



FOREST
TRENDS

October 2019

Corruption: a key obstacle to reducing forest loss & illegal logging

Lessons from Liberia & Myanmar

Arthur Blundell, PhD art@naturalcapitaladvisors.com



Definition



Corruption: misuse of entrusted power for private gain

Global cost: \$29 billion

Uncovering the Risks of Corruption
in the Forestry Sector

How does EITI work...

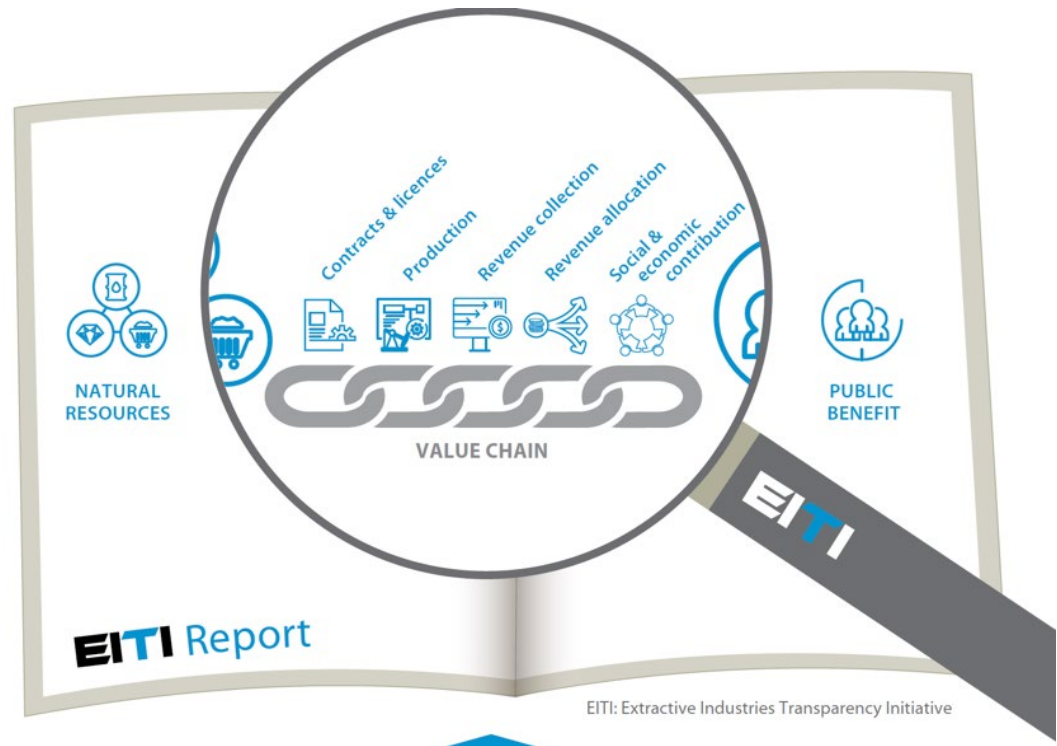


Extractive Industries
Transparency Initiative

- Oil, gas, & mining → forestry
- One tool in the fight against corruption



Extractive Industries Transparency Initiative



EITI & corruption

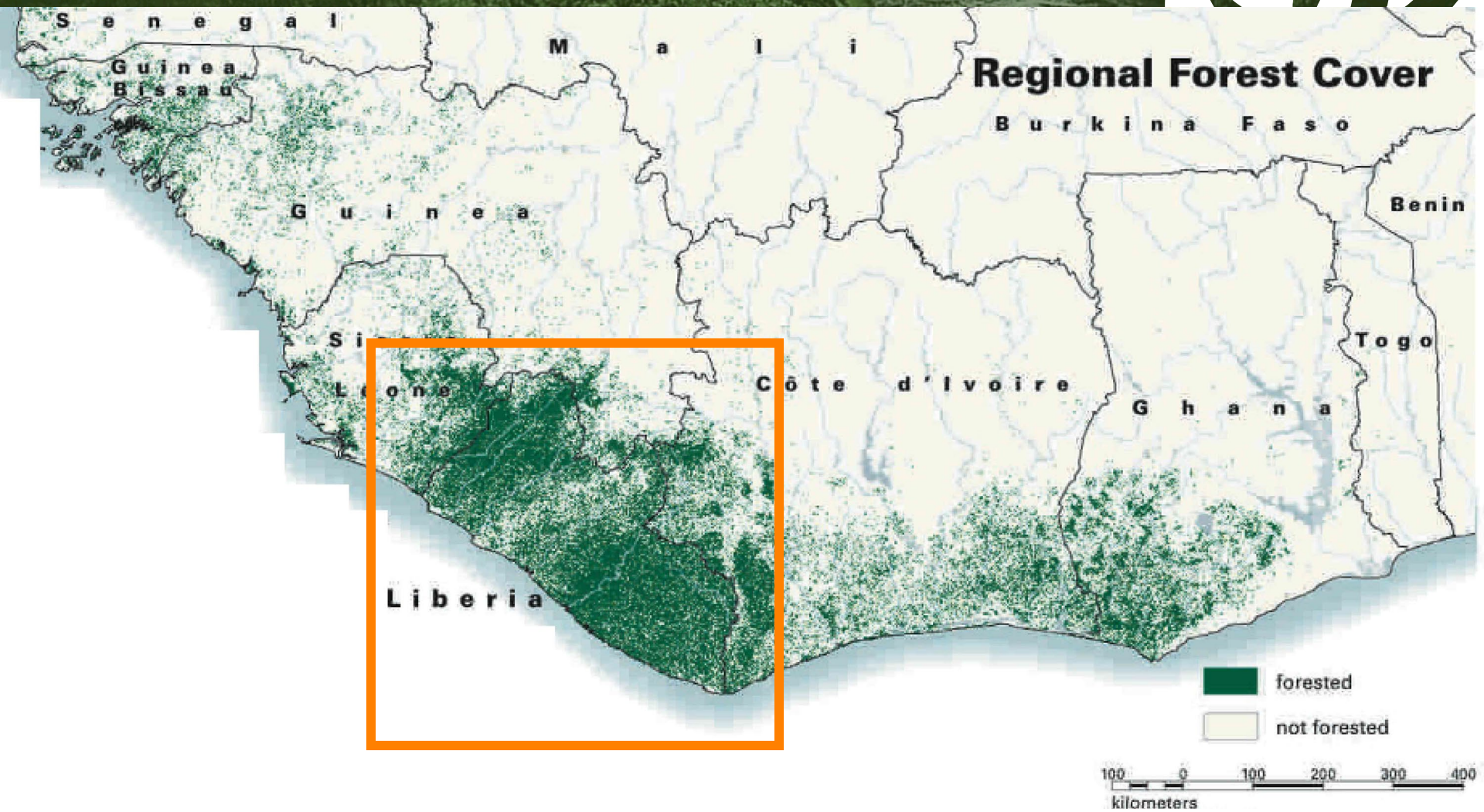


Evidence consistent with corruption...

vs.

Evidence of corruption...

Evidence *of* corruption



Private security forces act as militias



REF: MD/107/'98-4

June 18, 1998

The General Manager,
Maryland Wood Processing
Industries (MWPI)
Bushrod Island
Monrovia, Liberia

Dear Mr. Manager:

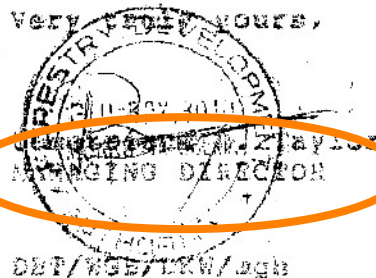
In an effort to improve the security situation in the South Eastern Region, the Management of the Forestry Development Authority (FDA) is pleased to request that you make available the amount of US\$4,000.00 (FOUR THOUSAND UNITED STATES DOLLARS) on a monthly basis to Col. William Y. Sumo, Chairman, Joint Security, South-Eastern Region as your company's contribution toward this worthy cause.

Please be reminded that this amount will be deductible from your future forestry related fees.

We have implicit confidence that you will accord this request your usual consideration and prompt action.

