



# Razing Africa

## Combatting criminal consortia in the logging sector

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### Summary

Organised-crime syndicates – often with connections to Chinese markets – have been consolidating illegal timber exploitation in various African countries on an unprecedented and accelerating scale. This report, the result of ENACT research, analyses the layers of criminality that have come to define the logging supply chain, from extraction of rare species through to the sale of high-value timber in international markets. The report reveals how transnational organised crime allies with corrupt actors at the highest levels of states to profit from this lucrative and environmentally destructive illicit trade. ENACT research recommends for a policy-orientated investigation on organised crime in the forestry sector to be prioritised, advocating strongly for approaches targeted at disrupting these criminal consortia.

### Key points

- Africa's forestry sector is characterised by high local dependency, and rates of deforestation double that of the global average. This poses risks for livelihoods, economic development and environmental sustainability.
- Illicit resource diversion, corruption and criminality are pervasive along logging supply chains, with foreign criminal actors playing an increasingly organised and active role, often with connections to political and business elites.
- Technical responses to improve forestry governance, particularly logging bans, are undermined by the criminality and complicity driving the illicit trade.
- Responses must focus on breaking down criminal consortia, which would require complete import/export prohibition, financial investigations, sanctions and improved enforcement capacity.

This paper focuses on:



The Namibian village of Mpyu lies in the Mafwe Traditional Authority, a traditionally administered communal area 15 km east of Katima Mulilo, the capital of the Zambezi Region in Namibia's Caprivi Strip. Since 2012, a local businessman identified as Silinda Mubonenwa has used land-clearance permits questionably issued by officials in the Ministry of Agriculture, Water and Forestry to harvest mature mopane trees from what is legally declared as state-protected forests for export to South Africa. Though Mubonenwa never obtained the requisite approval of the community to conduct his logging operations, he has paid off traditional leaders since 2012. Furthermore, the leader of the Mafwe Traditional Authority has said that he 'sees nothing wrong' with clearing protected forests.<sup>1</sup>

Local police units are aware of the illegal logging operations, but have targeted environmental activists rather than Mubonenwa's operations, because he has paid off the region's security forces to protect his illicit enterprise. According to an official in the local lands administration:

In August [2017, Mubonenwa] falsely reported to the police that I went to the forest and threatened his workers with a gun. The next thing, I received a call from my sister saying the police in Mpyu were looking for me. ... They then assisted him [by obtaining] a protection order that barred me and my brother from going into the area, and he has continued to harvest and export the timber uninterrupted.<sup>2</sup>

In response to allegations that his business is illegal, Mubonenwa claims that he has land clearance, timber transportation and timber marketing permits to supply charcoal, construction and consumer retail markets in Namibia, South Africa and Zambia. He also says that he holds the relevant permits from the Mafwe Traditional Land Board, of which Mubonenwa himself is allegedly a member.<sup>3</sup>

This example indicates that the regulatory environment that controls the timber industry in Namibia's Caprivi Strip, a narrow corridor where the borders of five countries converge – Namibia, Angola, Zambia, Botswana and Zimbabwe – is opaque, to say the least. This dense region of national parks was previously almost impenetrable until the construction of the Trans-Caprivi Highway in 1999 and the completion of a road bridge over the Zambezi in 2004 brought trade into the very heartland of Africa. At the same time, this

infrastructure opened up opportunities for organised-crime syndicates to diversify their illicit revenue streams into timber exploitation.

Hou Xuecheng, a Namibian-Chinese business magnate, also known as 'Jose', is said to have commercial interests in the licit agriculture and transport industries, as well as the illicit timber and wildlife sectors. Between 2004 and 2014, Hou was arrested at least eight times in Namibia for facilitating trafficking in rhino horn, elephant tusk, pangolin scales and the hides of big cats, and for money laundering, murder, narcotics trafficking and theft, including stock theft. His wildlife trade network may reach as far as the Democratic Republic of the Congo (DRC). It is likely that he incorporates black-market contraband in shipments of timber to ensure they reach international markets.<sup>4</sup>

Since February 2017, Hou has allegedly managed illegal teak and rosewood harvesting and smuggling operations in the Caprivi State Forest, the same ecosystem in which Mubonenwa conducts illicit logging to supply his southern African markets. Hou pays local workers to fell prized hongmu-wood trees for export to China. As one of his workers said:

In Caprivi, Hou's only intention was to export timber to China. Daily, before we went to the forest, we were told to go look for the biggest teaks and rosewoods, which can fetch high prices in China. We were paid per tree felled, so he motivated us by paying more for the bigger trees and almost nothing for the smaller ones.<sup>5</sup>

Officially, the Caprivi State Forest is being cleared to allow room for the Namibian government's Green Scheme, an initiative intended to promote food security.<sup>6</sup> However, it would appear that what is really happening is markedly different from the stated development agenda.

Despite his notorious criminal reputation, Hou has yet to be convicted of any crime in court. Reports from the internationally recognised South Africa-based media organisation Oxpeckers Investigative Environmental Journalism, claim that Hou enjoys immunity through his connections with powerful people in the governing party, SWAPO (South West African People's Organisation), the Office of the President (where Namibia's Central Intelligence Service resides) and other security services.<sup>7</sup> Simultaneously, it is likely that Hou exploits his relations with various Chinese triad criminal

gangs, which are increasingly operating in Namibia, to move products overseas and into the Chinese market.<sup>8</sup>

The case just described, which is the result of recent ENACT research conducted in the Caprivi Strip, encapsulates the multiple layers of criminality that have come to insinuate themselves into all phases of the logging supply chain, from extraction through to delivery of logs to the domestic and international markets. The example reveals how in the Namibian logging industry, transnational organised-crime groups ally with corrupt, high-level state and political actors to move illicit timber to market. It shows the trans-border dimensions of this trade, where logs sourced from various countries are co-mingled with other illicit goods, and obscured within licit trade. Small-scale operators within both legal and informal areas are clearing forests with the tacit acceptance of local authorities who are either immune to the negative impact or are bribed to enable it.

This case is by no means unique: similar criminal alliances are being forged across Africa, targeting the high-value wood species in Africa's remaining natural forests.

## Prioritising the fight against organised crime in the forestry sector

Forests are more than just trees. For many communities, forest environments provide economic security in the form of livelihoods, fuel and food security. But the rate of deforestation in Africa is twice that of the rest

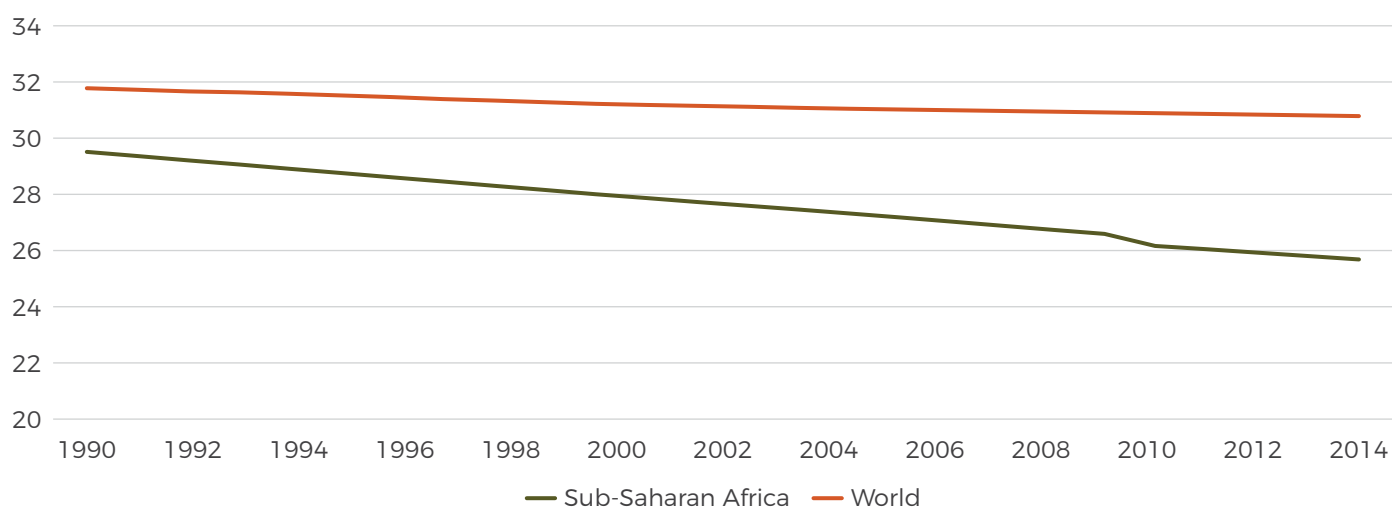
of the world (see Figure 1), putting core development objectives at risk.

Economists and the development community give a range of explanations for the alarming deforestation rate, including poor forestry management in weak states, small-scale agricultural clearance, and artisanal and commercial logging, all activities that are intended to meet predominantly local subsistence needs for energy, agriculture and domestic construction.

In the past 10 years, however, environmental activists have increasingly documented with concern the role of Asian actors targeting the species yielding high-value hongmu wood, a collective term that includes wood such as teak, redwood and mahogany, to meet the demand for traditional hardwood furniture among China's growing middle classes. These loggers' activities, which often circumvent the bounds of legality, are enabled by various criminal consortia, a dangerous intersection of political, business and criminal interests, who have infiltrated and captured all aspects of the logging supply chain.

The presence of such criminal consortia in Africa has become a pervasive feature in the exploitation of natural resources on the continent.<sup>10</sup> Their complicity undermines the efficacy of response frameworks. The repeated use of fraud, misuse of authority, evasion of tax and other civic responsibilities, the diversion of resources out of the public domain into the private, and the increasing use of violence – whether threatened, targeted or indiscriminate – are all prevalent in the

**Figure 1: Forests as a percentage of total land area, 1990-2014**



Source: Extracted from World Bank<sup>9</sup>

forestry sector in Africa. They are also hallmarks of organised crime.

Accordingly, the ENACT programme, an EU-funded initiative to improve the evidence basis and responses to organised crime on the continent, has prioritised a focused, policy-orientated investigation on organised crime in the forestry sector. ENACT recruited a team of African consultants to lead fieldwork on five forest regions, who conducted structured and semi-structured interviews with nearly 200 individuals in nine countries (the DRC, the Gambia, Guinea-Bissau, Madagascar, Namibia, Senegal, Sierra Leone, Uganda and Zambia). Together, these countries account for most of Africa's forest regions. The researchers interviewed stakeholders across the supply chain and other key actors: fellers, concessionaires, transport middlemen, maritime port directors, law-enforcement units, forestry officials, protected-area-management personnel, military leaders, anti-money-laundering compliance specialists, investigative journalists, directors of conservation NGOs and multilateral policymakers.

