

EUTR & CORRUPTION

Lorenzo Segato
TREES PROJECT

PARTNER
LEADER



PARTNER



TREES Project

check the vulnerability of the Due Diligence to corruption;
exploit the anti-corruption potential of EUTR and its application case by case;
investigate the capacity of private companies, business intermediary organisations and LEAs to identify and mitigate the risk of corruption and criminal infiltration in the EU market;
reduce timber market vulnerabilities to corruption and organised crime by the means of new tool/experience/best practices of risk mitigations;

PROJECT AREA: ITALY AND THE BALKANS

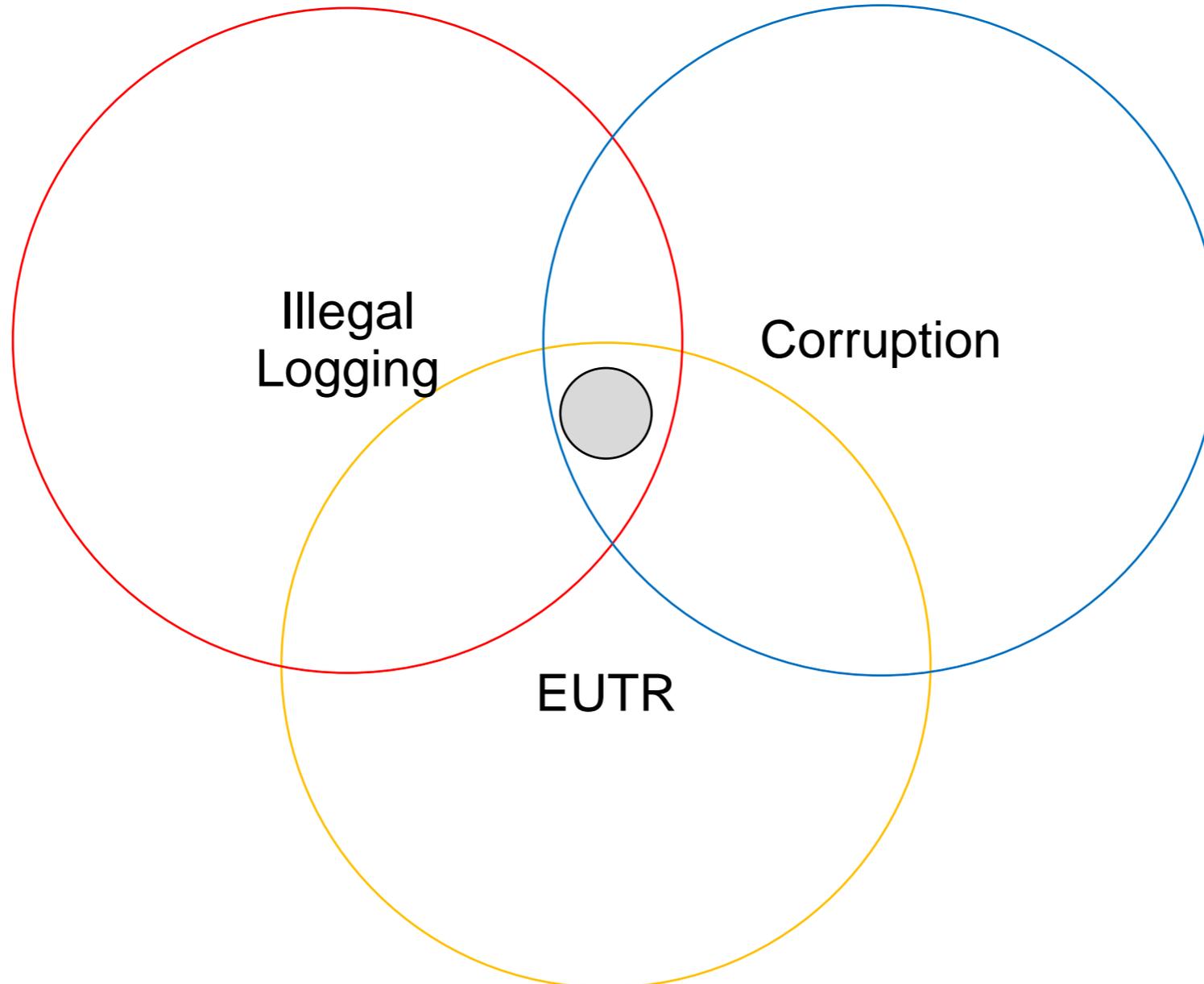
PARTNER
LEADER



PARTNER



TREES Project TARGETS



PARTNER
LEADER

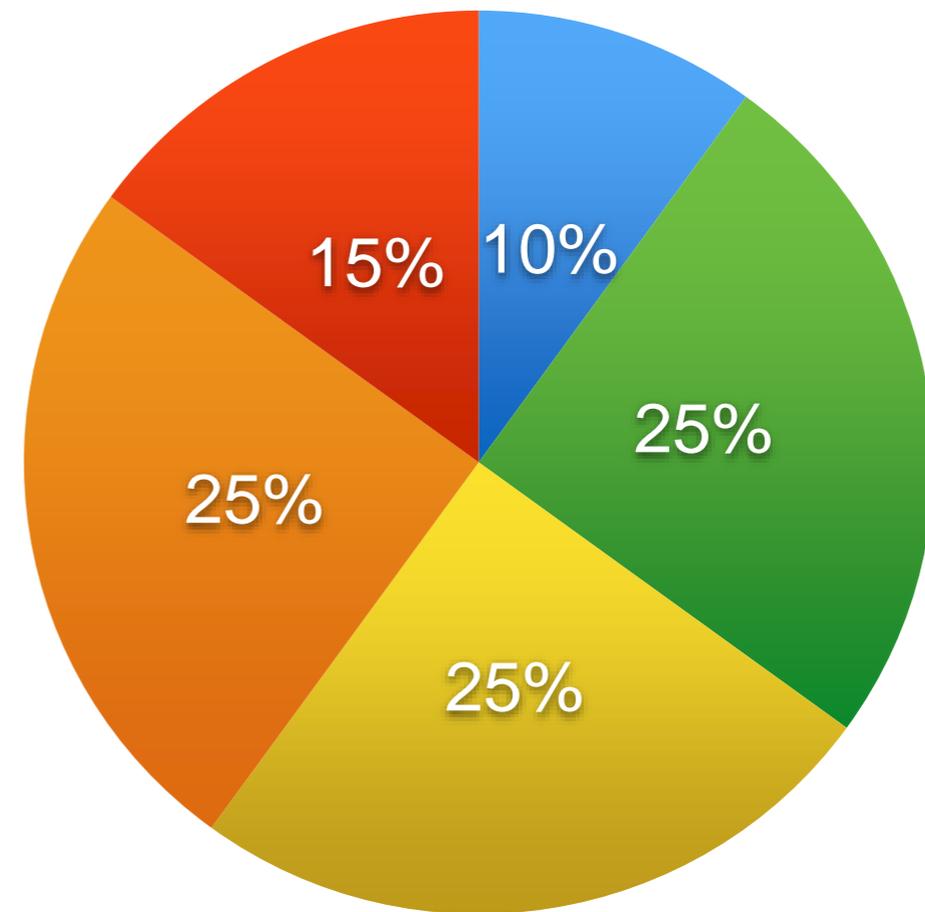
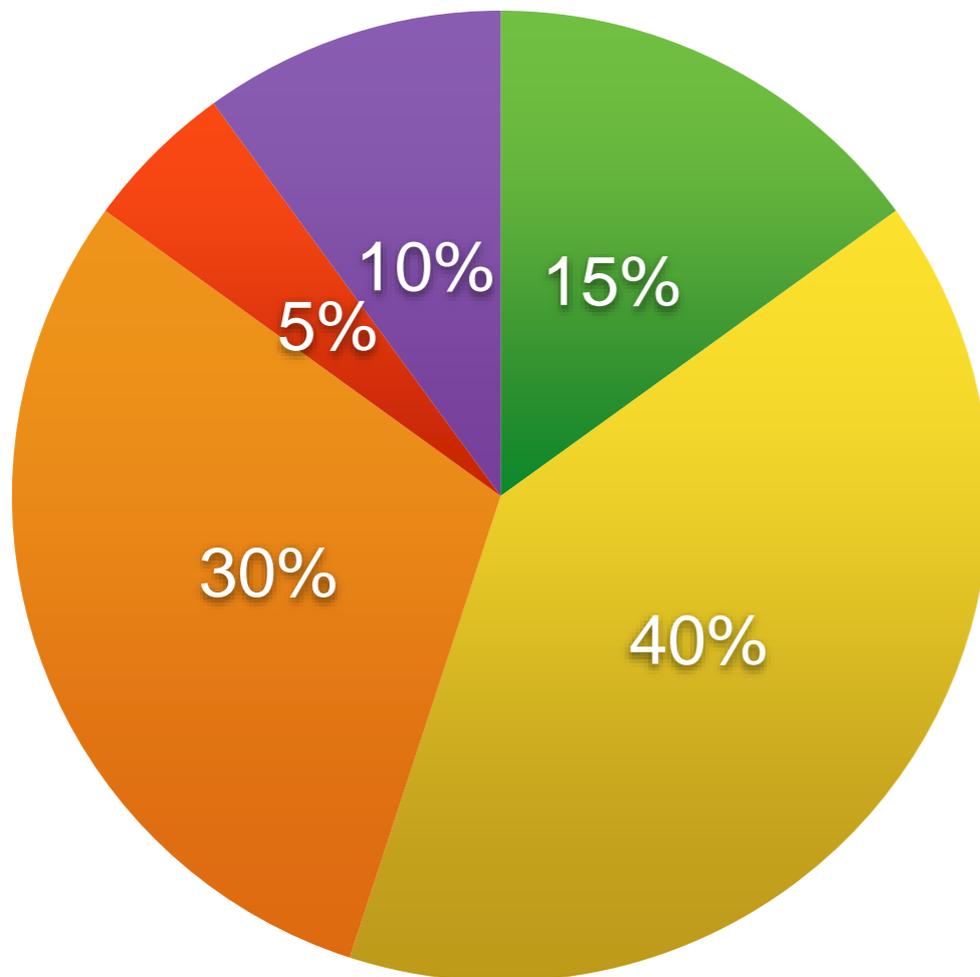
PARTNER