Kind regards,

Very truly yours,


MANAGING DIRECTOR
DET/WCE/CKW/sgn

Logging companies ran guns (and other organized crime)



THE FIRST
FLOOR
Bank No 11888 BOSTON
Bank BOSTONMAE

BankBoston

DATE 28 AUG 99

CREDIT ADVICE

DATE 28 AUG 99
ADVICE NO. 188405

BO JAYA PTE LTD
MEDN ROAD
14 INTERNATIONAL PLAZA
SPORE 078903

ADVICE NO. 188405
WE DEBIT VALUE 28 AUG 99
YOUR US D ACCOUNT NUMBER 00158000

RECEIVED
30 AUG 1999
BANK OF AMERICA

TRANSFER	US.D	500,000.00
COMMISSION		312.50
TELEX CHARGES		1.00
NET		500,312.50
US.D		500,312.50

FAISE ANVERSOISE

OPRAH

076

FOR INTERNAL USE ONLY
ADVICE NO. 188405
CREDIT VALUE 28 AUG 99
US.D ACCOUNT NUMBER 00158000
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UNIVERSAL BANK FOR DEVELOPMENT & INVESTMENT
P. O. BOX 547, MONROVIA, LIBERIA

20656

DEBIT TICKET

DATE: 7/19/00

DEBIT

OFFSET (CREDIT)

CHARLES G. TAYLOR
00-201-30851-01

RAD 21112

DETAILS:

RAD KEIT # 10001991535601 1MD Cool B/O
NATURA HOLDING & PTE LTD AS PER CBM W/LLD 7/19/00
NINETY NINE THOUSAND NINE HUNDRED
SEVENTY FIVE DOLLARS

AMOUNT IN WORDS

US\$ 1,999,975.00

AMOUNT IN FIGURES

MAKER

[Signature]

CHECKER

[Signature]

OFFICER

[Signature]

UNIVERSAL PRESS DOCK

ORIGINAL



REPUBLIC OF LIBERIA
MINISTRY OF FINANCE
 MONROVIA, LIBERIA

CERTIFICATED STATEMENT OF ACCOUNT
 BETWEEN
 NATURA LIBERIA INCORPORATED AND THE MINISTRY OF FINANCE AND FDA

To Whom It May Concern:

After having verified the various payments made by NLI (Natura Liberia Incorporated) to GOL (Government of Liberia) or on behalf of GOL and the obligations due by NLI to GOL, we, the Ministry of Finance and FDA, on behalf of the Government of Liberia certify the following statement:

	Credit USD	Debit USD	Balance USD
Tax advance to GOL on July 17, 2000	2,000,000.00		2,000,000.00
Taxes and fees due to FDA and MOF		592,763.25	1,407,236.75

The above accounts are including all payments and charges up to May 31, 2001 and NLI has as of this date a certificated credit of USD1,407,236.75 (US Dollars: One million four hundred seven thousand two hundred thirty-six and cents seventy-five only.)

Signed Monrovia, June 14, 2001

For Natura Liberia Incorporated


 Gus W. Wenhoven
 PRESIDENT

For the Ministry of Finance


 Juanita E. Taylor
 DEPUTY MINISTER OF REVENUE

For The Forestry Development Authority


 Horatio Demetrius B. Taylor
 MANAGING DIRECTOR

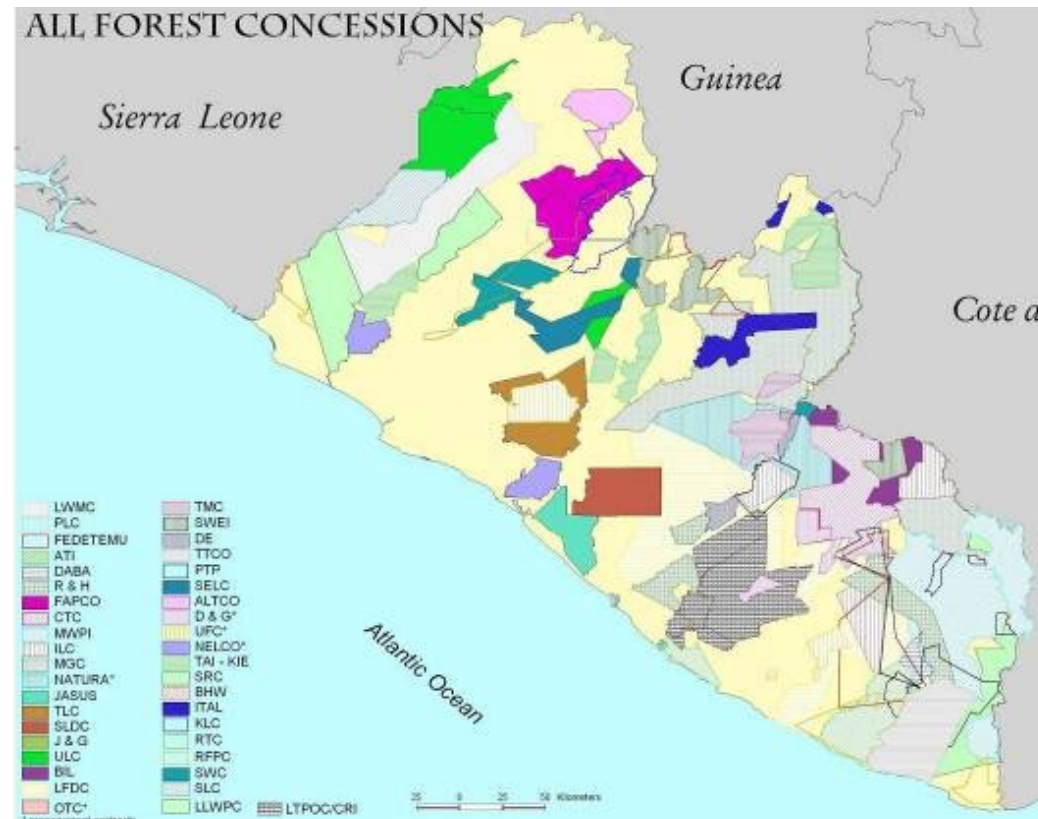
Lessons learned

Just because the government official says its ok, doesn't make it legal

Patronage:

- overlapping concessions
- loggers were operating with 'official' permission, but none were in compliance with the law, even for one year

