

Tracking the profits from forest crime

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Bambang Setiono

If the law was properly enforced, there wouldn't be any logging within Indonesia's national parks. But enforcing the law is far from easy – many national parks are vast and have few professional staff – and the profits to be made from illegal logging are considerable. The scale of illegal logging in Sebangau National Park, in Central Kalimantan, is by no means unusual. Between 2001 and 2003, the park is thought to have lost almost 20,000 hectares of forest.

simply concentrate on the flow of illegal timber,” explains Setiono. “What they wanted me to do was to follow the money, because the fact is that stolen timber is transformed into cash, bank deposits, shares, real-estate, oil-palm plantations and other assets.”

During the past few years Setiono has promoted a new approach to fighting forests crime. Working with the government's Reporting and Financial Transaction Analysis Centre (PPATK), Setiono



Transporting illegal logs to Sematan, Serawak, Malaysia. Photo: Agus Andrianto

On 26th June 2006, a team established to eradicate illegal logging discovered more than a million pieces of illegal timber – over 130,000 cubic metres in volume – just outside the national park. The logs were tied together and ready to float downstream, where numerous buyers doubtless awaited them. When the team arrived on the scene, there was no-one to be seen. Not surprisingly, no company or individual came forward to claim the impounded timber.

Eager to discover who the culprits were, and where the illegal timber was destined, the authorities in Central Kalimantan invited CIFOR financial analyst Bambang Setiono to investigate. “They realised that law enforcers are always going to struggle to work out who's responsible if they

convinced the government to introduce a new law classifying forestry crimes as ‘predicate offences’ for money-laundering. This means that law-enforcement agencies can now ask the banks to help them identify individuals who are using them as a conduit to channel their illegal profits into other (largely legitimate) activities.

An Analysis of Illegal Logging: the Case in Katingan District, Central Kalimantan provides a detailed analysis of Setiono's investigation. Using anti-money-laundering tools which have become increasingly familiar to government officials and NGOs working on illegal logging issues, Setiono scrutinised the behaviour and capacity of the local timber-processing industry. One of his main findings was that overcapacity in the processing

sector encourages illegal logging, both within and outside protected areas like Sebangau National Park.

Although Setiono was unable to show precisely who was responsible for the theft of timber from the National Park, he was able to provide clear recommendations for future action. The police, he suggested, could begin by investigating the financial transactions of the companies involved in processing timber, and of the officials (and their family members) who provided the permits and protection which have enabled the companies to operate. Setiono identified the companies which warranted the closest inspection, and he suggested that the authorities ask banks to reveal the nature of their financial activities. This would help to establish which companies and individuals had been involved in suspicious activities – such as illegal logging or procuring illegal timber.

On the broader canvas, the Asia Pacific Group (APG) on anti-money-laundering invited Frances Seymour, CIFOR's Director General, to give a presentation on money laundering and illegal logging at a meeting held in Jakarta in November

2006. The APG, with the support of the World Bank, also held an ad hoc meeting on illegal logging and money-laundering the following day. Setiono and Yunus Husein, head of PPATK, delivered one of the key papers in the special meeting. It was agreed that the Indonesian government would lead the formation of a special working group on illegal logging at the APG.

Setiono is encouraged by the fact that the World Bank is now taking the issue seriously. Although other Asian countries have yet to follow Indonesia's lead, and classify forest crimes as a money-laundering offence, they are at least beginning to recognise the possibility of using financial legislation to track timber smugglers. "In the past, if you went to one of the APG meetings, all the talk would be about corruption, clamping down on cash-carrying across borders, and about how to preventing drug smugglers and others co-mingling dirty money with clean money," explains Setiono. "But forest crime is now on the APG agenda, and those who attend the meetings realise that anti-money-laundering laws could be used effectively to control illegal logging."

Assessing forest crime in Cameroon

Supposedly reputable sources have been claiming for many years that approximately 50 per cent of Cameroon's timber harvest is illegal. However, a study published by CIFOR and conducted by Paolo Omar Cerutti and Luca Tacconi, suggests that this figure is greatly exaggerated. *Forests, Illegality, and Livelihoods in Cameroon* also shows that much of the illegal harvest can be attributed to small-scale loggers who have been forced to operate illegally by a ministerial decision to suspend their activities – a decision which itself was illegally taken.

None of this is to deny that illegal logging is a problem in Cameroon, but Cerutti and Tacconi argue that a much more nuanced approach needs to be taken if forest crime is to be tackled successfully. The report explains why domestic consumers, who by the mid-1980s could no longer afford to buy timber produced by large export-oriented companies, were forced to look for timber harvested by small-scale logging enterprises. It explains the rationale which prompted the government to proscribe the activities of small-scale loggers, and it argues that instead of improving sustainability and decreasing corruption, this did the precise opposite: it led to an increase in unsustainable harvesting practices and encouraged corruption.

The authors also point out that much of the small-scale logging activity takes place in forest areas which are designated as 'non-permanent' and which can legally be converted to non-forest uses. Industrial logging, in contrast, takes place in the permanent forest domain. If future law-enforcement initiatives, such as those proposed under the European Union's Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), discriminate against small-scale operators, there is every chance they will have a negative impact on local livelihoods.



Transporting logs on its way to Douala from Eastern Cameroon. Photo: Paolo Cerutti

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