SURVEY AMONG LEAs IN EUROPE (2015) ON

ILLEGAL LOGGING

AND

CORRUPTION



■ DON'T KNOW ■ NONE ■ 1-10% ■ 11-30% ■ 31-50% ■ >50%

■ DON'T KNOW ■ NONE ■ 1-10% ■ 11-30% ■ 31-50% ■ >50%

PARTNER
LEADER



PARTNER



MAIN DRIVERS OF CORRUPTION

- 1. POOR ETHICS IN THE BUYERS MARKET**
- 2. HIGH GAINS FROM THE ILLEGAL MARKET**
- 3. LOW RISKS FOR CRIMINALS**
- 4. HIGH DEMAND FOR ILLEGAL TIMBER**
- 5. LACK OF EDUCATION/TRAINING OF PEOPLE IN THE SUPPLY CHAIN**

EXAMPLE 1 – GUATEMALA

- ROAD POLICE at checkpoints routinely ask bribes from the drivers:
 - criminals who want to smuggle illegally harvested wood and disguise the material in closed trailers and pay the police for letting them pass the checkpoint uninspected
 - drivers who comply with all regulations, but police argue that they identified bagatelle non-compliances, such as inaccurate volumes declared on the shipping notes
- SEINEF system cannot detect or prevent this

EXAMPLE 2 - INDONESIA

- Lobbying the Minister of Trade brings to a deregulation of forest governance system:
 - Timber Legality Assurance System SVLK in force since 2009 (ministry of Forestry Decree)
 - Voluntary Partnership Agreement with EU in force since 2013 (Presidential Decree 2014). Green Lane for SVLK
 - AMKRI (Indonesian Furniture Craft Association) ask to exempt a list of timber products and producers from SVLK.
 - Export Declaration System set up in 2014 (Ministries of Forest, and Trade Decree)
 - Exemptions from SVLK system, and extention of Export Declatation System declared by the Ministry of Trade with Decree 89/2915
 - A small group of companies (fake SMEs) is exploiting EDS loopholes

VULNERABILITIES TO CORRUPTION

INTERNAL MARKET:

- Widespread irregularities, split between small-sized agencies
- Timber suitable for manipulation (firewood)
- Short supply chain

EXTERNAL MARKET:

- Hot product (high price margins)
- High Level of (grand and petty) corruption in places of origins and transit
- Long supply chain, black corridors, dark holes
- Existing smuggling networks and channels (strong relationships)
- Low corporate responsibility

VULNERABILITIES TO CORRUPTION

- CORRUPTION IN THE TIMBER SECTOR IS IN LINE WITH CORRUPTION OF THE WHOLE PUBLIC SECTOR OF A COUNTRY (INCLUDING ELECTED OFFICIALS), BUT **THERE ARE SUBSTANTIAL DIFFERENCES IN THE LEVEL OF CORRUPTION IN ORIGIN, TRANSIT AND DESTINATION COUNTRIES**
- CORRUPTION IS AN INSTRUMENTAL CRIME TO ILLEGAL LOGGING AND ITS EXTENSION AND SIZE REMAIN UNKNOWN (NO OFFICIAL DATA, ONLY VICTIMISATION AND PERCEPTION SURVEYS)
- REMOTE CAUSES OF CORRUPTION (E.G. LOW SALARIES OF PUBLIC OFFICIALS, CULTURE OF CORRUPTION) CANNOT BE SOLVED WITHIN THE FOREST SECTOR

IF ANTI-CORRUPTION STRATEGIES FAIL, WHAT CAN EUTR DO?