## Finding solutions to the complex practice of illicit logging in Africa is neither easy nor straightforward

The findings of their collective research suggest a recent and strong consolidation of the criminal ecosystems in the forestry sector across Africa. Although this trend was not unexpected or undocumented, what it shows most clearly is that the nexus between political, business and criminal interests is crystallising to facilitate illegal logging on an unprecedented scale. Our evidence also suggests that practices that were until recently concentrated on high-value woods are now expanding to subsume and subvert the artisanal and small-scale logging industries.

The report begins with an introduction to the context and scale of illicit logging in Africa, to provide a framework whereby the role of criminal consortia can be understood. The second section documents the opportunities for criminal infiltration into the logging supply chain, drawing from our own research as well as a range of published studies conducted in Africa over the past decade. In the third section, the report provides

the evidence found by the research team of the criminal consortia at work, including the involvement of actors at the highest level of the state, security actors and local politicians, and state authorities taking control over the logging sector and thereby thwarting the principles of democratic governance.

Interventions aimed at responding to deforestation tend to be restricted to technical approaches, ignoring the complex political environment.<sup>11</sup> In the final section, the report examines how the powerful and consolidated nexus between politics, crime and business warps the traditional response instruments (e.g. enforcements, logging bans and land-tenure reform). In particular, the case studies underscored the questionable nature of using moratoriums (logging and/or export bans) as a means to prevent illicit logging. In three of the five regions we studied, evidence suggests that moratoriums were used as an opportunity to consolidate elite capture and criminal control over concessions and land use, and subsequently served to accelerate rather than reduce the scale of illicit logging, with the greatest negative impact on those trying to make a legitimate living in the forestry sector.

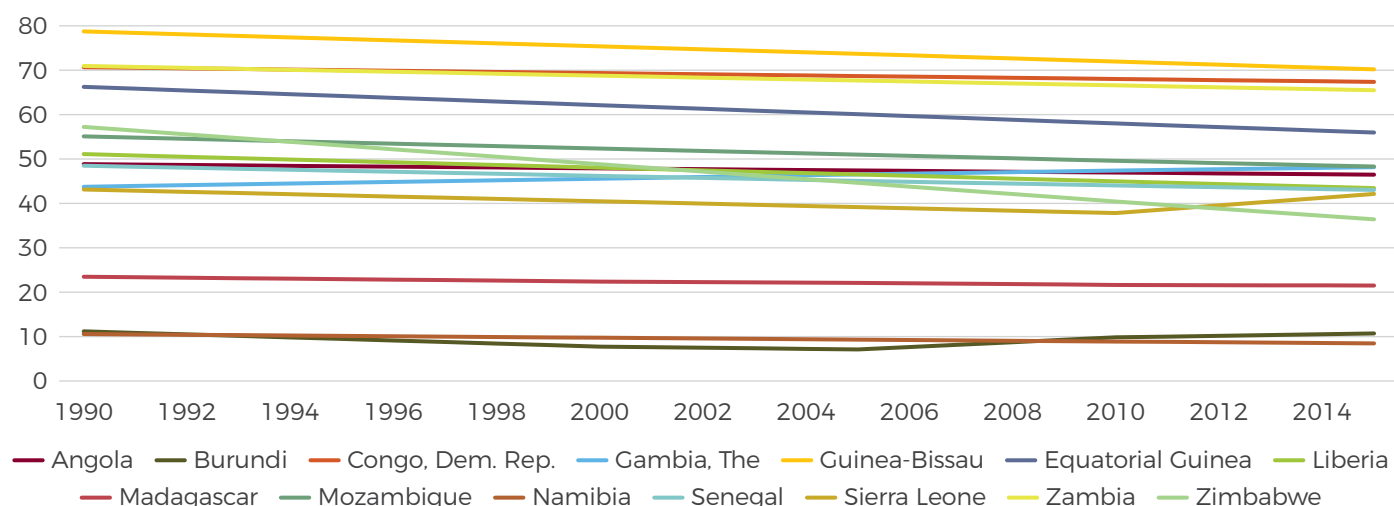
Finding solutions to the widespread, complex and long-standing practice of illicit logging in Africa is neither easy nor straightforward. The depth of evidence is considerable, yet many of the repeated efforts to reverse the criminal trends are falling short. A far tighter focus is required on the role of criminal networks and illicit interests. If we cannot conquer the criminal consortia, then the development benefits of forests can never be recaptured for Africa's citizens. This report concludes with some principles on how criminality could progressively be isolated from African forest governance.

## Understanding illicit logging in Africa

Africa contains about 15% of the world's remaining forests, and it is second only to South America in terms of the area covered by tropical forests. The DRC is the sixth most forested country in the world, estimated to contain as much as 8% of all the carbon stored in the earth's vegetation.<sup>12</sup> For some African countries, particularly in the Central African Basin and West Africa, forests are their most important resource, representing more than 50% of their total land area (see Figure 2).

Forests are crucial for species diversity and the maintenance of biosystems. East Africa's coastline is

**Figure 2: Forest area (percentage of land area) selected countries, 1990-2015**



Source: World Bank<sup>13</sup>

one of the continent's most biologically diverse areas, supporting wildlife populations of which 60% to 70% are found only in one other region in the world, and 15% are unique to that ecosystem. Yet forest loss here has been profound: between 2000 and 2012, East Africa lost around six million hectares of forest, reducing it to 10% of its original size.<sup>14</sup>

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Forests lock in water, thereby maintaining water tables, and prevent soil erosion and desertification, which are crucial for long-term human sustainability and security on the continent.

Since 2000, research has attributed deforestation in Africa to three main reasons, although the effect of each differs from country to country:

- Small-scale agriculture. Subsistence farmers expand their smallholdings by clearing and encroaching into local forests.<sup>15</sup>
- Commercial logging. Concessions are sold to companies (foreign and domestic) conferring on them the right to source and process timber from certain

places, with the intention of selling it commercially. Concessions can come with restrictions on the types of trees that may be felled, as well as conditions aimed at ensuring sustainable forestry practices. Commercial logging is seen to have particularly negative implications for tropical rainforests and high-value trees, which are slow-growing, occur in low densities and require large amounts of continuous forest areas to maintain their population.<sup>16</sup>

- Artisanal or small-scale logging. This refers to operations carried out, with or without permits, by individual small-scale millers whose main purpose is to acquire wood for personal use, or to supply sawn wood to the domestic market.<sup>17</sup> In Africa, the impact of this sector has been considerable. For example, in the DRC, the artisanal sector was estimated in 2013 to harvest 10 times more than the industrial sector, without taking into consideration the exponential population growth.<sup>18</sup>

Virtually all natural forests in Africa are formally in public ownership, and often protected. Since independence, African states have laid claim to their forest lands as a national resource, or in some cases, have vested that ownership in local authorities. However, in practice, most natural forests are subject to long-standing customary rights and claims by traditional users, whose use of forests includes worship and traditional medicine. The claims of local stakeholders and rights holders complicate the forest governance picture, because such customary processes need to be accommodated, even though the same stakeholders are often subjected to

abuses, including dispossession, marginalisation and discrimination, and extortion/extraction of bribes.<sup>19</sup>

Demand for timber and wood products is rising in many countries. Global demand for timber is expected to increase by 70% by 2020, and from 2009 estimates, China, which is now the primary destination for both legally and illegally felled wood from Africa, is expected to almost double its wood consumption from the 2009 level by 2020. The pressure, therefore, to bring timber to the global market is intense.

It is necessary to draw a distinction between types of timber targeted by logging enterprises, as well the various purposes for which they are used. Firstly, there is the commercial logging of what is known as industrial roundwood – typically eucalyptus or pine, which are quick-growing varieties and can be harvested from natural forests or plantations specially cultivated for logging.<sup>20</sup> In Africa, this is almost entirely a continental market, with roundwood used to supply local or subregional markets. Africa accounts for only about 4% of the global roundwood trade.<sup>21</sup>

The continent itself consumes around 100 million m<sup>3</sup>/year of roundwood, in the form of wood fuel products, lumber, wooden panels, utility poles, building materials and other value-added wood products. Of this demand, only a quarter is supplied by Africa's four million hectares of plantations; the rest comes from logging activity that encroaches into natural forests, as well as imports.

Secondly, there is the selective logging of high-value species. In this category, key species include various types of rosewood, blackwood and members of this family that are found across the tropical forests of Africa. *Baphia* is a coastal wood found in Tanzania and southern Mozambique. *Mukunga*, which is similar to the redwood family, is found in Zambia, the DRC and across eastern and southern Africa. *Zambezi teak* is another prized Zambian wood. These wood types are often collectively known as *hongmu* (as mentioned earlier).<sup>22</sup> Nearly all of these species are listed on the databases of the International Union for Conservation of Nature (IUCN) or the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) as being endangered.<sup>23</sup>

Unlike that of roundwood, the trade in these high-value species is almost entirely international, with China being a rapidly accelerating market. The DRC is among the top 10 African countries exporting timber to the Chinese

market. About 30% to 50% of exports from the DRC to China between 2012 and 2015 consisted of a single species, *Millettia laurentii*, a rosewood family derivative that is on the IUCN's red list of endangered trees.<sup>24</sup>

From an ecological perspective, because only a few sought-after species of timber are felled, high-value logging is in theory relatively less destructive to the ecosystem and environment than other forms of logging. However, evidence has shown that the drive to target high-value species paves the way for others, who then expeditiously and often unsustainably clear the forest for agricultural or commercial use.<sup>25</sup>

## Estimating the scale of illicit logging

There are well-evidenced reasons to be concerned about China's rapacious demand for African wood. Between 1995 and 2010, China's trade with West African states for valuable tropical hardwood soared, ravaging the region's forests. Gabon, Equatorial Guinea, Cameroon and the Republic of Congo were top on the list of African states exporting logs to China. The trade was targeting one specific species, known locally as *angouma*, which grows across west and central Gabon, in the southern forests of the Republic of the Congo and in Equatorial Guinea. This species was listed as vulnerable by the IUCN. The volume extracted doubled from 1997 to 2010, and by 2014, West African rosewood products made up more than 50% of total rosewood imports to China.<sup>26</sup> By 2013, Equatorial Guinea had lost over half of its national forests.<sup>27</sup> Having essentially left West Africa barren, Chinese interests are now encroaching into central, southern and eastern regions of Africa.<sup>28</sup>

## There are well-evidenced reasons to be concerned about China's rapacious demand for African wood

While the activities mentioned above are ostensibly licit sales of timber and wood products, and artisanal logging may well be permitted and legitimate, all of the studies on the forestry sector and timber trade in Africa in the last 10 years have concluded that illicit logging is being practised at a rate that often far exceeds the legitimate trade.

