

# State failure and corruption: challenges for forest policy

**Strengthening weak governance is essential for sustainability**

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**Making hay:** Illegal logging camp, Southeast Asia *Photo: L. Irland*

This article reviews existing widely used data through a specific lens: how does the world's forest area appear, when we classify nations according to state weakness and corruption? When the globe's forest is viewed in this way, the results are startling:

- Nearly half of the globe's forest area (2005) is in nations racked by "rampant corruption" according to Transparency International (see chart below).
- A significant number of the world's biodiversity hotspots occur in such countries.
- One sixth of the world's forests lie in states classified as "fragile" by the UK Department for International Development (DFID).

## ***Addressing the challenges of weak governance, corruption and conflict is the essential precondition for successful forest policy***

Numerous analyses of forest resource and biodiversity policies have identified weak governance and corruption as constraints. Yet, when these subjects appear in lengthy listings of policy issues, an optical illusion is created – the illusion that one may pick and choose which issues to pursue for "reforms". This is a misconception. *Addressing the challenges of weak governance, corruption and conflict is the essential precondition for successful forest policy.* This is true whether the goal is to sustain local livelihoods, produce future crops of commercial timber, or protect biodiversity.

### ***Fragile or failed states***

"Failed states" (UK DFID 2005) include the worst examples of civil strife, warlordism, and social collapse that can be found. In recent years they have included:

Angola  
Afghanistan  
Burundi  
Democratic Republic of Congo  
Haiti  
Liberia  
Sierra Leone  
Somalia  
Sudan

Several of these nations contain globally significant forests and biodiversity resources; in others, forests and woodlands are critically important for local well-being. The Democratic Republic of the Congo, for example, not only ranks 7<sup>th</sup> in the world in forest area, but contains important reserves of endangered species and biodiversity.

A UK DFID publication (2005) listed 46 "fragile" states (see table). The list of fragile states with significant forest area encompasses only 15 percent of the world's forests. These are concentrated in Africa (66 percent of the forest land in fragile states) and in Southeast Asia. These nations account for over a third of ITTO's 33 producer members, for which a recent evaluation (ITTO 2006) found a low level of sustainable forest management. According to FAO estimates, the 35 countries listed below lost 21 percent of their forest area from 1990 to 2005 while the world as a whole lost only 3.3 percent. Plainly, population growth and local economic circumstances helped drive this loss of forest, but poor governance and conflict played a leading role in many fragile countries.

## Fragile and falling

Forest areas of fragile states (1000 ha, 35 nations with over 100 000 ha forest)

Region/country	1990	2000	2005
<b>Africa</b>			
Angola	70 998	69 756	59 104
Cameroon	26 076	23 858	21 245
Central African Republic	23 207	22 907	22 755
Chad	13 509	12 692	11 921
Cote d'Ivoire	9 766	7 117	10 405
Democratic Republic of Congo	140 531	135 207	133 610
Eritrea	1 639	1 585	1 554
Ethiopia	4 996	4 593	13 000
Gambia	436	481	471
Guinea	7 276	6 929	6 724
Guinea-Bissau	2 403	2 187	2 072
Kenya	18 027	17 096	3 522
Liberia	4 241	3 481	3 154
Mali	14 179	13 186	12 572
Niger	1 945	1 328	1 266
Sierra Leone	1 416	1 055	2 754
Somalia	8 284	7 515	7 131
Sudan	71 216	61 627	67 546
Togo	719	510	386
Zimbabwe	22 239	19 040	17 540
<b>Asia/Pacific</b>			
Afghanistan	1 351	1 351	867
Cambodia	9 896	9 335	10 447
Indonesia	118 110	104 986	88 495
Lao People's Dem Rep	13 088	12 561	16 142
Myanmar	39 588	34 419	32 222
Nepal	4 683	3 900	3 636
Papua New Guinea	31 730	30 601	29 437
Solomon Islands	2 580	2 536	2 172
Vanuatu	441	447	440
<b>Eastern Europe</b>			
Azerbaijan	964	1 094	936
Georgia	2 988	2 988	2 760
Tajikistan	380	400	410
Uzbekistan	1 923	1 969	3 295
<b>Middle East</b>			
Yemen	541	449	549
<b>South America</b>			
Guyana	17 365	16 879	15 104
<b>Africa total</b>	<b>443 103</b>	<b>412 150</b>	<b>398 732</b>
<b>Fragile total</b>	<b>763 899</b>	<b>701 774</b>	<b>605 644</b>
<b>World total</b>	<b>4 077 291</b>	<b>3 869 445</b>	<b>3 863 878</b>
Fragile as percent of world	18.7%	17.6%	15.3%
Africa as percent of total fragile	58.0%	58.7%	65.8%

Sources: UK DFID 2005; FAO 2006

## Corruption and forests

Corruption of government and private business is a global epidemic. It threatens prosperity and security of many nations. It poses strong challenges for forest conservation activities of any kind, whether aimed at wood production, at wildlife and biodiversity protection, or at carbon storage. Corruption hinders legal forest industry, medicinal harvesting, or tourism activity by raising the costs and risks of transport and trade.

