

TACKLING FORESTRY  
CORRUPTION RISKS IN  
ASIA PACIFIC



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## **Introduction**

The Forest Governance Integrity programme is an initiative of Transparency International that works to improve forestry and the timber trade by fighting corruption and building integrity in forestry governance at a national and international level.

The Forest Governance Integrity programme aims to tackle corruption as a primary driver of illegal logging and poor forest management. The programme looks at corruption at all stages in the timber production and processing chain and examines how it facilitates the unsustainable harvesting, production, conversion, export, import and procurement of timber and wood products. It works towards a society where corruption-free forest governance and sustainable management enable increased economic development, poverty reduction and environmental protection.

The research on which this report is based was carried out in five Asia Pacific countries – China, Indonesia, Malaysia, Papua New Guinea and the Solomon Islands. This document should serve as an instrument to help in Transparency International's constructive but critical dialogue needed to fight corruption and build integrity in the forestry sector. As such it is aimed at civil society, the private sector, and government agencies, and all those who stand to benefit from improved forest governance

## **Why the Asia Pacific region?**

The countries of Asia Pacific region boast nearly 17 per cent of the total global forest area. These forest support incredible biodiversity and natural resources; these are the homes of many indigenous peoples, and provide livelihoods for millions of people. Unfortunately, these — some of the world's last remaining pristine forest areas — are disappearing rapidly. Forests have been destroyed by exploitation for timber and pulp, for agriculture, mining and urban growth. Much of this decimation is caused by illegal logging, trees cut down and their timber processed used in the country or exported, without legal processes being followed. Though there is a legitimate timber industry it is this illegal logging that is most damaging.

## **Corruption and illegal logging**

The importance of forests has long been recognised. Yet even after years of advocacy from local and global pressure groups the illegal harvesting of timber continues to thrive. The reason for this is corruption. Corruption is the main driver of illegal logging: Given that raw or processed timber is not easily hidden, that sawmills and chainsaws need fuel and electricity, that the timber has to be transported by roads, and across borders in ships, the illegal timber industry can only operate with the connivance of a large number of people. Without corruption to grease the way, illegal timber would not flow.

On paper, many of these countries have good forestry laws. But vested interests in country or abroad work to cancel out good intentions. Laws and scientific management and enforcement are rendered ineffective by corruption.

It is recognised that well-governed forestry is important for the development of Asia Pacific countries. Concerns are related to illegal logging and the international illegal timber trade. This trade does not just cause environmental damage, but deprives countries of millions in lost revenue, causes loss of livelihoods to forest dwelling communities, and leads to other criminal activities and often, armed conflict. It also undermines the rule of law, giving people less faith and willingness to support governments who fail them in curbing such activities. Illegal logging in Asia Pacific is also a regional issue. Some of the largest timber buying and processing countries are from the region and sooner or later, most illegal logs or timber will reach their shores. This cannot be just addressed on a national level, but needs regional and global action.

## BOX 1: What is the Forest Governance Integrity Programme?

It is a research and evidence based multi-component programme which advocates for the strengthening of forest governance at the national, regional and global level by a series of activities:

- All the projects start with a systemic analysis of a country's institutions, laws, regulations and enforcement agencies ability to combat corruption in the forest sector.
- The analysis is followed by specific and targeted advocacy work to address identified gaps.
- Both the analysis and advocacy are done in consultation with local and national stakeholders.
- National level work is supported at a regional and global level by the team based in the Transparency International Secretariat in Berlin.

The intention of this overview is to present the findings from the analyses that were carried out in five Asia Pacific countries. For more information and to consult all our country reports and papers, please visit our website at [www.transparency.org](http://www.transparency.org).

### Forest Governance Integrity as a collaborative programme

Central to the programme's methodology approach is the promotion of coalition-building. The Forest Governance Integrity programme involves extensive cooperation with multiple partners working on forest governance. It builds on the ongoing work of these organisations, taking the lead in countering the corruption problem and promoting corruption prevention solutions. The working methodology, the research and recommendations all derive from extensive inclusive discussion with a wide variety of stakeholders.

