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Preventing corruption in the timber value chain
Risk management experiences in Latin America

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About this report

This report presents the experiences and lessons learned from technical assistance provided to five environmental authorities in Bolivia, Ecuador and Peru to reduce corruption risks in the timber value chain. It draws on work carried out under the Green Corruption programme of the Basel Institute on Governance.

The Green Corruption programme addresses the prevention of corruption, as well as the enforcement of anti-corruption and anti-money laundering standards in the environmental sector. The programme deals with corruption and financial crimes related to the illegal trade in wildlife, forest and timber products, fish and mining, as well as governance challenges in the energy transition, carbon markets and critical minerals.

In Latin America, the Green Corruption team has provided technical assistance and training services to public agencies in Bolivia, Ecuador and Peru on corruption risk management in the forestry sector. Through this support, public agencies have developed and implemented action plans intended to reduce the likelihood of corruption through targeted mitigation measures.

The report describes the key corruption risks identified in collaboration with five environmental authorities responsible for integrity in the timber value chain, as well as the primary mitigation measures included in their action plans. Given the common features of many corruption risks associated with natural resources, these mitigation measures may be suitable for consideration by other environmental agencies seeking to reduce corruption in natural resource value chains. Readers should, however, assess the relevance of specific mitigation measures to their own circumstances and adapt them as needed to reflect the unique contexts in which different environmental agencies operate.

Cover image: Timber transport control and verification activities (Photo: Giorgio De Dea Peña).

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More information about the Green Corruption programme is available at: https://baselgovernance.org/green-corruption

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Executive summary

Corruption in the timber value chain represents a major challenge for environmental sustainability and governance in Latin America. This report introduces the application of a **corruption risk management approach** by environmental authorities in Bolivia, Ecuador and Peru. This approach was implemented within the framework of technical assistance provided by the Green Corruption programme of the Basel Institute on Governance.

Corruption refers to the misuse of entrusted power for private gain, often leading to increased inequality, poverty and social division. The concept of “green corruption” addresses the impact of corruption as a major driver of environmental devastation and increased risk of harm to the environment and natural resources. Corruption risk refers to the possibility of a corrupt act occurring, but does not necessarily mean that a corrupt act has taken place. Mitigation measures – based on identified corruption risks, their impacts and likelihoods – are typically a prioritised set of recommended actions to address weaknesses, allocate resources, seek external support or offset the impact of negative conditions.

Utilising the Green Corruption programme’s corruption risk management approach, representatives of the environmental authorities identified corruption risks within the timber value chain related to **three key risk contexts**:

1. The granting of forestry rights
2. The issuance and use of timber transport waybills
3. The control and supervision of authorised actors.

Priority areas of concern included documentary procedures, physical inspections and the administrative sanctioning procedure.

Specific corruption risks identified involved:

- the potential for improper agreements between public servants and third parties;
- abuse of authority; and
- undue influence or other improper pressures from hierarchical superiors within organisations.

The majority of planned **mitigation measures** can be grouped into four categories:

- **Regulatory improvement**, to be accomplished by reviewing and updating administrative procedures, closing implementation gaps and other opportunities for corruption and improving operating efficiency.

- **Strengthened supervision** through the implementation of file tracking systems and alerts as well as the use of verification formats in the approval of forestry rights and the issuance

of timber transport waybills, and other practices that reduce the discretion of operational units.

- **Enhanced communication strategies** to support information exchange and joint action within the timber value chain. Specifically, a multicultural strategy was developed as a way of reducing the vulnerability to corruption for Indigenous and rural farming communities.
- **Cross-cutting measures** to promote integrity through awareness-raising, ethical reflection and training for public servants and other actors in the timber value chain.

This document concludes with lessons learned and recommendations, highlighting the importance of tailoring the approach to recognise the unique context of each country, its institutional leadership in risk management and the contribution of inter-institutional collaborative work. The risk management experiences in Bolivia, Ecuador and Peru also highlight the value of peer learning and the exchange of experiences, including across national borders.

In summary, this publication offers a practical approach for implementing corruption risk management as an effective tool to reduce the likelihood of corrupt or unethical behaviour and to strengthen the institutional framework for the timber value chain in Latin America.

Introduction

The Amazon, an ecosystem of great biological and cultural diversity, faces increasing **deforestation** due to logging and burning of timber, the expansion of the agricultural frontier (WWF, 2022), forest fires and an increase in illegal mining. These factors also have a negative effect on environmental sustainability and the well-being of local communities.

With regard to forest preservation, the 2030 Agenda for Sustainable Development, adopted by all United Nations members, addresses the need to “protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss” (Sustainable Development Goal 15).

Despite efforts to reverse the loss of forest to human impacts, the situation in Bolivia, Ecuador and Peru continues to be troubling. Between 2001 and 2021, Bolivia lost more than six million hectares of forested land and in 2021 it ranked third in the world among countries with the highest levels of primary forest loss (Cardenas, Jones and Fernanda Ramirez, 2022). During the same period, Ecuador lost 902,000 hectares of forested land and around 15 percent of its part of the Amazon has been deforested to date (Fernanda Ramirez and Cardenas, 2022). Peru, reported to have the fifth highest rate of deforestation in the world, has lost a forested area greater than the size of El Salvador since 2001 (Cardenas, Jones and Fernanda Ramirez, 2022).

The **problem of deforestation is compounded by corruption**, a condition that facilitates environmental degradation and weakens the institutions responsible for protecting the sustainable management of forest resources. In 2023, on a scale where 100 represents the best performance, Transparency International's Corruption Perceptions Index (CPI) reflected worrying scores for Bolivia (29), Peru (33) and Ecuador (34).

Considering this scenario, the implementation of strategies to prevent green corruption, which not only damages the environment but also affects the legitimacy of public entities, is essential. One of these strategies is **corruption risk management**, a preventive approach that allows organisations to identify risk situations and define measures to reduce the likelihood of acts of corruption and mitigate their impact.

This document has two main objectives:

1. **Present the corruption risk management approach** applied by five environmental authorities in Bolivia, Peru and Ecuador, as well as the strategies used to implement it.

2. **Highlight the main corruption risks identified and prioritised** by these authorities and the mitigation measures proposed to reduce their likelihood.

The corruption risks analysed come from the “action plans” prepared by these authorities in 2023 and 2024, with technical assistance from the Green Corruption programme. Moreover, feedback

from an expert panel conducted in 2023 and from various external consultancies within the framework of technical assistance has also been considered. The analysis is **qualitative** and based on these specific experiences.