It bleeds off forest revenues into the wrong hands. Revenue from illicit activities feeds the most predatory elements of society. Corruption not only raises current costs and risks. It also raises the discount rates of actors in the market, and prevents any form of long-term or patient investment. In a high corruption economy, long-term investment is simply irrational. Activities will only be conducted that involve rapid turnover of cash. In a rampant corruption setting, honest, transparent operations become commercially impossible. Strikingly, some authoritarian regimes, which devote massive resources to censorship of the media and suppression of individual liberties, are unable to control corruption, and despite maintaining large armed forces and police services, can never find sufficient staff and funds for protecting and managing natural resources.

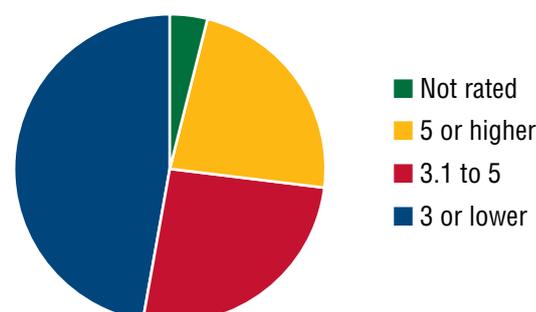
A private group, Transparency International (TI), conducts surveys to measure perceptions of corruption in countries around the world. Nations are rated on a scale of 1-10, a so-called "Corruption Perceptions Index" (CPI). By these ratings, the least corrupt nation in the world in 2005 was Finland, at 9.6; while Bangladesh and Chad tied for the most corrupt at 1.7. TI's analysts say that a rating of 3 or below indicates "rampant" corruption. In 2005, seventy countries scored less than a 3 in the TI ratings.

Almost half of the globe's entire forest area is in nations exhibiting "rampant corruption" according to the TI index (see chart). This is a staggering total of 1.9 billion ha of forest land. Another 26 percent of the world's forest occurs in nations with CPI ratings from 3.1 to 5. Only 13 percent is in nations rating above a 5. Worryingly, overlaying the TI ratings against a map of biodiversity hotspots indicates that many of the major areas of conservation concern identified by NGOs like Conservation International are in nations rating below a 3.

The Seneca Creek Associates/Wood Resources International illegal logging study found that virtually all of the nations where "suspicious logging activity" exceeded 10 percent were rated 3 or below in the TI rating scheme (SCA/WRI 2004). There are situations in which the concept of "illegal logging" is at best ambiguous, as in areas where forest management units or reserves have been created that purport to abrogate traditional use rights. But the most prominent examples, involving large scale cutting of logs for export, are not of this character, though they often occur in regions of tenure disputes.

## Bent

Global forest area (%) by TI Corruption Perceptions Index, 2005



Significant forested nations prominent in TI's "rampant corruption" category include Russia (809 million ha of forest), Democratic Republic of Congo (134 million), Indonesia (105 million) and India (68 million). These four large nations alone account for more than one quarter of the world's forest area. Brazil, with 478 million ha of forest, rates a 3.7. Anecdotal evidence suggests that were the Amazon alone to be rated separately in this manner, its 2005 rating would have been well below a 3. China, with 197 million ha of forest, rated a 3.2 CPI from TI.

NGOs have conducted most of the significant field work that has placed resource corruption and illegal logging in the public eye. Organizations like Global Witness, the Environmental Investigation Agency, Forest Monitor, Forest Trends, and Greenpeace, among others, have played a leading role. Until recently, one could search in vain in mainstream forestry literature for serious, professional, and detailed reporting and analysis on these issues. Matters have improved in recent years. A special issue of the *International Forestry Review* (Pottinger 2003) was devoted entirely to illegal logging and the problems are an increasing focus of efforts to ensure legal wood supplies in major markets like the EU and the USA.