## Methodology: how the research was conducted

This overview highlights some of the findings from the research carried out by the Transparency International National Chapters in China, Indonesia, Malaysia, Papua New Guinea and the Solomon Islands. For more information you may refer to the country reports.<sup>1</sup>

The methodology used in these studies is derived from Transparency International's Manual: Analysing Corruption in the Forest Sector<sup>2</sup>, which provides a generic methodology for prioritising the corrupt practices that pose the greatest risk to forest governance — i.e. those practices that have the greatest impact and are the most likely to occur. The methodology has been developed by Transparency International to assist civil society organizations to conduct a systematic corruption, accountability and transparency risk assessment in the forestry sector that leads to effective and targeted advocacy for change. It provides a framework to:

- Identify and analyse the corrupt practices in the forestry sector that pose the greatest risks; and
- Identify the existing anti-corruption instruments and assess their efficiency.

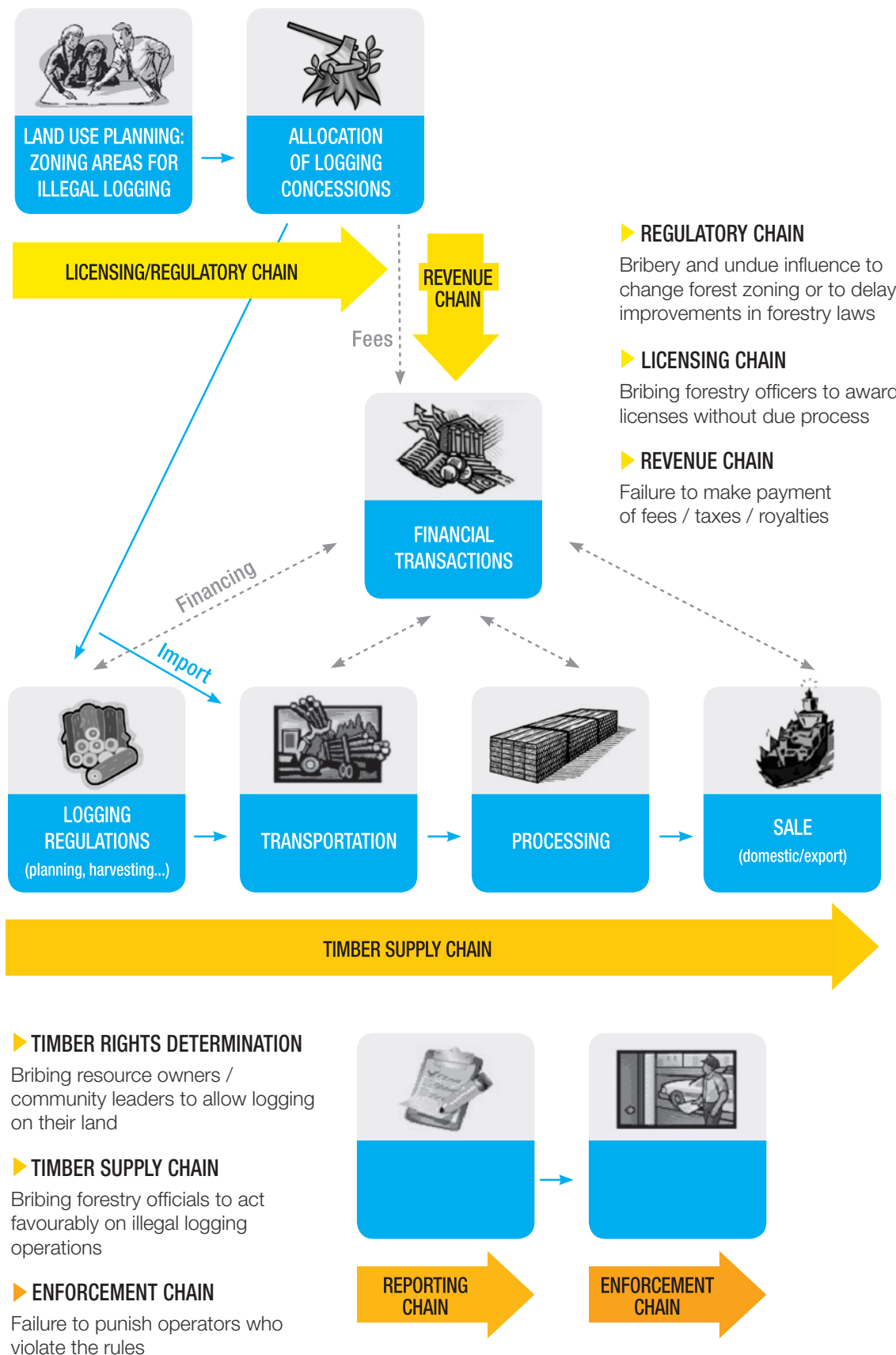
Each of the Transparency International Chapters participating in the programme adapted the generic manual to the local context by discussing it with a broad array of stakeholders – government, private sector and civil society. The research was then conducted using the same consultative approach (through workshops or smaller-scale meetings), as well as desk-based research of existing legislation and practice to assess levels of corruption and specific risks. It is worthwhile emphasising this point; the views expressed here are not just those of Transparency International, these are the views of forestry stakeholders in the region, who have on the ground, daily, experience of what is destroying their forests.

