Corruption and Renewable Natural Resources

There is important evidence to suggest that corruption is a key factor contributing to the degradation of renewable natural resources. Forestry officials and law enforcement officers who are in the pockets of corrupt logging firms often turn a blind eye to activities that threaten the sustainable management of a forest’s biodiversity. Similarly, fishery inspectors endanger stocks when they accept bribes to ignore official quotas for trawlers. Within countries, poor governance may translate into sub-standard environmental policies, leaving interest groups to determine the common ‘environmental good’. In extreme cases, high-level political corruption can facilitate the wholesale plunder of a country’s natural resources.

This paper looks at the current findings and discourse surrounding corruption in three renewable natural resources: forestry, fisheries and wildlife.
1. Introduction

The relationship between corruption and environmental outcomes is far from straightforward. There is limited empirical research to support anti-corruption practitioners in their work or to guide policy-makers in their decisions. This paper seeks to build on and complement the previous work of Transparency International (TI) by extending its analysis to other renewable sectors. Since 2000, TI has been engaged on the issue of corruption in renewable natural resources. It has focused its attention on the degradation of the world’s forests and the linkages between corruption and related unsustainable practices.

2. The impacts of corruption

Environmental degradation is commonly viewed as a problem of ‘collective action’ and abuse. Different citizens place demands on the environment to meet their needs. As these actions add up, they strain the natural resource (renewable and non-renewable) capacity of a country — and the world. Conservation efforts seek to rein in citizens from overusing and abusing renewable resources by passing policies and changing behaviours.

However, corruption enables individuals to supersede these frameworks and endanger the environment. Different forms of corruption may be used to prevent appropriate regulations from being introduced and implemented. High-level political corruption can stop policies from ever being developed. Lower-level petty corruption can derail even the best designed policies.

The extent of corruption’s impact on environmental conservation efforts is still debated. One widely-held belief among conservationists is that corruption directly reduces the effectiveness and efficiency of programmes designed to protect renewable resources. Corruption is also seen as indirectly undermining conservation by siphoning off financial resources available for initiatives.

In countries where corruption is endemic, the lack of public accountability may prove an irresistible incentive for individuals to use natural resources as they wish. This view is supported by the observation that countries with poor governance and high levels of corruption often possess the most renewable natural resources — and suffer from some of the gravest environmental risks.

Another view is that too little is known to determine whether there is a causal link between corruption and conservation. It argues that corruption is a complex phenomenon, which may detract from — but also add to — conservation efforts. For example, by reducing overall investment in the economy, corruption slows down a country’s development and some of the negative impacts that accompany it: the expansion of agriculture into fragile ecosystems, water pollution, and the destruction of fisheries, forests and wildlife. Evidence shows that successful conservation efforts often are led in corrupt countries, although corruption should never be used as a pretence for protecting the environment.

While corruption is not the sole factor conditioning conservation efforts, it contributes to environmental degradation by ‘muddying the waters’ when it
comes to developing and implementing policies. Corruption often skews conservation incentives and clouds proper analysis of the causes of environmental decay.

3. Unsustainable deforestation and logging

Forests are the key to the world’s environmental well-being. They protect biological diversity, regulate climate patterns and store the world’s carbon dioxide. Their degradation is a pressing social, economic and environmental challenge, affecting the daily lives of millions of people. Nearly 90 percent of the world’s poorest citizens depend on forests for their livelihoods, including 60 million indigenous people around the globe.7

Destroying forests unleashes a vicious cycle. First, it sets free stored carbon dioxide, estimated at twice the amount currently floating in the world’s atmosphere. Second, new studies show that climatic shifts caused by deforestation affect trees’ ability to function as the world’s ‘carbon sink’. Plant ecosystems, in conjunction with oceans, cut carbon dioxide emissions in half.8

Weak forest governance, often driven by corruption, is an important factor contributing to the destruction of forests. Illegal cutting represents as much as 80 percent of the total lumber production in some countries.9 Around the world, annual losses from illegal logging on public lands has been estimated at over US $10 billion by the World Bank.10 This figure represents more than eight times the total amount of official development assistance (ODA) earmarked for the sustainable management of forests.

Corruption is present at all stages in the lumber production chain. Bribes and political influence may be used either to facilitate logging without appropriate permits or to gain access to forests through questionable land concessions. Corrupt transactions may similarly occur in order to process and trade the logs once they have been harvested (‘timber laundering’). When violations are found, judicial corruption may prevent prosecution and accountability of actions, leaving citizens without any legal recourse. Financial transactions also can turn corrupted as a way to hide the paper trails of sales and to keep the timber trade flowing. At any of these different points along the chain, the unsustainable global demand for forest products creates added pressures for corruption to enter.

Logging’s corrupt international linkages have been carefully mapped in the case of Liberia. During the regime of former President Charles Taylor, unsustainable logging and high-level political corruption were widespread and provided significant revenue for Taylor and his associates. Kickbacks from the allocation of forest concessions were used to purchase weapons and sustain a corrupt elite (see sidebar). Though the environmental impact of corruption has been less rigorously assessed in Liberia, at least one forestry survey has called for over 40 percent of the concessions granted to be cancelled on environmental grounds.11

4. Overfishing

Over the past few decades, fishing has grown into a multi-billion dollar business as the sector has industrialised and become globalised. The world’s total fish

Liberia, Logging and Civil War

Investigations conducted by Global Witness, a British civil society organisation (CSO), revealed that tens of millions of dollars in revenues from the Liberian logging industry went unaccounted for every year.12

The use of these funds to fuel regional conflict led the United Nations (UN) Security Council to take action against the country. It imposed sanctions on Liberian timber exports and extended unprecedented powers to the UN country mission to assist Liberia in administrating its natural resources.