For the high-value species, the Environmental Investigation Agency (EIA) calculated that 'rosewoods are now the largest illegally traded wildlife products in the world, both in value and volume. The aggregated value of seizures in rosewood between 2005 and 2014 represents more than all seizures related to elephants, big cats, rhinoceros, pangolins, parrots and turtles combined.'<sup>29</sup>

In 2013, a UN Environment Programme/INTERPOL report estimated the value of illicit logging (both high value and timber) in Africa at US\$17 billion.<sup>30</sup> An ongoing Chatham House assessment of the scale of illicit logging that began in 2011 releases periodic estimates of illicit trade in the logging sector along different parts of the supply chain. Based upon quantitative, qualitative and expert assessment, their estimates suggest that in some of the most forested countries in Africa, 80% to 100% of all trees felled could be done so illicitly (see Table 1).<sup>31</sup>

Illicit logging is prevalent in all forms of logging activity on the continent, whether small-scale or commercial. Criminal actors are increasingly capturing control of – and the profits from – the artisanal trade, while at the same time purchasing concessions or infiltrating into the commercial sector through corrupt means. International syndicates are driving the quest for high-value species, and marketing the wood in key markets in Asia and Europe. As a consequence, the rate of deforestation is accelerating, penetrating into previously untouched

forest areas in Africa and razing them at levels that are unsustainable.

**Table 1: Proportion of illicit logging in selected countries, 2013**

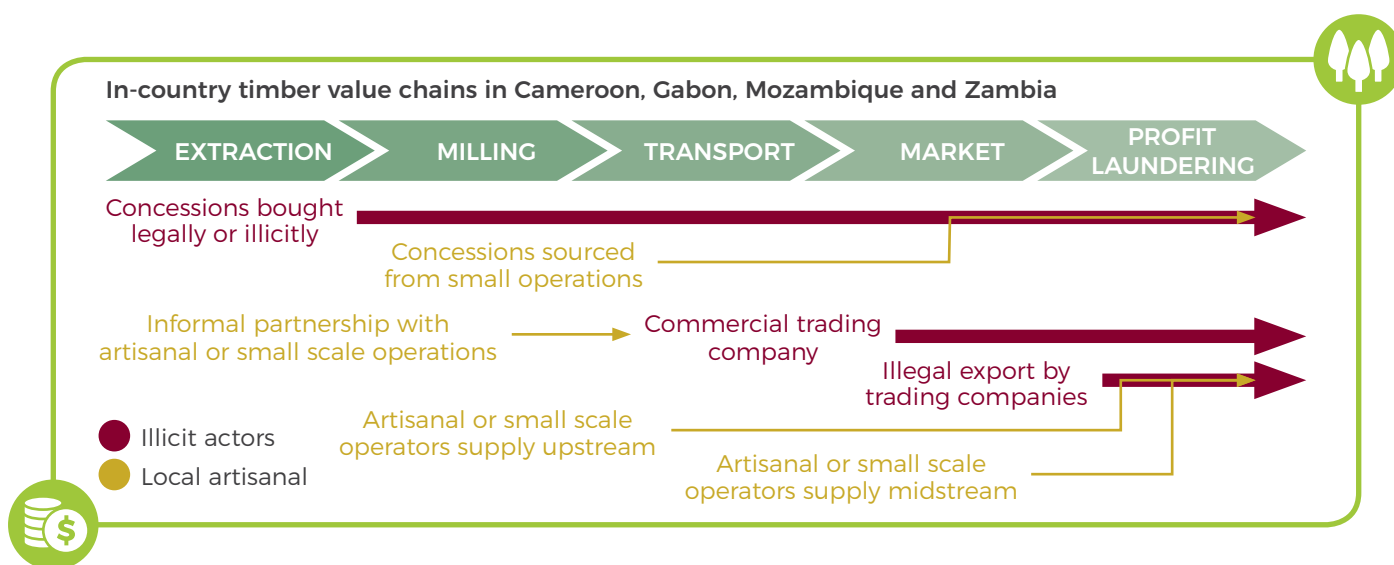
Country	Illicit logging as proportion of all logging
Cameroon	27%
Central African Republic	50%
DRC	50%
Equatorial Guinea	100%
Gabon	100%
Gambia	80%
Ghana	100%
Guinea	80%
Guinea-Bissau	80%

Source: Chatham House<sup>32</sup>

## Criminal activity in the logging supply chain

In analyzing how criminal activity has infiltrated the logging industry, it is helpful to divide the logging supply chain into five stages: extraction, milling, transportation, marketing and profit laundering (see Figure 3). Illicit infiltration and capture can happen at all these stages along the supply chain.

**Figure 3: Criminal infiltration into the logging supply chain**



Source: Modified from Xiaoxue Weng et al<sup>33</sup>

## Extraction

As alluded to in the previous section, in the extraction phase (i.e. when trees are felled), there are numerous ways in which criminal activity can infiltrate the logging trade. This can involve logging in protected areas, such as national parks or protected land, which is particularly common where the goal is to procure high-value species.

Another form is logging activity occurs in areas that are not protected but without permits. From the 1960s to the early 2000s, this was the most common form of illicit logging, partly because forestry crime tended not to attract the attention of authorities, and because local officials could be bribed to turn a blind eye.<sup>34</sup>

Both cases usually involve small-scale or artisanal loggers, whose practices are usually considered informal economic activity rather than illegal, and are either ungoverned entirely, or governed by a lighter set of regulations that are distinct from those that apply to the commercial sector. However, low capacity for forest governance has meant that, often, artisanal loggers work in a framework with minimal regulatory or oversight capacity, which has made the sector vulnerable to criminal capture and abuse.

In the DRC, it has been documented as a widespread practice for artisanal logging permits to be misused for industrial purposes. The licenses, which are intended for the country's citizens acting as individuals or small enterprises, have been apparently issued to (often foreign) corporations as a way to circumvent the national moratorium on commercial logging that has been in place since 2002.<sup>35</sup> A monitoring exercise in the DRC in 2013 concluded that it had not encountered 'one example of artisanal logging that could be considered strictly legal'.<sup>36</sup>

Artisanal loggers are known to extract high-value wood to supply trafficking groups that then export it illegally, with the knowing consent of local actors seeking profits from the illicit trade. In the case, however, where small-scale loggers procure wood for local supply, this would still be more appropriately classified as an informal economy than an illicit one.<sup>37</sup> Yet, often enforcement responses have targeted these front-line loggers in an attempt to appear active in fighting illicit logging, without distinguishing between the informal and the illegal.<sup>38</sup>

Illicit logging also exists on a commercial scale, where companies exceed legally permitted quotas or infiltrate beyond the forestry areas permitted by their logging permits. And, as the UN Environment Programme/ INTERPOL report observed, it is easy to circumvent the provisions contained in logging permits:

[Permits] may not include an accurate description and coordinates of the area to be cut, and there are few resources available to cross-check or monitor either the amount extracted or the area actually logged. Without a joint master map and with many concessionaires often operating in one region, it is difficult to monitor, trace or cross-check the areas logged. Accurate information on borders, concessions and operating companies is not available on the ground, by air or remotely. Furthermore, as companies have a legal permit for what they cut, they can simply mix legal with illegal timber and thus launder the illegal logs on the spot.<sup>39</sup>

As Figure 3 shows, concessions can be procured by companies combining illicit and licit activities from extraction through to marketing, or by companies forming alliances with small-scale concession holders to capture the yield from their logging areas. Logging using falsified, forged or reused permits is also commonplace.

Concessions can be procured by companies combining illicit and licit activities, from extraction through to marketing

Concession-holding entities are domestic or foreign, but the tendency increasingly is that African logging concessions are held by foreigners. As of July 2017, for example, there was only one Sierra Leonean company licensed to log and export timber from that country.<sup>40</sup>

A study of the logging industry in Cameroon, Gabon, Mozambique and Zambia found that a growing number of concessionaires in those countries are Chinese or of other Asian origin. The study also noted that firms involved in the processing or export of logs form associations with artisanal or small-scale operators, providing industrial-grade equipment to



boost their capacity, thereby promoting higher yields, and they then purchase their stock at a lower price. This has increased the environmental damage caused by artisanal logging.<sup>41</sup> In the DRC companies operate with illegally obtained logging permits and concessions intended for small-scale Congolese operators, and such enterprises produce logs for export.<sup>42</sup>

Criminal activity and corruption at the point of extraction are so widespread that they present an almost insurmountable challenge. As a Nigerian state forestry official described it: 'Just like bunkering, you cannot stop it 100 per cent. If you are in one part [of the forest] today, tomorrow they will move to another part. Some of them do the illegal logging at night and, in the morning, you just see logs all over the place.'<sup>43</sup> By that point, the major ecological damage has been done.

## Milling

Criminal consolidation between small-scale loggers and exporting companies also happens at the milling stage of the supply chain, during which wood is processed into smaller units for sale. Chainsaw millers sell processed timber to businessmen who handle the transport and delivery to end customers in the destination markets.<sup>44</sup> Transportation costs erode profits, so mills closest to the sources of the wood tend to receive the largest proportion of illegal timber. At the mill, illegally logged timber is mixed with legal product, with the mill under-reporting processed volumes and issuing a 'clean origin' statement for all outputs.<sup>45</sup>

Traders and traffickers often prefer to remain one step removed from the logging sites (where illegal activity may be more apparent) and to engage at the level of chainsaw mills or processing markets, where the provenance of the wood is less clear.<sup>46</sup> According to a report by the Centre for International Forestry Research (CIFOR), this tends to be more the case for high-value species than the broader timber market.<sup>47</sup>

## Transportation

Permits are generally not needed to transport logs within Africa, and the long and porous borders of most African states make monitoring the provenance and movement of felled wood a challenge. Consequently, it is often at the transportation stage that illicitly

felled timber is 'laundered' into legitimate timber for export. This includes, as our study found, the opportunity to aggregate and launder wood felled in neighbouring countries.

## Criminal activity at the point of extraction is so widespread that it presents an almost insurmountable challenge

As the UN Environment Programme/INTERPOL report documented, there are numerous ways that the consortia launder logs once a border has been crossed:

- By crossing the border or an unmanned crossing from origin country A to country B, bypassing licensing altogether.
- By exporting logs illegally from A to B, then re-importing them to a mill in country A as a 'legal' import from B.
- Through false declaration of tree species on customs papers, masking endangered or rare species whose export is controlled.
- By using or reusing existing permits or certificates, including certificates for plantation logging, which is legal.
- By using forged permits or illegally obtained permits.<sup>48</sup>

Our research in the Caprivi Strip found that timber originating from northern Zambia, the DRC and Angola is smuggled into Namibia for onward transport to Asian markets. A circular route is used that sends the illicitly felled logs with no paperwork to the DRC, where it is then registered as having been harvested locally. Essentially then, the logs have been laundered for onward transportation. They then enter Namibia by means of temporary transport cargo permits, allowing the wood to pass through customs, sometimes with the help of small bribes paid to customs officials. The cargo is then transported to Walvis Bay for shipment.

A report by CIFOR for the International Tropical Timber Organisation reported that, this way, around 50 000 m<sup>3</sup> of timber a year is exported to China through just three borders.

