



Pusat Governans, Integriti dan Anti-Rasuah Nasional
Jabatan Perdana Menteri



ANALYSING CORRUPTION RISK AND POTENTIAL THREAT IN THE FORESTRY RELATED SECTOR



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01 - Introduction



Transparency International defines corruption as the abuse of entrusted power for private gain (Sundström, A., 2016).



Crime involving the world's forests has become more prominent, increasingly organized, sophisticated and transnational, due to the increased profitability of wood and its by-products.



Corruption can be defined as the misuse of entrusted power for private gain, or any course of action or failure to act by individuals or organizations, public or private, in violation of a duty or obligation under law or trust for profit or gain.



The corruption that supports and facilitates illegal deforestation and the illicit timber trade leads to biodiversity loss and irreversible ecosystem degradation, damaging broader development efforts.

Corruption in the forestry sector appears to thrive where forestry officials are given broad discretionary powers with limited official oversight (Layden M., 2010).

SELECTIVE MANAGEMENT SYSTEM (SMS) FOR SUSTAINABLE FOREST MANAGEMENT (SFM)

Malaysia has been practicing SFM since 1901. The overall harvesting of timber in Malaysia is based on each state's stipulated quota (annual allowable cut), which is approved and adopted by the respective states.

The SMS was applied to ensure that the forest renewal and sustained yield contain a greater proportion of the commercial species with regard to the socio-economic change.

"Forest should be examined in a holistic approach and balanced manner within the overall context of environment and development"
- UNCED (1992).

SMS Sequence of Operations for PRFs

YEAR	OPERATIONS
n-2 to n-1	Pre-felling forest inventory of 10% sampling intensity using systematic-line plots to determine appropriate cutting regimes (limits) .
n	Tree marking incorporating direction felling. No marking of residual trees for retention.
n+1/4 to n+1/2	Forest survey to determine fines on trees unfelled and damage to residual and royalty on shot and tops
n+2 to n+5	Post-felling inventory of 10% sampling intensity using systematic-line plots to determine residual stocking and appropriate silvicultural treatments.
n+10	Forest inventory of regenerated forest to determine the status of the forest.

SMS benefits

Conservation & sustainability of the forest.

Minimising reinvestment in forest rehabilitation work

Enhance environment stability & quality.

Minimise logging waste

Induce optimum utilization of forest resources

Peninsular Malaysia: State of the Forest.

At the end of 2020, forested land accounted for 5.69 Mha of Peninsular Malaysia total land area of 13.22 Mha.

TYPE OF AREA	Mha
Area of Peninsular Malaysia	13.22
Forested Area	5.69
Non-Forested Area	7.53
Permanent Reserved Forest	4.81
Proposed Permanent Reserve Forest	0.09

PERMANENT RESERVE FOREST BY FOREST TYPE	
Inland Forest	4.34
Peat Swamp Forests	0.25
Mangroves	0.09
Forest Plantation	0.12
Forested Area (%)	84.40%
State Land Forest	0.28
Wildlife Forest Park	0.51
Other Forest Reserve	0.00

PERMANENT RESERVE FOREST BY FUNCTIONAL

Protection Forest
2.97 Mha.

Production Forest
1.8 Mha.

Environment/Amenity Forests

- Recreational Areas
- Educational and R&D
- Water Catchments
- National Park/Wildlife Conservations Areas/Geo Forest Park
- Wetland

FOREST PRODUCTION

VENEER
0.08 M3

LOGS
2.22
M3

SAWN
TIMBER
1.78M3

MOULDINGS
0.16M3

PLAYWOOD
0.29M3

02 - Problem Statement



Not many study has been done on corruption risk and forest offences aspect in Malaysia.



Corruption in the forestry sector is important due to the close links between corruption and deforestation rates.



Forest offences such as illegal logging still occur even though enforcement of forest law has been tightened.



Forest offences have serious economic implications, with millions of ringgit worth of timber revenue being lost each year. Forest offences also can be the reason behind the losses of other assets of the state, and they are also one of the factors that contribute to the failure of forests to remain intact.