The prioritised risks are not necessarily the same in all five entities, as each environmental agency has different characteristics and competencies. Likewise, these measures are not always generalisable, and their applicability will depend on the particular context of each organisation. Each entity must assess **relevance and feasibility** before deciding to implement them.

The document is organised into four sections:

Section 1 presents the corruption risk management approach.

Section 2 explains its application and the prioritisation of risk contexts in the timber value chain in the three Latin American countries.

Section 3 details the main risks identified and the measures proposed to mitigate them.

Section 4 shares reflections and lessons learned.

1 Corruption risk management approach

In general, a risk of corruption implies the possibility that a public servant or other responsible individual would behave in a way that leads to obtaining irregular advantages or benefits for themselves or for third parties. In other words, a corruption risk involves a potential action in **pursuit of a private interest and against the public interest**. Actions associated with corruption risks are not necessarily illegal but may be **unethical or compromise an institution's capacity to perform a public service function in an impartial and accountable manner**.

Because a corruption risk involves a public servant individually, in agreement with other public servants, or with persons or organisations in the private sector, the risk of corruption always refers to a person's behaviour. This behaviour depends on values, traits and predispositions that, in turn, have been formed based on previous experiences and in a sociocultural context.

1.1 What is corruption risk management?

Corruption risk management is a process of **identifying**, **evaluating**, **treating** and **following up** on risks. It enables organisations to strengthen their capacity to prevent corruption situations or, if such situations do occur, to reduce their impact.

Figure 1: Risk management cycle.

As shown in Figure 1, this process forms a continuous cycle in which an organisation prepares and learns on an ongoing basis and progressively improves its management of corruption risks. It is based on the analysis of its unique circumstances and environment.

Illegal logging and timber trafficking networks pose a major threat to the forestry sector in Bolivia, Ecuador and Peru. Corruption risk management seeks to protect organisations from this threat by reducing or eliminating opportunities for corrupt behaviour to occur within them.

Even if effective corruption risk management techniques have been implemented, these techniques alone are not sufficient to eliminate illegal practices. They need to be complemented by effective investigation and enforcement through administrative or criminal procedures.

1.2 How does risk management help prevent corruption?

Throughout the risk management process, the following elements can be highlighted:

- **Identification of risks in contexts**: Efforts to identify risks often focus on specific contexts that are more prone to corruption (PCM, 2023). They may be vulnerable primarily because of their economic attractiveness (such as those involving high value investments) or because there is a direct interaction between service users and officials with high levels of personal discretion (e.g. in inspections or administrative procedures like the granting of forestry rights or the issuance of transport waybills).

- **Prioritising corruption risks**: When prioritising risks, an analysis of the causes and effects of each risk is developed. This allows the impact of each risk to be estimated by combining the likelihood of its occurrence with an assessment of the possible extent of any negative effects.

  A prioritised ranking of corruption risks helps to determine which risks are most important to address. Resource constraints mean that few organisations can address every identified corruption risk. Organisations typically prioritise those risks that are more likely to occur and have the potential to create more significant damage.

  As part of the process of prioritisation, organisations may also consider the feasibility of mitigation measures, avoiding those deemed too expensive or too politically fraught in favour of more workable or realistic solutions. Risk assessment practices are designed to reduce corruption risks to an acceptable level, even if it is not possible or feasible to eliminate them completely.

- **Institutionalising risk management**: Establishing an effective risk management programme is not a one-time effort. Instead, it is important that the strategies and measures chosen to reduce risks are embedded into the practices and culture of the organisation. Most control measures must be applied permanently to be effective and new routines to reduce risk must be integrated into the regular work flows.

Corruption risk management practices are most effective in reducing corruption when incorporated into the regular operations, based on the particular circumstances or contexts of the organisation. Approaches that rely on a small cadre of individuals for risk management are less likely to succeed than those involving employees at multiple levels of an organisation.

- **Updating monitoring and evaluation practices**: Established monitoring and evaluation activities often need to be updated to accommodate new or refined mitigation measures. Reliable information about compliance and effectiveness of new practices is necessary to support future decision-making and to provide a basis for identifying any necessary adjustments. Once good risk management and mitigation practices have been firmly established, organisations must ensure their continued use and effectiveness. Embedding good practices after they have been established is a critical aspect of any effective risk management strategy.

1.3 What risk management strategies can an organisation follow to prevent corruption?

An organisation has two major complementary strategies at its disposal to manage corruption risks:

1. **Improve its organisational design and operation**, based on the detection of situations that may provide opportunities for corruption. These include, for example, unclear or non-existent regulations, redundant procedures, inadequate supervision and a lack of transparency and accountability.
2. **Permanently promote integrity** among personnel at all hierarchical levels through initiatives that raise awareness among public officials about the impact of their decisions in the exercise of their duties and the possible consequences for the institution, as well as through measures that encourage behavioural change.

The first strategy involves defining measures to resolve **organisational factors** that increase the likelihood of corrupt behaviour. The second involves recognising various **personal factors** that, although partially beyond the entity's control, deserve ongoing attention. Organisational and personal factors can be related; for example, the lack of an organisational culture of integrity can reinforce personal factors that increase vulnerability towards corruption.

With both strategies combined, an organisation can influence people’s behaviour so that they do not engage in corrupt practices.

2 Application of the approach and prioritisation of risk contexts in the timber value chain

The approach presented in section 1 was implemented with five environmental authorities in Bolivia, Ecuador and Peru in the framework of technical assistance provided by the Green Corruption programme of the Basel Institute on Governance.

This section starts out with a number of considerations and decisions that were taken to guide the risk management efforts, which consequently also determined the scope of this report. It further includes a description of the timber value chain, the powers and responsibilities of the five environmental authorities, and the steps taken to define and prioritise relevant risk contexts.

2.1 Decisions that guided implementation

Given operational limitations and varying levels of previous experience with corruption risk management among the environmental authorities, the focus was placed on the most important types of risk. The goal was to develop action plans with concrete, short-term measures that could demonstrate the usefulness of risk management for the organisations themselves.

The scope of risk management was defined in terms of process types, stakeholders, control measures and possible risk causes to be addressed.