- All claims declared *null & void*



*Evidence **consistent with** corruption*

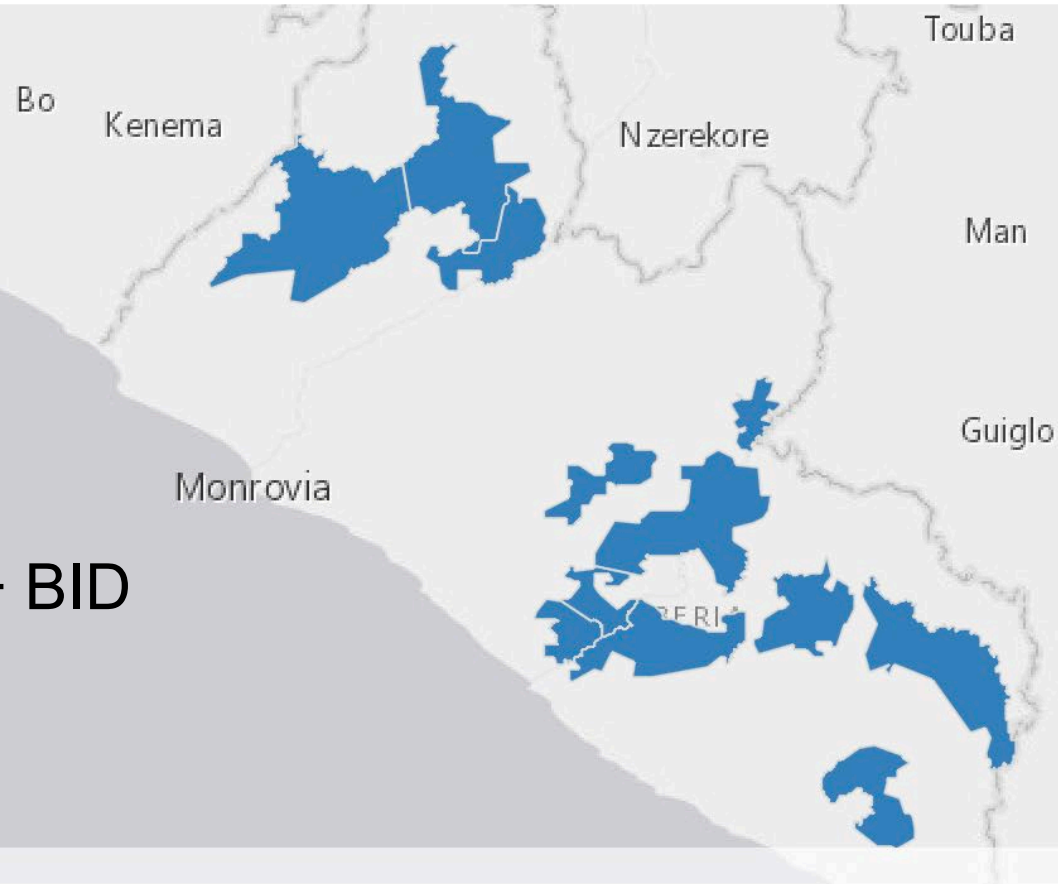


Forest Management Contracts

Last updated 6 months ago | 12 Records

Competitive bidding
for logging concessions

- Land Rental: \$2.50/ha/yr + BID



Overview

Data

API Explorer

Reform: poverty alleviation



AN ACT ADOPTING THE NATIONAL FORESTRY REFORM LAW OF 2006

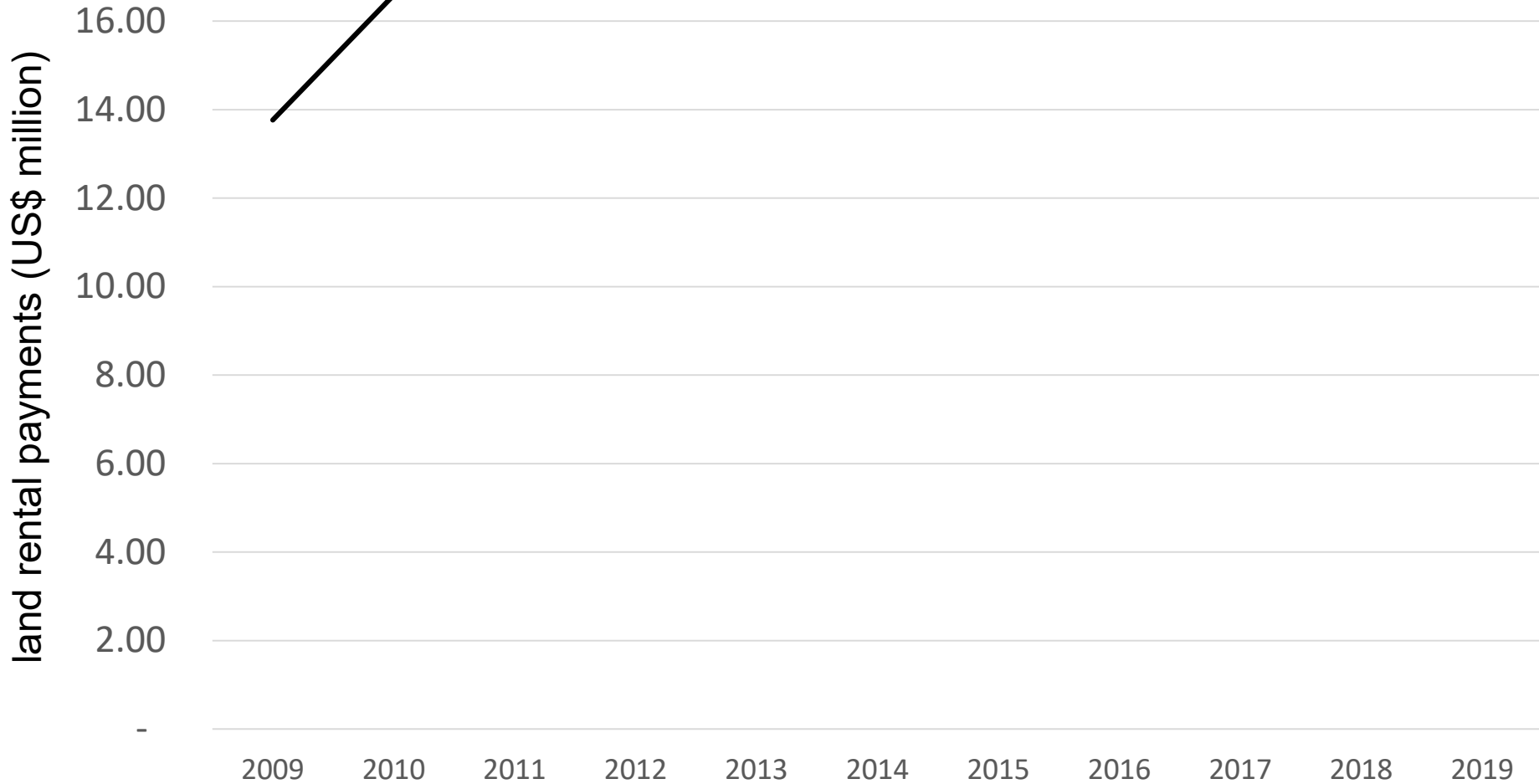
(AMENDING THE NATIONAL FORESTRY LAW OF 2000,
AS AMENDED; AND
AMENDING AN ACT CREATING THE FORESTRY DEVELOPMENT
AUTHORITY ACT, AS AMENDED)

Section 14.2 Forestry Fees

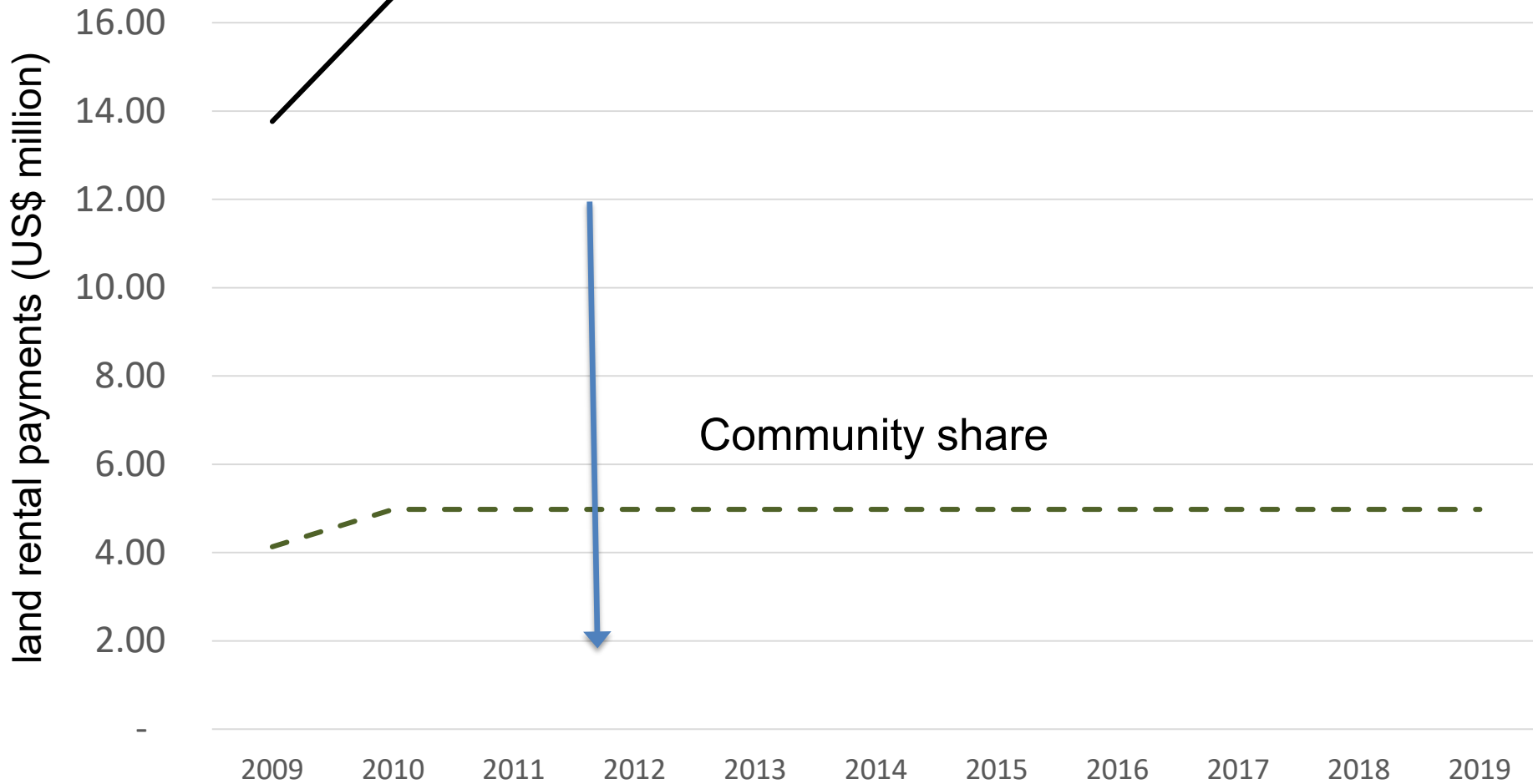
e. The Government shall allocate and distribute fees collected annually pursuant to this Section as follows:

- (i) Ten percent of stumpage fees to support operational costs for the Protected Forest Areas Network established by Chapter 9 of this Law.
- (ii) Thirty percent of land rental fees to communities entitled to benefit sharing under Forest Resources Licenses; thirty percent of land rental fees to Counties;

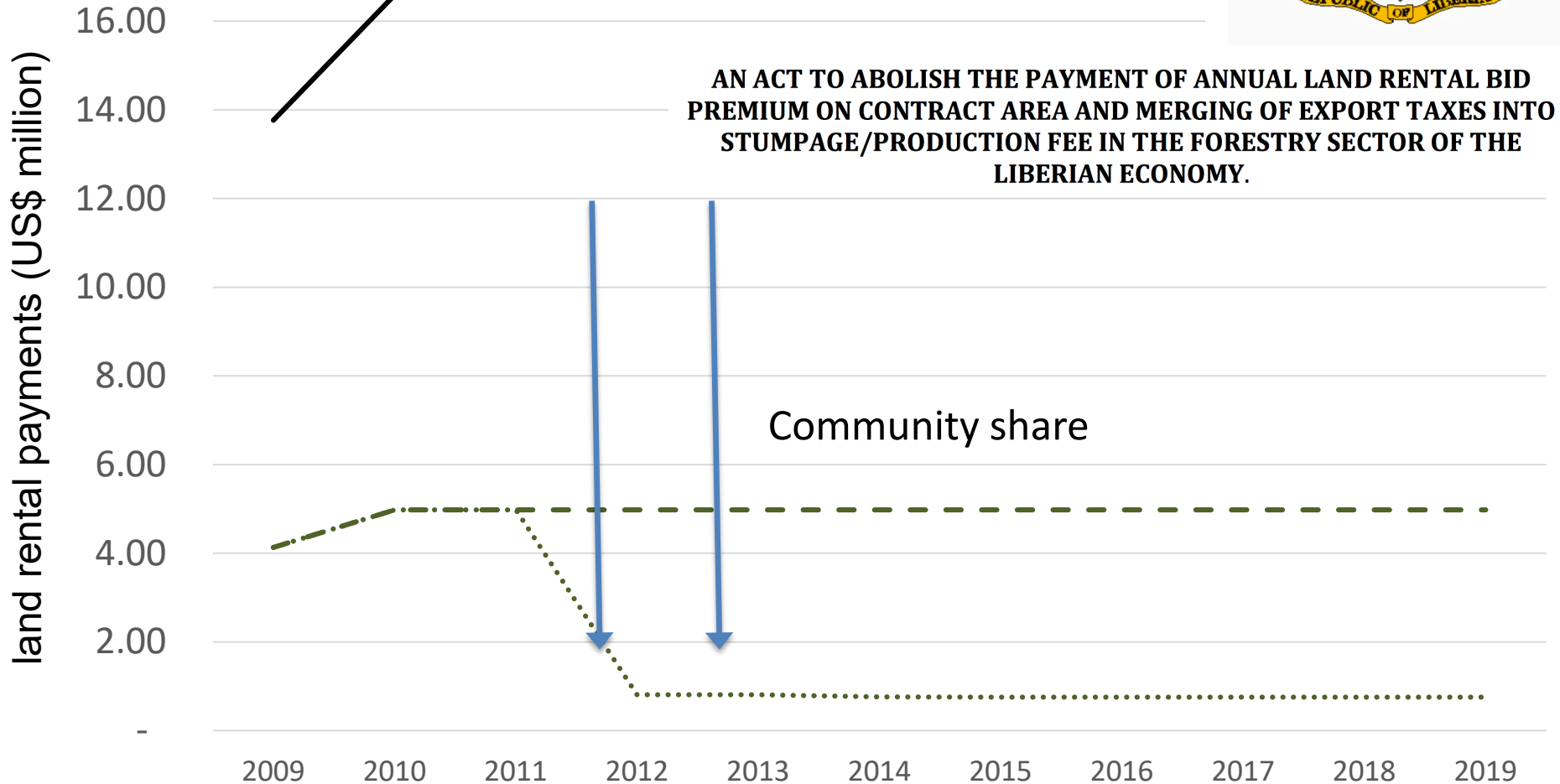
Evidence *consistent with* corruption



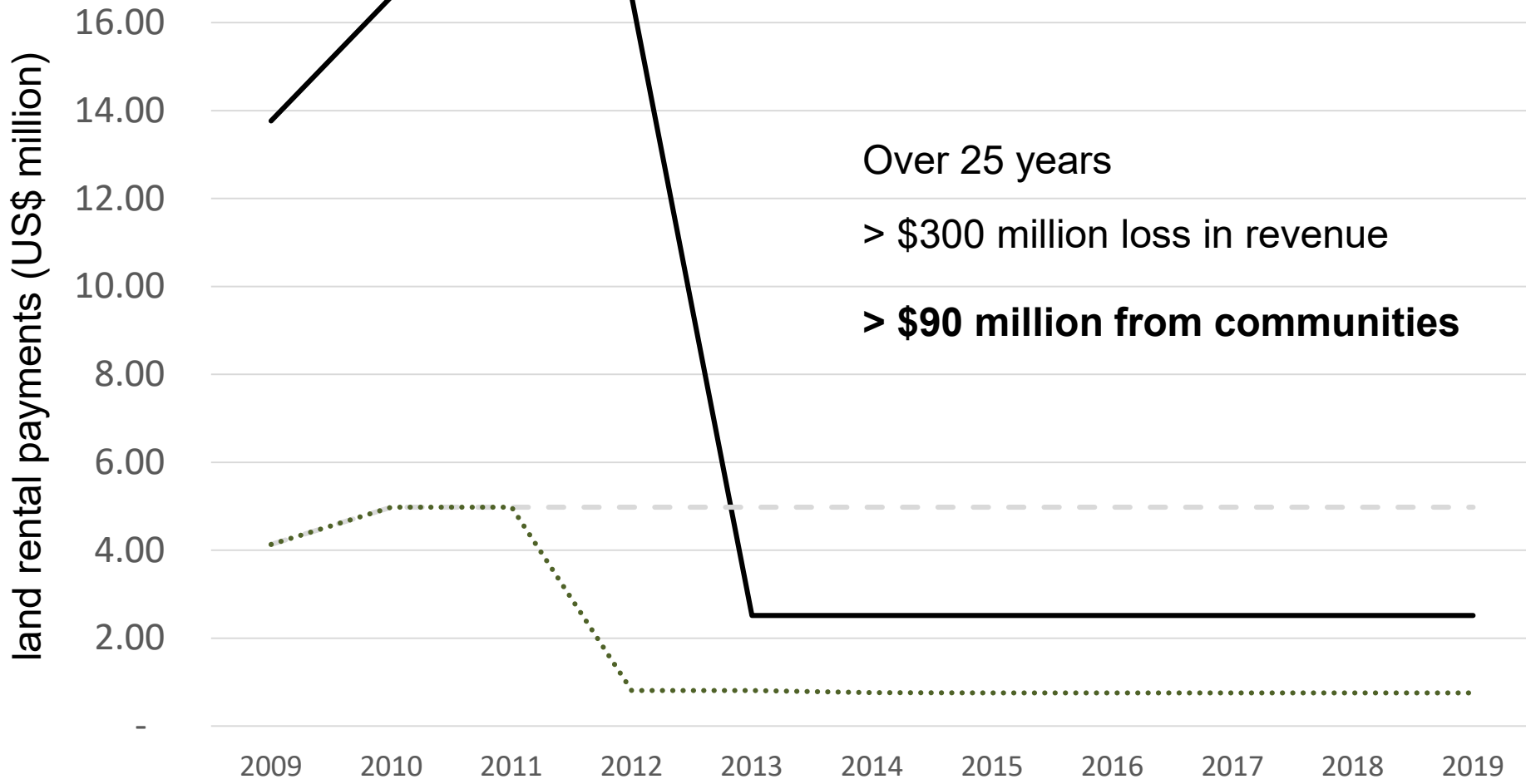
Evidence *consistent with* corruption



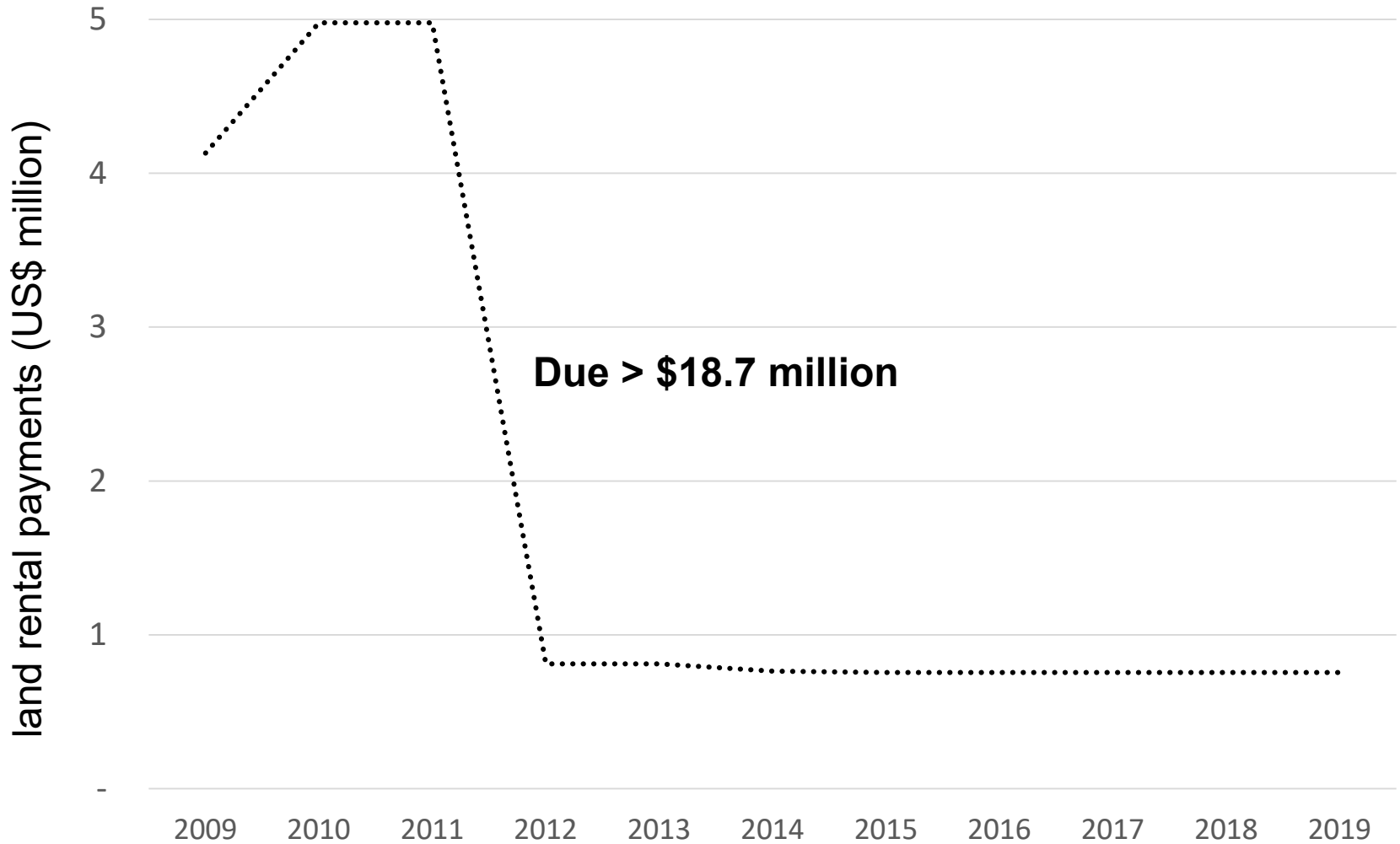
Payments due



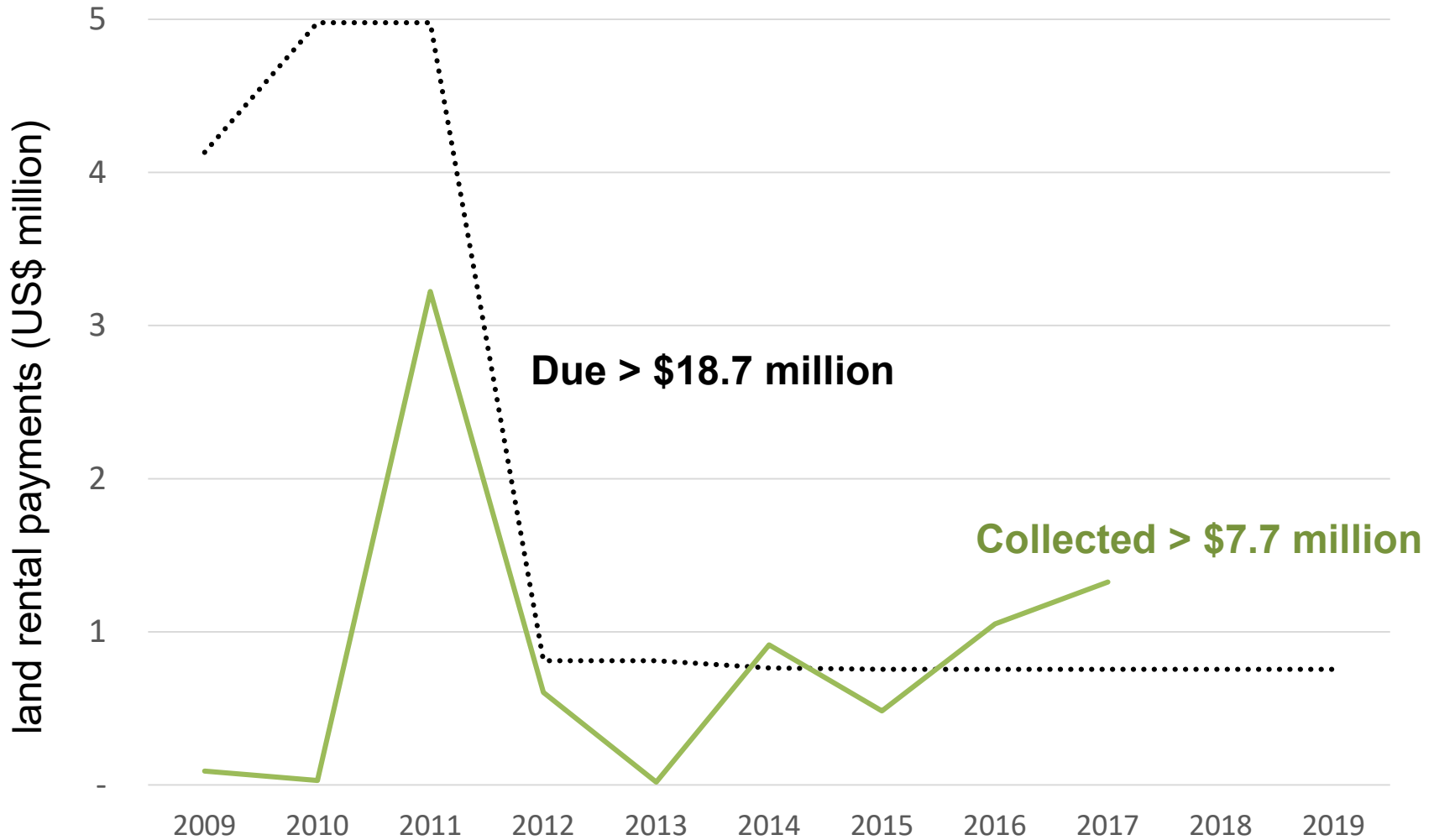
Payments due