## Impacts of weak governance on forests

- The danger of paper policies is that people might actually think something is being done about the problem, when in fact nothing is actually happening to improve the situation.
- All forms of law enforcement are undermined.
- Incapacity to implement even rudimentary harvest limits, silvicultural prescriptions, or park protections.
- Governments are unable to deliver on commitments made under international agreements or Conventions that relate to natural resource management.
- Leaders and officials in weak/unstable regimes have every incentive to "make hay while the sun shines" (discount rates are extremely high).
- Disincentive for long-term capital investment.
- Say's Law – bad money drives out the good. Only the corrupt keep doing business.
- Misgovernment corrupts the data ... no one can believe the "facts and figures".
- Loss of government, citizen, and business funds to graft, the fruits of which often leave the country, exacerbating poor economic conditions.
- Loss of trust in local/regional government and other agencies that need to be active to make programs work on the ground.
- Aid funds and materials are lost through graft and mismanagement.
- Further demoralization of staff – the "culture of corruption" perceived to be impossible to change.

## Emerging remedies

History justifies skepticism about high-flown statements adopted by world leaders contained in flowery press releases announcing grand initiatives. Usually the issuers of such statements are not in a position to change realities very much on the ground. As the FAO noted, "*In the fight against illegalities and corruption, words, rather than action, frequently dominate*" (FAO 2001).

Recognition by some national governments, and by major companies in the trade, that something must be done, is creating a new political dynamic. Mainstream industry and trade groups (such as the American Forest and Paper Association) are now recognizing the problem and publicizing it, even if they do not support every suggestion on the table for addressing it. At a high level, the issue is gaining attention, as detailed in a recent World Bank (2006) report (see also Collier 2007; Rose Ackerman 1999; Setiono and Husein 2005; and Spector 2005).

A short list of efforts deserving support in this area might include:

- Ending the conspiracy of silence  
For too many years, powerful prohibitions were enforced against using the "C" word in the official publications of some international organizations. Keeping the issue in the closet by ignoring it was intellectually dishonest, and contributed nothing to better forest and biodiversity policy. No example has yet been recorded of corruption being ameliorated by ignoring it. So long as official bodies maintained this conspiracy of silence, it contributed to complacency among groups less well informed, and diminished the credibility of the agencies themselves.
- Labeling systems for legal wood and commitments by buyers  
If it proves to be possible to credibly audit supply chains and label legally sourced wood, the potential exists to slowly create incentives for more and more suppliers to follow the rules. Unfortunately, in the near term, there will always be large market opportunities for illegal wood, which will benefit not only from the cost saving of not paying royalties, but also by avoiding the costs of the audit system to ensure legality. Considerable work is under way to develop credible and workable systems, with major processors and distributors of wood based consumer products and printers beginning to take action to clean up their supply chain (see Irland 2007). The Global Forest Trade Network is one example of a coalition of NGOs and companies seeking to improve supply chain transparency and accountability (<http://gftn.panda.org/>).
- Corporate transparency and accountability  
Today, one hears somewhat less about the supposed accountability and transparency of the corporate and financial sector. Given the ease with which accounts can be fiddled, and with which supposedly neutral arbiters such as accounting firms were bought off in those episodes, optimism about the efficacy of accounting improvements must be somewhat modest. Still, if vigorous ENGO and shareholder, as well as regulatory pressure, can be brought to bear on the corporate sector to embrace such standards as contained in the OECD and Transparency International guidelines for fighting corruption, some improvements seem possible.



**Legal logs:** Tracking systems and bar codes are becoming more widespread to deal with illegal logging Photo: L. Irland

- Be realistic in planning forestry/biodiversity programs/projects

Recognize that the friction caused by weak governance and corruption will compromise project effectiveness. Agencies should select projects with minimum exposure to those risks. Project plans should include specific attention to steps taken to immunize them from the effects of corruption and governance failures. They should be honest with project sponsors about the risks posed by weak governance conditions.

### Summary

Wherever government is absent or dysfunctional, forest policy will not work. Much of the world lacks governmental capacity to make any kind of policy work, except as an accidental adjunct to the private business interests of ruling elites. So, policy proposals or designs that assume institutional and social stability, the rule of law, and sound administration, are not likely to enjoy success.

The problems are:

- State incapacity or state control by corrupt political, military, and business elites.

- Rampant corruption, which means that paper policies and paper parks simply cannot be implemented in many significant forest nations.
- In these conditions, criminal groups are often able to operate with relative impunity. Further, “policies” enunciated by high-level agencies are likely to be fraudulent. Treaties and international undertakings, signed with due solemnity, are often ignored.

Forest and resource management work, research and institution building nonetheless needs to go on in fragile states, somehow seeking to evade or outwit the consequences of governance failures. The World Bank and other organizations, along with a series of active NGO’s, have been active in recent years assessing and proposing responses to the problems of illegal logging and corruption. None too soon, the conspiracy of silence is breaking down. Private, state, and NGO actors are pursuing improvements. This heartening trend must be encouraged.

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*This article is condensed from an essay in the December 2008 issue of the Journal of Sustainable Forestry, where more complete discussion, references, and data can be found.*