- Only **operational or missional processes** within the timber value chain that directly enable the provision of services – such as the approval and supervision of forestry rights – were looked at. Support processes that provide the resources to deliver these services (such as hiring personnel or supplying inputs) and strategic processes that define policies and institutional planning were not considered.
- Risks related to the behaviour of **public servants**, whether acting alone or with other stakeholders, were prioritised. Risks involving solely external actors were not considered. Therefore, the risks presented here concern **internal conduct within the government entities** involved in the legal timber value chain.
- Risk treatment focused exclusively on **prevention**, i.e. actions that seek to reduce the probability of a risk occurring by targeting its causes. Measures to mitigate possible effects should the risk occur were not considered.
- Measures targeted both **organisational and personal factors**, so that the authorities applied the two strategies described above: improve organisational design and operations to address specific risks, and define permanent cross-cutting measures to promote integrity.

A key success factor for implementing risk management practices in the environmental agencies was reinforcing the message that identifying corruption risks does not imply acts of corruption are actually occurring. On the contrary, understanding an organisation's corruption risk profile allows the organisation to manage the risks and **strengthen its preventive capacity against corruption**. Defining measures to reduce corruption, as part of a systematic and prioritised process, demonstrates and promotes organisational integrity, fosters legitimacy and trust in institutions and supports ethical performance among employees who may be vulnerable to misconduct.

2.2 What is the timber value chain?

A **value chain** represents the set of activities necessary to produce and deliver goods or services, from the extraction of raw materials or purchase of inputs to the sale of final products. At each stage, the aim is to add value, which means improving the characteristics of the products to better benefit consumers.

In the case of timber products, the value chain encompasses different **stages**, depending on the origin of the wood (natural forests or forest plantations), level of processing and end use. These products can be logs and round wood, sawn wood, wood-based panels and veneer sheets, intermediate products (e.g. columns, shingles) or final products (e.g. decorative items, furniture). Fuels (firewood, charcoal) and residues (e.g. sawdust) are also obtained from wood.

For the purpose of this analysis, the timber value chain is divided into five main stages:

- **Harvesting**: Extraction of the forest resources from the natural forest or forest plantation.
- **Transportation or mobilisation**: Transfer of timber from its origin to the processing and sales centres.
- **Primary transformation**: Processing of wood in its natural state to obtain pieces of wood using sawmills.
- **Secondary transformation**: Processing of sawn timber and panels into intermediate or final products.
- **Sales**: Sale of products in national or international markets.

Figure 2 shows a simplified model of the value chain with its five stages. In practice, the chain varies in complexity, depending on the level of processing and the commercial dynamics of the timber product. Transportation routes may vary. For example, natural wood may be moved to local retail markets, wood in boards to wholesale markets, or carpentry furniture to department store chains.

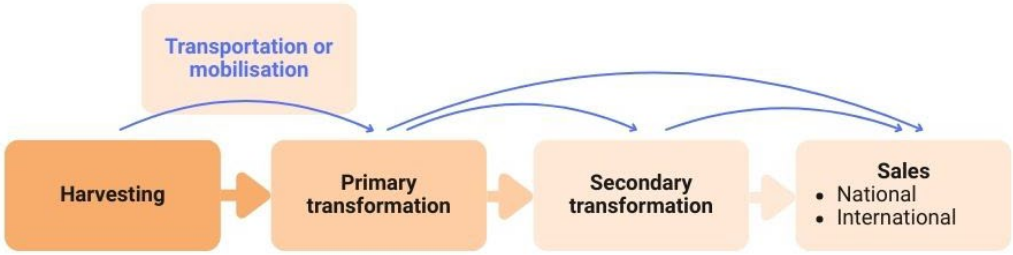

Figure 2: Simplified model of the timber value chain.

A variety of actors are involved at different stages, including owners or holders of productive forest land (individuals, companies, communities), forest managers or auxiliary agents (who develop and implement forest management plans), loggers, intermediaries (who buy and sell timber, acting as a bridge between forestry rights holders and the timber industry), timber haulers, transporters, owners of warehouses and sawmills, primary and secondary processing companies, exporters, etc.

Formal and informal relations coexist between these different actors in the three countries across national borders, despite territorial and sociocultural differences. Moreover, these actors can exert differing levels of influence on the behaviour of public servants.

2.3 The powers of the environmental authorities

Commercial timber harvesting at the very beginning of the value chain requires access rights (or forestry rights). These rights vary according to the prevailing ownership regime and type of forest. Likewise, participants at different stages of the timber value chain, such as collection sites, warehouses, processing centres and sales establishments, require specific authorisations or operating permits.

In this regard, the five public environmental entities in Bolivia, Ecuador and Peru with whom the Green Corruption programme worked are all empowered to grant forestry rights and specific authorisations. However, they differ in terms of territorial scope and organisational structure.

Three environmental organisations have a national scope. Two of the organisations in Peru have a regional scope, as these regional governments have jurisdiction over forestry matters. Peru's decentralisation process created differences in the approval of certain regional regulations that may require consultation with the national authority.

In addition, among the three national authorities, one has ministerial rank, while the other two are technical agencies under a ministry. Of these, only one exercises a steering role. As a result, there are important contextual differences at the political and regulatory level.

Finally, the organisational structures of the five authorities vary considerably. Their hierarchies differ in how close they are to the operational units that interact directly with the service users.

A common element is that the entities that grant access rights also usually exercise control or supervision of operations to ensure that the access rights are used appropriately and for the intended purposes. There are exceptions depending on the type of forestry rights or the level of processing of the timber product.

2.4 Steps to prioritise risk contexts

In our work with the five Latin American environmental authorities it was decided to identify key risk contexts before moving forward with any detailed risk mapping. Effective prioritisation was viewed as important, given operational limitations and the fact that some contexts are more prone than others to acts of corruption.

In order to determine the risk contexts, the first step included identifying the relevant stages and actors involved in the timber value chain. The risk analysis was then narrowed down according to the competencies of the environmental authorities in the chain.

The third step was to distinguish risk contexts in the value chain. This involved selecting the mission-critical processes and priority areas of concern relevant to the authorities, which served as the basis for identifying the risks.

Figure 3: Steps to prioritise risk contexts.

2.5 Key risk contexts prioritised in the timber value chain

Within the value chain, three key risk contexts were prioritised:

1. Granting of forestry rights
2. Issuance and use (i.e. presentation and verification) of timber transport waybills
3. Control or supervision of activities of authorised actors along the chain

First, the **granting of forestry rights** is key because these rights allow the commercial harvesting of timber. In other words, this process marks the beginning of the entire value chain. It generally entails prior physical inspections, in addition to paperwork.