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<sup>1</sup> [www.transparency.org](http://www.transparency.org)

<sup>2</sup> Transparency International, *Analysing Corruption in the Forestry Sector*, Berlin, 2010, available at [www.transparency.org](http://www.transparency.org)

# MAJOR RISKS IDENTIFIED IN ASIA-PACIFIC



The figure above represents schematically the major constituent chains of the forest sector, and has been used as a basis for the research. The blue frames indicate the main corruption risks in Asia-Pacific, and have been identified as high priorities in at least two of the five countries covered by the research. Further details on these issues as well as recommendations from the Transparency International Chapters working on forest governance are presented in the following pages.

## Causes of such corruption risks

The risks shown in the figure have been considered by local stakeholders as major areas where corruption might occur. This is due to a number of factors that are summarised here.

### Laws and regulations lacking or in need of reform (REGULATORY CHAIN)

In some cases corruption risks are entailed by **gaps in the laws or regulations**, either at national or provincial level. The *Forestry Act 1991* in Papua New Guinea was found to be weakened by the amendments that have been introduced since its coming into force. Not only may these amendments threaten the sustainability of forest operations, they also could pose governance risks in the legislative process. Indeed, in several countries where Transparency International has worked, not enough has been done to prevent undue influence from certain forestry actors to steer the legislative process to their particular advantage.

The research done by Transparency Solomon Islands also shows the importance of supporting the institutions tasked with overseeing politicians' behaviour with adequate laws. The Leadership Code (Further Provisions) Act in the Solomon Islands was found to grant only limited powers to the Leadership Code Commission, the Ombudsman and the Auditor General to enforce the findings from their investigations.

Sometimes corruption risks arise not from the content of the laws but from the lack of **harmonisation** between different pieces of legislation or regulations. Forestry laws may conflict with laws covering other fields, such as spatial planning or local autonomy, as reported by stakeholders in Papua, Indonesia. Differences between the regulations of neighbouring provinces can also be a driver of corruption (see box 2). Along the same lines, forest zoning in Indonesia is covered by spatial and land use plans at national, provincial and district levels; however the lack of synergy between these three levels makes them very difficult to monitor and to contain risks of some actors unduly influencing the development of these plans.

Therefore although the issue can be about inadequacies in the legislation itself often the solution lies in **reforms** rather than complete overhauls. Such reforms should bring about stronger anti-corruption measures to complement regulations promoting sustainability and legality, as well as better coordination between different institutions and different levels of authority.

### Weaknesses in the licensing process (LICENSING CHAIN)

In order to be legally able to operate on a given area, a logging company needs to obtain a permit. The systems put in place by governments and local authorities to ensure that licenses are fairly awarded vary, but licensing processes have been pointed out by stakeholders as a high-risk area in all five countries where the assessment was made.