03 - Research Objective

AIM

This study aims to examine the potential of corruption risk in forestry and explain the types of forest offences in term of motive and opportunity in Peninsular Malaysia.



Objectives

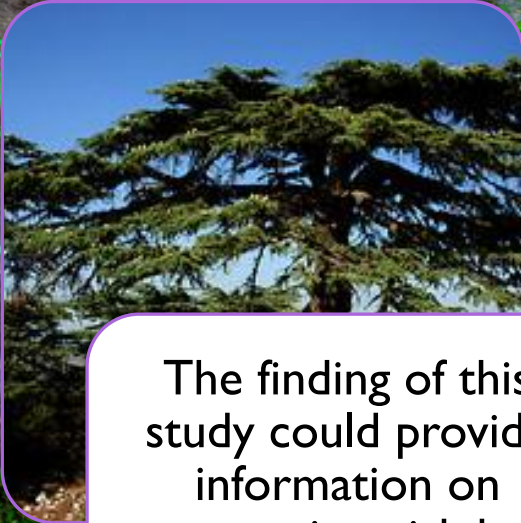


To analyse the potential corruption risk in the forestry operation that poses a governance risk.

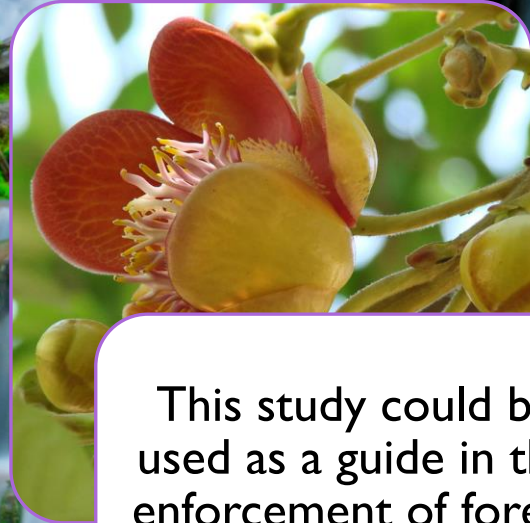


To determine types of forest offences in term of motive and opportunity.

04 - Significance of study



The finding of this study could provide information on corruption risk has been faced while working in the forestry sector.



This study could be used as a guide in the enforcement of forest law by Forestry Department and related agencies.

05. Methodology

Research Design

Questionnaire

- 180 respondents.
- Distribute to the related stakeholder in Pahang, Kelantan and Perak through email.
- Close-ended questionnaires.
- Use self administered questionnaire designed on a 5-point Likert scale.
- Pre-survey were conducted to see the reliability and validity of the questionnaire and measured by using Cronbach's Alpha.
- The value of Cronbach alpha is near to 1.
- Data collection: 9 months to complete (February 2021 - November 2021).



In-depth interviews with the stakeholders



Data Analysis



The survey responses will be analysed and reporting using SPSS and Microsoft Excel:

- 1) Descriptive statistic analysis
 - Summarizing the data.
 - The importance and significance of corruption risk will be determined according to the value of measures of central tendency consisting of mean, median and mode.
- 2) Correlation analysis
 - To know the relationship between forest offences in term of motive and opportunity.
- 1) Analysis on the in-depth interviews with the stakeholders
 - Report on the chronology of corruption practiced .

