,5%
Tend to disagree	8,0%	25,0%	15,0%	12,5%	12,4%	12,4%	13,3%	11,1%	12,7%
Totally agree	12,0%	12,5%	10,0%	18,8%	21,3%	21,0%	20,4%	11,1%	17,7%
Totally disagree	4,0%	12,5%	0,0%	6,3%	4,5%	4,8%	5,3%	2,2%	4,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can reduce corruption in forestry sector in Europe]									
Don't know	8,0%	12,5%	30,0%	0,0%	9,0%	7,6%	8,0%	17,8%	10,8%
Tend to agree	56,0%	62,5%	45,0%	43,8%	50,6%	49,5%	50,4%	51,1%	50,6%
Tend to disagree	8,0%	12,5%	15,0%	18,8%	19,1%	19,0%	18,6%	11,1%	16,5%
Totally agree	20,0%	12,5%	10,0%	31,3%	18,0%	20,0%	19,5%	15,6%	18,4%
Totally disagree	8,0%	0,0%	0,0%	6,3%	3,4%	3,8%	3,5%	4,4%	3,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can reduce corruption in forestry sector outside Europe (Africa, Asia, America)]									
Don't know	32,0%	50,0%	50,0%	0,0%	12,4%	10,5%	13,3%	40,0%	20,9%
Tend to agree	48,0%	37,5%	25,0%	56,3%	44,9%	46,7%	46,0%	37,8%	43,7%
Tend to disagree	8,0%	12,5%	10,0%	12,5%	23,6%	21,9%	21,2%	8,9%	17,7%
Totally agree	8,0%	0,0%	10,0%	18,8%	15,7%	16,2%	15,0%	8,9%	13,3%
Totally disagree	4,0%	0,0%	5,0%	12,5%	3,4%	4,8%	4,4%	4,4%	4,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [is more effective than other national/regional/local laws in fighting corruption in forestry sector]									
Don't know	12,0%	0,0%	30,0%	12,5%	11,2%	11,4%	10,6%	20,0%	13,3%
Tend to agree	60,0%	25,0%	35,0%	68,8%	44,9%	48,6%	46,9%	48,9%	47,5%
Tend to disagree	4,0%	37,5%	25,0%	6,3%	19,1%	17,1%	18,6%	13,3%	17,1%
Totally agree	24,0%	25,0%	10,0%	12,5%	21,3%	20,0%	20,4%	17,8%	19,6%

Totally disagree	0,0%	12,5%	0,0%	0,0%	3,4%	2,9%	3,5%	0,0%	2,5%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
In your opinion, the enforcement of the EUTR 995/2010: [can help detecting if corruption has occurred within the Country of Origin]									
Don't know	4,0%	25,0%	30,0%	6,3%	11,2%	10,5%	11,5%	15,6%	12,7%
Tend to agree	40,0%	37,5%	40,0%	56,3%	57,3%	57,1%	55,8%	40,0%	51,3%
Tend to disagree	24,0%	25,0%	10,0%	18,8%	12,4%	13,3%	14,2%	17,8%	15,2%
Totally agree	28,0%	12,5%	20,0%	12,5%	14,6%	14,3%	14,2%	24,4%	17,1%
Totally disagree	4,0%	0,0%	0,0%	6,3%	4,5%	4,8%	4,4%	2,2%	3,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
How have you prepared your due diligence system?									
Autonomously, by reference to a forest certification scheme DDS (e.g. PEFC DDS)	0,0%	0,0%	5,0%	0,0%	21,3%	18,1%	16,8%	2,2%	12,7%
By adopting a Monitoring organisation DDS	4,0%	12,5%	5,0%	12,5%	10,1%	10,5%	10,6%	4,4%	8,9%
By yourself (with internal resources or with the support of an external consultant)	16,0%	25,0%	10,0%	25,0%	21,3%	21,9%	22,1%	13,3%	19,6%
No duty of making DDS	12,0%	12,5%	35,0%	25,0%	38,2%	36,2%	34,5%	22,2%	31,0%
Not yet prepared	68,0%	50,0%	45,0%	37,5%	9,0%	13,3%	15,9%	57,8%	27,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
For which kind of information do you observe the biggest difficulty in gathering?									
Common name of tree species	4,5%	0,0%	0,0%	0,0%	2,6%	2,2%	2,1%	2,9%	2,3%
Concession of harvest	18,2%	0,0%	0,0%	14,3%	23,7%	22,2%	21,4%	11,4%	19,4%
Country of harvest	9,1%	0,0%	7,7%	4,8%	7,0%	6,7%	6,4%	8,6%	6,9%
Documents or other information indicating compliance of those timber and timber products with the applicable legislation	18,2%	80,0%	53,8%	42,9%	26,3%	28,9%	30,7%	31,4%	30,9%
Full scientific name	4,5%	20,0%	0,0%	4,8%	4,4%	4,4%	5,0%	2,9%	4,6%
Name and address of the supplier to the operator	4,5%	0,0%	0,0%	4,8%	8,8%	8,1%	7,9%	2,9%	6,9%
Name and address of the trader to whom the timber and timber products have been supplied	13,6%	0,0%	7,7%	4,8%	6,1%	5,9%	5,7%	11,4%	6,9%
Other	0,0%	0,0%	0,0%	0,0%	1,8%	1,5%	1,4%	0,0%	1,1%
Quantity	4,5%	0,0%	0,0%	9,5%	7,0%	7,4%	7,1%	2,9%	6,3%
Sub-national region where the timber was harvested	13,6%	0,0%	23,1%	9,5%	8,8%	8,9%	8,6%	17,1%	10,3%
Trade name	4,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%	0,6%
Type of product	4,5%	0,0%	7,7%	4,8%	3,5%	3,7%	3,6%	5,7%	4,0%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
If you identify a supply with "non negligible risk", which of the following measures do you adopt? (EU)									
I ask for more information	4,5%	57,1%	n.a.	41,7%	52,7%	50,7%	51,4%	n.a.	51,4%
I cancel the partnership with the supplier	22,7%	0,0%	n.a.	25,0%	20,0%	20,9%	18,9%	n.a.	18,9%

I denounce the fact to the competent authorities	45,5%	14,3%	n.a.	16,7%	14,5%	14,9%	14,9%	n.a.	14,9%
I do nothing	4,5%	14,3%	n.a.	0,0%	1,8%	1,5%	2,7%	n.a.	2,7%
I program audit on site	18,2%	0,0%	n.a.	0,0%	1,8%	1,5%	1,4%	n.a.	1,4%
I send back the lot	4,5%	14,3%	n.a.	16,7%	9,1%	10,4%	10,8%	n.a.	10,8%
Total	100,0%	100,0%	n.a.	100,0%	100,0%	100,0%	100,0%	n.a.	100,0%
Which indicators that are part of risk assessment process in EUTR do you consider more important (non-EU); During the risk assessment phase, which indicators do you take into account? (EU)									
Assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation	13,6%	0,0%	15,4%	15,9%	18,7%	18,1%	17,6%	14,3%	17,1%
Existence of documents that clearly identify the required information	22,7%	50,0%	30,8%	18,2%	22,9%	21,9%	22,7%	25,7%	23,1%
Other	9,1%	0,0%	0,0%	0,0%	1,2%	1,0%	0,9%	5,7%	1,6%
Prevalence of illegal harvesting of specific tree species	9,1%	0,0%	7,7%	11,4%	10,2%	10,5%	10,2%	8,6%	10,0%
Prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict,	4,5%	0,0%	15,4%	11,4%	9,0%	9,5%	9,3%	8,6%	9,2%
Sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports	0,0%	16,7%	0,0%	9,1%	6,0%	6,7%	6,9%	0,0%	6,0%
Supplies declared as certified against a forest certification scheme supported by a forest management or chain of custody certificate issued by a third party certification body	22,7%	33,3%	7,7%	9,1%	13,9%	12,9%	13,4%	17,1%	13,9%
The actual corruption perception index (CPI) of the country presented by Transparency International (TI)	0,0%	0,0%	15,4%	13,6%	9,6%	10,5%	10,2%	5,7%	9,6%
The complexity of the supply chain of timber and timber product	18,2%	0,0%	7,7%	11,4%	8,4%	9,0%	8,8%	14,3%	9,6%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Did you receive specific training/information about Timber Regulation?									
No	72,0%	62,5%	65,0%	25,0%	19,1%	20,0%	23,0%	68,9%	36,1%
Yes	28,0%	37,5%	35,0%	75,0%	80,9%	80,0%	77,0%	31,1%	63,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
If yes, from who?									
Cerification bodies	14,3%	0,0%	0,0%	0,0%	13,9%	12,3%	11,9%	5,9%	10,9%
Consultants	14,3%	0,0%	0,0%	22,2%	12,5%	13,6%	13,1%	5,9%	11,9%
Forest certification systems (eg PEFC)	14,3%	33,3%	20,0%	66,7%	18,1%	23,5%	23,8%	17,6%	22,8%
Monitor Organisation	0,0%	0,0%	30,0%	0,0%	27,8%	24,7%	23,8%	17,6%	22,8%
Other	0,0%	33,3%	50,0%	11,1%	12,5%	12,3%	13,1%	29,4%	15,8%
Professional associations	57,1%	33,3%	0,0%	0,0%	15,3%	13,6%	14,3%	23,5%	15,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Which of the following information have you been asked from your partner in EU? (non-EU) Which of the following information do you ask your suppliers? (EU)