**Figure 4: Consolidation of illicit timber and log laundering through the Caprivi Strip**



Source: ENACT

According to the testimony of the chairman of the Zambian National Association of Saw Millers, Namibian customs officials do little to regulate the trade. He claims that even where customs officials are aware that the permits for the wood may be illegal, they do not see the abuse of the transport permit facility as their responsibility because the wood does not originate in their country.<sup>49</sup>

## Market

At this stage in the supply chain, illicit activities may entail price fixing in local markets through to illegal export abuses. These begin at the mill, which is typically the first point of sale in the supply chain for timber, and continue until the destination market, where issues around retroactive permitting have become increasingly common.

An analysis of chainsaw milling in the DRC found a striking dichotomy between the kinds of profits made by mills in Orientale province, which is close to the tropical forests where high-value trees can be sourced, and those made by mills near Kinshasa, which supply the local domestic fuel market. Although the wood processed in Orientale was of higher end market value, it was found that the sawmills there earned much lower margins

than their counterparts. The report revealed that prices were being suppressed in Orientale by 'a handful of brokers based in the Kivu, who form an oligopsony that enables them to buy at a low price direct from the sawyers'.<sup>50</sup> These 'brokers' were essentially criminal consortia, according to the report, targeting high-value illicit hardwood for illegal export. This timber mafia had muscled legitimate players out of the market through a combination of aggressive price fixing and the threat of violence.

A 2017 study of the illicit rosewood trade predominantly out of Nigeria found, ironically, that due to the heavy bureaucracy, inefficient processing and fee structure imposed by the government, procuring legal permits for export was more expensive and time-consuming than falsifying them. This provides little incentive for even honest traders to behave legally.<sup>51</sup>

## Profit laundering

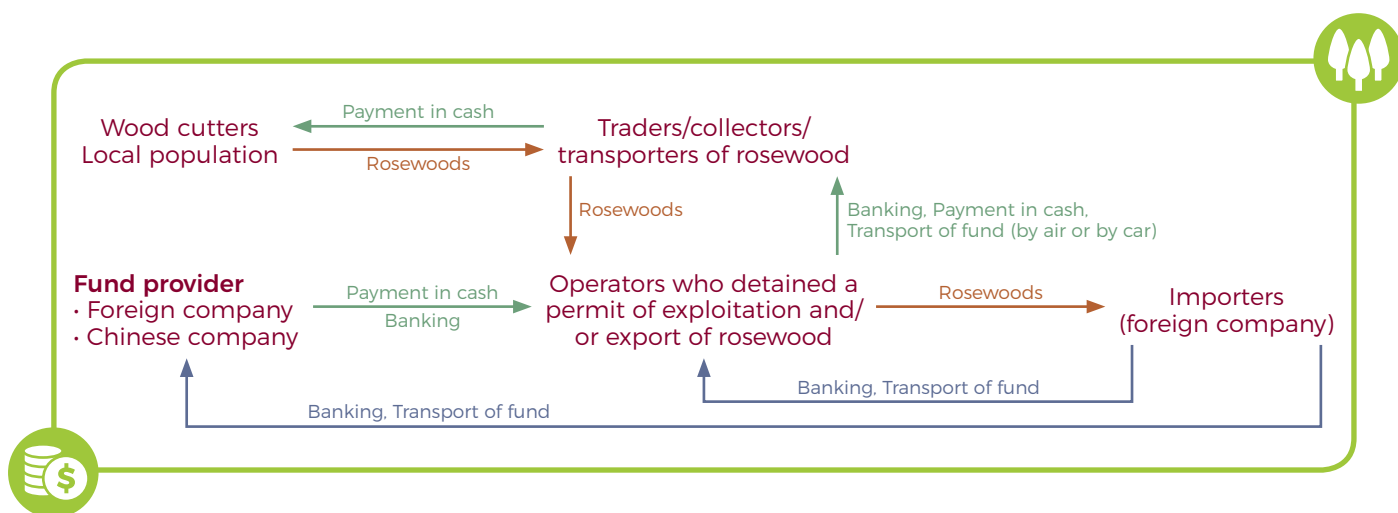
As with all illicit trade, the flow of profits from illicit logging is a critical component of the business model. A number of factors influence the scope for laundering the proceeds of illicit logging, including, to name some particularly influential factors, the capacity and integrity of the national regulatory framework; the risk tolerance of the banking sector and the availability of credit; transparency; and beneficial ownership regimes.

The issue of availability of credit is key because there is evidence that a vicious cycle has developed where the proceeds of illicit logging are being laundered through loan-sharking, sponsoring or directly purchasing new concessions, or artisanal or small-scale logging permits.

This occurs because the costs of obtaining logging concessions, artisanal harvesting licences and sawmill licences, which are payable in advance, are often prohibitively high for the community-level actors at which they are targeted. As a consequence, aspiring loggers or millers are forced to seek a 'patron' to sponsor their operations. Foreign interest groups keen to access restricted timber 'capture' artisanal permits by sponsoring loggers and sawmillers.<sup>52</sup>

Sponsors also offer financing for the purchase of equipment for tree felling or processing, often another high barrier to entry for nationals. In Nigeria, local traders lacking the necessary capital to procure stock take advances from exporters, who are nearly always Chinese nationals. In Nigeria, the EIA found that exporters 'select

**Figure 5: Illicit financial flows in the logging sector in Madagascar**



Source: Authors' own

the type, size and quality of trees to be cut according to their client's requirements in China.<sup>53</sup>

These payments from brokers are often untraceable because they are made in cash – unsurprisingly in a region where financial inclusion is as low as 5% of the population, and more than 80% of economic transactions take place in the informal economy.<sup>54</sup> The communities therefore become highly reliant on cash payments received from illicit timber trafficking. Fellers are paid based on an incentive system to harvest mature, high-value trees, and their financial dependency perpetuates illicit logging and creates significant loyalty to those who finance their livelihood.

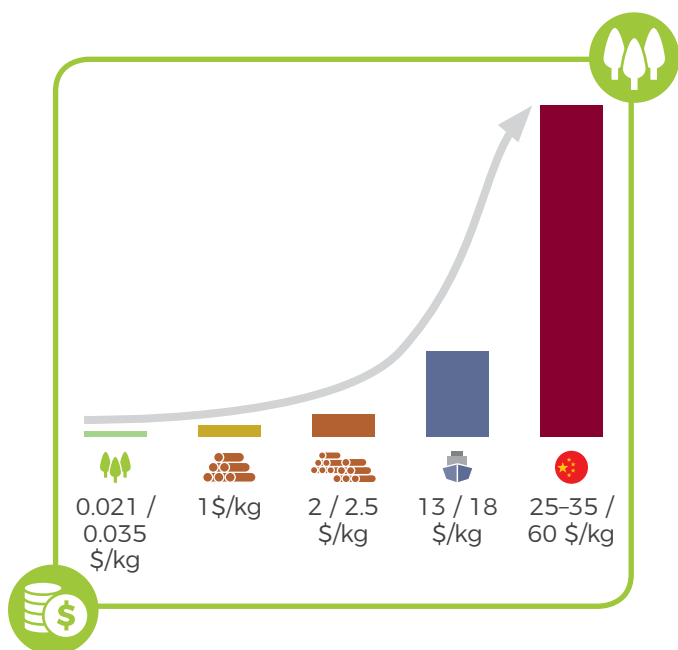
Our research in Madagascar documented the way that financial payments are concealed in the guise of cash transactions, and where investment in other commodities is used to launder money.<sup>55</sup> The schematic shown in Figure 5 has also been seen in the other countries in this study.

In Madagascar, timber fellers and transporters operating in the country's protected rosewood forests<sup>56</sup> said that it is uncommon for banks to verify the legality of a prospective timber enterprise before issuing a loan to a logging entrepreneur. As the banking sector is volatile due to political instability in Madagascar, timber operators often launder their proceeds in the community, distorting local markets. Illicit profits from timber have been laundered into real estate and into markets for certain agricultural products, like vanilla, which has experienced a spike in demand.

At the higher levels of the broker/exporter transactions, illicit money from the forestry sector begins to move into the formal financial system. What has become clear, including from experiences in Asia, where illegal logging is rife, is that the sponsor/patron model described above allows the criminal organisations involved to stay one step removed from the physical product, and from the legal registration of licences and concessions. Financial involvement is far harder for banks to prove, especially where regulations regarding corporate registration are weak. In general, therefore, law enforcement tends to focus on finding physical evidence of illegality (e.g. possession or transportation of logs without proper documentation). This results in the arrests of lower-level players (such as truck drivers and mill owners) rather than following the financial flows of the brokers.<sup>57</sup> It is difficult for law enforcement to trace the links to the financial sponsors, the higher-level actors in this illicit trade.

The logging industry itself is often used to launder money, given that it requires substantial physical investment in equipment and premises, which can be refinanced and sold to launder the illicit profits. Similarly, the purchase of legal concessions or plantation licences can be used to 'log launder' illicit wood under legal transportation documents.<sup>58</sup> Overall, the findings from our research and other studies on the sector strongly suggest that the banking sector in producer countries in Africa is not geared towards monitoring the risks of money laundering and illicit financial flows related to the forestry sector.<sup>59</sup>

**Figure 6: Value chain of illicit logging in Madagascar, 2016**



Source: Cynthia Ratsimbazafy, David Newton and Stéphane Ringuet<sup>60</sup>

It is worth noting, however, as Figure 6 shows, that much of the profit margin in high-value logging is realised only once the timber is in shipment and when the logs are sold to the premium Asian markets. Therefore, although this natural resource is African in origin, the illicit flows are predominantly earned and accrued outside the continent, and little of the value flows to African actors. As an OECD/AfDB study recently argued, in assessing harm, natural-resource crimes, like illicit logging, are often the most damaging forms of criminal economies and illicit financial flows.<sup>61</sup>

## Criminal consortia in the forestry sector

There is little dispute in the literature that corruption greases the wheels of the forestry sector in Africa, as well as globally, manifesting in bribery, fraud, abuse of office, extortion and clientelism. The phenomenon has been well documented, both in individual ethnographic studies, many of which are cited in this report, and in policy efforts and programmes of the leading multilateral and civil-society anti-corruption bodies.

The history of interrelationships between logging companies and powerful political interests can be traced back to the foundation of independence in some

African countries, and these relationships have, in some cases, even played a critical role in state formation. In Africa, control over forestry resources has financed a wide range of political power play, control that extends beyond the allocation of lucrative concessions, but also into clientelist politics, where allies are rewarded, foes placated, elections financed, conflict or violence funded, and specific groups marginalised by denying them access to the land.<sup>62</sup>

## In Africa, control over forestry resources has financed a wide range of political power play

Today, in some states, these relationships have evolved into well-entrenched systems of criminal consortia. These are networks of powerful business interests, elected officials or actors with political influence, and criminal groups that have become forceful drivers for illegal logging and the timber trade, and often including those very government officials whose job it is to regulate and protect the forestry sector.