06

Results and Discussion



**GENERAL
SUMMARY
(REPDONDENTS)**

**180
respondent
were involved
in the
questionnaire**

**96%
respondents
were aware
about
corruption and
its risk**

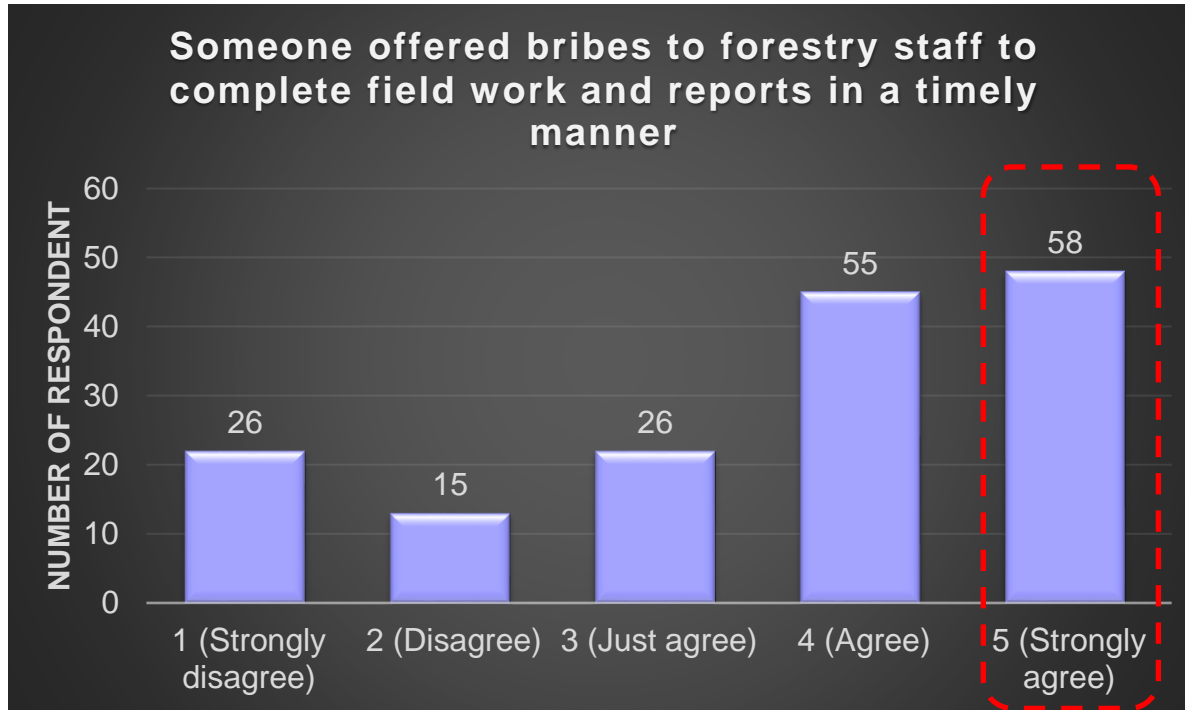
**58.3%
were
responded by
government
official**

Results

Item	Corruption risk	Mean (\bar{x})	Standard deviation (s)
C1	Someone offered bribes to the forestry staff to cut down trees outside the legitimate area.	3.24	1.531
C2	Someone offers bribes to the forestry staff to expedite the approval process of logging/permit licenses.	3.25	1.310
C3.	Someone offered bribes to forestry staff to collect non-wood forest products from the forest.	1.93	1.112
C4	Someone offers bribes to reduce the timber tax (forging/changing timber species).	1.93	1.130
C5	Someone offered bribes to forestry staff to change the boundaries to increase the logging area.	2.41	1.420
C6	Someone offers bribes to the forestry staff to transport timber without a permit or to smuggle logs across state and international borders.	1.84	1.124
C7	Someone offered bribes to the forestry staff to leak confidential information about a bid to secure a concession area.	3.35	1.238
C8.	Someone offers bribes to obtain a fake log/timber production permit.	2.59	1.420
C9	Someone offered bribes to forestry staff to complete field work and reports in a timely manner.	3.56	1.397
C10	Someone offered bribes to forest staff to avoid being fined for failing to comply with forest work guidelines.	2.61	1.528
C11	Someone offers a bribe to cheat/change the size of logs at the forest inspector station.	1.83	1.091

- The highest mean score is item C9; bribes were given to complete field work and report in a timely manner.
- The lowest mean score is item C11; give bribes to cheat/change the size of logs at the forest inspector station.