Common name of tree species	9,2%	4,8%	2,0%	0,0%	8,1%	6,7%	6,6%	7,2%	6,8%
Concession of harvest	6,9%	4,8%	7,8%	12,1%	10,4%	10,7%	10,4%	7,2%	9,4%
Documents or other information indicating compliance of those timber and timber products with the applicable legislation	7,7%	9,5%	11,8%	10,6%	8,1%	8,6%	8,6%	8,8%	8,7%
Country of harvest	12,3%	0,0%	13,7%	10,6%	12,7%	12,3%	11,7%	12,7%	12,0%
Full scientific name	6,9%	0,0%	7,8%	7,6%	7,8%	7,8%	7,4%	7,2%	7,3%
Name and address of the supplier to the operator	10,0%	23,8%	9,8%	10,6%	8,1%	8,6%	9,4%	9,9%	9,6%
Name and address of the trader to whom the timber and timber products have been supplied	7,7%	14,3%	7,8%	9,1%	5,5%	6,2%	6,6%	7,7%	7,0%
Other	1,5%	0,0%	0,0%	0,0%	0,7%	0,5%	0,5%	1,1%	0,7%
Quantity	11,5%	19,0%	7,8%	10,6%	8,8%	9,1%	9,6%	10,5%	9,9%
Sub-national region where the timber was harvested	10,0%	4,8%	9,8%	9,1%	7,8%	8,0%	7,9%	9,9%	8,5%
Trade name	5,4%	14,3%	3,9%	9,1%	9,8%	9,7%	9,9%	5,0%	8,3%
Type of product	10,8%	4,8%	17,6%	10,6%	12,1%	11,8%	11,4%	12,7%	11,8%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

SECTION II – EMERGING RISKS OF CORRUPTION IN THE FOREST SECTOR IN EUROPE

1. Risk of corruption in the forest and forest related sectors: an introduction

This section is intended to provide basic guidelines and templates for describing and assessing the risks of corruption in the management and control of timber supply chains. It is meant to help outline corruption hotspots related to trade, institutions, rules, procedures and the overall criminal background of the countries. Observations based on the evidence, gathered during the TREES research phase as well as a number of open sources were used for this compilation. The tool has the following objectives:

- 1) To present a reference typology of corruption-related risks in the supply/trade chains based on the case studies and the interviews conducted (**typical corruption risks**).
- 2) To point at the potential data sources that can be used for the purposes of the risk assessment (**sources of information**).
- 3) To propose a simple risk assessment matrix, centered around the “probability-impact” criteria – what type of corruption risks are most common and what is the severity of their impact on the integrity of the system (**assessment criteria**).
- 4) To provide a template for producing risk assessment report on the basis of the risk typology and the assessment criteria (**assessment template**).

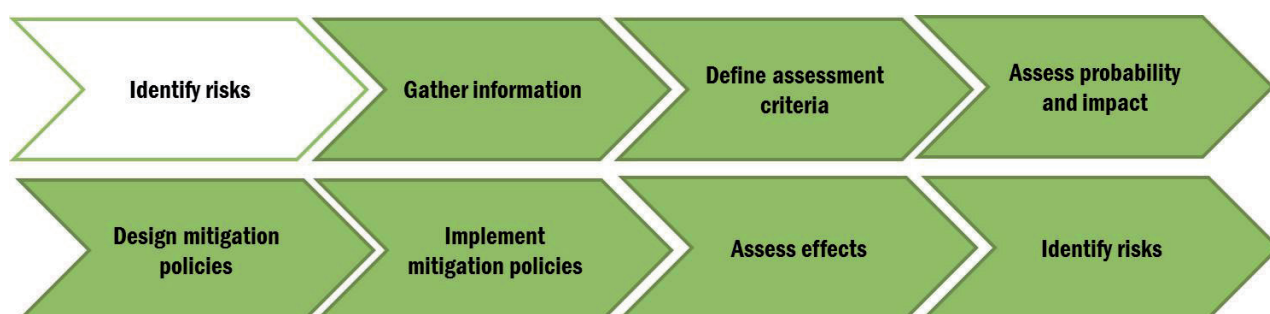
In this line we regard the risk assessment procedure as an algorithm of actions to be performed on regular (yearly) basis in order to gather and ar-

range the knowledge needed for the implementation of informed policies in the timber sector: Beyond the framework of the TREES project the proposed risk assessment template is designed for a broader group of stakeholders including professionals, policy-makers, activists and independent experts as well. Its foremost purpose is to encourage policy thinking and policy making in the realm of “risk management”. Secondly, the document is intended to provide some basic ideas and guidelines for the risk assessment in the TREES framework that can be subsequently adapted and reused in other contexts.

1.1 Definition of risk

A risk is the likelihood of an unwanted event or process to occur. A risk is not autonomous, i.e. in itself: a risk is always in relation to a situation, event, process etc. The probability of an unwanted event to occur can be determined by defining risk factors, passive or active, and summing and/or assessing their vitality to the integrity of the projected outcome.

Passive risk factors are conditions of the environment. Defining a risk factor as such means that the “riskiness” is rooted into the very fabric of the condition itself. The properties of the risk are a later concern and are part of the assessment process. **Active factors** make up the likelihood of actors being prone to exploit situations in a certain way so as to alter the purpose or otherwise compromise the integrity of the latter. The active risk factors are closely related to the passive insofar as if there is no environment in which a risk can be realized, there essentially is no risk at all.



Conditions of the environment in the case of corruption include but are not limited to:

- Legislation;
- Administrative framework and efficiency (or lack thereof)
- Economic environment
- Political environment
- Existence of criminal groups and/or organizations
- Specifics of the market/trade environment

Active factors that facilitate corruption and/or illegal activities in the timber sector refer to the possibility of entities (be it individuals, firms, criminal groups, public officers etc.) to take advantage and exploit weaknesses in the system. These include but are not limited to:

- High level public officials (forestry sector)
- Low level public officials (forestry sector)
- Local government officials
- Logging firms
- Timber trading firms
- Organized criminal groups, local or otherwise

Except for the criminal groups, the case for all the other entities is in fact the likelihood of them becoming corrupt, given (1) possibilities that a certain situation provides and (2) how prone is the actor to decide to act on it, and why: does he have a choice, is the risk of getting caught low, and/or is the punishment for the act worth it and so on.

2. Typology of corruption risks in Timber Sector

Cases analyzed during the TREES desk research show little or no direct evidence of bribery and other “classic” acts of corruption. However the nature of the cases and the inconsistency between crimes committed and case outcomes makes it apparent that there is an underlying corruption field that operates parallel to the legitimate state powers. For the needs of the risk assessment we focus our attention on a range of factors, which can foster corruption and affect the way the state exerts its discretionary power on the market of wood.

2.1 Domestic market and international trade

A major distinction should be made between

the corrupt practices on the domestic market and those facilitated by the conditions in the international trade. The domestic market is regulated by uniform rules, it does not involve breaches in the customs’ regime and the circle of players is limited. The risks for illegal traders are lower as well as the chances for their exposure. International trade, on the other side, presumes the participation of resourceful players, longer and vulnerable supply chains, sophisticated criminal approaches (timber laundering, middlemen, document forgeries etc.).