Of course the decision-making process itself should be **transparent**. However this does not appear to be a given. During our research local stakeholders reported that discretionary powers still exist in places like the Solomon Islands and Malaysia. Thus vested interests may come into play, making it possible for some actors to influence officials into choosing a specific applicant as opposed to the best qualified. Such forms of **undue influence** can also affect political decisions. The power that politicians have can be exploited by companies looking to operate illegally or without following rules that ensure sustainable forestry. In 2008 in Indonesia, Members of Parliament were sentenced to eight years imprisonment and a fine of IDR 250 million (approximately US\$ 25,000) in a case related to corruption in the licensing process<sup>3</sup>.

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<sup>3</sup> <http://nasional.kompas.com/read/2008/10/08/07082522/Al.Amin.Nur.Nasution.Kembali.Disidang>

## BOX 2: Corruption and timber laundering

Illegal timber is not an easy product to smuggle. It is therefore highly likely that operators resort to bribery or other forms of corruption in order to sell or export illegal logs. In the Indonesian province of Papua, the weaker regulations in the bordering province of West Papua provide incentives to smuggle illegal timber through West Papua before exporting it. Indeed, even though the government in Papua issued governor's decree no 72 year 2002\* to prohibit the trade of merbau, the same trade is legal in West Papua. Bribes can be a way for companies operating illegally to obtain the proper documents to transport their products to West Papua, where they would be considered legal. It is one of the shapes that timber laundering can take.

How to ensure that the timber, at every stage of the chain, is legal? Merely looking at compliance with forestry regulations or customs regulations might not be enough. Legality per se does not necessarily mean that the activities (logging, transportation, export, etc.) are legitimate. Corruption may be used to obtain legal documents or approvals, thus "laundering" the timber, i.e. making the timber legal. To follow on the case of Papua, stakeholders reported that such risks appear already when harvesting plans need to be submitted to forestry officials, who conduct verifications. If proper controls of this process are not in place, bribery could be used to facilitate the approval of the plan even if issues have been identified. Similarly, transport documents may be falsified or investigations may be dropped because of corruption, allowing illegal logs to reach the sawmill. Timber can also be laundered just before it is exported by obtaining fake documents.

Therefore there must be strong verification processes, not relying only on available documentation but covering possible corruption occurring from the harvesting stage up until the export stage.

\* See

<http://www.dephut.go.id/files/KEPUTUSAN%20GUBERNUR%20PROVINSI%20PAPUA%20NOMOR%2072%20TAHUN%202002.pdf>, accessed 15/03/2012.

Stakeholders consulted by Transparency International Chapters in Asia and the Pacific have brought up several **barriers to integrity** in licensing.

- Companies that want to exploit forests need to show that they will respect the legislation and follow the rules. Most governments demand that studies be carried out to assess how operations will be managed and how they will impact on the environment. In Indonesia, these studies, which eventually are the basis for decisions on licensing, could be at risk to **manipulation** (e.g. through bribery) if controls are not tightened. Similarly, stakeholders in China claimed that there were risks of false declarations on how the land would be used being made to obtain the concession<sup>4</sup>.
- Another issue is the **monitoring** of the process. The licensing process in the Indonesian province of Aceh is coordinated by a one-stop shop service (P2TSP). This is an important and useful tool, but no institution is in charge of overseeing the work of the P2TSP.
- This is reinforced by a second issue, a lack of **access to information on licensing**. Indeed, the monitoring of the process by civil society, which is crucial to ensure accountability of authorities involved in awarding concessions, is impossible if information is not available. When information was requested in Aceh, officials refused to disclose it on the grounds that it was confidential, and that only the company can disclose it.
- Lastly, investigations do not always lead to **prosecutions and sanctions**. This is partly linked to the low capacity of certain actors (civil society, government) to detect corruption in the licensing process and to apply sanctions in the case of authorities – even when investigations are carried out. In the Indonesian province of Riau, stakeholders pointed out that the capacity of the police, whose role in investigations is crucial, was too weak.

