



- A **strategic option that we are promoting** for combating illegal logging - very much in line with EU regulation.
- We believe **Simplicity & Efficiency** ARE possible if we **go for monitoring the first placing on the market**.
- There have been expressed several opinions /figures that claim to quantify (in cubic meters /EURO) the level of IL. But, so far all existing estimates (in terms of volumes of IL harvesting) are based on the comparison of different data obtained from different sources - different methodologies - were practically are compared apples with pears. **In our opinion it's impossible to have an proper estimation** without having a proper **methodology – designed** to assess such a volume.
- However, our understanding is that **illegal logging is still a significant challenge in Romania**, despite obvious efforts performed in last 5 years.



## What is illegal logging?

“Illegally harvested” means harvested in **contravention** of the **applicable legislation** in the country of harvest;

“**applicable legislation**” means the legislation in force in the **country of harvest** covering the **following matters**:

- ✓ **Rights to harvest** timber within legally gazetted boundaries,
- ✓ **Payments** for harvest rights and timber including duties related to timber harvesting,
- ✓ **Environmental** and **forest legislation** including **biodiversity conservation**, where **directly related to timber harvesting**,
- ✓ **Third parties’ legal** rights concerning use and tenure that are affected by timber harvesting,
- ✓ **Trade and customs**, in so far as the forest sector is concerned.



If we want to assess illegal logging, the journey start with : **what is illegal logging?** And for that, a detailed definition is provided by EUTR (EU Timber Regulation). SO illegal logging is **not only about rights of** harvest but also about **forest, environmental and biodiversity legislation**, where **directly related to timber harvesting**.

It concern equally **third parties’ legal rights** that are affected by timber harvesting and also **trade**.

EUTR refer to Applicable Legislation. AND this means in RO over 100 normative acts, counting over 3000 pages.



## Legality Risk Assessment

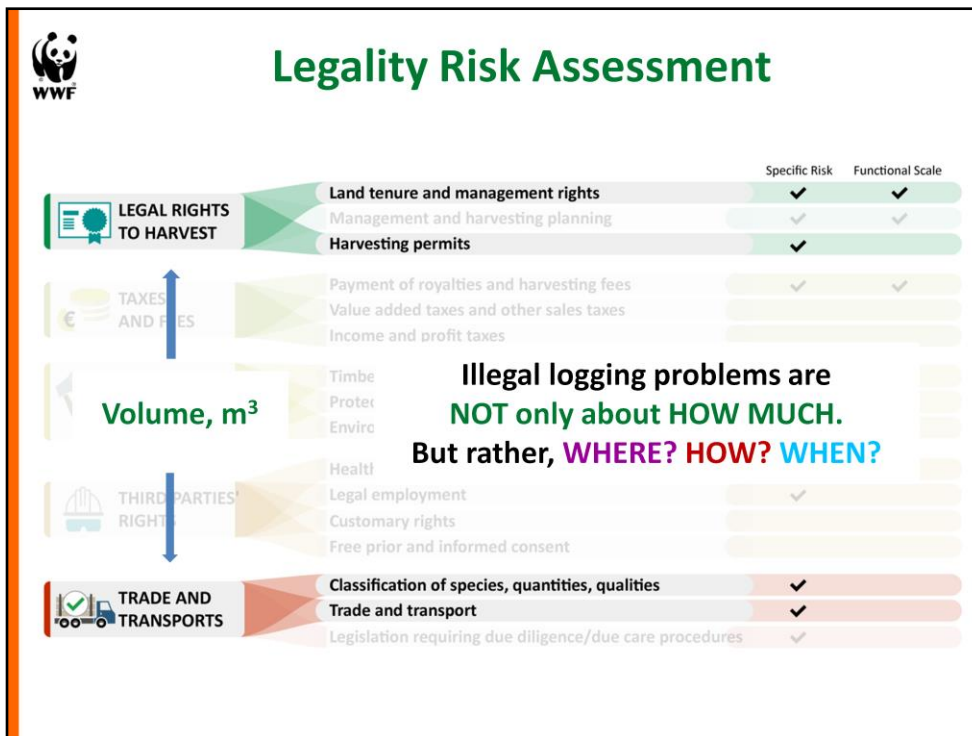
		Specific Risk	Functional Scale
 <b>LEGAL RIGHTS TO HARVEST</b>	Land tenure and management rights	✓	✓
	Management and harvesting planning	✓	✓
	Harvesting permits	✓	
 <b>TAXES AND FEES</b>	Payment of royalties and harvesting fees	✓	✓
	Value added taxes and other sales taxes		
	Income and profit taxes		
 <b>TIMBER HARVESTING ACTIVITIES</b>	Timber harvesting regulations	✓	
	Protected sites and species	✓	✓
	Environmental requirements	✓	
 <b>THIRD PARTIES' RIGHTS</b>	Health and safety	✓	
	Legal employment	✓	
	Customary rights		
	Free prior and informed consent		
 <b>TRADE AND TRANSPORTS</b>	Classification of species, quantities, qualities	✓	
	Trade and transport	✓	
	Legislation requiring due diligence/due care procedures	✓	