Domestic Market: TREES project research phase (interviews & case studies) showed that black domestic markets in the partner countries (esp. in the Balkans) nurture corruption, which is benefited by some common passive risk factors, inherent to the scale of business, type of timber traded and the social strata involved:

1) Widespread irregularity, split between small-sized agents: At the very beginning of the supply chain timber is extracted by numerous small-sized illegal enterprises, which are hard to control. Chainsaw teams comprise few workers and in case of failure it is easy to mask the organized activities as acts of individual perpetrators. This facilitates “black” operators in evading legal responsibility. Respondents and court evidence point at proceedings against persons instead of companies. Fines are respectively small - proportionate to volumes in the separate cases.

2) Timber of type and size, suitable for manipulations: Firewood is most often involved in illegal dealing. Its shape and quality allow for fraud in calculations. Profits are made in the gaps between contracted and harvested, transported and sold wood. The extreme proximity between supplier and customer (short trade chain) contributes to the high level of liquidity of the illegal asset and hampers effective prevention and control. Construction wood is the second choice in the domestic black trade. It implies longer transportation routes and laundering through storage facilities and sawmills, but the added value is higher.

3) Social implications of the domestic trade: Within Balkan context the demand for cheap il-

legal firewood has social background (poverty, unemployment, regional disadvantages etc.) Often representatives of marginalised minority groups are involved in the black harvesting and serve as a “safety fuse” between the criminal enterprise and the law. Financial sanctions imposed in such environment are hard to be effectively enforced (collection of fines is impossible or insignificant).

International trade in EU frame: The European economy harbors huge and complex wood industry. Eurostat estimates the gross value added of the sector at EUR 132 billion, which is equivalent to 8.1 % of the manufacturing total in 2012¹. The freedom of trade within the Customs’ Union makes monitoring and control over the timber flows difficult. A 2008 WWF study (WWF, 2008b) shows that the internal trade in the Union with its 451 million m³ exceeded the amount harvested in the EU - which in turn indicates that third country material enters the domestic trade chain as “local” material after processing². Same source points at the Balkan countries as one of the suppliers of illegal timber for the EU needs. The situation was further complicated because in 2007 and 2013 three Balkan countries, Bulgaria, Romania and Croatia, became members of the free trade zone. Thus they changed their status from “third countries” to “internal suppliers”. Despite initiatives like EUTR, adequate control remains a significant challenge for member countries. What are the main drivers behind the corruption pressure in international trade?

1) Price margins between source and destination countries: The notorious example of tropical wood smuggled in Europe found analogues in the data collected under TREES. Smuggled Bulgarian firewood, for instance, became a wanted good in the neighboring countries: Macedonia, Turkey, Greece. Due to the geographical location and the vast market Italy is also a destination for illegal firewood from the Western Balkans.

2) Existing smuggling networks and channels: Balkan routes have a long record as a crossroad for trafficking of illicit goods and humans. The Afghan opioids are supplied in Eu-

rope mainly through the “Balkan route”³. Since the beginning of the European migration crisis, criminals use the “Balkan road” for smuggling people in the north-western parts of the continent. The established criminal channels and the “adhesion” between customs and criminal rings encourages and facilitates the import and export of illegal timber. Respondents reported cases of customs’ fraud, based on paper manipulations on the quality, quantity and species of wood crossing the borders. Such operations are characterized by low risk for perpetrators and modest bribes paid to customs’ officers.

3) Low corporate responsibility: Key factor to fuel corruption in international trade relates to what conservationists call “corporate greed”⁴. It is noted that “companies are making huge profits on the back of deforestation, as destructive and illegally logged timber is cheaper”. Such qualification could not be applied by default to a whole sector, the largest segment of which operates within the legal boundaries. It is important however to note that in the recent years the EU wood industry is increasing its scale, making wood “increasingly sought after and expensive”⁵. Risk in this case appears at the cross point where relentless pursuit of profit meets the possibility to manipulate lax and ambiguous rules. In other words illegal exports would not be possible without their end-users. Some interviews hinted the connection between large wood processing enterprises and black harvesters/smugglers, although it was not verified by strong evidence.

2.2 Risks related to the institutions: capacity, structure, functions

This group of risk relates to the typical weak spots in the institutional network, responsible for the management and control in the timber sector, which makes it vulnerable to corrupt infiltration. They are outlined on the basis of the observations during the TREES research. The shortages may include, but should not be limited to a) lack of administrative capaci-

¹ Eurostat (2015)

² WWF, 2008. *Illegal wood for the European market - An analysis of the EU import and export of illegal wood and related products*, p. 10

³ European Monitoring Centre for Drugs and Drug Addiction, 2015

⁴ For example see Greenpeace, 2007. *The role of government and companies in deforestation*.

⁵ Eurostat, 2016. *Forestry statistics*. Accessible at http://ec.europa.eu/eurostat/statistics-explained/index.php/Forestry_statistics#Forest_based_industries [visited on 19.04.2016]

ty - motivated and sufficient staff, resources, qualifications, b) inadequate functions of the administrative units - overlaps in tasks, weak internal control, structural conflict of interests and c) institutional culture, susceptible to political interference. We speak here of some basic preconditions for the corrupt transactions, which imply both active exploitation of weaknesses (e. g. “partisan” lobbying) and “passive” loopholes in the bureaucratic structures. The consequent manifestations of the very acts of corruption are best described through the categories in the classical institutional corruption theory⁶: a) violation of fiduciary duties, b) engagement in fraudulent practices, c) endangering the security and interests of the general public, and d) irregularities, due to failed strategies, wrong decisions and mismanagement.

Capacity: During the interviews, forest administration in the participating Balkan countries was often labelled as “lacking resources” and “understaffed”. Respondents pointed at the relation between the insufficient number of officers and the opportunities for criminal structures to operate in areas which remain out of this deficient control. The risk is particularly obvious on the basic levels of the supply chain - (illegal) harvesting in the forests. Lack of staff might be further multiplied by the scarcity of resources: transportation, equipment, fuel, adequate salaries etc. Resources and payment are directly related to the motivation of the personnel⁷. They also reflect the ability of the system to recruit and maintain qualified professionals. As one of the interviewees stated, when you degrade the status of the profession, only incapable or corrupt individuals will remain in the system. The risk of insufficient capacity might be additionally aggravated by cronyism and nepotism.

Structures and Functions: Another important aspect of the institutional risks facilitating corrupt transactions lies in the way public bodies, regulating timber production and trade, are constituted. Scholars have noted that “institu-

tional structure that governs the interactions between players and, more particularly, public and private actors is a decisive factor of corrupt practices”⁸. TREES research showed that timber administration, especially in countries with strong centralization of management processes (e. g. Bulgaria), is prone to corruption. Several weaknesses are especially explicit: a) mixing executive and control functions when one hierarchical position is responsible for the exploitation of the forest and - at the same time - for its protection; b) overlap in similar functions of different units (e. g. in municipality and ministry) when there is no clear responsibility for the neglect of duties and other omissions; c) lack of efficient integrity infrastructure within the sector, responsible for the transparency, accountability and whistleblowing; d) failures in the organization and functions of third party structures which have indirect, but crucial impact on the good governance of the timber industries and trade (e. g. malfunctioned or captured law-enforcement agencies, customs, tax-collecting bodies).

Political Influence: Structural flaws are a passive risk factor, which could be successfully exploited by active external players (organized criminal enterprises, corporations, profiteering in the grey zones, and corrupt top-level politicians). In representative democracies political parties are the natural proxy between external stakeholders and administrative apparatus. Heads of administrations (ministers) are appointed by ruling parties. Key positions (re-distributing resources or performing control) are also vulnerable to lobbying, nepotism and cronyism. The very policies of the sector are designed and implemented under the influence of powerful business interests. In some cases (reported predominantly in the Balkan region) respondent’s stories and open publications hint at significant kickbacks accumulated in the black party funds in exchange for “political umbrellas” spread over illegal traders with the support of “loyal” executive officers (see the example below). This was not an unexpected observation, given the fact that political elites and logging industry by default

6 See Newhouse, M. E., 2014: *Institutional Corruption. A Fiduciary Theory*. *Cornell Journal of Law and Public Policy*. Vol. 23: 553-594.