For these reasons laws and institutions that help preventing corruption in licensing – such as the Aceh government anti-corruption team (TAPKA) or the Corruption Eradication Commission (KPK) in

<sup>4</sup> YAO Zuyan, 'Some thoughts on reforming the present harvesting management mechanism', in *Forest Resources Management*, 2010-1, Beijing, 2010.



Indonesia – cannot be fully efficient. Further collaboration between these institutions and civil society would be a way of better controlling corruption. In addition, the awarding of concessions needs to be subject to open tenders and there needs to be clear criteria for choosing the best applicant. The whole licensing process needs to be subject to strong monitoring, through adequately resourced agencies and civil society, to make sure that the decisions taken are fair and not distorted by corruption or particular interests.

## Participation of local communities in decision-making processes (REGULATORY / LICENSING CHAIN)

Corruption risks in licensing and in the zoning of forested land obviously strongly affect local communities. If decisions are skewed by poor governance or vested interests, people living in the forests, sometimes owning the land as in the case of Papua New Guinea, will not have a say in how forests are used. In Indonesia, land tenure and unsustainable logging often result from the little opportunity that communities have to manage the forests, and logging companies may exploit the situation by “buying” their right to operate on indigenous land through bribes.

Such issues are particularly acute in the Papua New Guinea and the Solomon Islands. In both countries forested land is largely under **customary ownership**, therefore the question of how local communities are involved in decisions takes extra significance. How can their views be treated on a par with the industry's and the government's? In the Solomon Islands, **timber rights hearings** have been organised by the government, but there have been cases in the past where logging companies provide funds for these hearings because of the low financial capacity of the government. Such a practice has implications for the fairness of the process. The Ministry of Forests seems to be willing to improve the situation, but the involvement of **intermediaries** makes it even more complicated. Indeed, some companies hire intermediaries to act as representatives of local communities<sup>5</sup>. Stakeholders suggested that in such cases, vested interests may come into play, defeating the purpose of representing communities' rights and ensuring that they receive compensation or benefits from the operations. This leads to a risk of intermediaries bribing community leaders or landowners in order to accept logging operations on their land.

The **low capacity of communities** was identified as a major reason for this situation. The low understanding of laws and of what the contracts they negotiate imply entails an imbalance of power between companies and communities. In Papua New Guinea a World Bank study in 2001 showed that 90 per cent of landowners were not aware of what belonging to an incorporated land group involves (see box 3).

Thus capacity-building and support to local communities is a clear necessity. Institutions like the Landowners Advocacy and Legal Support Unit (LALSU), which provides legal support to landowners in the Solomon Islands, are useful to address this issue, but it needs to be complemented by a better regulation of consultations with communities, notably the use of intermediaries, and by laws prohibiting bribery by intermediaries.

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<sup>5</sup> Monson, R. (2010) Women, State Law and Land in Peri-urban settlements on Guadalcanal, Solomon Islands in *Justice for the Poor*, volume 4, issue 3 # 54688.

### BOX 3: Communities rights and logging concessions in Papua New Guinea

The *Land Groups Incorporation Act* of Papua New Guinea ensures that customary landowners are legally recognised.<sup>\*</sup> The Incorporated Land Group (ILG) that the Act creates is a legal entity that represents landowners in the negotiations of agreements related to the use of land. However a few problems need to be solved in order to make this system effective:

- Resources provided by the government to implement and monitor the *Land Groups Incorporation Act* are too scarce, leading to a lack of transparency, lack of consultation of landowners and opportunities to weaken the process through bribes.
- Landowners still do not have enough access to reliable economic information on their land, the resources it contains and how they are exploited.
- The process of negotiating logging rights with companies is managed through the National Forest Service, but landowners have little control over the process, which has been described as a “backdoor” way of allocating land<sup>\*\*</sup>.

\* [www.ausaid.gov.au/publications/pdf/MLW\\_VolumeTwo\\_CaseStudy\\_1.pdf](http://www.ausaid.gov.au/publications/pdf/MLW_VolumeTwo_CaseStudy_1.pdf)

\*\* Ibid.