Two countries alone — Brazil and Indonesia — account for half of the increased levels of carbon dioxide caused by deforestation.

Corruption’s Global Reach in Logging

Serious and widespread corruption in forestry has been well documented across countries and regions — including Brazil, Cambodia, India, Indonesia, Pakistan, Papua New Guinea, the Solomon Islands and Tanzania.

However, corruption’s transnational nature means that actors in other consuming or importing nations are often also implicated in these webs of abuses.
production reached its highest level ever in 2002 just as warning flags were being raised about its environmental impacts. In its 2005 review of the state of the world’s fisheries, the UN Food and Agricultural Organisation (FAO) found that nearly one-quarter of the globe’s marine stocks were over exploited, depleted or recovering from depletion, including seven of the top ten species.

With the sustainability of certain fisheries already at risk, violations of agreed fishing quotas and guidelines severely undermine their protection. Illegal, unreported and unregulated (IUU) fishing is a serious problem worldwide, with a recent study estimating that the global trade totals US $9.5 billion. Corruption facilitates IUU fishing when inspectors and quota observers are bribed to ignore violations (see sidebar). In the case of South Africa, an investigation in 2002 into the problem led the director of Hout Bay Fishing Industries to plead guilty to 301 charges of corruption relating to the company’s bribing of fisheries inspectors.

5. Contraband trade in wildlife

The global trade in wild animals and plants is a major industry, generating an estimated US $6 billion dollars per year. Regulating this trade must form an important component of any global conservation policy. For over 25 years, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) has sought to strengthen protection for species at risk. Despite such agreements, organised poachers have established elaborate international networks to profit illegally from the high demand for rare species, with individual animals fetching up to US $50,000 on the global black market. The scale of this trade has been illustrated by a British investigation in which customs officers seized more than 570 illegal wildlife imports during each day of the government-led crackdown.

Corruption facilitates the illegal trade in rare species and occurs at different points along the process. Most common is when smugglers bribe border officials to gain safe passage for their contraband goods. Thailand — a major hub for the illegal trade in wild animals — has uncovered a smuggling ring with alleged links to government authorities. The evidence, obtained through secret investigations by the environmental group Wild Aid, reveals that smugglers bribed Thai border officials the equivalent of US $300 to bring nearly 400 kilograms of pangolins, a type of anteater, into the country from Cambodia.

While relatively small in size, such bribes support a global trade network involving single shipments worth as much as US $10 million and which links numerous middlemen in different countries (see sidebar).

6. Taking action

The above examples illustrate how corruption affects the environment and destroys a country’s natural resources. Corruption can lead to inappropriate policy choices, limit information on existing environmental conditions, contribute
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to poor environmental management and provide perverse incentives that make the exploitation of renewable resources unsustainable.

Still empirical evidence on the link between combating corruption and promoting resource sustainability is somewhat limited in scope and often focused on the environment rather than on questions of governance. As a result, there is no consensus about how important addressing corruption is for interventions aimed at improving environmental outcomes, when compared to the other economic and political factors at play. Nor is the connection clear between the rise of smuggling networks and the existence of high-level political corruption in renewable resource-rich countries. A better understanding is also needed of current government efforts to link transparency and accountability to the conservation agenda, particularly on unsustainable deforestation and logging.

Ongoing analysis involving researchers with both environmental and anti-corruption backgrounds is needed to tease out the political economy dimensions that are currently missing from discussions about corruption and renewable natural resource use — such as their linkages to the protection of human rights and their important (but often underemphasised) role in trade debates. For example, additional research will be required to assess the impacts on poor citizens who economically rely on natural resource exploitation and alternative options for sustaining their livelihoods. Yet deferring policy action until this background work can be done means risking the continued degradation of countries’ natural resource base.

There are good reasons to prioritise immediate actions that seek to promote increased transparency and accountability in the use of sustainable resources.

Related initiatives partly need to be led by countries that import and consume renewable resources in order to address demand and supply dynamics. Steps could involve developing and harmonising public procurement policies that would minimise corruption risks when licensing companies in timber, fishing and other industries. Education programmes could also be developed and rolled-out, informing importers, retailers and consumers of the social, environmental and economic impact of corruption. In addition, certification schemes have the potential to help independently monitor the extraction and use of a country’s renewable resources — from the source to the end-user — although certain caveats must be taken if they are to be effectively used. Finally, importing and consuming countries could improve their bilateral cooperation with suppliers on key issues, such as environmental governance and trade in natural resources.

For countries rich in renewable natural resources, measures also should be pursued that target the current underlying state of mismanagement. Policy reforms should involve collaboration between civil society, companies, government agencies and local resource users, among other actors. For example, conservation initiatives could focus on promoting just, well-defined property and resource rights. Also resource-related laws could be reviewed and updated, including codes of conduct for particular sectors. Another option could be to encourage the independent verification and certification of a country’s resource production and trade through monitoring mechanisms that strengthen forest and environmental governance. Finally, related initiatives could be targeted to support small and community-owned natural resource enterprises in their conservation efforts.

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