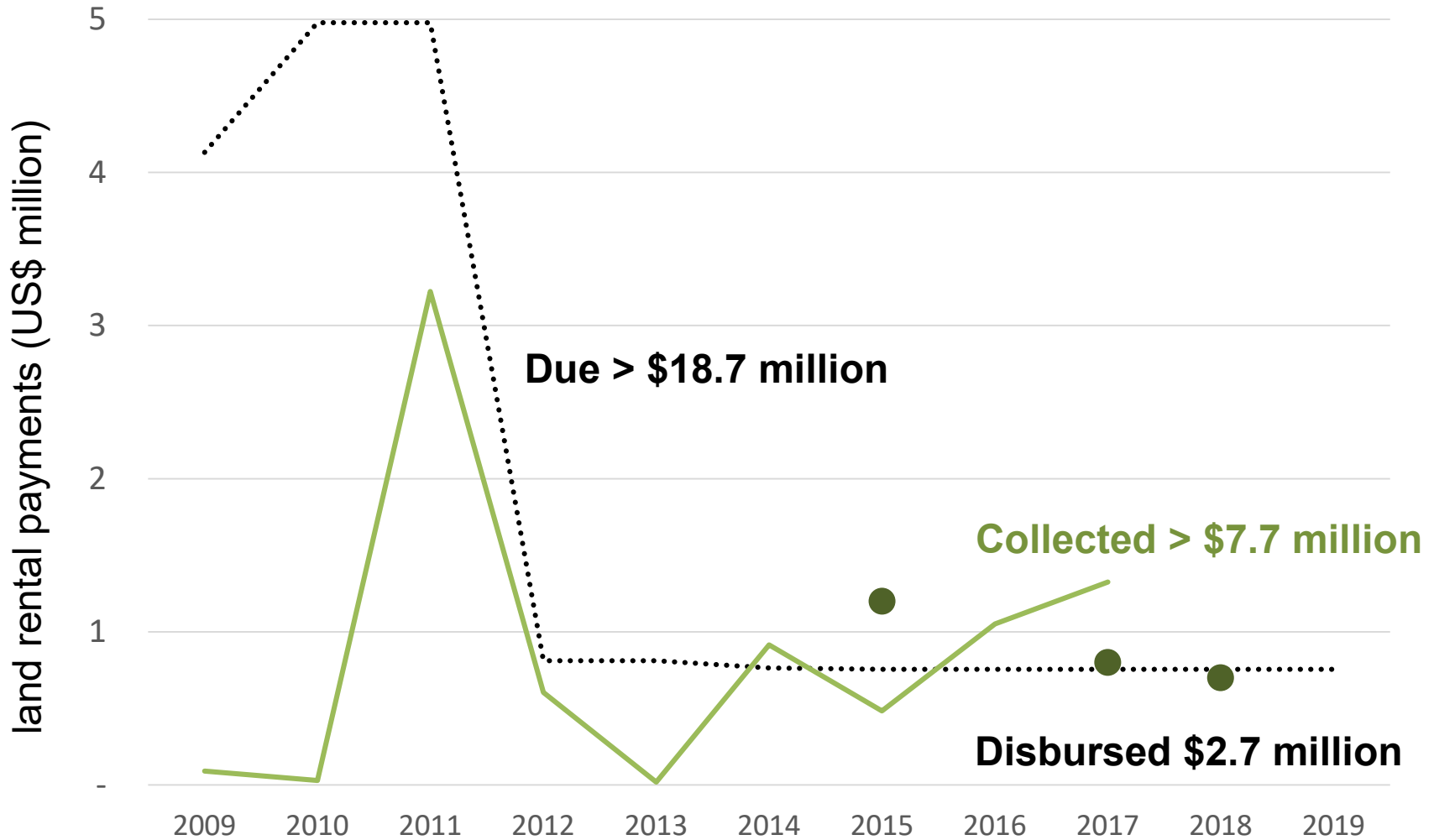
Community history



History

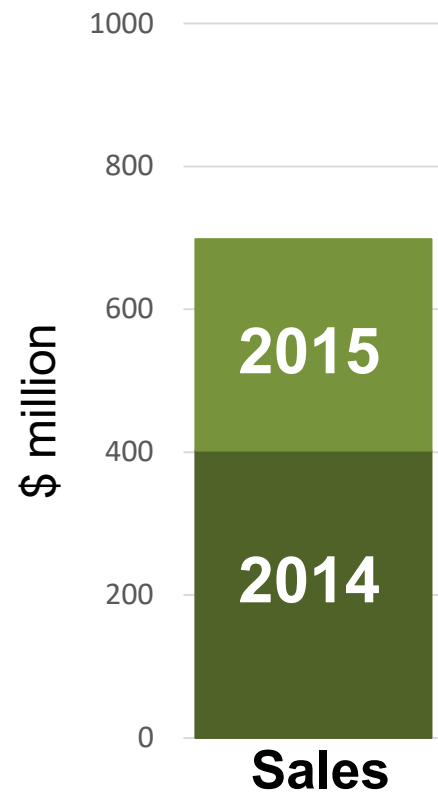


What communities got...





Fiscal Years 2014 & 15



MYANMAR EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (MEITI)

EITI REPORT FOR THE PERIOD
APRIL 2015 - MARCH 2016

FORESTRY SECTOR

Pre-Final

July 2018



MTE reporting

In Person

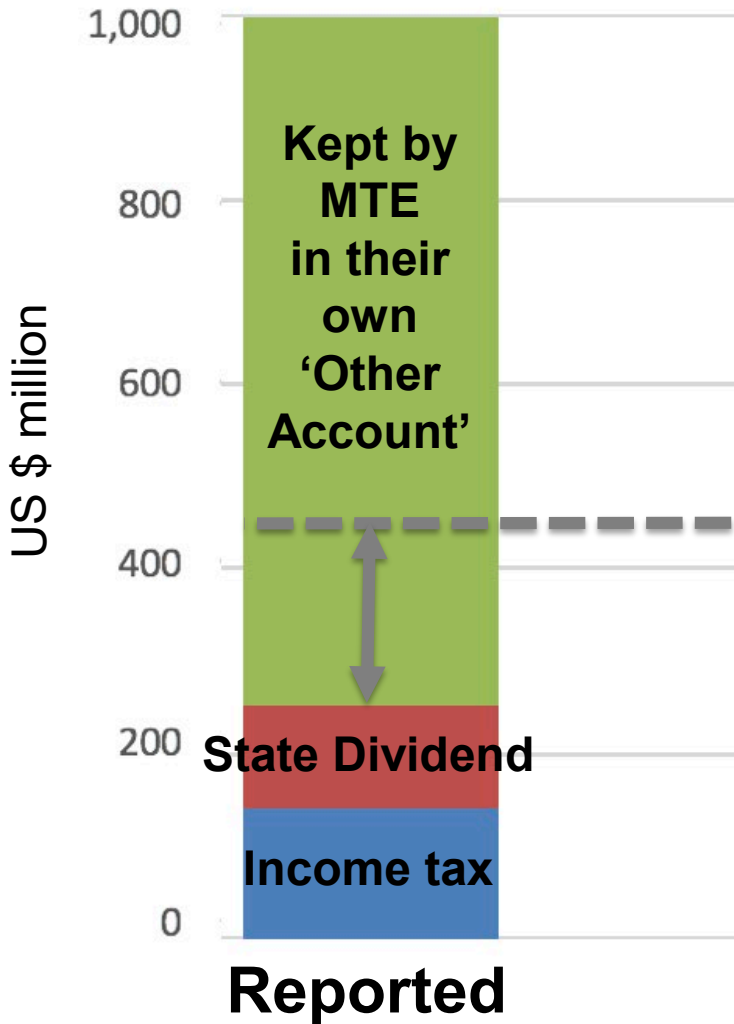
Loopholes in Myanmar's Forest Sector Cost Govt Million in Revenue



Teak logs are loaded onto a lorry at a logging camp in Pinlebu township, Sagaing division in northern Myanmar March 9, 2014. Picture taken March 9, 2014. / Reuters

By **NAN LWIN** 11 July 2019

Did MTE keep too much of its profits?



**MTE kept
\$195.7 million
of government
money**

Where did the MTE Other Account \$ go?



According to the MoPF, SEEs OA are part of the Union Fund and therefore are part of the Union Budget. Thus, SEEs OA are consolidated with the budget accounts and are used for the budget deficit financing which means that OA surplus are in fact spent for SEEs as well as the expenditures of non-revenue making ministries such as Education, Health and Sport, Social Welfare, Relief and Resettlement.