Second, the issuance and use of **timber transport waybills** are relevant because these documents accredit the origin of the timber (including the extraction area and the forestry rights that permit harvesting) and allow the movement of the timber resource in its natural state from the extraction or product areas to the processing centres and warehouses.

The proper use of timber transport waybills by authorities, rights holders and transporters – in other words, their issuance in compliance with regulations and their presentation to the authorities carrying out control tasks during transport – facilitates traceability and helps prevent the entry of illegal timber into the value chain. To this end, the authorities operate fixed or mobile checkpoints where timber and other forest products are verified through comparison with official documentation (i.e. timber transport waybills).

Third, **oversight or supervision** was considered a risk context present throughout the value chain. This is because the authorities are responsible for monitoring and inspecting the activities of actors with forestry rights and authorised establishments involved in harvesting, processing and sales. This also includes the sanctioning of improper or illegal behaviour.

Risk context and relevant stage in value chain	Description
Granting of forestry rights (A component of "harvesting")	• Authorises the initiation of the commercial harvesting of timber • Physical inspections and documentation typically required
Issuance and use of timber transport waybills (A component of "Transportation")	• Accreditation of the (legal) origin of the timber • Permits the movement of timber in its natural state to processing centres and warehouses • Generally relies on verification of accuracy of documentation, based on physical inspections at fixed or mobile checkpoints
Control or supervision of value chain activities (A component of all stages of the value chain)	• Essential for detecting illegal activities and initiating sanctioning procedures • Includes inspections, verifications or audits of activities/facilities of forestry rights holders and actors involved in harvesting, processing and sales

Table 1: Key corruption risk contexts in relation to the timber value chain.

2.6 Defining priority areas of concern

On the basis of the three key risk contexts, the following situations were identified as particularly susceptible to corruption in all three countries:

1. **Documentary procedures** for granting forestry rights and issuing timber transport waybills.

2. **Physical inspections** carried out by the authorities as part of (i) the process of granting forestry rights and (ii) control or supervision processes through inspections, verifications or audits carried out along the timber value chain. The various types of physical inspections are similar in that they require desktop planning and field execution for implementation.

3. On the other hand, when the authorities detect breaches of regulations during their inspection or supervision activities, they have the power to initiate a **sanctioning procedure**. This was identified as an area of concern by risk assessment participants in a general manner, i.e. without specifying the type of infraction or the associated stage of the value chain. Its relevance lies in the risk of impunity if the authorities fail to exercise their sanctioning powers effectively.

The following table shows these three priority areas of concern within the timber value chain.

Priority areas of concern	Harvesting	Transport	Transformation and sales
Documentary procedures	X (1)	X	
Physical inspections	X	X	X
Sanctioning procedures	X		

Table 2: Priority areas of concern in the value chain; Note: (1) Refers to the granting of forestry rights.

3 Main corruption risks and measures to prevent them

This section presents the main corruption risks that were identified and the measures that were proposed to reduce them by the five environmental authorities in Bolivia, Ecuador and Peru. They are organised according to the three priority areas of concern detected – documentary procedures, physical inspections and sanctioning procedures.

The identified corruption risks refer to possible situations in which a public servant exercises their functions inappropriately and privileges private interests or those of third parties over the public interest.

Three types of potentially irregular or problematic behaviour were identified:

1. **Improper agreement** between a public servant and third parties, in exchange for a benefit (bribe)
2. **Abuse of authority** where a public servant may exert pressure on a service user to make a payment to them (extortion)
3. **Pressure from a hierarchical superior** within the organisation so that the supervised person acts in an irregular or unethical manner to favour a third party

Most of the identified risks were of the first type. In contrast, only one risk of the third type was identified in the context of administrative sanctioning procedures.

3.1 Corruption risks in documentary procedures

Challenges surrounding the administrative process for granting forestry rights and for the issuance of timber transport waybills were considered priority corruption risks for the environmental agencies.

3.1.1 Risks involved in the issuance of forestry rights

a) Agreements with third parties

In the granting of forestry rights, a main corruption risk is that a public employee may **collude with third parties to approve the application** – even if requirements are not met, the information has deliberately been left unverified or forest management plans include false technical or financial data. The public function would unduly favour the rights applicant or forest manager and potentially permit unsustainable or otherwise illegal timber harvest.

This risk was considered higher in cases involving **special authorisations** for the removal of forest cover (i.e. clearing of natural forests), where the commercialisation of the extracted timber is allowed. An example is when forest products are removed from land designated for agricultural use rather than forestry, or when forest clearance is required for infrastructure projects.

Preventive measures against possible agreement with third parties in the issuance of forestry rights

A first measure to prevent the occurrence of an improper or unethical agreement with third parties is to **review administrative procedures**. A confusing or outdated regulation could generate opportunities for corruption. This measure will be complemented by the digital publication of updated procedures and sanctions issued, to promote transparency.

In addition, one of the authorities introduced a measure to improve how operational units **follow up on the evaluation of rights applications**, by improving the existing document processing system. A module was implemented for the follow-up and traceability of files, with a system of notifications and alerts. This makes it possible to identify unwarranted delays during processing and enables the management level to request information as needed from the operating units ("cross-checking"). This improvement allows better control over approved applications. Digitised forestry rights documents that have generated alerts can be reviewed against certain selection criteria.

These practices are intended to limit discretion in the evaluation of applications by public servants.

For example, when the granting of special authorisations was raised as a risk, a specific measure was defined to keep the relevant directive or regulation up to date and promote compliance. This was to be achieved through the use of a pre-approval checklist verification form with signatures that can be traced by management level.

b) Abuse of authority

Another corruption risk is the **abuse of authority towards the individuals seeking forestry rights**. This may involve intentional and unjustified delays in the process, the provision of inaccurate or false information, or making the initiation or completion of the process conditional on receiving a payment or other benefit (extortion). Another example is when applicants are required to hire a forest regent (i.e. an accredited forestry professional responsible for developing and implementing forest management plans) who is close to the public servant in charge of the forestry rights process.

In the case of **Indigenous or rural farming communities**, abuse of authority may present an even greater risk. This is because such communities may lack knowledge of the regulations, often due to cultural differences or limited access to official information in their preferred Indigenous languages. In all three countries, a large proportion of natural forests are located in Amazonian areas inhabited by indigenous communities. These communities may be vulnerable e.g. due to language barriers or geographical remoteness, which makes contact with the authorities difficult. This context further exacerbates corruption risks in the granting and use of forestry rights.