7 See Rynes, S., Gerhart, B. & Minette, K., 2004: *The Importance of Pay in Employee Motivation: Discrepancies between what people say and what they do*. *Human Resource Management*, Winter 2004, Vol. 43, No. 4, pp. 381-394

8 Economakis, G., Rizopoulos, Y. & Sergakis, D., 2010. *Patterns of Corruption*. *Journal of Economics and Business* Vol. XII - 2010, No 2 (11-31).

enjoy mutually benefitting partnership⁹. Unsustainable exploitation and quick profits for the entrepreneurs are often traded in exchange of populist support among local interest groups, financial contributions to party campaigns and direct payments to influential politicians.

2.3 Risks related to the legal framework: regulation of the timber sector and its implementation

Summary: The legal framework itself in the different countries varies, but it is more or less grounded on the premise that (a) the forest is an important and rather delicate (public) natural resource, which therefore (b) must be protected by the state by regulating its usage. Its objective, as in the case of any state regulation concerning a public good, is ensuring that (c) the resource is not used beyond a point, which is considered harmful for its sustainability.

Timber is very well distributed throughout the market spectrum: low-end timber is used for firewood, which is a widespread heating source among poorer communities, especially in the Balkan region, while mass-production timber, used mainly for furniture keeps demand high. This makes timber a target for criminal groups. TREES research in countries where corruption is high and/or there are active criminal entities showed that timber is an extremely feasible field of operation.

According to the interviewed experts and investigative journalists alike, the reason that illegal logging is so popular among different criminal groups (regardless whether or not this is their “main” business) is that illegal timber is “easy low-risk money”.

The “low-risk” here is constituted by two factors: one is that the likelihood of getting caught is low, be it because of corruption or otherwise. The second factor, whose impact is much more severe, is that even if one gets caught the sanction compared to the profit is negligible. This means that the legal framework in those countries (Bulgaria, Macedonia, Albania) has failed to recognize the magnitude of problem it is nevertheless addressing.

Risks relating to the legal framework:

What the law should provide for:

- The legal framework should take into account not just the raw cost of the wood that came from an act of illegal logging as loss, but also the harm to the sustainability of the forest where the logging has taken place;
- The legal framework should not necessarily be complex, but it should be very clear about responsibilities in the sector, including law enforcement, control and crime prevention. Overlapping or unclear responsibilities among different government officials is very beneficial to corruption and/or covering up wrongdoings.
- The legislation and legal provisions in the penal code about illegal logging should not center around the harm for the public finance only, but should take into view the idea of ensuring the sustainability of the forests.

While the law itself is the more conservative part of the regulation, the implementation is where the real risks lie.

Preventing corruption is a paramount task when dealing with countering illegal logging: combating illegal practices in an institutional environment that is corrupt is next to impossible. A high potential for a system to become corrupt renders any regulation useless insofar as any law could be bypassed provided the executor of that law or regulation remains passive.

Risks related to weaknesses in the regulation and/or process that could result in corruption thereby enabling illegal conduct:

- Lack of transparency and/or reliability of the legality of the different stages of the whole process of logging, transport and trade etc.
- Loopholes in the documentation and verification system that provide possibilities for forfeiture and/or other ways of compromising its integrity;
- Any stage of the legitimization process, which is left to rely only on people, contains risks. All stages of the process should be operated by an official, however, their integrity should also be proofed by system measures (eg. electronic tickets, online platforms for tracing timbers, log systems for officials etc.).

⁹ See: Forests Monitor, no date. Politics, Law and the Logging Industry. Accessible at <http://www.forestsmonitor.org/en/reports/550066/550073> [visited on 19.04.2016]

2.4 Risks related to the existing due diligence procedures and their enforcement

The EU Timber Regulation: The EU has established a due diligence system for its market through the implementation of Regulation 995/2010. The regulation is aimed at assuring that illegally harvested timber or products containing illegal timber do not enter the EU market¹⁰.

Due diligence is a fundamental part of the regulation. The implementation of it is carried out by authorized bodies in each country¹¹.

The design of the due diligence system in itself is thorough enough. It is organized in three major steps: access to information, risk assessment and mitigation. Access to information means that the operators should be able to easily acquire all relevant information about the origin and “history” of the timber or timber products; the second step concerns the capacity of the operator to assess the risk of the timber, part of it or a part of the process that has led it to this point being illegal; lastly, having assessed the risk the operator should take steps so as to reduce that risk, mainly by requesting more information. The system addresses precisely the main problem that arises from the very nature of the kind of activity that logging is: the fact that the whole process from harvesting to the end user consists of many parts which are remote from one another. That is to say, it is very easy to lose track from one step to the next and thus be uncertain of the timber’s origin.

While the the due diligence system itself is well developed, problems with its efficiency and usefulness not only exist but are in some cases quite severe. The problem with the due diligence system is that it cannot function effectively and be reliable if not for the context in which it operates: the overall corruption environment provides for the necessary papers to be produced and for them to check out regardless the reality of the actual transactions. That is to say, reliable due diligence can be carried out only if the information it operates upon is itself reliable. Otherwise the system is rendered

fruitless. Particularly in Bulgaria, TREES research has shown that the practice of acquiring illegal timber is done almost exclusively by forging documentation. This means that in essentially all cases the timber checks out due-diligence-wise because it is equipped with all the necessary documents. A key question it would seem is how does the DDS account for acts of forgery designed precisely for the purpose of targeting its effectiveness. This is also important to bear in mind when using statistics about illegal timber in Bulgaria and other countries, for which there is evidence of such practices, such as Albania, Kosovo, Macedonia and the like. This is one of the reasons why good regulation and especially implementation and control is paramount when tackling the problem of illegal timber. The fundamental tool for reducing (the risk of) illegal timber entering the market is a well established and transparent system for control on timber and timber products, especially in the harvest, transport and “raw material” phases.

2.5 Risks related to the criminal environment in the country

Risks for corruption in timber sector correlate to the rates of the high level political corruption and the organization of crime within respective countries. Extreme forms of interest group infiltration in the decision making process, known as ‘state capture’, also hint about a forest industry susceptible to abuse of power, deliberate maladministration and lowered control. Wherever organized crime and corruption flourish, it is highly probable that the market of wood would become a target for criminal profiteering. A specific case of a criminal activity growing upon abuse in timber supply chains is the funding of terrorism through the black market.

High-level corruption: A political system, permeated by corruption, is expected to interfere in the decision making process and to undermine the control procedures, implemented by the executive bodies (see 2.2. Risks related to the institutions). Law enforcement, prevention, protection, fair procurement and transparency in the management of the forests are particu-

¹⁰ http://ec.europa.eu/environment/forests/timber_regulation.htm#due_diligence

¹¹ http://ec.europa.eu/environment/forests/pdf/list_competent_authorities_eutr.pdf

larly exposed to this type of active risk factors. Experts describe “high level political corruption” in its relation to the authoritarian rule, “where those in power enjoy impunity and are sheltered from public criticism”¹². Another “diagnosis” traces the interdependencies between high level corruption and the market regulation. From this point of view transition economies are assessed to be facilitative for the “illicit enrichment”¹³ of the political elites. Other scholars underline the connection between “high level”, “grand” and “political” corruption, using the terms as synonyms and distinguishing this elite stratum from the “bureaucratic and petty corruption”. Elaine Byrne gives the following definition of high-level corruption: **“Political or grand corruption takes place at the high levels of the political system, when politicians and state agents entitled to make and enforce the laws in the name of the people, are using this authority to sustain their power, status and wealth”**¹⁴. This description corresponds to the observations of the TREES research: interviews and media publications and to a lesser extent the case studies are indicative to the fact that the sector specific corruption is possible only within the frame of systemic abuse with power, practiced in larger framework (the governance of the whole country).