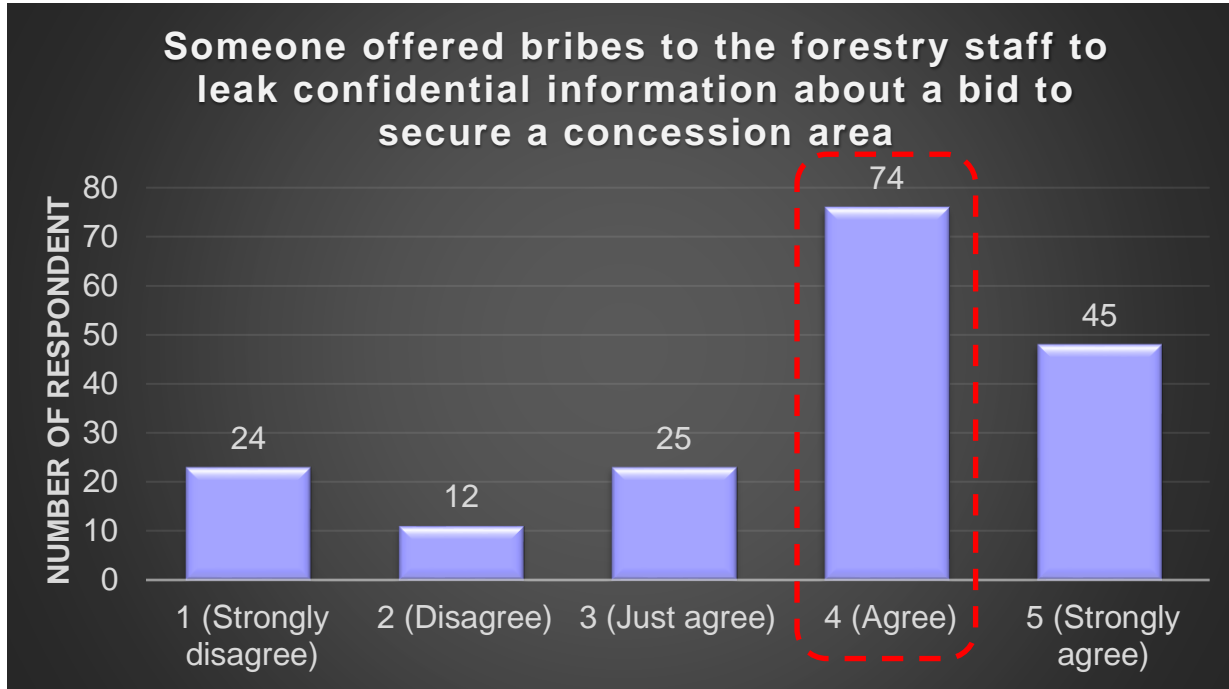
Results



Highest mean value
Mean (\bar{x}) = 3.56

Discussion:
Forestry staff on the field can be the only nearest authority of the government to verify the quantities and species from forest.