PARTNER
LEADER



PARTNER



EUTR LIMITS AND POTENTIAL

EUTR LIMITS: recent implementation, loopholes between countries (resources, sanctions, control mechanisms), not focused directly on corruption.

EUTR POTENTIAL: raise awareness in the demand side of the timber market; increased transnational cooperation; exchange of information

EUTR QUESTION: what are the limits of LIABILITY of an EU company?

PARTNER
LEADER



PARTNER



	Don't know	Strongly disagree	Disagree	Agree	Strongly agree
In your opinion, the enforcement of the EUTR 995/2010 can:					
help in fighting illegal/criminal activities in forestry sector	7%	0%	7%	64%	21%
reduce criminal activities in forestry sector within Europe	7%	7%	0%	71%	14%
reduce criminal activities in forestry sector outside Europe (Africa, Asia, America)	21%	7%	14%	43%	14%
reduce corruption in forestry sector in Europe	0%	0%	14%	64%	21%
reduce corruption in forestry sector outside Europe (Africa, Asia, America)	29%	0%	21%	36%	14%
be more effective than other national/regional/local laws in fighting corruption in forestry sector	21%	0%	29%	36%	14%
help detecting if corruption has occurred within the Country of Origin	14%	0%	7%	64%	14%
What are, in your view, the main challenges to enforcing the EUTR effectively?	Don't know	Strongly disagree	Disagree	Agree	Strongly agree
Levels of penalties across the EU	7%	0%	21%	71%	0%
Harmonisation of sanctions across the EU	0%	0%	7%	71%	21%
Resources for LEAs	7%	0%	7%	71%	14%
Competencies and Training for LEAs	0%	7%	7%	64%	21%
Gathering evidence of illegal origin	7%	0%	0%	36%	57%
Gathering information on applicable legislation in timber/timber products-exporting countries	0%	0%	0%	36%	64%
Timber products listed in its Annex using EU Customs code nomenclature	0%	7%	7%	86%	0%
EU Customs code nomenclature	29%	0%	21%	36%	14%
What is required by an operator to exercise due diligence	7%	0%	7%	64%	21%
Carrying out risk assessment and mitigation on high-risk supply chains and/or high risk timber sources	7%	0%	0%	57%	36%
Cooperation from timber suppliers in third countries	0%	0%	7%	64%	29%
The interface with third party verification/certification	0%	0%	14%	64%	21%
The definition of legal timber	14%	0%	29%	43%	14%
The definition of risk (and its related assessment)	7%	0%	21%	57%	14%
In your experience and opinion, the penalties applicable to infringements of the provisions of the EUTR set in your Country are	Don't know	Strongly disagree	Disagree	Agree	Strongly agree
Effective	21%	0%	7%	64%	7%
Proportionate	14%	7%	14%	57%	7%
Dissuasive	36%	0%	7%	43%	14%
According to your opinion, the Competent Authority in your Country has so far	Don't know	Strongly disagree	Disagree	Agree	Strongly agree
given appropriate penalties to operators for infringements of the EUTR	29%	0%	7%	64%	0%
carried out a sufficient number of checks on monitoring organisations	50%	0%	7%	36%	7%
carried out effective checks on monitoring organisations	43%	0%	0%	50%	7%

DDS' WEAK POINTS ON CORRUPTION

- Level of corruption: CPI as gold standard
- No difference between petty corruption (unavoidable?) and grand corruption (state capture)
- Uncertain definition of "corruption" "internal/external risks
- Need to score the risks at the origin of the supply chain
- No standardized mechanism for risk assessment and mitigation at EU level
- Not perceived as a positive system by operators

WHAT IS PROMISING?

The potential of **traceability systems** to:

- Increase risks of detection for bribers (e.g. GPS alert/recording system when a truck is stopped by the road police).
- Reduce opportunities for hiding the timber origin (e.g. Nano-particle invisible markers)
- Provide evidence for law enforcement

WHAT IS PROMISING?