State capture: A distinct and “pernicious”¹⁵ form of political corruption is described by academics and international regulatory organizations with the term “state capture”. World Bank experts stress on two aspects of that concept: 1) It relates to “illicit, illegitimate and non-transparent forms of influence”; 2) It pertains to the very fundament of the state, encompassing “the formation of laws, rules, and decrees by a wider range of state institutions, including the executive, ministries and state agencies, legislature, and the judiciary”¹⁶. International

Monetary Fund has a more descriptive approach: “state capture” is illustrated with the example of “the so-called oligarchs manipulating policy formation and even shaping the emerging rules of the game to their own, very substantial advantage”¹⁷. When discussing the risks state capture poses for the management of the forest resource, we shall keep in mind that this is also **“a distinct network structure in which corrupt actors cluster around certain state organs and functions”**¹⁸.

Organization of crime: Illegal timber industry and trade in their essence exist in the operations of enterprises on the black market. Therefore criminal rings who are active “in the forest” give good examples of organized criminal entrepreneurship. The Federal Bureau of Investigation **“defines a criminal enterprise as a group of individuals with an identified hierarchy, or comparable structure, engaged in significant criminal activity”**. The same authoritative source underlines that **“these organizations often engage in multiple criminal activities and have extensive supporting networks”**¹⁹. It means that illicit timber is usually just one of many “folders” in a certain criminal portfolio. An analogous claim is also valid: due to the low risks in case of exposure and the moderate start-up capital needed, black exploitation of the forest resources becomes a perspective opportunity for mafia-style organizations. This hypothesis receives confirmations in the case studies from the Balkan countries. In Bulgaria, a local *mafioso* with civil forfeiture sanctions imposed on his vast business empire, owned inter alia several companies implicated in illegal logging affairs. To sum up: where criminal networks exist undisturbed by corrupted institutions it is very likely that the wood industries would become easy prey for black entrepreneurs.

Black market of timber and funding of terrorism: Although not evident from the infor-

¹² See Whitehead, L., 2007: *High Level Political Corruption in Latin America: A “Transitional” Phenomenon?* In “Political Corruption. Concepts and Contexts”. Transaction Publishers New Brunswick (U.S.A.) and London (UK)

¹³ *ibid*

¹⁴ Byrne, E., 2009. Accessible at <http://elaine.ie/2009/07/31/definitions-and-types-of-corruption/>, [visited on 19.04.2016]

¹⁵ Hellmann, J. & Kaufmann, D., 2001. *Confronting the Challenge of State Capture in Transition Economies*. Finance and Development, September 2001, Volume 38, Number 3

¹⁶ World Bank, 2000. *Anticorruption in Transition. A Contribution to*

the Policy Debate. World Bank, Washington DC

¹⁷ Hellmann, J. & Kaufmann, D., 2001. *Op. Cit.*

¹⁸ Fazekas, M. & Tóth, I. 2014. *From corruption to state capture: A new analytical framework with empirical applications from Hungary*. Working Paper Series: CRC - WP/2014:01, Corruption Research Center Budapest.

¹⁹ <https://www.fbi.gov/about-us/investigate/organizedcrime/glossary>

mation collected during the TREES implementation, the exploitation of natural resources by terrorist movements pose a considerable risk factor when it comes to regions, plagued by terror and violence. In 2014 UN predicted that “the increased charcoal demand will considerably increase the purchasing power of non-state armed groups, including terrorist organizations, and accelerate emissions if left unchallenged”²⁰. Investigations reveal that “in East, Central and West Africa, the annual trade of up to \$100bn in illegal logging is helping line the pockets of mafia, Islamist extremists and rebel movements, including Somalia’s Al-Qaeda linked terror group al-Shabaab that now rely on charcoal as its primary finance.”²¹ In this case the difference between terrorists

and organized criminal entrepreneurs is measured only by the degree of brute force they are inclined to apply in order to secure their business interests. There is however one significant distinction between crime and political terror stuffing their pocket with illicit goods. While organized crime is trying to use corruption in making the administrative apparatus work for its profit, terrorists directly challenge the authority of the state to enforce its sovereignty: it is a “complex political question of who has the right to control a country’s natural resources”²². Terrorist activities in a country create risks for an indiscriminate criminal abuse of the forest. Timber, illegally harvested by organized terror groups, must find its way to the markets, which suggests that they also resort to corruption. This is the reason why this factor should be also considered when conducting a corruption risk assessment.

20 <http://www.unep.org/newscentre/default.aspx?DocumentID=2791&ArticleID=10906&I=en>

21 The Guardian, 2014. \$213bn illegal wildlife and charcoal trade ‘funding global terror groups’. Accessible at <http://www.theguardian.com/environment/2014/jun/24/illegal-wildlife-charcoal-trade-funding-global-terror-groups> [Accessed on 19.04.2016]

22 Pieth, M. 2003. *Financing Terrorism*. Kluwer Academic Publishers, Dordrecht, p. 15

SECTION III – PREVENTING AND REDUCING ILLEGALITY IN THE TIMBER SECTOR

1. Vulnerability Assessment

The risk assessment is an evaluation of a system to a phenomenon (in the case of a crime risk, the assessment of a system to criminal phenomena); the vulnerability assessment is the evaluation of the weakness of a management system (prevention and control) to the risks above specified. The common definition of “vulnerability” varies across disciplines, ranging from engineering to psychology to economics. In the development community, vulnerability has become an important concept used to guide the design, evaluation, and targeting of programs. So, a vulnerability assessment can be defined as the process of identifying, quantifying, and prioritizing (or ranking) the vulnerabilities in a system. Examples of systems for which vulnerability assessments are performed include, but are not limited to, information technology systems, energy supply systems, water supply systems, transportation systems, communication systems and, of course, forestry. Such assessments may be conducted on behalf of a range of different organizations, from small businesses up to large regional infrastructures.

EU Timber Regulation aims to halt the entrance of illegal timber into the EU marketplace, and, in the same time, aims to fight and prevent corruption because the risk of illegal harvesting (or activities in general) is influenced by the corruption itself.

While thorough diligence is not guaranteed to identify specific acts of past misconduct, a thoughtful, well-planned and well-executed diligence process shall identify structural risks and compliance weaknesses: in the case of forestry, illegal logging can be carried in presence of well-established corruption network. The complicity of numerous public officials (forest authorities, police, customs) is pivotal to the illegal business, as it either allows the activities to take place or to continue without any sanctioning (Transparency International, 2014). For instance, corruption enables companies

to log and export timber species protected by law, to log in protected areas or in zones outside of the granted concession, and to transport illegally extracted timber to specific markets (Callister, 1999). On this perspective, vulnerability assessment has many things in common with risk assessment. In the timber sector there are, at this purpose, specific regulations for the certification of a Chain of Custody (CoC). CoC is the flow of information through a supply chain that makes it possible to prove that timber has been derived from legal or sustainably managed forests.

A CoC approaches can be paper-based or electronic, but it must include the information necessary to trace timber and wood products back to their origin. If robust, CoC certification allows forest product manufacturers and traders to ensure there is no illegally harvested material in their supply chains. Any CoC system needs to be able to track materials with no gap in the chain from point of harvest to point of export, including transportation, processing, storage and distribution.

Usually two CoC systems are used in the forest sector: physical separation and inventory management. The former requires that products are marked so that they can be identified individually and that they are processed and stored separately.

The latter uses data reconciliation between total input and total output at processing or storage facilities. Both systems require effective mechanisms for measuring and recording the quantities of timber or timber products at different points in the supply chain in order to reconcile quantities and check that the integrity of the control system has been maintained. The information management and data reconciliation mechanisms on which effective CoC is based are required to be checked regularly, at least annually – both by the company operating them and by a third-party auditor (Saunders & Reeve, 2014).

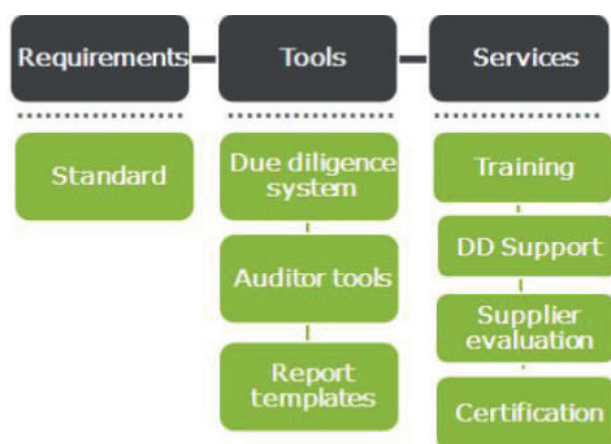
Attempts to formulate and apply principles for rigorous CoC controls have been made in Europe, notably, by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and several private ‘verified legal origin’ systems.