ENACT and the Global Initiative against Transnational Organized Crime have repeatedly documented this growing convergence in relation to the evolution of organised crime in Africa,<sup>63</sup> and illicit logging provides a regrettably large number of examples of this phenomenon at work.

## Grand mal corruption

Equatorial Guinea is one of the most notable examples of where heads of state and their kin and allies have enriched themselves at the expense of their country's renewable resources. A French court case against the country's vice president, Teodorin Nguema Obiang Mangué (hereafter Teodorin),<sup>64</sup> son of President Teodoro Obiang Nguema Mbasogo,<sup>65</sup> revealed how Equatorial Guinea's forests have been plundered by the Obiang clan to enrich themselves ostentatiously at the expense of the country's citizenry. The investigation revealed how Teodorin exploited his previous role as Minister of Forestry and Agriculture to launder the proceeds of corruption across the global financial system.

Equatorial Guinea is the country with the highest ratio of forest land in Africa, most of it dense tropical forests

rich in high-value species. As Minister of Forestry and Agriculture, Teodorin had established a system whereby timber companies pay an intermediary firm working on behalf of the ministry to authorise the loading and export of timber from maritime ports. Teodorin also demanded that operators pay his timber firm, Somagui Forestal (which exists only in name, per French court documentation<sup>66</sup>) a fee equivalent to (US\$18.80) per cubic metre before loading and export.

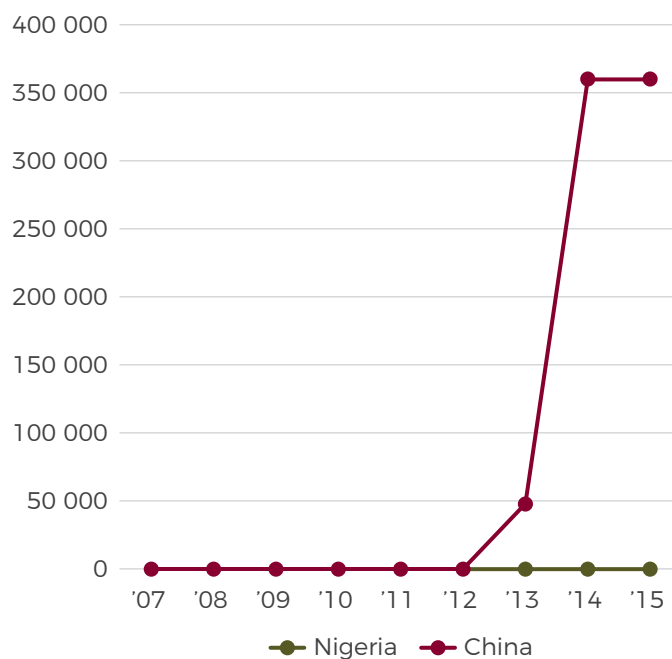
According to testimonies from Equatoguinean forestry firm directors logged in Paris court records, forestry companies would write cheques to Somagui Forestal, which held an account at the Caisse Commune d'Épargne et d'Investissement (Common Savings and Investment Fund [author translation]) Bank of Equatorial Guinea – CCEIBGE), a subsidiary of the Cameroon-based Afriland First Bank.<sup>67</sup> Teodorin exploited a correspondent relationship between Afriland First Bank and Citibank New York to facilitate over US\$35 million in wire transfers between 2002 and 2006, all from his Somagui Forestal accounts at CCEIBGE.<sup>68</sup>

Once the funds arrived in the US, Teodorin took advantage of his access to US lawyers, bankers, real-estate agents and escrow agents to clandestinely move over US\$110 million in suspect funds<sup>69</sup> across the US financial system.

Simultaneously, according to the Court of Appeal of Paris, Teodorin 'freely sold forests in Equatorial Guinea's national reserve to firms like the Malaysian firm, Shimmer',<sup>70</sup> a reference to the subsidiary of multinational timber firm Rimbunan Hijau, a global conglomerate with logging interests in Gabon, Indonesia, Malaysia, New Zealand, Papua New Guinea, Russia and Vanuatu. Watchdog NGOs and investigations have said that Rimbunan Hijau's activities include illegally accessing forest resources, 'environmental damage, and human rights abuses'.<sup>71</sup>

As another example, an investigation by the EIA into illicit logging in Nigeria uncovered a complex case of corruption between senior officials in the Nigerian government with Chinese traders to conceal the mass export of hongmu timber to China. They found evidence of a major discrepancy in reporting between the Nigerian and Chinese customs authorities. In 2014 and 2015, the Nigerian authorities declared zero log exports, while the Chinese registered the equivalent of US\$350 000 worth of logs coming from Nigeria (see Figure 7).<sup>72</sup>

**Figure 7: Discrepancy between timber exports from Nigeria to China, and imports of timber from Nigeria to China (US dollars)**



Source: Comtrade, cited in Environmental Investigation Agency<sup>73</sup>

The EIA documented that the Minister for the Environment, Amina J. Mohammed, personally signed more than 4 000 retroactive CITES permits so as to release more than 1.4 million hongmu rosewood logs, which were later seized by Chinese authorities. She then left to take up her new post as the UN Deputy Secretary General. The EIA also uncovered 'independent and converging allegations from Chinese and Nigerian traders, exporters and agents who disclosed to EIA investigators the existence of over USD 1 million equivalent of bribes paid to Nigerian ministers, senior officials from the administration in charge of CITES, and congressmen – some of them facilitated by Chinese diplomats'.<sup>74</sup>

## Protection economies in West Africa

In the West African ECOWAS region,<sup>75</sup> the flow of illicit timber has been enabled for decades by a network of patronage and protection at the highest levels of states.<sup>76</sup> (Figure 8 gives a geographic summary of these illicit flows.) ENACT research found evidence that Gambia's former dictator, Yahya Jammeh, built an intricate network of timber trading and transport operations extending from Bissau, through the fractious

Casamance region of Senegal to Banjul, the capital of the Gambia.<sup>77</sup> Jammeh used the profits to foment and support the Casamance rebellion,<sup>78</sup> and to destabilise his already politically volatile neighbour Guinea-Bissau.<sup>79</sup>

## In West Africa, the flow of illicit timber has been enabled for decades by a network of patronage and protection at the highest levels of states

Evidence from ENACT research suggests that Jammeh essentially ran a 'shadow parallel resources exploitative state', where a shell company, Kanilai Family Farms (named for Jammeh's home province) and then later re-registered as the Kanilai Group International (KGI), was used to extract minerals and timber, and to move them across the border. KGI ran a fleet of trucks, tractors and boats that moved goods, resources and contraband under the protection and flag of the Gambian state.<sup>80</sup> KGI officials included serving soldiers in the national army, as well as former state officials.<sup>81</sup>

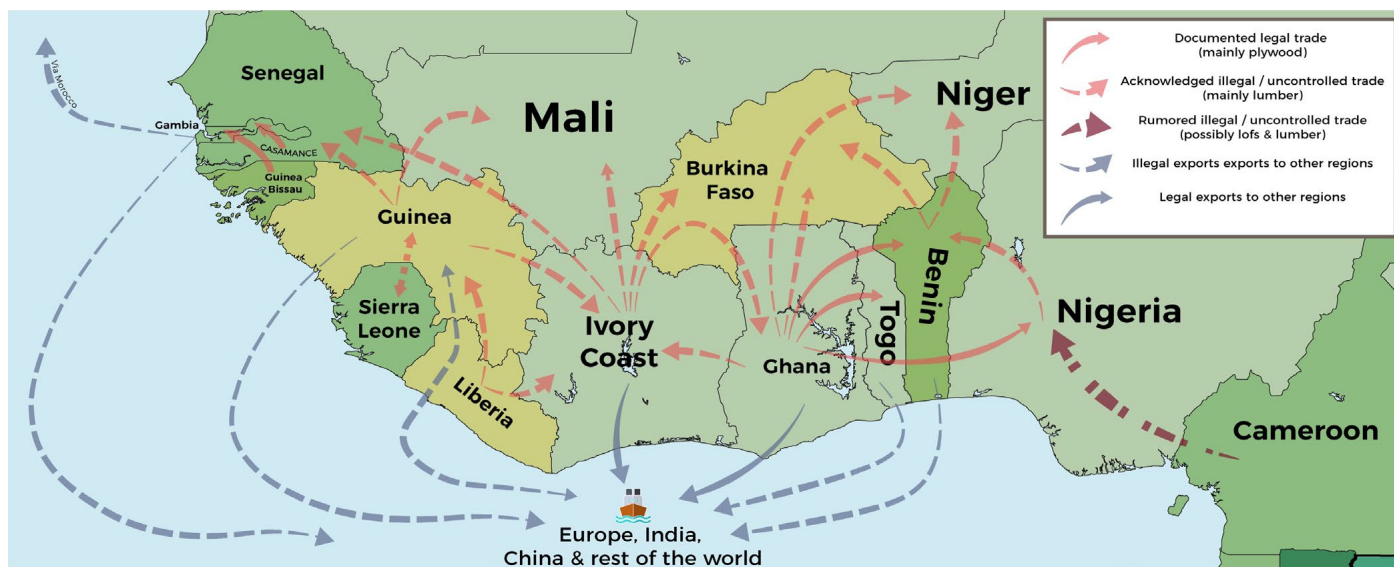
An elite protection network made up of the Guinea-Bissau military and senior political figures was created to facilitate the flow of cocaine from Latin America

via West Africa to Europe. Competing politico-military interests used control over the trafficking routes to secure allegiances in the security sector, and used contacts with a set of ambiguous externally connected entrepreneurs who served as the go-betweens to international markets.<sup>83</sup> The result in Guinea-Bissau was an unparalleled level of political instability that has characterised the country since its independence in 1974: nine presidents, 14 prime ministers, and at least six military coups or attempted coups, as well as numerous assassinations of key political figures.<sup>84</sup>

The international community intervened to restrict the drug flows, including through the April 2013 US-led sting operation, which seized the then navy chief, Rear Admiral José Américo Bubo Na Tchuto. They had also been targeting the then head of the Guinea-Bissau armed forces, General António Indjai.<sup>85</sup> As a result, the military units soon found themselves without the clientelist protection payments that had sustained order and bought loyalty.<sup>86</sup>

To replace the profits from the now demised drug trade, which had been largely been used for maintenance payments for serving officers,<sup>87</sup> the Guinea-Bissau military then turned to timber trafficking, or, as a local journalist described it in an interview, 'The soldiers ended up looting the forest because it was the only thing left to loot.' Between 2012 and 2014, the military raided the nation's forests as if they were their spoils of war. 'Corruption is rampant, as salaries are hardly paid,

**Figure 8: Illicit timber stocks flowing round West Africa**



Source: Modified from Hugh Blackett and Eric Gardette<sup>82</sup>

the military is lawless and so each of the dozens of generals have logging patches.<sup>88</sup>

The weakness of the central state resulted in a commensurately strong decentralised local governance situation, where village chiefs and local officials held considerable sway over the allocation and enforcement of concessions, logging and transport of timber. Armed soldiers were deployed to intimidate artisanal loggers into exceeding their quotas by harvesting in excess. The most successful were given a motorcycle, a reward that was highly prized by the local youth. According to press reports at the time, resistance by local communities was overcome by small bribes: loggers paid US\$500 to village and community leaders as bribes to log in their forests. This sum is princely by Guinean standards, especially since the collapse in 2013 in the price of the main export crop, cashew, to less than US\$0.40 per kilogram.<sup>89</sup>

## Armed soldiers were deployed to intimidate artisanal loggers into exceeding their quotas

Guinea-Bissau's timber was brought to market by Jammeh's KGI, transporting logs on his fleet, which passed easily through the porous borders of the Casamance.<sup>90</sup> According to a senior national law-enforcement official, by 2014, 'Gambia had become an open market for illegal timber'.<sup>91</sup>

### Wood for votes

The importance of timber for local domestic use – predominantly as a fuel for cooking and heating, and as a construction material – as well as the economic advantages accruing to communities in the form of forest clearance to extend agricultural and grazing land, make it a particularly potent resource for local leverage in communities and a political mobiliser.