Preventive measures against possible abuse of authority in the issuance of forestry rights

To avoid intentional delays in the approval process, one measure is to **evaluate the execution of prioritised procedures**. The idea is to identify actual approval times for forestry rights applications, define areas for improvement to optimise procedures and reduce overall approval times. This measure is based on the need to distinguish between intentional delays (linked to corruption) and those linked to limitations in operational capacity (people, infrastructure) or inefficiencies. It is a complementary measure to monitoring through the previously mentioned alert system. The same control efforts that can reduce the likelihood of improper agreements with third parties can also help discourage abuse of authority in the form of intentional or unjustified delays in processing.

The **establishment of effective complaint channels** has been suggested as a measure to mitigate abuse of authority motivated by a perception of impunity on the part of the public servants. There are a variety of approaches to establishing complaint channels. One of the environmental authorities prioritised the use of anonymous surveys with a sample of service users to better understand their perceptions and experiences with forest-related procedures.

With regards to rural farming and Indigenous communities, the importance of developing **communication strategies with a multicultural approach** was recognised. Such strategies aim to disseminate user-friendly and relevant information on procedures for obtaining forestry rights. The goal is to encourage inclusive participation and the responsible exercise of rights. In this way, members of Indigenous communities can be empowered to demand explanations or, if necessary, file complaints or report staff misconduct.

In addition, an environmental authority defined a technological improvement to monitor the permanent use of a cross-cultural and gender-inclusive approach in training and technical assistance it provides to the general public. This took the form of integrated training systems and the implementation of a new training protocol.

3.1.2 Risks identified in the issuance of timber transport waybills

Timber transport waybills contain information on the origin of the products (extraction area; related forestry rights), species transported, volume, destination and transport service data, among other details. In some countries, waybills may be issued by forest owners or regents as a sworn statement under certain conditions. Otherwise, they are issued by the environmental authorities.

a) Agreements with third parties

When issuing timber transport waybills, a public servant could agree with third parties to **provide waybills with irregular information**, for instance indicating larger volumes to accommodate timber of illegal origin, or even blank ones, in exchange for an undue payment. As part of this scheme, forestry rights holders or transporters could use these waybills to move illegally sourced timber or timber products.

Preventive measures against possible agreements with third parties in the issuance of waybills

First, **allowing users to issue their own timber transport waybills through an official information system** was identified as a key method to reduce corruption risk. An associated mitigation measure involves ensuring that the system is working properly. **Automation** reduces opportunities for public employees to exert undue influence associated with the manual issuance of transport documentation. In situations where a government authority issues the documents, the use of an application to verify the issuance process carried out by operating unit personnel was proposed.

Regardless of who issues the timber transport waybills, **establishing clear regulations for the procedure** was considered essential. This helps close the window of opportunity for irregular behaviour and ensures users have access to transparent information about requirements and deadlines.

b) Abuse of authority

Another risk, related to abuse of authority, is that personnel of the operating unit of the government organisation **provides inaccurate or false information** to the landowner or forest regent **about the requirements for issuing the waybills**. This could result in unnecessary issuance of waybills and an unwarranted payment to the public servant. A variation of this risk occurs, on occasion, when the computer system fails and service users feel pressured to reach out to the operating unit's personnel, who offer to help them obtain their timber transport waybills in exchange for an undue payment.

Preventive measures against possible abuse of authority in the issuance of waybills

Given the potential for abuse of authority, **ensuring transparency in the procedure for issuing waybills and upholding legality** was defined as a key measure. This includes promoting the dissemination of clear, informative material among service users so they understand the conditions and procedures for the issuance of waybills.

One environmental authority in particular identified the need to verify that the issued timber transport waybills align with the cases defined in the regulations. To this end, a **control measure was introduced prior to the issuance**, using a verification form signed digitally by different specialists involved in the process. This form is attached to the waybill file. Documenting the verification helps to reduce discretion, improve oversight and strengthen accountability.

3.2 Corruption risks in physical inspections

Concerning physical inspections, corruption risks were identified in the granting of forestry rights, control of harvesting activities for commercial use, verification at checkpoints and inspections or audits at processing or sales establishments.

3.2.1 Risks in physical inspections prior to the granting of forestry rights

The granting of a forestry right is usually conditional on the approval of a planning instrument, such as a forest management plan or a similar programme. The on-site physical inspection (or ocular inspection) consists of verifying that the information declared is reliable. This means confirming that the trees in the field are accurately represented in the inventory as declared by the owner or forest manager.

In this context, a public official may reach an **agreement with third parties to perform an incorrect physical inspection or simply not to conduct the inspection** at all. In return for a bribe, the official may approve the management plan or programme even if it does not meet the requirements.

As a result, the reported trees may not exist, their number may be overestimated, or tree species other than those in the inventory may be present on the property. This creates an opportunity for illegal timber from unauthorised areas to be “laundered” later, based on the false claim that it came from the property associated with the forestry right document.

Preventive measures

Mitigating this corruption risk involves **defining technical criteria to prioritise** the areas that should undergo on-site inspections. This helps reduce employee discretion in choosing properties and areas for inspections. Improvements to internal regulations are also necessary, including the approval of mandatory directives or technical standards for operational personnel, along with a verification mechanism with periodic reports.

An additional mitigation measure involves carrying out **unannounced supervisory visits** during field inspections. This helps reduce the perception of impunity among inspection staff. A supervision procedure based on surprise visits could deter misconduct, as staff would be aware that any omission or irregular behaviour could be detected and sanctioned.

3.2.2 Risks identified in the inspections of forest resource harvesting

Harvesting involves cutting down the tree (felling), limbing and log splitting, hauling the logs to the stockpiling point, the loading area or a main road, and preparing logs for transport to the primary processing centre. At this stage, the public entities are to exert control over the proper use of the harvest rights. This means verifying that the authorised species and volumes are extracted from the correct areas, in line with the forest management plan and other management documents.

In practice, the environmental authorities often face operational constraints such as insufficient personnel and a low budget for transportation – inadequate resources to address the large tracts of land with forestry rights in the Amazon. As a result, the environmental agencies are forced to choose a subset of properties and areas to inspect.