2. Due Diligence System

EUTR's Monitor Organizations very often base their Due Diligence System in order to meet the requirements of a certification system (PEFC or FSC), while maintaining full harmonization with the EUTR legislation.

PEFC has created a minimum Due Diligence System requirement inside the Chain of Custody of Forest Based Products Standard

Figure 1 - The NEPCon LegalSource programmes component



(PEFC ST 2003:2013), that shall be implemented by the companies that wish to be certified according to the PEFC Chain of Custody standard (PEFC, 2013).

Bureau Veritas has developed a comprehensive Timber Regulation Due Diligence Solution that is in full compliance with the EUTR, the USA Lacey Act and the Australian Illegal Logging Prohibition Bill; Woodmark provides

its DDS and its Forest Verification of Legal Compliance (used to verify compliance with all national harvesting laws) in line with FSC principles. All these systems are voluntary systems.

The NEPCon LegalSource Due Diligence System (Fig. 1) provides a step by step route to exercising due diligence designed to match the EUTR (but also similar regulations that apply in the US and Australia) and covers all key aspects of the due diligence, from access to information to risk assessment and risk mitigation (Fig. 2).

Finally, Conlegno, an Italian M.O., has created a system (the LegnOK system) which is based on different actors that actually is used from about 150 Companies.

2.1 Basic steps in the DDS

The core of the 'due diligence' notion is that operators undertake a risk management exercise in order to minimise the risk of placing illegally harvested timber, or timber products containing illegally harvested timber. In order to undertake the risk management exercise, three basic steps are needed: gathering of information, risk assessment procedures and risk mitigation procedures.

Gathering of information

The purpose of the "gathering of information" phase is to receive information about the supplies' origin and tree species, which can be used in the subsequent risk assessment.

The operator must have access to information describing the timber and timber products, country of harvest, species, quantity, details of the supplier and information on compliance with national legislation. In detail, the required information are:

- Description, including the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name;

Figure 2 - Overview of the LegalSource stepwise process



- Country of harvest, and where applicable sub-national region where the timber was harvested and concession of harvest;
- Quantity (expressed in volume, weight or number of units);
- Name and address of the supplier to the operator;
- Name and address of the trader to whom the timber and timber products have been supplied;
- Documents or other information indicating compliance of those timber and timber products with the applicable legislation.

According to the Regulation (UE) 995/2010, it is mandatory to have “access to the information”, not to have the information physically available when it is not necessary.

Therefore, the organisation shall have at least a procedure in place that enables them to get the information from its supplier when needed. The procedure has to be coordinated with and confirmed by the supplier. The procedure and the confirmation shall be documented.

Risk assessment

The purpose of the risk assessment is to determine the risk associated with a specific supply. The assessment is based on the information provided by the supplier.

In order to carry out the risk assessment it is therefore necessary to have all information on

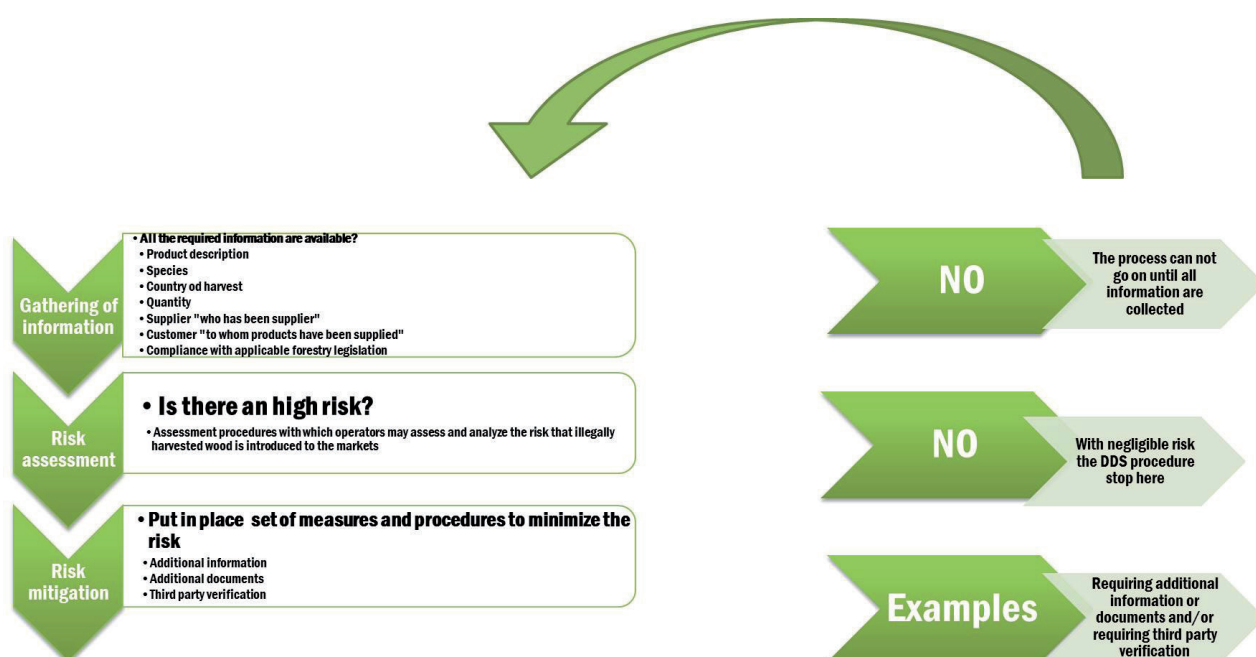
origin and tree species available.

The operator should assess the risk of illegal timber in his supply chain as well as relevant risk assessment criteria, including:

- assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation;
- prevalence of illegal harvesting of specific tree species;
- prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict;
- countries with weak governance and high level of corruption;
- sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports;
- complexity of the supply chain of timber and timber products

Risk mitigation

When the assessment shows that there is a risk of illegal timber in the supply chain, that risk can be mitigated by requiring additional information, verification from the supplier, documents and/or requiring third party verification.



2.2 DDS steps usually bypassed

Often the enterprises trust only on the information collected through their direct suppliers. Some enterprises do not make a deep checking on the country of harvest (for example about the sub-national region where the timber was harvested) and, because of the market timing, postpone (after purchasing) the recovery of evidence about the information collected. For some enterprises the DDS procedure seems as something external to the ordinary administration and a hard to do commitment. That is why usually the enterprises

hold the document but do not write neither their own risk assessment nor their record keeping. There is the widespread perception that not all the enterprises have the expertise to implement their own risk assessment procedures.

The following table presents the list of activities to be carried out for the implementation of a DDS, some examples of bypassed or under-implemented activities and some examples of source of information and references that may be applied for the implementation of a DDS.

Step	Phase	Examples of weak points of the process	Examples of source of information to avoid the weakness of the process
Gathering of information	Product description	No description of trade name; no description of type of product; no description of the common name of tree species (and, where applicable, its full scientific name).	<ul style="list-style-type: none"> • invoice • delivery documentation • product specification • full scientific name (that should not be problematic for wood suppliers, since forest managers should be able to provide that info easy)
	Country of harvest	No knowledge of the sub-national region where the timber was harvested. Lack of documentation showing the concession of harvest.	<ul style="list-style-type: none"> • concession of harvest or other document referring to the legal right of forest manager to harvest wood in specific area, quantities, species, period etc. • documentation showing the sub-national region where the timber was harvested
	Quantity	No information on quantity reported on the delivery documentation or on the invoices	<ul style="list-style-type: none"> • invoice • delivery documentation
	Name and address of the supplier to the operator	No information on name of the supplier to the operator reported on the delivery documentation or on the invoices	<ul style="list-style-type: none"> • invoice • delivery documentation
	Name and address of the trader to whom the timber and timber products have been supplied	No information on name of the trader to whom the timber and timber products have been supplied reported on the delivery documentation or on the invoices	<ul style="list-style-type: none"> • invoice • delivery documentation

