

### **Short WORKSHOP REPORT FORM**

**Number and title of workshop:** WS 2.2 Follow the Money to Curb Forest Crime

**Coordinator:** Anna Christina Sinaga

**Date and time of workshop:** November 11<sup>th</sup>, 2010 at 09.00 am

**Moderator:** Dr. D. Andrew Wardell, Center for International Forestry Research (CIFOR)

**Rapporteur:** Sofi Mardiah, CIFOR  
Victor Soosai, Transparency International

**Panellists:**

Peter Larmour, Australian National University, Associate Professor  
Ahmad Dermawan, CIFOR, Researcher  
Mochammad Jasin, Corruption Eradication Commission of Indonesia , Vice Chairman  
Dato' Sri Abu Kasim, Malaysia Anti Corruption Commission, Chief Commissioner  
Julie Walters, Australian Institute of Criminology, Research Analyst  
Ajit Joy, UN Office on Drugs and Crime, Country Manager, Indonesia  
Manoj Nadkarni , Transparency International, Program Manager

**Main Issues Covered**

Five perspectives were covered in the workshop: global analysis on how corruption contributes to deforestation, governance of public finance using the case of Reforestation Fund in Indonesia, corruption cases and law enforcement in Indonesia and Malaysia, the role of banks in combating corruption in the forestry sector, and the role of international actors and international cooperation.

- There are similarities between anti corruption efforts and REDD+. One of them is diagnoses and cures for corruption in REDD+ schemes. These cures include: behavioral (highly visible inspection systems and penalties), structural (separate authorisation, verification and payments for REDD), and political cures (checks and balances within REDD+ organizations)
- REDD+ is an opportunity to create new potential revenues for Indonesia. There are also risks in managing these funds. Lessons from the Reforestation Fund showed that there are many problems in financial management and revenue administration, accountability, corruption and transparency.
- In Indonesia, corruption cases in the forestry sector are mostly related to state loss of revenues. During 2005 to June 2010, KPK was able to recover more than USD 86.2 million of state losses, a big portion of which came from forestry cases. Most of the cases

involved high level officials (governor, major of district etc) in permit issuance and often got support from Ministry of Forestry Officials.

- In Malaysia, previously it was difficult to arrest perpetrators in forestry cases with the conventional law. In 2009, the Malaysian Anti Corruption Commission was established and they conducted joint operations with the state forestry department. This joint operation was able to expose corruption related to illegal logging. The MACC also has successfully arrested a Director of Forestry Department using an undercover anti corruption approach.
- The role of commercial banks is important in addressing anti money laundering. The role is not optional but mandatory. The way to curb forestry corruption can be done through customer identification, enhanced due diligence for high risk customers and politically exposed persons. In Indonesia, the role of the financial intelligence unit (Pusat Pelaporan dan Analisis Transaksi Keuangan – PPATK) is important to identify and analyze the suspicious transaction report (STR) in coordination with commercial banks.
- A key problem of illegal logging and forestry crimes is the issue of cooperation among agencies. Illegal logging is a crime across countries and involves “mafia” networks. Conviction of anti money laundering related to forestry crimes have not yet happened. The cases of Indonesia and Malaysia are local/national cases and do not involve financial flow from abroad. If the money goes abroad, it becomes more difficult to trace.
- Civil society plays a big role in the fight against corruption related to forestry. It is not enough to work only with international NGOs. The knowledge and the expertise from local NGOs are also very important. Beside advocacy, the role of the civil society is needed in monitoring access to the use of forest resources by outsider.

### **Main Outcomes**

Promoting anti corruption and anti money laundering in the forestry sector. Enhancing collective understanding of the need for cooperation among law enforcement agencies, forestry agencies, financial intelligence unit, financial institutions, civil society including commercial banks and other related actors.

### **Main Outputs**

Workshop report

### **Recommendations, Follow-up Actions**

- With regards to REDD+ funds, it is important for governments to track companies with a poor record to ensure they do not received the REDD+ funds. In relation to corruption and fraud, the donors and investors should pay attention to the management of the fund.
- Strong support and coordination are needed from the ministry of forestry and other agencies for law enforcement measures to work in the forestry sector.
- The role of financial institutions is crucial. By conducting due diligence they play a very important role in monitoring suspicious forest related transaction.

- The role of civil society with whistleblowers is also important in law enforcement to combat forestry crimes.
- The problem of illegal logging is complex. Although the use of anti corruption and anti money laundering to tackle this problem is a potential way, combating illegal logging using the “follow the money” approach is not an easy task. Following the money requires cooperation among various agencies and actors, at both a national and international level.
- Therefore, there is an urgent need to build solid cooperation among law enforcement agencies, forestry agencies, financial intelligence units, financial institutions including commercial banks, civil society and other related actors.

**Workshop Highlights (including interesting quotes)**