Given the mismatch between available government resources and the magnitude of the task, two complementary risks were identified. Both involve **potential agreements with third parties** that unduly benefit the forest owner or manager in exchange for a bribe:

- Public officials could collude with forest owners or managers **when selecting the land tracts to be inspected**. This may lead to the intentional exclusion of some properties or irregular selection based on staff discretion. The risk could arise at the management level as well as at the level of the operating units.
- There may also be **collusion during the physical inspection in the field itself**. This could involve omitting inspection of certain plots, incorrectly applying existing selection criteria or even recording false information in the audit reports. This risk is linked to operational-level personnel responsible for conducting inspections.

Inspection risks are greater in areas with a high number of **special authorisations for forest cover removal**. In these cases, an irregular inspection could enable two main abuses:

(i) extracting more timber than authorised without respecting the obligatory reserve; or
(ii) using the corresponding timber transport waybills to move timber of illegal origin under the pretext of authorised removal.

Forest regents, who obtain their licenses from the authorities, are responsible for ensuring the proper use and exploitation of forestry rights. One national authority identified a specific risk related to the **supervision of these regents**. There is a possibility that management-level personnel may supervise them irregularly or omit supervision altogether in order to favour the regent.

Preventive measures

To address the two complementary risks involving improper agreements in exchange for a bribe, several measures were identified relating to the planning and execution of inspections.

First, as for the physical inspections prior to granting forestry rights, **technical criteria were defined to select the sample** of properties and areas to be inspected in the field. These criteria should be incorporated into an updated procedure that includes a mechanism to verify compliance. The aim is to reduce the discretion of operational personnel, by requiring the use of objective and predictable standards.

Additionally, a **procedure could be defined for operational personnel** to reduce risks during inspections. This procedure should align with available resources and comply with current laws and regulations. To reduce the perception of impunity, the procedure should include provisions for unscheduled supervisory visits on a sample basis.

Where financial constraints limit field inspections, the procedure could allow for alternative desk-based verification. This would be based on cross-checking documentary information and databases.

Similar measures were defined for **supervising the use of special authorisations**, considering their particular characteristics. Some measures were proposed to enhance regency practice: implementing a supervision protocol, improving the forestry and wildlife regency specialisation course and holding sessions on ethics and integrity. One authority considered creating a ranking system to recognise top-performing regents, using it as a positive incentive.

3.2.3 Risks prioritised in checkpoint verifications

Verification at fixed and mobile checkpoints allows authorities to assess the accuracy of the information recorded in transport waybills. This involves a documentary review and physical inspection, with data compared against the databases of the forestry authorities.

The corruption risks in this context relate to potential **agreements with third parties**. Checkpoint personnel may omit or deliberately perform an incorrect verification of the timber or timber products being transported, benefitting the transporter or cargo owner in exchange for a bribe. This could enable the transport of unauthorised species or volumes, or the improper movement of cargo with the use of waybills that have been "sold" by forestry rights holders or regents. It also creates the risk of waybills being used more than once to transport illegal timber.

Preventive measures

As an initial response, authorities proposed the installation of **internet-connected security cameras to monitor operations at checkpoints**. This could discourage misconduct by avoiding the perception of impunity among personnel. However, due to existing financial constraints, they also acknowledged the need to carry out cost studies to assess the feasibility of widespread use of security cameras as a mitigation measure.

Field work carried out with the support of other actors revealed the need to **define procedures for cooperation with law enforcement agencies** (police and armed forces) in forest value chain activities. The terms and conditions of this cooperation should be formalised through a joint action protocol that sets out agreed objectives, activities and roles. It should also include an annual work plan – potentially including other actors such as specialised prosecutors or the revenue authority – and a training programme on basic forest control concepts.

One authority planned to establish the mandatory use of **electronic applications to record actions taken during inspections**. They also proposed to implement a directive or technical standard for supervising checkpoint operations. These mitigation measures aim to reduce staff discretion by better regulating internal procedures.

3.2.4 Risks identified in audits at the processing or sales establishments

In this specific context, the authorities inspect establishments where timber products are stored, processed or sold/traded. These inspections require both documentation and physical verification to confirm that the timber products are actually present on site, have been sourced from an authorised area and have followed a legal transport route, thus helping to prevent the entry of illegal timber.

However, operational constraints may not allow authorities to inspect every facility. This creates a risk that staff in charge of planning inspections may make decisions arbitrarily or on the basis of personal interests.

As in the case of inspections of properties with forestry rights, two possible **collusive behaviours** were identified that would benefit the owners of the establishments in exchange for a bribe:

- There is a risk of **agreements with third parties that may influence the selection of the establishments to be inspected**. Some facilities could intentionally be excluded, or the selection process may be carried out in an irregular manner at the discretion of personnel. This risk could arise at both the management level and the operating units.
- A similar risk of collusion exists **in the execution of the inspection of the processing or sales establishments**. Operational staff may agree with facility owners or managers to omit proper inspection procedures, incorrectly apply the existing selection criteria, fail to verify the documents or match them with physical stock, or even record false information in the audit reports.

Preventive measures

The need to apply **technical prioritisation criteria for selecting establishments to be inspected** was reaffirmed as a way to reduce the discretionary nature of the selection process. As in the case of harvesting inspections, these criteria should be integrated into existing regulations and updated on an ongoing basis.

To avoid a perception of impunity, it was proposed to adopt and implement **guidelines for the supervision of establishments**. These guidelines should define clear standards, minimum evidence requirements and include a digital tool to verify documents. This measure would also ensure that the selection criteria and the key inspection elements are consistently applied and kept up to date.

3.3 Corruption risks in the administrative sanctioning procedure

Administrative sanctioning procedures may be initiated at any stage in the timber value chain when the competent authority determines, for example on the basis of a complaint, that an administrative rule has been violated. Such violations may include transporting timber without the required transport waybills, extracting volumes in excess of those authorised or failing to comply with forest management plans. The authorities identified two main risks.

a) Pressure from a hierarchical superior

One environmental authority identified a potential for corruption linked to pressure from a hierarchical superior. Such **pressure could be used to influence a public servant**

participating in the investigation stage to avoid initiating warranted sanctioning procedures. This would be a complex situation and may involve complicity between the hierarchical superior and the alleged offender.

If this risk materialises, unjustified inaction would result in impunity for individuals or organisations that fail to comply with the regulations, weakening the institutional framework of the forestry system.