The potential of **open data/shared information** to:

- Increase capacity of communities and NGOs to real time monitoring of licences/harvesting
- Tracking legal/illegal routes of timber (ship and trucks)

La rotta del contrabbando

Il traffico d'avorio è una preziosa fonte di finanziamento per gruppi terroristici come il Lord's Resistance Army (Lra), responsabile di feroci attacchi in Africa centrale. Per individuare la rotta del traffico, National Geographic ha commissionato la costruzione di due zanne artificiali, in cui sono stati nascosti dispositivi GPS, che sono state inserite nel flusso delle merci di contrabbando.

SEGUI LA ROTTA



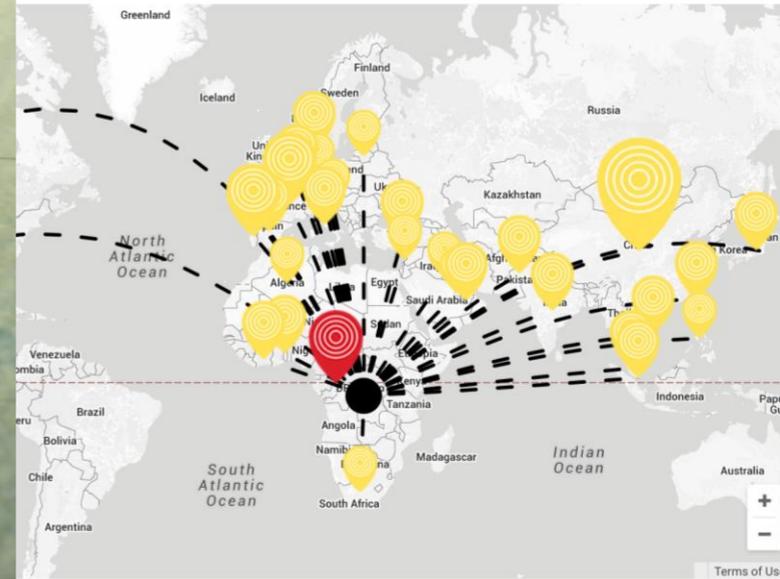
DRC TIMBER TRADE TRACKER

CONTACT SOURCE INFORMATION DOWNLOAD DATA

Filter by time: from 2013-01-01 to 2015-07-29

Trade map showing timber exports from DRC onto international markets, considered illegal or high risk.^[1] Data updated on a quarterly basis.

[1] To read Global Witness report on DRC's timber trade and company responses, click [here](#)



management of a number of concessions belonging to the logging company SEDAF. Alleged illegalities by SIFORCO are detailed in IFM reports, such as: Observation de la Gouvernance Forestière, 2015, *Rapport de Mission de Terrain no 2*, Resource Extraction Monitoring, 2011. *Rapport de Mission de Terrain no 1*, The company has also been accused of complicity in serious human rights abuses, as detailed in reports such as: Greenpeace, 2012, *Stolen Future*

1,861.13 tonnes

SODEFOR

SODEFOR holds 17 logging concessions in DRC, more than any single company. Owned by NorSudTimber, based in Liechtenstein. Alleged illegalities by SODEFOR are detailed in IFM reports, such as: Resource Extraction

<http://drctimbertracker.globalwitness.org/>

http://www.nationalgeographic.it/speciali/2015/09/18/news/commercio_di_zanne-2770726/

PARTNER LEADER



PARTNER



Maps

The map will contain and join three kind of main information:

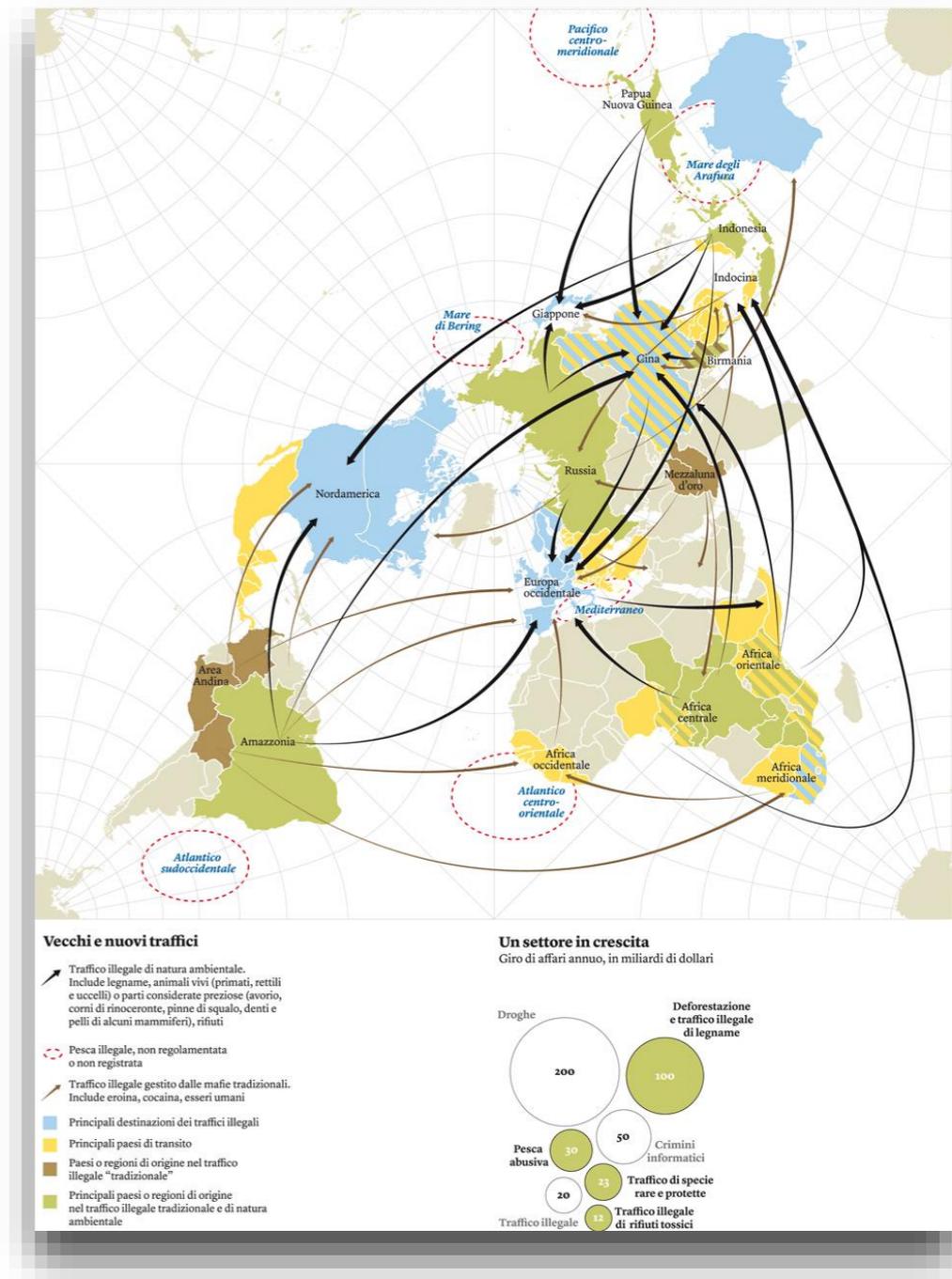
- illegal activities, crimes, routes and case study data;
- timber imports/exports/production at EU scale;
- the results of the survey
- the stats of EUTR implementation.

In details, the following data will be used:

- case study and other data collected during “Data Collection” activity
- reference information about corruption and illegal activities in forestry sector
- information about corruption value and indices (CPI, etc.)
- other crimes activities and routes (weapons, drugs, wildlife, war conflicts)
- illegal timber flows with focus on “Strong Relationships” and “Entry Points”
- import and export timber data for EU-28 countries + neighbour countries;
- current and changed forest cover (net loss, net gain, harvested areas, etc.)
- container ports information

It would be useful to complete it with other information (actually missing) about:

- confiscated timber (quantity, value in euro) with a focus at the destination port or at the access points on the borders
- sanctions
- case studies from other sources: Greenpeace/WWF/Interpol on global traffics;



NEXT STEP OF THE TREES PROJECT

- **9-10 JUNE 2016 – *THE CHAIN OF ENFORCEMENT IN THE TIMBER SECTOR – INTERNATIONAL SEMINAR AT INTERPOL (LYON)***
- **FINAL CONFERENCE IN ROME (date to be defined – end June)**
- **TO BE PUBLISHED SOON (JUNE):**
 - **RISK ASSESSMENT TOOL**
 - **BEST PRACTICES MANUAL**

FOR INFO: lorenzo.segato@rissc.it

PARTNER
LEADER



PARTNER