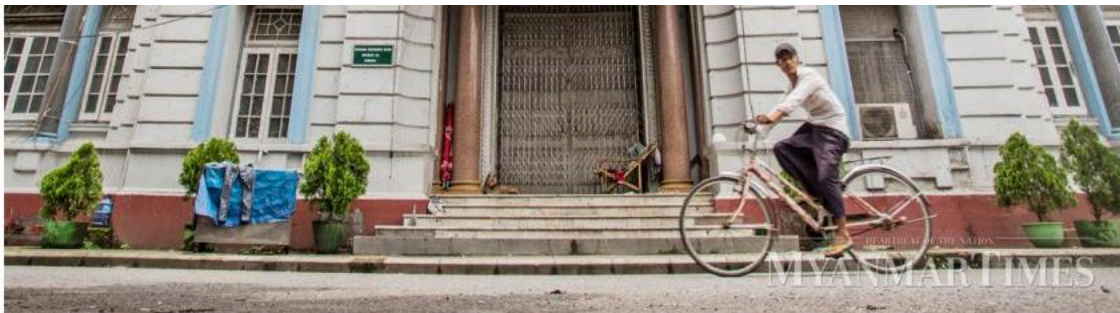
Home » Business » Parliament, public in the dark over state bank's lending

Parliament, public in the dark over state bank's lending

THOMPSON CHAU, CHAN MYA HTWE | 23 NOV 2018

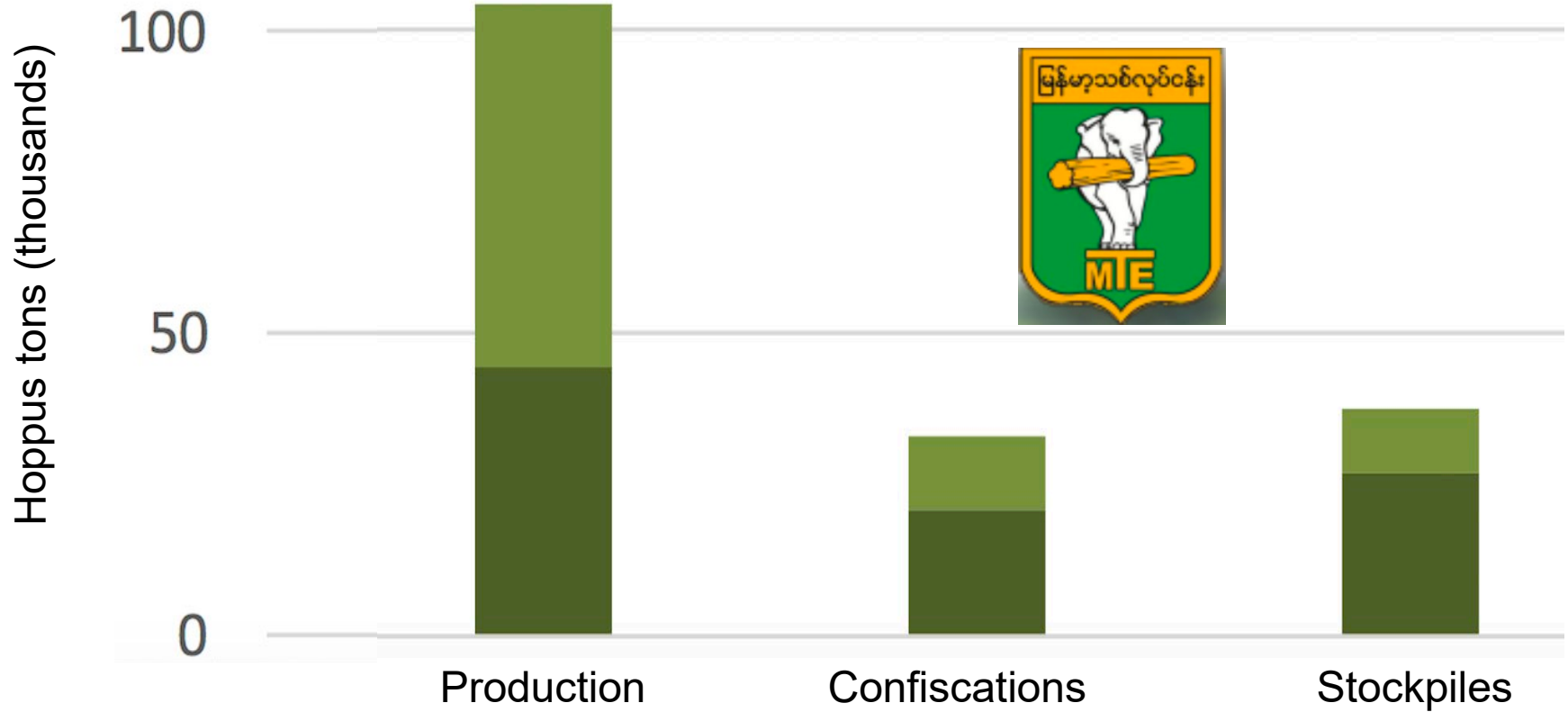


The so-called "Other Accounts" in state-owned Myanmar Economic Bank (MEB) opened by state-owned enterprises (SOEs), which received an estimated K11.5 trillion (US\$8.5 billion at the time) between 2012-17, are only accounts in name and there is no actual money deposited in them, Deputy Planning and Finance Minister U Maung Maung Win said on November 19. Experts argued this is tantamount to saying that "a private bank does not have deposits since it has lent the money to someone else."

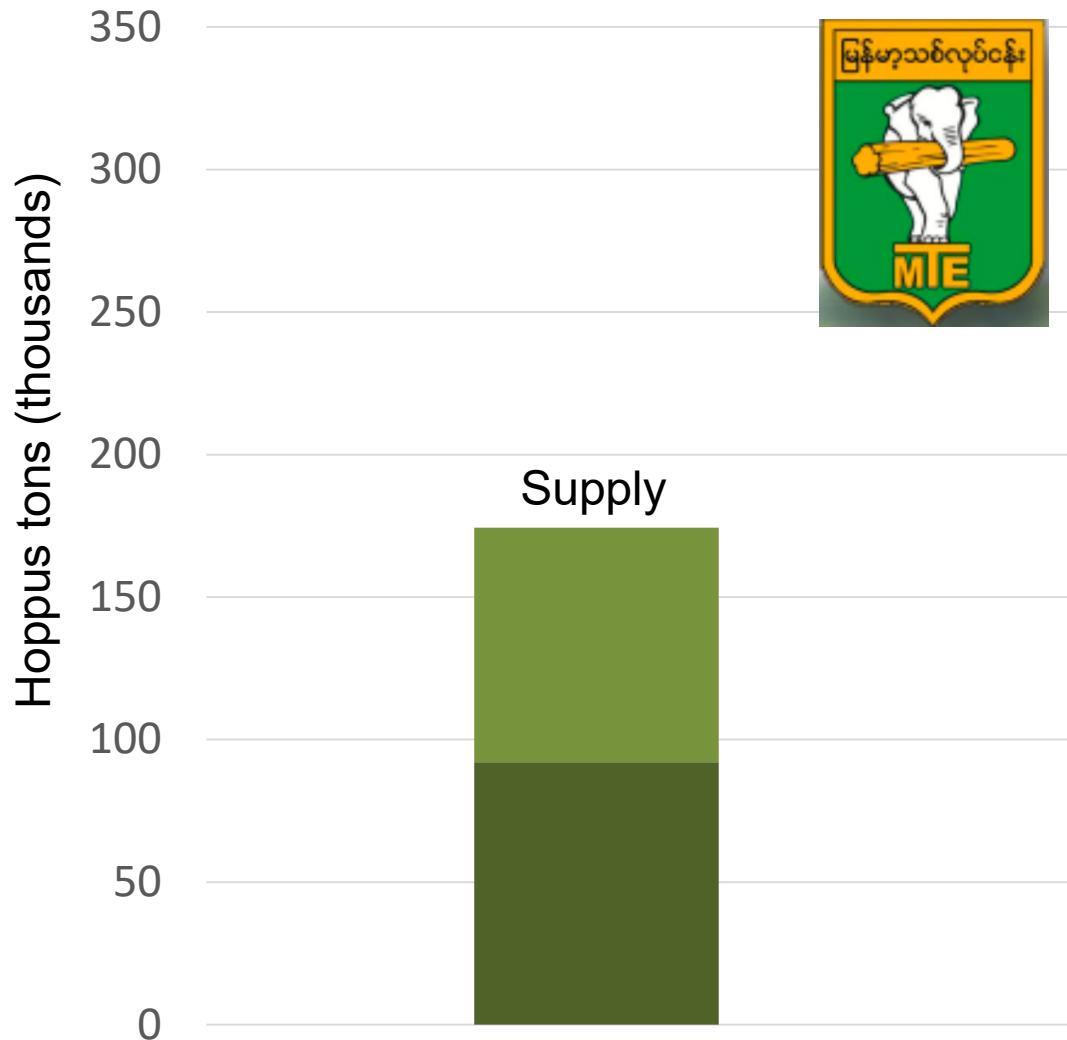


The man rides his bike past the Myanmar Economic Bank. Photo: Aung Myin Ye Zaw / The Myanmar Times

Teak Supply



Teak production & sales



MTE Under-valuing Teak?