### Control of logging operations (TIMBER SUPPLY CHAIN)

Within the timber supply chain, corruption risks have been identified that can directly fuel illegal logging. Usually occurring in the form of bribes or undue influence, such instances of corruption have a very high impact because they are a way of circumventing legislation that is supposed to ensure the sustainable use of forests and the protection of local communities' rights. Standards do exist, such as the Code of Logging Practice in Papua New Guinea and the Solomon Islands, but bribery has been reported by stakeholders as a way of getting some officials to ignore the breaches of these standards.

Besides creating an opportunity to **launder timber** (see box 2), corruption undermines the efficiency of **procedures and standards** such as annual allowable cuts, or quotas. Limitations are in place to make sure that only a certain volume is logged every year by a given company, but timber inventories on which those quotas are based may be falsified, leading to legal volumes being wrongly estimated and forests being over-exploited. Another example of procedures that are not always complied with is the guidelines for the use of ministerial discretionary powers in the Solomon Islands when determining timber schedules, duties and exemptions. An Audit Report published in 2005<sup>6</sup> showed that these guidelines were not comprehensive and not always adhered to. For instance, the management and monitoring of round log exemptions are not covered by the procedure.

Monitoring forestry activities and good governance is a crucial way of reducing corruption risks. However, in Indonesia, the **responsibilities for the oversight** of forest management and administrative procedures were found to be sometimes unclear or difficult to fit within the provincial or district contexts. Without clear responsible agencies for the implementation of forestry laws and regulations, it is obviously difficult for citizens to hold them to account. In Papua New Guinea, independent studies have reported that the bodies in charge of enforcing and monitoring the Code of Logging Practice are ill-equipped to do so<sup>7</sup>. One of the possibilities to monitor forest governance more effectively, as suggested by organisations in Aceh, would be to do it through a forum gathering together stakeholders involved in forest protection. Some operational problems also need to be solved. In China, timber inspections stations are not empowered to provide sanctions. The separation between inspection and sanctions increases the risk of corruption being used to avoid providing legal documents. The case of the national forest inventory in Papua New Guinea, mentioned in the *Forestry Act 1991* but still not completed as of 2011, sheds light on the need for a reliable assessment of forest

<sup>6</sup> Solomon Islands Government, 2005, Special audit report into the financial affairs of the Department of Forestry, Environment and Conservation, National Parliament Paper No. 8 of 2005, Office of the Auditor General, Honiara.

<sup>7</sup> Overseas Development Institute, 'Issues and Opportunities for the Forest Sector in Papua New Guinea' (London: Overseas Development Institute, 2007). Papua New Guinea Forest Studies 3.

resources as a basis for effective monitoring of the timber harvesting and trade. All these challenges in monitoring forest activities and governance are crucial elements to clarify in order to ensure that corruption can be detected and does not go unpunished.

## Challenges in enforcing laws (ENFORCEMENT CHAIN)

Strong enforcement ensures that corruption does not go unpunished, and therefore constitutes a major deterrent. However, this is often still a weak point in the forest governance sector. In several of the countries where the research was carried out, stakeholders reported high risks in this area, such as bribes to law enforcers to fail to investigate cases or to provide weak sanctions.

In China, Indonesia and Peninsular Malaysia, inadequate **monitoring of enforcement** and the **low capacity of law enforcers** were major causes of corruption going unpunished, according to stakeholders.

The monitoring is critical to make sure that the institutions in charge of providing sanctions are held accountable, but it is also essential to build their capacity. Indeed, forestry and timber trade are rather technical areas, and law enforcers are not always trained to deal with them. Gathering evidence is an additional challenge that makes it even more difficult to identify corruption. Malaysian stakeholders have recommended that the Attorney General's Office provide experienced public prosecutors, and that the recently set up whistleblower system be used also in forestry as a means to gather evidence and sanction corruption. The cooperation between the Forestry Department, the police and the Malaysian Anti-Corruption Commission is also essential in improving law enforcement.