Preventive measures against possible pressure from hierarchical superiors in the sanctioning procedure

Before determining the most effective way to mitigate corruption risks associated with undue pressure from a supervisor to forego initiating a sanctioning process, one government entity planned to assess whether **interim monitoring of sanctioning mechanisms** would be feasible or desirable.

To explore this, the organisation decided to conduct an after-the-fact review of a random sample of administrative sanctioning procedure files. The objective is to determine the quality of actions taken, including the decision to apply sanctions when warranted. Based on the results of this review, the organisation would determine whether a retroactive oversight could effectively reduce the corruption risk to an acceptable level.

If the review shows that such an oversight mechanism would be feasible, improve internal regulation and reduce staff discretion in decisions to initiate administrative sanctioning procedures, then the practice of spot-checking or periodically reviewing a sample of sanctioning files would be implemented as a mitigation measure.

Both pre-assessment and ongoing supervision **require that archived files supporting an administrative sanctioning process be digitised**. One authority has already successfully implemented this process with the support from a partner NGO.

A complementary measure involves **strengthening the capacity of legal and management-level staff**. This includes deepening their understanding of the principles, guarantees and actions involved in the administrative sanctioning process – including the reconstruction of facts, analysis of evidence and development of arguments to support the proposed sanction during the preliminary investigation.

This capacity building effort is not limited to providing education about the regulations in force. It aims to create and promote a shared space for identifying and addressing instances of pressure on decision-making during the sanctioning process, on an ongoing basis.

b) Agreements with third parties

An additional risk involves agreements with third parties, whereby personnel involved in investigations as part of administrative sanctioning procedures may **omit or distort information in favour of the alleged offender in exchange for a bribe**.

This risk would seriously undermine the authority's legitimacy as it affects due process and the integrity of information. It may arise from inadequate supervision or excessive discretion granted to personnel responsible for managing sanctioning case files.

Preventive measures against possible improper agreement with third parties in the sanctioning procedure

Regarding the risk of collusion resulting in omissions or misrepresentations in the sanctioning file, one suggestion called for **digitising the files and establishing a system that ensures traceability**. Such a system would record every action taken and make the information accessible for internal control purposes. An alert mechanism could also be introduced to monitor deadlines.

The aim is to enable adequate internal oversight by clearly identifying who is involved in each case. Personnel tempted to omit or misrepresent information would be aware that their actions could be detected and that they may be required to justify them. Any changes in the files would be visible to supervisors, strengthening internal control.

At the end of the administrative sanctioning procedure, the **final resolutions could be made public**. Publishing this information would serve to enhance transparency and build public trust in the administrative sanctioning process.

3.4 Cross-cutting measures to strengthen integrity

The measures presented in the previous sections, such as regulatory and process improvements, are mainly focused on addressing specific operational corruption risks. However, it is also essential to address the personal factors that may influence the decision-making of public servants.

This section, therefore, presents **cross-cutting measures** designed to reduce the likelihood of multiple risks by promoting the overall integrity of public servants.

In countries with more developed public integrity frameworks, **some measures aim to strengthen compliance**. One of the environmental authorities proposed applying such compliance mechanisms particularly to individuals involved in granting forestry rights or issuing binding technical opinions, even though the law does not require these persons to be subject to such mechanisms.

Another group of measures seeks to **promote a lasting culture of integrity**, ensuring that public servants consistently act in line with the values, principles and standards that govern ethical conduct in public service (PCM, 2021). The objective is to foster leadership that prioritises the public interest over personal gain.

Given that corruption is not always perceived as such by those who engage in it, a set of cross-cutting measures was identified to raise awareness among public servants who, without considering themselves corrupt, might engage in such practices under certain circumstances. These cross-cutting measures fall into three categories:

Measures to strengthen ethics and integrity in public service

- Implement workshops or conferences that reinforce ethical reflection and strengthen a culture of integrity within the public entities.
- Develop awareness campaigns for both internal and external stakeholders to promote ethical values and good practices.

Measures to improve knowledge on the prevention and sanctioning of corruption

- Implement a specialised course on corruption prevention through risk management.
- Deliver lectures and training on ethical transgressions, responsibilities, and administrative and criminal sanctions related to the performance of public functions.
- Develop integrated courses that combine sectoral legislation, ethics and sanctioning procedures. To ensure relevance and take into account the unique circumstances of each environmental entity, the authorities should play a key role in designing and delivering the course content.

Measures to strengthen collaboration with other stakeholders

- Supervise and implement a forest control training programme for law enforcement and control post personnel.
- Verify the backgrounds of public servants for any history of unethical, corrupt or irregular behaviour, including conduct during previous service in other entities. This could involve consulting databases maintained by civil society organisations or government agencies.
- Conduct educational campaigns using social media or other channels to share information on corruption cases and how to report them.

Many of these measures were initially implemented by the environmental authorities with the support of the Basel Institute's Green Corruption programme. However, a significant challenge

is to ensure that the mitigation measures are sustained over time and permanently integrated into the institutional structures to strengthen their preventive capacity.

3.5 Summary overview of corruption risk mitigation measures

The following table offers a summary overview of mitigation measures the five environmental authorities in Bolivia, Ecuador and Peru planned to implement, grouped into four categories:

Categories of mitigation measures	Description
Regulatory improvement	Reviewing and updating administrative procedures, closing implementation gaps and other opportunities for corruption and improving operating efficiency.
Strengthened supervision	Implementing file tracking systems and alerts as well as using verification formats in the approval of forestry rights and the issuance of timber transport waybills, and other practices that reduce corruption risk by limiting the discretion of operating units.
Enhanced communication strategies	Supporting information exchange and joint action within the timber value chain. Specifically, a multicultural strategy was developed as a way of reducing the vulnerability to corruption for Indigenous and rural farming communities.
Cross-cutting measures	Promoting integrity through awareness-raising, ethical reflection and training for public servants and other actors in the timber value chain.

Table 3: Four categories of corruption risk mitigation measures.

4 Reflections and lessons learned to strengthen risk management

The implementation of corruption risk management in the forestry sector has revealed several challenges, while also generating valuable lessons on strengthening corruption prevention. This section presents key insights from working with environmental authorities in Bolivia, Ecuador and Peru.