A 2008 UN Environment Programme study in Kenya found that the main motivator for illegal logging was to clear use for illegal settlements and the sale of land tenure permits. UN Environment Programme expert Christian Lambrechts was quoted as saying:

These settlements are not triggered by local people. They are instigated by leaders. Those leaders are selling public land that does not belong to them or

trying to provide people with access to land in order to get their votes in the next election. This is very different from the classic case of local poverty and forest degradation that we are often talking about. ... The root cause is greed.<sup>92</sup>

In Guinea-Bissau, there was clear evidence that the profits from illicit logging were feeding directly into the 2014 elections,<sup>93</sup> as they had in the 2005 elections.<sup>94</sup> In the months leading up to the elections, hundreds of containers loaded with timber could be seen arriving in Bissau from the interior on a daily basis, and according to one unverified rumour circulating in Bissau, Nuno Nambian, the favoured presidential candidate of the military leadership, needed to lease 60 containers from a supplier in neighbouring Cape Verde to export logs due to a shortage of available containers in Guinea-Bissau. Judging by his extensive advertising and the numerous cars and trucks loaded with his voluble supporters circling Bissau in the final days of the campaign, Nambian appeared to have substantial resources, more than might be expected for an independent candidate.<sup>95</sup>

The rate of export became so acute, that one of the first acts of the newly elected government of Guinea-Bissau was to declare a logging moratorium.<sup>96</sup>

## The logging moratorium: A marker of consolidation among criminal consortia

There has been a proliferation of timber felling and export moratoria across the jurisdictions of interest for this study under the guise of resource conservation and in an attempt to halt illicit logging practices. These are usually heralded positively by the international community, as governments are seen to be taking a firm step to improve the governance of their forestry sectors.

However, the evidence from the questionable state of their implementation, especially in countries where criminal consortia are strongly evident, suggests that moratoria have simply emerged as tools for the political elite to exert greater control over the timber marketplace, often at the cost of the citizenry. In the literature on organised crime and the evolution of illicit markets, this a recognised criminal strategy – to increase total control over the illicit economy and to serve as gatekeeper to state resources.<sup>97</sup> Therefore, in fact, where there is a criminal consortium operating, a moratorium

that limits the number of actors holding logging or export rights can be the worst possible strategy because it reinforces the paradigm of the criminal consortium rather than breaking it down.

## Where there is a criminal consortium operating, a moratorium that limits the number of actors holding logging or export rights can be the worst possible strategy

Evidence from our research suggests that from Sierra Leone to Guinea-Bissau, and from Madagascar to Zambia, as well as in a number of other countries documented by other independent NGOs or oversight bodies, during periods of moratoria, government stakeholders will often engage with foreign commercial entities to reduce the number of concessions and export permits to a limited number of players, often those with whom a key official – and in some cases the head of state – has an established relationship, in order to provide greater leverage over the profits of the sector. This situation appears to result in greater profits for the awarding government power, but is rarely translated into broad-based development benefit.

### Guinea-Bissau's timber export moratorium: More questions than answers

In July 2014, the government of Guinea-Bissau announced a temporary suspension of timber exports to prioritise the cross-border trade in cashews, among Guinea-Bissau's most valuable exports.<sup>98</sup> The decision came amid public anger over illegal logging and congestion at the port of Bissau as timber operators, fearing a ban, hurried to ship their wood.<sup>99</sup>

This temporary timber export suspension evolved into a five-year moratorium on log exports in 2015.<sup>100</sup> But, although the Bissau-Guinean National Guard has apparently 'seized between 200 000 and 300 000 logs and transported over half that amount to stockpile lots within the capital',<sup>101</sup> the state of targeted enforcement

against timber trafficking in Guinea-Bissau raises many questions.

After the moratorium's promulgation, Prime Minister Domingos Simões Pereira declared that 'those with legally binding licences (about a dozen entities, according to the Director General of the Forest and Wildlife Service, Luís Olundo Mendes) were not being stopped from cutting wood, thereby suggesting that there will not be a moratorium on all kinds of logging.'<sup>102</sup> Therefore, there still remains considerable confusion across the country, especially regarding the vacillating enforcement of the moratorium.

The moratorium's announcement led to chaos at the port of Bissau as loggers rushed to clear out their cargo before the ban came into effect. This encouraged some of them to divert their cargo via Banjul, playing into the regional criminal infrastructure put in place during the Jammeh regime. Locally, it also increased the costs of corruption surrounding illicit logging, as the police, forest guards and higher-level government and military officials asked for more money to allow containers to enter the port (up to US\$200, according to some media reports, for a single container).<sup>103</sup>

Which department has the power for enforcement also remains unclear. Previous director generals of Guinea-Bissau's Forest and Wildlife Service have been arbitrarily removed or received death threats from senior military officials.<sup>104</sup> As a result, prospective loggers appear to have hedged risks to their personal safety by cultivating social capital among political and military elites in order to protect their businesses. The supremacy of the protection economy over substantive timber industry regulation has led to the proliferation of ad hoc, isolated, small-scale operations, which may or may not engage with Gambian or MDFC<sup>105</sup> transporters in southern Senegal, where an export ban is also in place. Yet, small-scale operators may still broker deals with various military leaders, who may facilitate a cross-national purchase with Chinese buyers in and around Bissau.<sup>106</sup> In general, though, because Guinea-Bissau has a weak judiciary, much of the timber trade that happens under the moratorium is conducted quite openly.<sup>107</sup>

Enforcement of the moratorium is uneven. According to representatives from the Interministerial Technical Commission for the Management of Timber, tree plantations are still being felled in the eastern and southern parts of the country. Farmers also allege that felling happens in the north of the country, just 70



kilometres from Bissau, where up to 40 containers can be loaded daily. Prospective Bissau-Guinean timber transporters claim that earnings can be up to €5 700 per container when filled near the forest, and the price doubles when the container arrives at port.<sup>108</sup>

One Banjul-based informant familiar with Bissau's murky world of illicit logging said it was common for loggers to divert their containers by unloading them onto carts and lorries plying bush tracks that lead to Casamance, and then onward to the Gambia. He pointed out the suspicious lack of log stockpiles even five months after the moratorium had been announced, meaning that logs were continuing to be transported in one way or another.<sup>109</sup>

Because Guinea-Bissau has a weak judiciary, much of the timber trade that happens under the moratorium is conducted quite openly

At a cabinet meeting on 13 December 2017, the disputed prime minister, Umaro Embaló, suddenly announced a partial lifting of the 2015 moratorium. According to a confidential source, he told ministers that he 'was exceptionally authorizing the export of 1 500 containers filled with logs', which had been under guard since 2015 at Bissau's port. This was announced publicly at the end of January 2018.<sup>110</sup> The timber will be sold to China, Vietnam and India, and the exports are expected to raise US\$12.6 million in revenue for the state. Apparently, 35% of the money will be used to carry out an inventory of forest species, as well to enhance capacity for monitoring, and for some replanting.<sup>111</sup>

This should raise concerns about the ability of the moratorium to survive the legislative elections slated for November 2018. It is safe to bet that the unstated reason for this exceptional lifting of the moratorium may be to please potential sponsors for the forthcoming election campaign.<sup>112</sup>

This argument may not come as a surprise, as interviews with informants in the region suggest that the moratorium was informed less by an altruistic desire on the part of the new cabinet to save the forests, and

more as retribution for the Party for Social Renewal, which lost the 2014 elections to the African Party for the Independence of Guinea and Cape Verde. The moratorium was meant to defang the Party for Social Renewal, as the new government had realised that profits from illicit logging were funding the party. Its leader and main funder and former president, Kumba Ialá, died two months before the elections and the Party for Social Renewal had to depend on acolytes in the army's high command from Ialá's Balanta tribe to fund its campaign.<sup>113</sup>

The decision to export the 1 500 containers may well signal the end of the moratorium.<sup>114</sup> Independent observers and technocrats agree that the moratorium, which was supposed to be in force until 2020, is working positively. A delegate from the forestry ministry, Manuel Gomes, was quoted in April 2017 as saying that 'the current situation of the forest is stable, since there was a considerable decrease in tree felling after the five-year moratorium of the government'.<sup>115</sup> But with the moratorium lifted, the future looks troubling.

## Sierra Leone's stop-start moratoria

After the 2010 ban on timber exports, young loggers that were involved in the trade threatened to either boycott the presidential and parliamentary elections in 2012 or vote against the incumbent government. Sierra Leone is one of the countries with the most pronounced youth bulges: the segment aged under 25 makes up a third of the total population and, of this group, 70% are underemployed or unemployed, and 50% are illiterate and unskilled.<sup>116</sup> Given that an estimated 61% of the total population work in forestry, agriculture or fishing,<sup>117</sup> this ban represented a severe threat to income generation, and thus to social and political stability. Unsurprisingly, the ban was lifted just few months before the elections in 2012.