## Overseeing financial flows and revenues (REVENUE CHAIN)

Corruption has a tremendous impact on the revenues that forestry and timber trade should generate for the state and citizens. It is sometimes a way for logging operators to avoid the payment of taxes, fees or royalties as requested by local laws, thereby undermining opportunities for economic and social development. The Environmental Investigation Agency and Telapak, for instance, have stated that government losses due to the illegal trade of merbau wood in Papua amounted to trillions of Indonesian rupiahs<sup>8</sup>. Flaws in the system of **declaration of logging harvest** are partly responsible for distorting revenues, as identified in Papua New Guinea. The Forest Authority requests logging companies to fill in a form, and then calculates the amount of royalties owed to resource owners. However this process is rarely audited or inspected by an independent certifying body, which can lead to landowners being paid a lower amount than they ought to.<sup>9</sup> **Royalties** are also an issue in the Solomon Islands, where, unless other regulations apply, the income is usually split between landowners, who receive 40 per cent of the income subject to a 25 per cent tax, and logging companies, who receive 60 per cent. This practice is not always complied with, as the Audit Report of 2005 pointed out that royalties had sometimes not been paid, and that problems in the account of royalty payments weakened the process<sup>10</sup>.

Another element hampering controls over the revenue chain has been reported by stakeholders in the Solomon Islands and China: **responsibilities for overseeing the revenues** generated by the forest sector are seen as unclear. In the Solomon Islands, there are four types of fees owed by logging operators – log export taxes, royalties to landowners, provincial business fees and corporate taxes – collected at different points of the process, leading to a fragmentation of the system and a difficulty to hold institutions to account. Human resources shortages within the Ministry of Finance and the **low monitoring capacity** further fuel the problem.

Audits and inspections by independent bodies as well as strong monitoring systems are necessary to effectively address such problems. The responsibilities for overseeing taxes and royalties should be clear, and again, some institutions may need capacity-building to be able to monitor financial flows.

<sup>8</sup> [IDR 1 trillion = USD 100 million. Reference: <http://m.antikorupsi.org/?q=node/4085>, accessed on 18 March 2011

<sup>9</sup> [1994] PNGLR 1 N920 PNG National Court of Justice *Mussau Timber Development Pty Ltd v (Mussau islanders)*.

<sup>10</sup> Solomon Islands Government, 2005, Special audit report into the financial affairs of the Department of Forestry, Environment and Conservation, National Parliament Paper No. 8 of 2005, Office of the Auditor General, Honiara.



## Recommendations

The purpose of the work conducted by Transparency International was to identify, at the national and local level, major issues in forest governance and suggest possible avenues to tackle them. This will be a basis to continue working with local stakeholders in order to promote concrete solutions and achieve long-term positive impact on forest governance. Transparency International's recommendations revolve around the following areas:

- **Legislative reforms:** forestry legislation should set the ground for strong governance systems, but it also needs to be a coherent and harmonised set of rules, and to include sanctions that can act as a deterrent for corruption.
- **Capacity-building:** in many cases stakeholders do not have sufficient resources or skilled staff to carry out their duty (law enforcers, the judiciary, forestry officers, etc.) or to exert their rights (e.g. land owners in the Pacific).
- **Improved oversight and transparency:** processes to monitor and oversee forestry-related decisions and activities need to be strengthened. Citizens and land owners should be able to access relevant information on licensing, timber operations and trade.
- **Advocacy:** civil society should be a strong actor in monitoring governance and promote transparency and accountability in the forest sector.

These avenues very much depend on the specific national context; therefore the points presented below are highlights of recommendations for each country. The full list of recommendations can be consulted in country reports available on our website<sup>11</sup>.

### China

- The current logging and transport licence regulation should be amended to prevent illegal timber from flowing into the market.
- The capacity of anti-corruption departments and those involved in monitoring the timber trade should be improved.
- Those involved in the enforcement of the laws should have additional powers to assist them in providing penalties (administrative and criminal) to those that violate the law.
- Use of technology would make forest related monitoring simpler, for example, the use of satellite systems to track the growth and decline of forest resources, helping to ensure that forest activities are traceable and monitored.
- Advocacy strategies need to focus on public power and raising the voices of the public and local communities.
- NGOs and the media should concentrate on providing robust evidence to expose corruption and find solutions to stop it.