4.1 Challenges to effective corruption risk management

- **Weak institutional culture in integrity and corruption prevention**, with limited application of policies, standards and tools for internal control and risk management.
- **Operational and resource constraints** in terms of personnel, logistics and budget, causing teams to prioritise urgent tasks over risk management to meet their activities and commitments.
- **Special situations** that may affect the priorities of the environmental authorities, such as political crises, natural disasters (e.g. forest fires), energy shortages or public safety issues (e.g. crime or violence).
- **High turnover of management personnel** requires strategies to maintain continuity and confidence in the implementation of risk management measures.
- **High costs and extensive efforts required for desirable corruption prevention measures** may render them unfeasible, such as:
    - Infrastructure and equipment for checkpoint controls, patrols and satellite monitoring
    - Reforms in information systems supporting the timber value chain to strengthen traceability, control and transparency
    - Implementation of whistleblower protection mechanisms, which requires regulations, technology and systems to manage information and make it transparent, as well as personnel to evaluate and provide timely and accountable attention to concerns raised.

4.2 Key lessons and recommendations

Drawing on the risk management experiences in Latin America described in this report, below are practical recommendations that other forestry authorities might consider when developing initiatives to reduce corruption risks in the timber value chain:

- **Communicate clearly and convincingly** to managers and operational staff the importance of risk management for preventing corruption.
- **Share successful experiences** in other organisations. Corruption risk control measures not only prevent corruption but also improve effectiveness and efficiency of public service

delivery, transparency and information management. They also reduce arbitrariness and unwarranted discretion. Risk management helps employees perform their job with integrity and professionalism, and fosters value creation, innovation and the achievement of organisational results.

- **Define clear roles** when starting the implementation of corruption risk management. Having a process leader facilitates coordination and allows managers to focus on validating progress and technical staff to contribute their knowledge and experience. Public organisations could designate a body or unit with expertise in integrity matters to act as a strategic ally.
- **Facilitate the participation of technical/operational personnel** in the risk analysis and the design and implementation of measures. Frequently, the people with practical expertise in a particular area are those who possess good ideas about feasible ways to address corruption risks and propose workable and effective improvements and innovations. They should be able to take ownership of the process, which might require freeing them from the urgencies of their daily activities.
- **Evaluate the feasibility of measures** before including them in action plans. Action plans are only useful when the measures can actually be implemented. A participatory analysis to identify risks and measures with different stakeholders in the timber value chain (public and private) can generate a technically sound list of measures, but their feasibility depends on institutional resources and priorities. Therefore, managers play a necessary role in validating and prioritising the measures to be implemented in a given period.
- **Identify recurring "clusters of measures"** that respond to organisational and personal factors increasing the likelihood of corruption. This makes the process of applying risk management more efficient. For example:
    - Clarifying rules and removing unclear, contradictory or unfeasible provisions from directives or regulations can lead to improved processes.
    - Technological improvements can often mitigate situations where employees have excessive discretion about how they perform their tasks.
    - Training, information dissemination and spaces for reflection on ethical behaviour can strengthen integrity and overcome ignorance.
- **Promote adaptability and flexibility** in the implementation of risk management, allowing for adjustments in the event of operational crises or emergencies that may affect the availability of key stakeholders.
- **Involve other public and private organisations** as partners in the analysis and implementation of measures, optimising resources and ensuring the sustainability of initiatives.
- Create **spaces for dialogue, experience sharing and peer learning** among public officials. Sharing challenges, solutions and best practices, including across national borders, encourages the development of collective approaches to addressing corruption risks in the timber value chain, promotes transparency and reinforces a culture of integrity.

Glossary

Administrative sanctioning procedure: A procedure that includes actions to investigate and sanction individuals or legal entities that transgress an administrative rule.

Forest plantation: Forests established by human intervention (or "planted forests"), in contrast to natural forests that develop naturally and can harbour a great diversity of species.

Forest regent or auxiliary agent: A forestry professional accredited by the environmental authority, responsible for developing and implementing forest management plans linked to the forestry rights that give access to the resource, guaranteeing the sustainability of its management and ensuring compliance with regulations.

Forestry right: A general term to refer to enabling titles, authorisations, licenses, permits, administrative acts etc. that grant the right to harvest a forest commercially or to remove forest cover under special conditions.

Forestry rights holder: Natural or legal person to whom the forestry right is granted.

Indigenous communities: For the purposes of this document, "indigenous communities" (Spanish: *pueblos indígenas*) is used as an umbrella term to refer to communities with ancestral connections to the original inhabitants of the region, often overlapping with "rural farming communities" (*comunidades campesinas*). In some contexts/countries, other terms used are "native" or "original" communities" (*pueblos originarios/nativos*). In practice, these terms may carry different nuances, e.g. regarding identity, political empowerment, land rights or legal recognition.

Organisational factors increasing the likelihood of corruption: situation within an organisation that could open spaces for corruption, such as hierarchical or peer pressure, inefficient processes, high discretion, normalised practice.

Personal factors increasing the likelihood of corruption: factors relating to the individual, reflecting how they perceive external events, process information and make decisions in the exercise of the public function (e.g. predisposition to favour another person because of the personal relationship, perception of impunity, lack of knowledge).

Processing or sales establishment: A general term to refer to a processing centre or timber products sales centre, whose registration and operation is regulated by state authorities. Alternative terms are processing/sales centre or final destination centre.

Property: A delimited portion of land belonging to the State or a natural or legal person. They may be in the public or private domain.

Risk of corruption: The possibility that a behaviour occurs, by action or omission, derived from the misuse of the public function or power, to obtain or pursue an irregular advantage or benefit (PCM, 2023).

Timber products: Products derived from wood in different stages of transformation. Includes logs and round wood, sawn wood, veneer sheets and wood-based panels, intermediate products, final products, fuels and residues.

Timber transport waybill (Spanish: *Guía de transporte forestal, Guía de circulación* or *Certificado forestal de origen*): Document required to move timber products. It contains information on the origin of the products (extraction area; related forestry right), species/products and volume moved, owner, destination, means of transport and transporter, among others.

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The Basel Institute on Governance is an independent centre of expertise dedicated to advancing good governance and countering corruption. Our aim is to contribute to a more peaceful, just and sustainable world.

We work hand in hand with governments, civil society and the private sector to prevent corruption, recover illicit assets and foster business integrity. Our approach combines capacity building and learning, convening and peer engagement, hands-on advice and mentoring, and applied research and policy guidance. Together, they advance knowledge, practice and policy on anti-corruption and related fields.

Our work helps to safeguard public resources and address global challenges like poverty, health, climate change, environmental sustainability, security and crime – with positive impacts for citizens, governments and economies all over the world.

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