Results

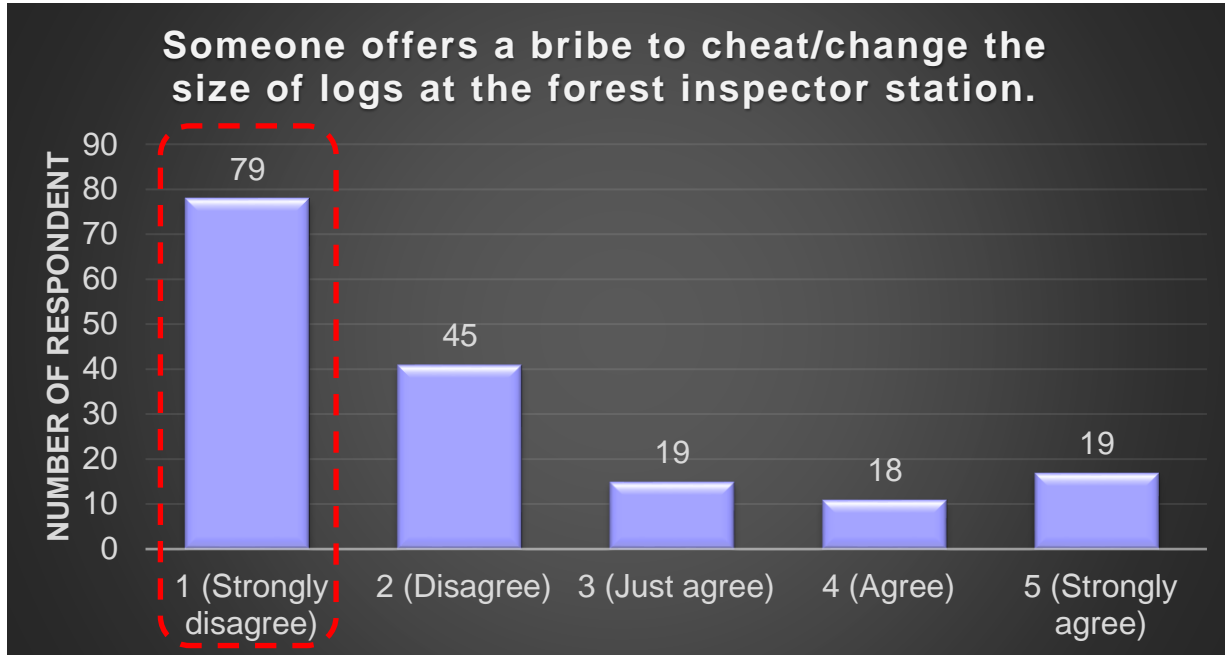


Second highest mean value

Mean (\bar{x}) = 3.35

Discussion:
Information about Malaysia's forest industry has limited openness.

Results



Lowest mean value
Mean (\bar{x}) = 1.83


Discussion:
Even though there is limitation with only certain volumes that can be logged per year, but timber inventories on those quota can be manipulated.

Results

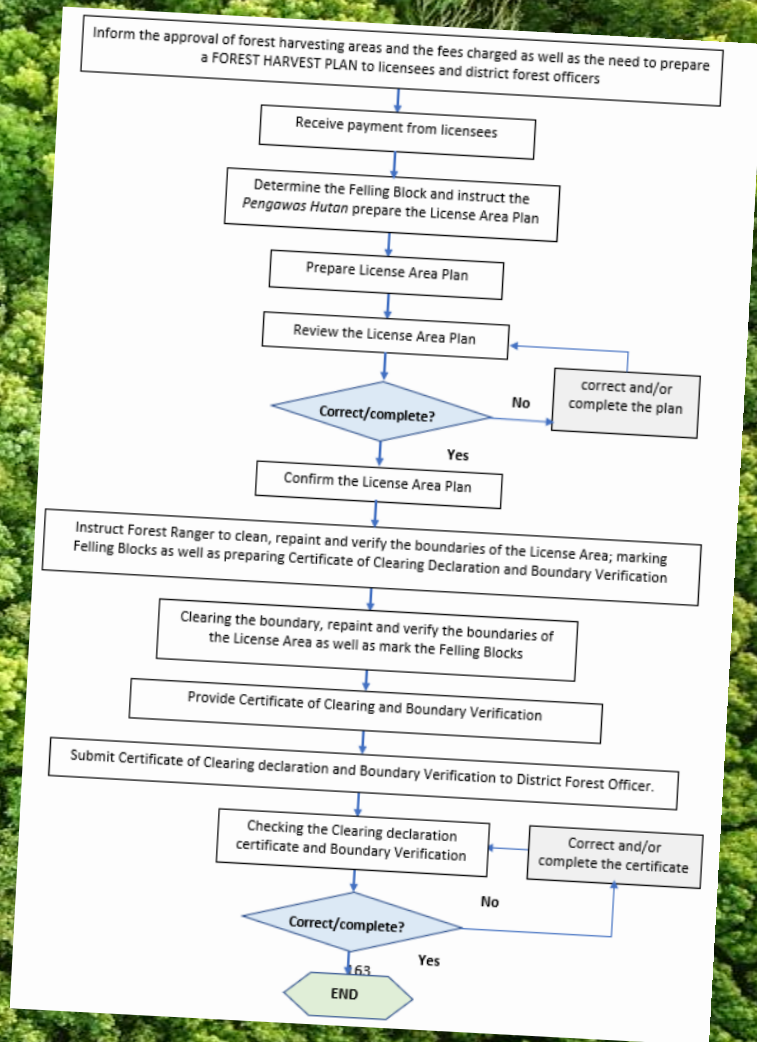
Correlations		Motive	Opportunity
Motive	Pearson Correlation	1	.663**
	Sig. (2-tailed)		.000
	N	150	150
Opportunity	Pearson Correlation	.663**	1
	Sig. (2-tailed)	.000	
	N	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