	Documents or other information indicating compliance of those timber and timber products with the applicable legislation	Incomplete documentation Document written in foreign language	<p>General documentation</p> <ul style="list-style-type: none"> • documentation of ownership/rights to land use • contract or concession agreements • official audit reports • environmental clearance certificates • approved harvest plans • coupe closure reports • codes of conducts • publicly available information demonstrating rigorous legislative supervision and timber tracking and control procedures • official documents issued by competent authorities in a country of harvest • environmental impact assessments • environmental management plans • environmental audit reports • forest inventory reports • (CITES) export license <p>Health and labour issues relating to forest workers</p> <ul style="list-style-type: none"> • evidence of payment of salaries (payslips) in compliance with national official scale • employment contracts • regulations on working hours etc. • training records <p>Indigenous peoples' and third parties' property, tenure and use rights</p> <ul style="list-style-type: none"> • environmental impact assessments • environmental management plans • environmental audit reports • social responsibility agreements • specific reports on tenure and rights claims and conflicts <p>Payment of taxes and royalties</p> <ul style="list-style-type: none"> • contracts • bank notes • VAT documentation • official receipts <p>Trade and customs, in so far as the forest sector is concerned</p> <ul style="list-style-type: none"> • contracts • bank notes, trade notes • import licenses, export licenses • official receipts for export duties • export ban lists • export quota awards
	Assurance of compliance with applicable legislation	No procedure of assessment of assurance of compliance with applicable legislation took in place.	<ul style="list-style-type: none"> • Third part verification certification • Supplies verified by governmental or non-governmental verification or licensing mechanisms other than forest certification schemes focused on activities covered by the term controversial sources such as EU FLEGT (http://ec.europa.eu/environment/forests/flegt.htm) or Tropical Forest Trust (www.tropicalforesttrust.com)

Risk assessment	Prevalence of illegal harvesting of specific tree species	No check on the situation of illegal harvesting of specific tree species	<p>In defining this indicator, the organisation can use its internal surveys or results of surveys of external governmental or non-governmental organisations active in monitoring forest governance and law enforcement and corruption such as</p> <ul style="list-style-type: none"> • The World Bank FLEG Newsletter (http://go.worldbank.org/FMKUFABJ80) • UK based Chatham House, (www.illegal-logging.info); • Environmental Investigation Agency (www.eia-international.org), Global Witness (www.globalwitness.org), etc.
	Prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict	No check on the harvesting area	<ul style="list-style-type: none"> • The Armed Conflict Database of the International Institute of Strategic Studies: http://acd.iiss.org/
	Sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports	No check on the sanctions	<ul style="list-style-type: none"> • UN sanctions: http://www.un.org/sc/committees/ • EU sanctions visit http://eeas.europa.eu/cfsp/sanctions/index_en.htm. <p>(Currently no timber sanctions are in effect)</p>
	Complexity of the supply chain of timber and timber products	No data of all suppliers for the timber sold to the supplier of TO (example: exporter from the Balkan is selling chairs at EU market and he is supplying wood from 4 partners, but is not clear if all 4 partners are selling legal wood)	
Risk mitigation		<p>Material bought even if classified with risk of illegal timber in the supply chain</p> <p>Material classified with risk of illegal timber in the supply chain, excluded from the supply chain but not reported to the police authorities. Audit in already-known areas</p>	<ul style="list-style-type: none"> • requiring additional information • verification from the supplier • documents and/or requiring third party verification

3. Assessing the Risk of Corruption

3.1. Limitations

In this part we will try to answer the following questions: “What do we measure/assess?” and “How do we measure it?” Despite that we have the obvious answer that we intend to suggest a tool for measuring corruption risk in forest trade, there are additional clarifications to be made regarding the object of our assessment. First it is important to note that this document explores the corruption pressure that can appear in the interaction between public administration and private entities (operators, traders etc.) and not the corruption that may exist exclusively in the realm of private business (different forms of abusing trust of clients and stakeholders). Second we should mention that under “risk” we will understand the possibility of a certain undesired event to happen and this undesired event will be different “corrupt” practices of national administrations managing the forest sector: bribery – extortion – misappropriation – patronage – political corruption etc. Third we should make it clear that it will be an independent assessment, conducted by the very operators and traders, exploring new markets, who will predominantly rely on open public sources. The very nature of corruption, where secrecy is crucial for the success of the criminal act makes it extremely difficult to collect data to “measure corruption”. Researchers¹ have proposed quantitative methodologies for measuring corruption risk, using “big” public procurement data, but private timber companies do not possess resources to conduct such complex scientific assessments. It means the current assessment methodology needs both: simplicity and resource effectiveness.

3.2. Timber Sector Specific Forms of Corruption

In the introductory parts of the Toolkit we have defined corruption as an abuse of public power for private gain, a kind of dishonest, ¹ E. g. Fazekas, M., 2013: *Anatomy of Grand Corruption: A Composite Corruption Risk Index Based on Objective Data*. Working Paper Series: CRC - WP/2013:02. Corruption Research Center - Budapest

fraudulent conduct by officials, invested in power, taking advantage of the public trust. For the needs of the assessment it will be useful to point at some direct manifestations, concrete forms that were observed as most pervasive for the timber sector during the TREES research. This will add clarity to the answer of “What is the object of assessment?”

Bribery: Cornell University Law School defines it as *offering, giving, soliciting, or receiving of any item of value as a means of influencing the actions of an individual holding a public or legal duty*². For the forest industry it means that officials with managerial and control functions enter “quid pro quo” relations with the other stakeholders in the system demanding informal payments or gifts for performing different (often) illicit services:

- To provide licenses (with or without the normative grounds to do it);
- To choose the subcontractors for harvesting and trading from public forests or for supplying goods or services to the state forests;
- To make convenient appointments of the “right persons” to the “right positions”;

Extortion: This is a form of bribe when intimidation or soft pressure is used in order to receive illicit payments. For example an official with regulatory power could threaten a company to withhold its license if it does not pay some extra money. Redundant inspections or increased administrative requirements might be used to hamper the regular business transactions.

Patronage: During the interviews (especially in the Balkans - Bulgaria, Macedonia, Kosovo) it was often reported that appointments in local forest administrations are based on family or partisan connections or even sold. This in turn becomes condition for bribery or political kickbacks.

Conflict of interest: Even though it is illegal for public officials to own private businesses, there is an easy workaround for this. In countries

² <https://www.law.cornell.edu/wex/bribery>

like Bulgaria for example, it is not uncommon for direct family members of public officials to own businesses that are in the same field as the public office of the official in question. This in turn allows for the business to gain easy access to public procurements for example. In the forestry sector an official might intentionally hold up administrative procedures for potential competition of a company that he/she has an interest in.

Political corruption: The exchange of mutual services and common illegal interests are often part of a more complex system, usually described with the broad term “political corruption”. Biased appointments in the executive administration (patronage) are only a part of a multi-layered interaction, where party leaders, forest officers and business elites collaborate to drain public resources for private profit. The silent pact between these groups guarantees support and funding for parties, lucrative contracts, favourable policies and protection for businessmen, career success and side income for civil servants.

Non-performance: In the Balkan countries it is a common case when the institutions responsible for the implementation/monitoring on implementation of the legal regulations infringe their duties. Such practices relate but are not limited to: 1) avoiding to check specific person/entity on the current regulation fulfilment, 2) excluding favored companies from any random inspections or even 3) giving information to these persons/entities on specific actions that will be taken by officials.

When trying to identify and assess corruption risk it is important to know that the phenomenon in question has many names and faces. This list is not exhaustive and the one tasked with the assessment should take into account that “corruption” is an inclusive, rather than an exclusive concept: the abuse of public trust is inventive in taking new forms in order to circumvent rules and existing checks.

3.3. Assessing the risk

As mentioned before, private entities entering

new timber market face certain limitations to make deep probes about the extent of corruption they could face. We therefore suggest a couple of simple steps to allow them make easy and quick snapshots of the potential risks and plan their mitigation strategy accordingly. They include: a) searching for information, b) knowing (adapting) a basic qualitative risk rating, c) asking the revealing questions and d) making a summary of conclusions.

3.3.1. Searching for information: background research and basic indicators

A background search involves checking if there are any published documents, reports and/or data about corruption and/or corrupt practices in a given country.

Organizations such as the World Bank, Transparency International, Freedom House, the Heritage Foundation and others publish various reports and gather a lot of data on corruption practices in different countries. Some of them have developed their own indexes on corruption, transparency and various social, economic and political factors that indicate a corruptive environment and its extent.