### Indonesia

- Stronger sanctions should be in place in order to have a deterrent effect on corruption and forest crimes.
- There should be consistency in regulations and policies to avoid confusion in their implementation or changes deriving from undue pressures.
- Law enforcement institutions, such as the police and judiciary need to be strengthened in order to carry out investigations and enforce their findings.
- Civil society organisations as well as local and indigenous communities should be strengthened in order to increase their awareness of relevant laws and regulations and their capacity to monitor government performance in forest management. This needs to be embedded at the local level as well as the national level.

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<sup>11</sup> [www.transparency.org](http://www.transparency.org)

- Research in Aceh has shown that the Environmental Impact Assessment process should be strengthened in order to make sure that decisions are made on the basis of in-depth and accurate studies.
- In Papua, a one-stop licensing service system should be formed, so that all stakeholders have centralised access to relevant information and data.
- The public should have access to information related to the issuance of licences and their terms and conditions. In corruption and forest crime cases, information should also be proactively disclosed on court proceedings and on the action taken by forestry officials, local governments and law enforcement officials.

## Papua New Guinea

- The *Forestry (Timber Permit Validation) Act 2007* poses significant problems to forest governance and sustainable forest management. This act should be repealed.
- A National Forestry Inventory should be conducted and transparent information on the export of logs should be provided. These are conditions for the Incorporation of Lands Groups Act 1974 to be efficient and truly enable communities and landowners to participate in the decision-making in the forestry sector.
- Pre-shipment inspections of logs for export should be improved. Presently only a 10 per cent random sampling of logs is physically inspected, this percentage should be increased to ensure that government taxes and landowner royalties are paid. This would help to curb illegal practices such as transfer pricing, illegal logging and export of banned species and underreporting of timber volumes.
- Capacity building of stakeholders, especially customary land owners, is needed to enable them to participate in the monitoring of the forestry sector. They should be trained to use monitoring tools and to access information regarding the awarding of concessions.
- A forensic audit should be instituted to compensate the indigenous forest resource owners who have reportedly lost billions of Kina in revenue due to poor inspections of logs for export. This should be done by a state appointed independent accredited firm.

## Peninsular Malaysia

- State governments to ease off preferential award of long-term forest concessions or logging licences and instead opt for open tenders or quotations through fair bidding in compliance with Treasury Instructions.
- Forestry Department Headquarters to hold regular meetings of its Oversight Committee on Forest Operations and closely examine problems in forest governance and address lapses of integrity in the field.
- The Forestry Department Headquarters should reactivate or review the system of diary entry for all officers and staff including those based in the states in recording their daily work.
- Engaging relevant authorities to run customised courses on procedures in investigation and prosecution of forest offences.
- Use of 'Show Cause' letters to officers/uniformed staff deemed to be responsible for such cases as forest offences, false reports, failure to investigate / report / act on offences.

## Solomon Islands

- An effective Forestry Resources and Timber Utilization Act (FRTU) needs to include coherent processes for ensuring that decisions made by ministers are documented and gazetted/published when they related to the determination of timber values.
- The Customs and Excise Act should provide similar provisions for decisions on timber exemptions and there should be effective guidelines on internal and procedural control relating to the management of payments and compliance.
- Improved national budgetary allocations for timber rights processes, widening access to information through information disclosure policies and improve communication mechanisms with dissemination of information.

- There is an urgent need to increase human resources and operational budgets as a means of effectively conducting monitoring of different stages of forestry operations, including conducting timber inventories, checking devices, declaration of volumes, export permits and carrying out enforcement and compliance. Where possible mechanisms should be introduced that engage independent monitoring officers to carry out monitoring tasks, such as inspections at the ports.
- Provision of technical support for landowners, facilitation of community based forestry strengthening programmes, provision of training on proper audits and regular inspections including introductions of incentives and awards recognising and promoting integrity and ethical behaviour.
- Building effective partnerships between informal governance such as community and faith-based groups and the government, to work together to identify corrupt practices and to report such to the relevant authorities for prosecution.

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