- Positive relationship, $r = 0.66$ and statistically significant as $p = 0.00 < 0.01$
- Increase in terms of the motive of forest offences is significantly related to the increase of forest offences in terms of opportunity.



The process of issuing forest harvest document



Results

The in-depth interviews with the stakeholders

ACTIVITIES/
MODUS
OPERANDI

1. Area Plan:

The proposed forest area plan of 100 hectares is obtained through any staff in the department.

2. Proposed Plan:

Proposed Plan Purchase Deposit is paid as a deposit from the total cost of the proposed Area plan

3. Plan review:

Need to check/confirm that no other company has applied for the proposed area

4. Check status after review:

If there is an overlap (in many cases deliberately, it is overlap if not paying corruption money), it is necessary to repeat from the first step.

If there is no overlap, the area is eligible to apply and will proceed to the State Director of Forestry (PPN) for the Bumiputera Board Factory Incentive Scheme

Once approved by the director, a sum of money requested be paid to the middleman (normally staff) to speed obtaining a letter of approval.

Potential

Risk areas

5. Pre-F Survey:

After obtaining the approval letter from the state director (and money have been paid), the approved forest area must be surveyed based on the inventory to ensure the total volume of trees and species available in the approved licensed area or compartment.

Before the Pre-F survey starts, a sum of money must be paid to the assigned Forest Ranger. He will then share the balance with another subordinate, namely foresters or contract workers.

(Note: Forest Rangers not involved with the activities)

6. Compartment boundary:

The Pre-F Report that has been reviewed and verified will be submitted to state directors. If the state directors agree and satisfied with the report, then compartment boundaries will be measured and marked. A sum of money must be paid to the Forest Ranger, foresters and contract workers. (Note: Forest Rangers not involved with the activities)

7. Tree tagging:

Marking of felled trees will be made after completing the Pre-F census. A sum of money must be paid to the assigned Forest Ranger, and another will be distributed to the foresters and contract workers.

8. Forest road (plan):

The forest road plan will be sketched and drawn by the forester. A sum of money (unofficial fees) was given to the said forester. Then, under his recommendation, the plan will be reviewed by the Forest Road Unit at the State Forestry Office. Another unofficial cost has to be paid to the unit through their middleman, usually staff in that section.

Discussion

The potential corruption risk in the forestry jobs by order (Top 5/11);

1. Someone offered bribes to forestry staff to complete fieldwork and reports in a timely manner (C9).
2. Someone offered bribes to the forestry staff to leak confidential information about a bid to secure a concession area (C7).
3. Someone offers bribes to the forestry staff to expedite the approval process of logging/permit licenses (C2).
4. Someone offered bribes to the forestry staff to cut down trees outside the legitimate area (C1)
5. Someone offered bribes to forest staff to avoid being fined for failing to comply with forest work guidelines (C10).

Motive

- The small-scale operators were motivated to conduct forest crimes because they had fewer resources, workforce, assets, and finances available.
- They are expecting of bigger profit margin.

Opportunity

- Chances for criminal operations would arise due to lack of trained enforcement staff.
- Low likelihood of prosecution and paper-based documentation provides a possibility to commit forest crimes.

• **07 - Conclusion and Recommendation**

- Respondents agreed that the risk of corruption exists among workers in the forestry sector.
- Bribes were given to the forestry staff to complete field works and reports in timely manner were identified as the most significant.
- It can be inferred that forest offences can be committed in various ways, by various loggers, and for various motives or opportunities.
- Therefore, other comprehensive research may be undertaken in the future because there is so little information on the frequency of forest crimes in this country.



Thank you



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