There have been a number of controversial attempts to circumvent the logging moratorium, which is monitored and upheld by international donors and a number of environmental NGOs. In 2016, for example, the DRC's then environment minister awarded a new permit to an advisor to President Joseph Kabila, and approved another to a ruling party member in parliament under questionable circumstances.<sup>118</sup>

In July 2017, another timber moratorium was promulgated by the Sierra Leonean government, but it established an export quota of 5 000 containers

over a six-month period. As previously noted, only one Sierra Leonean (Patrick Koroma) was licensed to log and export timber products from the country, yet by November that year, timber exploitation of one species of rosewood, *Pterocarpus erinaceus*, had reached an all-time high. The supply of shipping containers at key maritime ports also became depleted.<sup>119</sup>

In December 2017, five months into the six-month ban (excluding the 5 000 authorised containers), at a meeting outside of Freetown, Sierra Leone's then president, Ernest Bai Koroma, allegedly sent close allies to negotiate with various timber operators for their support during the March 2018 presidential and parliamentary elections. Some younger attendees at this meeting threatened to launch violent protests, while others called any government-led attempt to stop logging operations a 'war' against its own people. Several groups threatened to vote the government out of power if their timber operations were forced to close down. According to sources who attended the meeting, loggers were essentially promised an extension of their logging concessions if they were prepared to vote for the incumbent party, the All People's Congress, in March 2018.<sup>120</sup>

In January 2018, 17 000 containers of timber were authorised for export from Sierra Leone. In addition, six additional timber felling licences were approved by State House without any prior notice to the Ministry of Agriculture, Forestry and Food Security, the Ministry of Trade and Industrial Development or the National Protected Area Authority, which is the agency responsible for issuing certificates of origin for all species listed on CITES appendices.<sup>121</sup>

## DRC's moratorium helps overhaul timber governance

While the DRC's original Forest Code dates back to 1941, the latest 2002 revision (*Loi 011/2002 29 Août*) stipulates the development of a national forest policy, to be based on a national forestry master plan (under development with Canadian assistance), to spur diversified economic growth in the forestry sector, placing forest communities in a new leadership role in managing forests – an initiative intended to provide for 'public participation, respect for user rights, reform of the concession system including review of the existing concessions, promotion of sustainable forest management and equitable sharing of benefits'.<sup>122</sup>

To promote transparency, the 2002 Forest Code also calls for the creation of a central database that should aggregate existing forest laws, contracts, management plans and boundaries of relevant units (concessions, classified and production forests, and protected areas). In addition, the Forest Code calls for the creation of a new forest advisory committee to oversee forest planning at the national level.<sup>123</sup>

In February 2018, the DRC awarded 6 500 km<sup>2</sup> concessions to two Chinese companies, which is a clear violation of the 2002 moratorium

Implementing such strong reforms also entailed an ostensible moratorium on the allocation of new logging concessions. Furthermore, a decade after the dissemination of the 2002 Forest Code, the Ministry of Environment, Nature, Conservation and Tourism announced that it would rigorously re-examine the fidelity of other segments of the timber supply chain, beyond concession allocation: 'The Minister stated that several ports, including so-called pirate ports, in Bas-Congo Province had already been closed. ... The Minister announced that he would "work with other government services" to "introduce indicators for traceability of wood products" designated for export'.<sup>124</sup>

In November 2017, at the 23rd session of the Conference of the Parties to the UN Convention on Climate Change (COP 23), the DRC's environment minister announced that the moratorium on allocating new logging concessions would persist.<sup>125</sup> However, NGOs have raised instances where the DRC government has circumvented its own moratorium. Jo Blackman, campaign leader at UK-based extractives industry watchdog NGO Global Witness, stated publicly:

DRC's government has been silent on their plans to allocate two million hectares of the forest in contravention of their own forest laws. They should cancel the deal and publish full details of what was agreed. DRC's government should also cancel all concessions without management plans which are therefore operating illegally.<sup>126</sup>

In February 2018, the DRC awarded 6 500 km<sup>2</sup> concessions to two Chinese companies, which is a clear violation of the 2002 moratorium. Two of the three concessions are located in forests that grow on top of peaty soils, which are highly carbon rich and could therefore critically raise the levels of greenhouse gases that contribute to global warming.<sup>127</sup>

The moratorium will face further challenges in the eastern part of the country where there is pressure for land to be used for construction, and for household fuel in the form of charcoal.<sup>128</sup> The country's minimal fines and jail sentences do little to deter timber crime in the DRC, with forests razed by foreign firms, while there are few alternative livelihoods other than logging for DRC's large youth segment.<sup>129</sup>

## Zambia – mukula transit ban

The mukula tree (*Pterocarpus chrysothrix*), believed to be one of the most valuable of the redwood hongmu species, trades in China for between US\$2 500 and US\$3 200 a tonne. Greenpeace estimates that as much as 15 000 tonnes of the wood are sold each month from just four of the biggest mukula markets in Zhang Jiagang, in eastern China, home to the country's largest mukula processing industry. In 2012, China's rosewood furniture market was worth at least US\$15 billion.<sup>130</sup>

## In 2012, China's rosewood furniture market was worth at least US\$15 billion

In April 2017 the Zambian president, Edgar Lungu, issued Statutory Instrument No. 31 of 2017,<sup>131</sup> which banned the transit of mukula logs through Zambia, after his office had received a series of intelligence reports detailing how loggers would smuggle Zambian timber into the DRC, where loggers would acquire seemingly legitimate paperwork to authorise export of their timber resources back into Zambia, and onward to Namibia and China.

Immediately after the April 2017 ban (which is still in force), hundreds of foreign-registered trucks, at least 200 of which were Namibian, were impounded by the Zambian army, police and forest rangers for violating the mukula transit ban through Zambia. The other trucks

were mostly from Tanzania and the DRC. The timber was seized and forfeited to the state under custody of the Forestry Department.

In October 2017, the Zambia National Association of Sawmillers wrote an open letter to the president, titled 'Who is the beneficiary of the timber export ban?'. The letter described the enforcement of the mukula transit ban by security forces as 'confused, ill-informed and indiscriminate'. Instead of allowing local sawmillers to work, they argued, the security crackdown had pushed locals out of business.<sup>132</sup> The letter, issued by the sawmillers' association president, William Bwalya, reads:

The exercise [security crackdown] has affected many Zambian traders as the security wings seized any timber regardless of whether it had legal papers or not. Many people [have] complained to government through the Forestry Department, requesting that the Department sensitizes the security wings in screening the documents before trucks were impounded. Unfortunately, the government failed to do anything and many trucks with legal papers continued to be impounded and marooned at various borders and checkpoints countrywide.<sup>133</sup>

The question posed in the letter – i.e. who was meant to benefit from the timber ban? – would soon be answered. In August 2017, all the timber confiscated in terms of the transit ban was sold by the Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) in a closed bidding session. The parastatal opted not to open the auctions to tender but handpicked four Chinese dealers, who have been buying the timber since August 2017.<sup>134</sup> These same companies had been similarly selected by ZAFFICO to buy timber confiscated during the earlier ban in 2012.<sup>135</sup>

Moreover, some claim that the ban on felling and exporting logs has actually accelerated the rate of illegal logging and tree loss in Zambia. Charles Masange, president of the Zambian Timber Producers' Association, was quoted by Reuters as saying, 'This move has encouraged deforestation, as illegal harvesters are trying to cash in big because of the increasing demand for timber on the market.'<sup>136</sup> The irony is that the uncontrolled local felling resulted in the high-value tree species, which could sell in China for thousands of dollars, are being harvested to produce charcoal sold for next to nothing.

## Responding to timber trafficking in a context of criminal consortia

The goal of a response framework to illegal timber trafficking in Africa should be twofold. Firstly, the aim should be to improve management of the forestry sector, so that these natural, renewable assets, are harvested for the good of their citizens, and sold to domestic and international markets in a way that is sustainable over the long term. And, secondly, it should isolate the trafficking of high-value endangered species from broader efforts to reduce deforestation caused by unregulated roundwood logging.

Regrettably, however, many of the efforts to promote better forestry governance in Africa fail to distinguish the trees from the wood. As a consequence, the targeted trafficking and illegal export of the high-value species was, and still is, obscured within the commercial market for roundwoods.

Improving the regulation of the forestry sector for roundwood would increase Africa's share in the global timber trade for roundwood in a sustainable manner. There is much that can be learnt from the discipline and strategies of global forestry governance and policies to help achieve this objective, both with public and public-private investment. This will include investment in plantation logging, regulation of artisanal sectors, interventions to improve non-wood fuel usage in Africa, as well as parallel efforts to increase agricultural yields and promote better agro-forestry policies. There is plenty of experience and experimentation upon which to build.<sup>137</sup>

The second goal must be focused on protecting the high-value and endangered species. Environmental crimes call for responses that are different from those needed to address other forms of organised crime, illicit trafficking and trade, because the greatest damage with environmental commodities is done at the point of extraction. Once slaughtered, a rhino cannot be recovered; an endangered tree, once felled, cannot be quickly regrown. And the overall damage to the environment, the biodiversity and the climate cannot be reversed.

Therefore, much of the effort around preventing illicit logging of high-value species has focused on the point of extraction, including the guarding of forests, and putting in place logging and export moratoria. There are many positive efforts that have been attempted, firstly with

European and US stakeholders, to address demand and regulate supply chains. The EU Timber Regulation and the US Lacey Act have put in place important measures that have had a demonstrable impact.<sup>138</sup> In the last decade, these efforts are also being applied to Asian markets, in particular China, given the dominant role Chinese nationals and companies have played in sourcing the high-value species.<sup>139</sup> Technology-based track-and-trace solutions have been developed to identify the provenance of timber and to distinguish between high-value logs for legal export and illicit timber.

The evidence from our research, and particularly the analysis of the moratoria, would suggest, however, that rampant corruption and the development of the criminal consortia is fundamentally undermining the capacity of any of these responses to be fully effective.

The construction, implementation and maintenance of a framework for a sustainable timber industry is, according to specialists in the field from the International Institute for Sustainable Development, 'an intensely political exercise and can be heavily contested. It involves limiting or controlling the access to natural resources that communities and outsiders may depend on for their livelihoods.'<sup>140</sup> Forest governance is inherently messy, and technical approaches often try to suppress or circumvent that.<sup>141</sup>

This means moving beyond law enforcement and moratoria. In contexts where illicit logging is rife, the media, wider society and the international community often react by calling for the application of national law and demand strict enforcement. However, research shows that in the context of criminal consortia, a narrow law-enforcement approach may easily generate counterproductive results. Logging bans and tighter law enforcement may actually play into the hands of the actors driving illegal logging. A narrow enforcement approach may strengthen the position of corrupt local officials by expanding their powers and justifying their use of (or threat of) violence or arrest, instead of reining in their powers.<sup>142</sup> In the case of illicit logging, the traditional tools of law-enforcement that emphasise the capacity of customs officers to seize illicit timber on export, or on import at destination countries, are implemented too late to address the profound damage inflicted on ecosystems and human livelihoods. And any successes achieved are undone if the response by governments is to issue retroactive permits or to sell off the seized timber to privileged buyers.

In any country, the choice of policy instruments used to support sustainable land use should reflect the circumstances and be targeted accordingly. While all of the technical solutions that have been laid out do hold, they need to be predicated upon a careful analysis of the underlying political economy. The recommendations that follow have been proposed as part of an integrated response to specifically address criminal consortia, breaking them down as better forest governance is established.