These are extremely informative tools and they serve as a great starting point to get a general feel of the situation in the country. Also, since most of these are published annually, one could check whether things are improving or worsening and establish a sense of the tendency of where the country is headed in terms of corruption.

An internet-based research through key phrases will give additional and first-hand impression of the situation in the newly approached country. This is the preliminary work in determining the risk of corrupt practices in the sector in the country. Then a set of indicators must be defined.

Depending on the concrete business transaction, the specifics of and types of corruption practices are important and to what extent those in particular would affect this type of business transaction. For example, if there is indication of high corruption among border police and/or there is evidence that suggest that the borders of this particular country are part of important routes for illegal goods, and if

one is planning on importing/exporting wood, it is worth investigating further whether there is a high chance that the process would come across a corruptive practice.

3.3.2. Asking the questions

The Following are a set of questions to consider when trying to decide whether or not corruption could occur while executing a business transaction. It is best for these questions to be addressed at people who know/are from the country and have specific knowledge about these issues. However, private ope-

rators rarely have the resources to conduct and execute a study or hire professionals to do it, since survey studies are typically expensive. Be that as it may, if one is considering running business in a given country for the long term, the price becomes relatively low, as such a comprehensive study is invaluable in knowing the risks, practices and tendencies that potentially affect said business. If having a real study is for any reason not feasible, still one should consider the following questions before initiating business transactions.

Questions about the country's general administrative and political environment

These questions aim to give a feel for the overall political environment in the country and whether or not it is predictable, transparent and having a steady and reliable legal system.

- ☐ What is the political system in the country like? Is there a functioning multi-party system? Is there an internationally recognized free and fair electoral process?

- ☐ Is this system known to ignore occurrence or even facilitate corruption?

- ☐ Does the system guarantee transparency in the public sector?

- ☐ Does the political system in this country function well in terms of the rule of law?

- ☐ Are there existing institutions with sufficient capacity to secure the rule of law?

- ☐ What is the degree of political and economic freedom in this country according to sources such as the Heritage Foundation Index or similar?

- ☐ How is this country doing economically? What is the annual GDP per person? What is economic growth? What is the credit rating of the country?

- ☐ Is this country bound by international or bilateral treaties concerning the timber and environmental sectors?

- ☐ What are the neighbouring countries and is there evidence for active smuggling routes?

- ☐ Is there data/evidence on the transparency and impartiality of law enforcement and law practice? What do they suggest?

- ☐ Is there enough evidence for the existence of monopolies in the country?

- ☐ Is this government effective in ensuring the rights and freedoms of its citizens?

- ☐ Is this country effective in ensuring the integrity of the market?

* * *

Questions about the administrative service providers

These should help in determining how the administration of a given country works and get an impression of its efficiency.

- ☐ How is this country's administrative system generally perceived?

- ☐ How efficient is this administrative system in terms of procedure?

- ☐ Is there evidence or 'public secrets' about public officials and/or clerks in this country's administration being generally reluctant to be efficient and helpful to the public?

- ☐ Do the regulations and procedures this country seem overly complicated?

- ☐ Are this country's administrative procedures and regulations available online?

- ☐ What portion of this country's administrative procedures can be done online?

- ☐ Are officials known to receive bribes and/or gifts in order to issue documents, permits etc.?

- ☐ Are documents, regulations etc. available in other languages besides the official language of the country?

- ☐ How does the country rank in international corruption indexes (e.g. Transparency International's Corruption Perception Index)?

* * *

Questions about the public procurement system

This set of template questions aims to facilitate the assessing party in identifying corruption risks in the public procurement system of the country.

- ☐ Is there a Law on Public Procurement, containing clear and transparent procedures for conducting tenders?

- ☐ Are there reports available on non-compliances with legal procedures on public procurements?

- ☐ How is companies' access to tenders granted? Is there electronic bidding? Do they have to resort to the services of local intermediaries and consultants?

- ☐ Is there a publicly accessible database with information about calls for tenders, on-going procedures and records of selected contractors? Do the rules envisage option for submitting claims and signals or contesting the outcomes?

- ☐ Is there an independent public procurement agency? Is there any information about the appointments of the staff and the subordination in the hierarchy? Are there rules for avoiding conflicts of interest?

- ☐ Are there any bid-rigging scandals, covered by media in the recent 24 months? Are there political interests exposed?

- ☐ Who is revealing the bid-rigging schemes: the law enforcement and state controllers, investigative journalists, whistleblowers and civil society activists?

- ☐ What are the administrative and legal consequences if infringements are established? Is there a public blacklist with companies fined? Are there major court cases concluded?

3.3.3. Rating the risk

Questions and answers on various aspects of business and administration will enable the assessor to identify the most common manifestations of corrupt pressure in a given country/market. Once risks have been revealed further analysis is possible. It relates to weighing the consequences of any unfavorable development. We have to stress again that given the limited resources of a private company it should be a qualitative risk rating or secondary analysis of existing quantitative data. This rating is subjective, based on estimates of the impact and likelihood of the revealed risks. A rating scale will allow to reduce the subjectivity,

but will not eliminate it entirely. Its degrees are situated between “rare probability” and “certainty” on one hand and “very low” and “catastrophic impact” on the other. Risk is the probability of a corrupt influence, multiplied to its impact. High risk scores, falling in the red zone, require designing mitigation strategies and actions. Below is a template of such a scale, which could be directly used or further modified:

For example: During our “data mining” phase we have discovered that public procurement rules in a given country are often neglected, there are numerous scandals of bid-rigging and partisan interests prevail in major state

Likelihood	Impact				
	5 Catastrophic	4 Major	3 Moderate	2 Minor	1 Insignificant
5 Certain	25 HIGH	20 HIGH	15 HIGH	10 MEDIUM	5 LOW
4 Likely	20 HIGH	16 HIGH	12 MEDIUM	8 MEDIUM	4 LOW
3 Moderate	15 HIGH	12 MEDIUM	9 MEDIUM	6 LOW	3 VERY LOW
2 Unlikely	10 MEDIUM	8 MEDIUM	6 LOW	4 LOW	2 VERY LOW
1 Rare	5 LOW	4 LOW	3 VERY LOW	2 VERY LOW	1 VERY LOW

Legenda

VERY LOW risk	1-3
LOW risk	4-6
MEDIUM risk	8-12
HIGH risk	15-25

contracts. We will rate the chance (likelihood) to run into corruption situation with 5 (certain) or 4 (likely) if we compete for public tenders. On the other hand our company might target primarily private, not public customers/bids. Therefore the impact of the corrupt practices on the business of our company could be rated as “medium” or “low”. Consequently the

risk will fall into the “medium” or “low” area. It is highly probable that risks, related to license regimes, managed by corrupt officials, will be high, combining both – a high chance to stumble upon a “rotten apple” with significant loss in terms of time, money and reputation for our business.

3.3.4. Reading the answers (summarizing the conclusions)

The answers should help in conducting a picture of the general political and corruptive environment in the country, and the reliability of the administrative procedures. The more a system is predictable, the lower the risk of corruption and/or unforeseen obstacles, especially of the corruptive sort. When reading the results, one could see where (in which phase) a problem could occur and conduct a strategy for lowering the risk and/or ways to minimize its impact. It is especially important to try and identify which are (if any) the weaknesses of a given system and which phase of the process would that affect. This is a way to distribute the ‘weight’ of the risks throughout the process. When this becomes clear enough, it is up to

the operator to assess whether the risk is worth taking in terms of their aims and goals.

3.4. Final remarks about risks: be always aware!

Corruption and risk are the core subjects of this part and it is expected to describe and rate them according to some formal criteria. Similar assessments are already conducted by many organizations in various economic and administrative branches and some of these ratings enjoy huge “marketing” success. While resorting to this sort of descriptions a company entering a newly discovered timber market should take into account that in some cases formal paperwork is not always enough to ensure that your business is honest. Corruption itself is often hidden behind proper documentation and decent faces.

On the other hand corrupt transactions always involve two sides - the private contractor and the public official.

Therefore certain responsibility lays on the private companies - to develop and apply efficient mitigation measures, whenever corruption risks have been identified.

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Notes

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