Tropical Timber Market Report

Volume 19 Number 8, 16th – 30th April 2015



The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Headlines

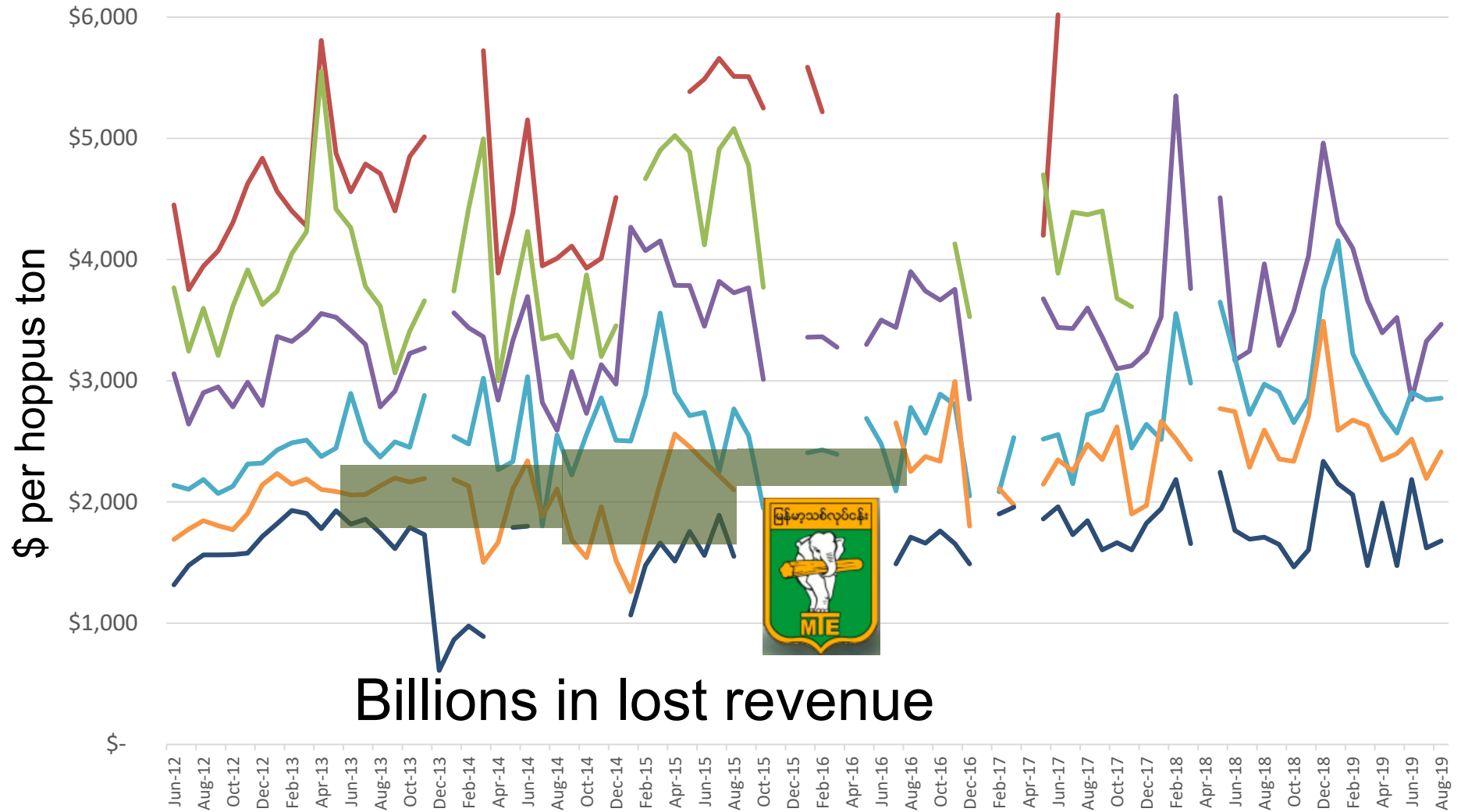
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Tight supply underpins Central and W. African log prices	2
Authority to control timber trade transferred to State Governments in Malaysia	4
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Auction price in Yangon for teak logs

Price at auction



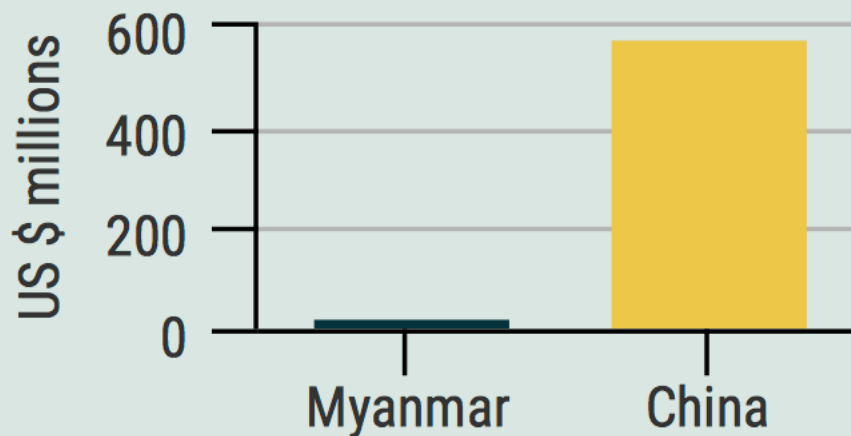
Price at auction





What is in Myanmar's First EITI Forestry Reports?

Value of Exports Reported by Myanmar vs. Value of Imports Reported by China



Conclusions

Using EITI data...

- Available

SORRY! Website
suspended due
to lack of
payment!!!!

If you are the owner of this website, please contact your hosting provider in 5 days to avoid the deletion of your account.

10/28/2019

Conclusions

Using EITI data...

- Available
- Expertise
 - Poor records vs. evidence consistent with corruption
 - Capacity vs. Political Will
- Local advocacy partners

Necessary but not sufficient for accountability

- Community payments in Liberia

An aerial photograph of a vast, dense tropical rainforest. The trees are a mix of various shades of green, from deep forest green to lighter, sunlit greens. The forest extends to the horizon, where it is partially obscured by a soft, white mist or fog. The overall atmosphere is serene and natural.

Thank you

Questions?

art@naturalcapitaladvisors.com

FORESTS, FRAGILITY AND CONFLICT

OVERVIEW AND CASE STUDIES



Forests, Fragility & Conflict

Organized crime attracts
organized crime...

A pipeline is a pipeline...



PROFOR
PROGRAM ON FORESTS

Harwell, Blundell, Farah. 2012.
[http://documents.worldbank.org/curated/en/
328261468331019611/Forests-fragility-and-conflict](http://documents.worldbank.org/curated/en/328261468331019611/Forests-fragility-and-conflict)

10/28/2019

Deforestation & human health



 nature
geoscience



Altmetric: 150 Citations: 18

[More detail >>](#)

Letter

Air quality and human health
improvements from reductions in
deforestation-related fire in Brazil

C. L. Reddington, E. W. Butt, D. A. Ridley, P. Artaxo, W. T. Morgan, H. Coe & D. V. Spracklen 

Reduction in deforestation

→ reduction in fires

→ saving >1700 lives/yr



Chart Title