## 1. Complete prohibition

All evidence suggests that if moratoria are used selectively, and limited export rights are retained or there are exceptions, there will always be a way for criminal actors to continue to traffic high-value species. In addition to the many examples already given in this report, Zambia, Angola and Namibia have imposed several moratoria on the harvesting and transport of raw timber. However, the measures have failed because the bans are partial and do not apply to locals, who are allowed to harvest timber for non-commercial purposes. As soon as there is any form of export trade, high-value species can be obscured within them.

Jurisdictions that are most at risk to illicit trafficking in high-value timber should be identified based on a vulnerability analysis (along the lines that the ENACT programme is creating), and on that basis a prohibition on international trade should be introduced. A number of subsidies and incentives can be offered to offset the very small fraction of legal roundwood timber trade currently in place to promote the domestic market production. Sanctions can be placed on those countries that appear to be violating a moratorium.

For example, Kenya has a total ban on harvesting in natural forests. Natural forest ecosystems comprising indigenous tree species are managed by the environmental ministry, and there is no permitted commercial extraction of wood products of any kind. In the meantime, investment in plantations for commercial logging have allowed the development of a domestic timber sector. Kenya has the largest industrial timber plantation area in East Africa – plantations that are publicly and privately owned.<sup>143</sup> This has allowed the demands of the local market to be met, the foundations for a future sustainable forestry sector to be laid, while at the same time ensuring that all timber transported across the border is of legal provenance.

In the cases where existing or partial moratoria or export bans are in place, the international community should view with suspicion and censure any announcement of exceptions to that ban, or to selling off of seized logs. It is worth considering the example of Mozambique, which has one of Africa's highest rates of deforestation, where national timber operators in 2017 urged the government to burn all confiscated timber, in order to send a powerful market signal to illegal loggers.<sup>144</sup>

The problem with sell-offs, a route that a number of countries have chosen to take, ostensibly to recapture the value of the wood already logged, is that it sends a message that the wood will somehow still get to market, and there is therefore still an incentive to fell it illicitly. Noting that the real value is earned after the high-value species have left the continent, to permit the resale of stockpiles of illicitly felled logs means selling the wood short of its value, negating the deterrent value of the moratorium.

For these reasons, in the contexts of criminal consortia, we recommend a complete prohibition of wood felling and exports of any kind.

## 2. Seize strategic opportunities to build political will

In some cases, elite clientelism and alliances with foreign actors, set up to profit from the logging sector, were formed through relationships and patterns of governance baked into the formation of the state as early as independence. As the grand corruption case studies in this report show, these alliances have morphed into the most damaging and blatant cases of criminal consortia, at the highest levels of the state. Breaking these down while those states remain in the same hands may be impossible. However, there is a wave of governance transitions occurring across the continent now, and these present strategic opportunities to break entrenched paradigms.

Leadership can make an enormous difference, and changes in regime should be seized to put in place better frameworks for forest governance. Since President Adamo Barrow replaced Jammeh as Gambia's head of state in 2017, the ECOWAS Mission in the Gambia (ECOMIG) has already impounded dozens of timber trucks coming into the Gambia from Casamance.<sup>145</sup> ECOMIG's leadership claim that they are confident timber trafficking should no longer persist. According

to one Banjul-based ECOMIG commander, trafficking in illicit timber should soon end 'because, with Jammeh gone, there is now political will from the Gambia to work more closely with Senegal to end the trade'.<sup>146</sup>

ECOMIG may be building a model for the rest of the region to emulate. In the absence of African Union, regional or UN missions to support and serve as oversight functions, advocating for properly resourced and empowered anti-corruption bodies, reinforced by widespread civil society monitoring, can be an important step forward in reversing impunity in the timber trade. Chatham House also emphasises the need for accountable and actionable follow-up mechanisms for reporting and oversight.<sup>147</sup>

International intervention and norm-setting on the part of the African Union or regional bodies, during constitutional and non-constitutional changes in government, including the establishment of oversight bodies, aid incentives, brokering of regional agreements and new frameworks for forestry governance can be made an integral part of the transition arrangements or support.

### 3. Focus on disrupting the criminal consortia

In the context certain countries find themselves in, such as protracted conflict or state instability, it is the case that control over natural resources, including the forestry sector, lies in the hands of the criminal consortia, and not the state, government or other legal entities. In such cases, the disruption of the criminal consortia must take precedence over all other interventions.

A focus on investigating, disrupting or destabilising the criminal consortia entails distinguishing the corrupt and criminal, from the positive and legal, actors.

Some NGOs, including the EIA, C4ADS and Global Witness, have focused on investigating and publicly revealing criminal actors in supply chains. Their work requires discussion at international forums, such as the UN, perhaps within the forum of CITES, or at the appropriate African Union commissions, and political pressure needs to be applied. Sanctions and asset seizures can be powerful instruments applied to states and individuals alike.

Given the close correlation between countries where logging is most rapacious and the presence of UN

peacekeeping or political missions, addressing illicit interests in the forestry sector can also be built into existing and future mandates. The UN in the DRC has established an 'illicit networks' taskforce as part of the MONUSCO<sup>148</sup> mandate, and the political (and criminal) economy of the mining sector in that country has been built into the political engagement and state-building process. Although these efforts are still in their early days, they offer a promising model for application in the case of illicit logging.

### 4. Upgrade the enforcement and monitoring capacity of CITES

CITES has an enforcement mandate, but very limited capacity for monitoring, proactive intervention or subsequent enforcement. We would recommend a strategic investment in increasing CITES capacity on three levels.

Firstly, to analyse comparative trade data to identify disparities between import and export figures, which might indicate legitimate trade flows are being used to mask illicit timber trafficking. The case cited earlier in this report that highlighted the discrepancy between reported Nigerian exports and Chinese imports functions as a useful example of how illustrative these simple comparisons can be. Comprehensive and proactive monitoring may allow early warning of growing criminal activity in the forestry sector, and allow intervention before it is too late to reverse the terrible environmental impact.

Secondly, the CITES law-enforcement unit is small given the breadth and importance of its mandate. We would recommend a significant increase in CITES law-enforcement capacity either directly, or through secondments or partnerships with other states and multilateral enforcement bodies (e.g. INTERPOL, EUROPOL, AFRIPOL, etc).

Finally, in light of the egregious use of retroactive CITES permits in the Nigeria case, we would echo the recommendations of Global Witness to enhance the capacity of CITES to hold and monitor data relating to active CITES permits. CITES permits should ideally never be issued retroactively, or only in special cases identified by the CITES Secretariat, where they should be identified as a retroactive payment and filed with the CITES Secretariat. Importing countries should refuse to accept permits or certificates issued retroactively.<sup>149</sup>

## 5. Follow the money and close the loopholes

While trans-boundary law enforcement operations are developing, Africa-based institutions may be poised to target the financial flows tied to illicit logging transactions. For instance, ECOWAS has institutionalised the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) as the entity responsible for monitoring and elevating the anti-money laundering and counterterrorism financing mechanisms to ultimately bolster the fidelity of the region's financial systems. GIABA has published a deluge of meticulous reports, which are publicly available, on the successes and gaps threatening the security of the region's financial sector.<sup>150</sup>

Considering how most financial transactions across sub-Saharan Africa and eastern Asia – key timber source and consumer regions, respectively – are denominated in US dollars, euros, or British pounds, Western anti-money-laundering and financial crime enforcement networks have clear mandates to target and freeze the financial capital undergirding illicit logging transactions. Further, private-sector entities, like global banks, may leverage their due diligence systems to determine the extent to which illicit timber trade beneficiaries launder capital into jurisdictions outside of the continent.

Unfortunately, African state actors have already well proven their ability to exploit weaknesses in global banking due diligence protocols by laundering proceeds from illicit timber felling and transport operations into luxury assets, like art, cars and real estate. In 2004, the US Senate Permanent Subcommittee on Investigations released a report detailing how Teodorin and other members of the Obiang political elite exploited stark deficiencies in US-based Riggs Bank's anti-money laundering and compliance system to launder illicit proceeds into the US financial system. Riggs leadership did not implement an effective system for identifying and monitoring accounts opened by political figures, nor did their compliance units conduct routine or special reviews of wire transfer activity, even for its high-risk accounts.<sup>151</sup> Senate investigators documented: 'For more than five years, for example, the information systems used at Riggs Bank were unable to identify all the accounts opened for a single client. When asked to perform the basic task of listing a client's accounts, bank personnel had to compile this information manually.'<sup>152</sup>

The meticulous and protracted investigations by the French and US authorities that led subsequently to the seizure of assets relating to the timber trade are incredibly important in signalling the risks of such behaviour and the end to impunity. But investigations of this sort are costly and are often able to seize only a small portion of the assets and income where elite-level corruption are in place.

In order to achieve a broader-based deterrent effect, the forestry sector can emulate the practices of the extractives sector, with initiatives such as those spearheaded by the Extractive Industries Transparency Initiative, requiring transparency in contracting and beneficial ownership. They can also require logging companies to disclose payments to foreign jurisdictions, particularly in producer countries.

## 6. Engage on the demand side

The role of Asian actors in targeting high-value tree species is clearly an important driver in illicit logging. Chinese companies pressuring African governments to release concessions during moratoria and the apparent investments being made lower in the supply chain with small-scale and artisanal miners are very important parts of the puzzle.

The EU and the US have both enacted sweeping legislation and comprehensive measures to ensure the veracity of the international timber trade, and these have broadly been positively evaluated as having contributed to a meaningful reduction in illicit timber entering these markets.<sup>153</sup>

More than a decade's worth of investments have been made to engage the Chinese government to improve management of the China-Africa timber trading chain.<sup>154</sup> China has taken some important steps to encourage sustainable and legal timber imports, though there is arguably considerably more that could be done.<sup>155</sup> Furthermore, actions outside of the formal economy are undermining these efforts.

We would encourage China to follow the prohibition principle – cease all imports from countries with moratoria, export restrictions, and those that are listed on the IUCN/CITES endangered-species lists. Greater oversight over the hongmu supply chains, including tracking systems and reverse investigations into provenance would reduce the chance of illicit species of felled wood entering the legitimate supply

chain. Raising financial and judicial penalties for companies and individuals found to have acted within the illicit logging sector in Africa could serve as a disincentive. And, finally, to prevent the high spike in value found at the point of entry into the Chinese market, Chinese financial institutions should be prevented from speculating on hongmu as a luxury commodity.<sup>156</sup>

The ASEAN countries, and engagement through this regional body, should be encouraged to also follow enhanced forestry management systems for Africa, including legality assurance systems. ASEAN already has in place a policy stipulating the criteria and legality of timber, but this needs to be brought into line with global standards, and more forcibly implemented and monitored.<sup>157</sup>



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## About ENACT

ENACT builds knowledge and skills to enhance Africa's response to transnational organised crime. ENACT analyses how organised crime affects stability, governance, the rule of law and development in Africa, and works to mitigate its impact.

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**THE GLOBAL INITIATIVE  
AGAINST TRANSNATIONAL  
ORGANIZED CRIME**

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