To determine the risk on IL, there are actually several categories and indicator we need to look for. And many of them are in relation to a functional scale.

This is how legality risk assessment on national level, look like – presented here just some of the indicators that we consider relevant for “domestic” wood in RO.

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Functional scale - risk's delimitation based on non-geographical features type of forest are, type of property, administrative features, Scale Intensity and Risks of forestry operations.



Illegal logging in Romania is **NOT only about How much?**

But rather about:

- **Where?** Since High Conservation Values might be affected.
- **When? & How?** Because the way the harvesting is conducted can lead to a negative impact on environmental values or community rights.

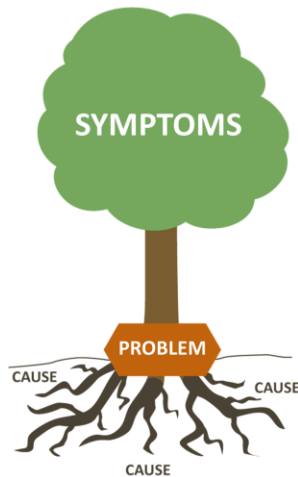
Out of this list of indicators only a few can be quantified in volume:

- So, in the following we intend to expose one of the main **root causes of the controversy over illegal logging volume in Romania**



## Root Causes of Illegal logging

RO



- NO National Forestry Strategy / Policy Vision
- Lack of predictability & Incoherence of the legislative framework
- Overregulation & Prevalence of procedural indicators
- Excessive political involvement & Political instability
- Poor institutional capacity (never ending transition)
- Lack of transparency & corruption
- Violations of regulations on free and competitive wood market.
- Disrupted restitution process (still ongoing after 30 years)
- Lack of national cadaster
- Lack of forestry infrastructure & logistics
- NO functional financial compensation mechanism
- Social vulnerability of local communities
- Cultural barrier of stakeholders engagement
- Stumpage sales & control systems

Speaking about Illegal Logging it's important to understand the root causes, and here are some of the most relevant ones that we consider specific for Romania.

We cross the never ending transition period from communism to a common EU market actually with no forest strategy on board.

In exchange we have:

Excessive political involvement, lack of transparency

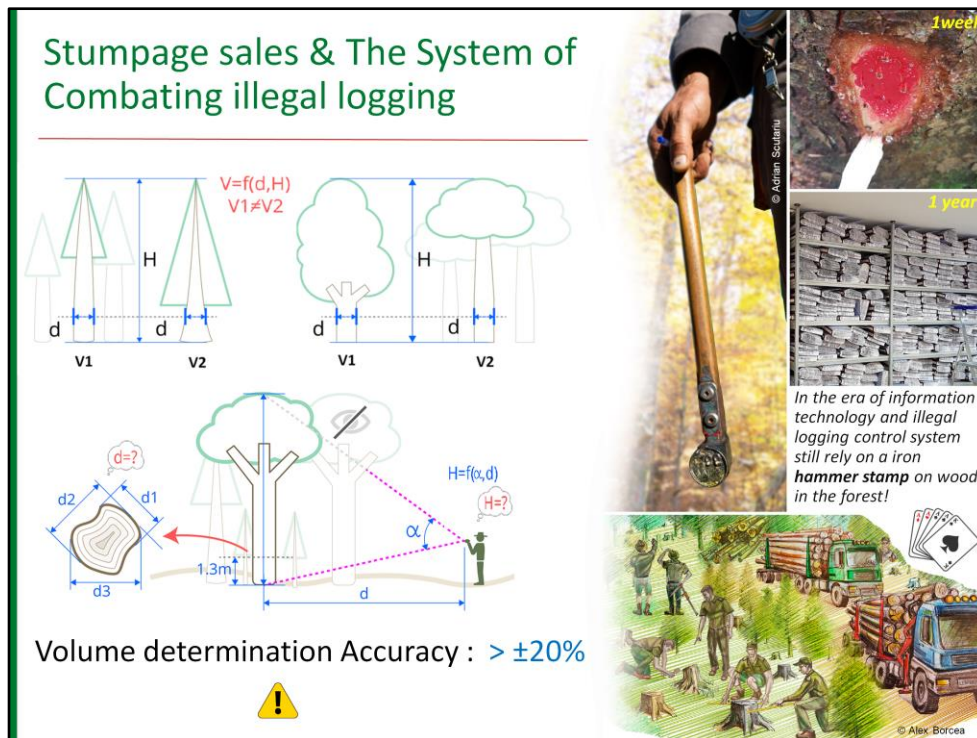
- ✓ Violations of regulations on free and competitive wood market.
- ✓ Disrupted restitution process (still ongoing after 30 years).
- ✓ NO compensation mechanism for private and community forests
- ✓ Social vulnerability of local communities

Last but not least ...

- ✓ Stumpage sales & control systems are important root causes that are generating systemic conflicts of interests!

And in the following I am intending to quickly expose those systems.





The System for combating illegal logging, begins and is very much influenced by the way we are selling the wood.

For decades, the forestry in Romania is selling the forest in the form of a roughly estimated volume of trees in the forest before being harvested and it is **not “concerned”** on checking the quantities that are shipped out from the forest; And this go hand in hand with the control system, whose foundation is represented by the tree marking procedure - **a hammer stamp on wood in the forest!**


**BUT THE STAMP** does not constitute a **solid evidence in court** and it **cannot guarantee anything about the volume** of harvested trees. The same number of marked trees can mean a totally different volume of wood.


**Please note:** that are applicable several mathematical models for the volume calculation - legally accepted and therefore for the same inventory (diameter and heights) the differences of volume might exceed 20%. Not to include here the measurement errors or the subjectivity of the operator. The irony is that the contracts are based on these **estimations given with two decimal places**.

So, for 30 years, the payment done in advance for an estimated wood qualities and quantities, are accepted, AND the harvested quantities shipped out are not finally verified! and **THIS IS applicable legislation!** This way, we consider it is enforced a **A grey zone that cannot be controlled!!!**

Look how the “evidence” look like in only 1 week and what it produce in one year!


## “Modus Operandi”






**2015**

**1 out of 4** calls to 112 were confirmed as being illegal transports (unauthorized)

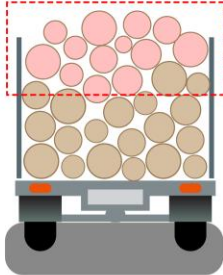


**2020**

**1 out of 3900** accesses to the “Forest inspector’s platform” is confirmed as **unauthorized** transport



It has **evolved** from entire mountain disappearance, to multiple transports using same delivering documents and today the **most common** modus operandi is **“overloading”**



*How the extra volume is disappearing from the forest?*  
...

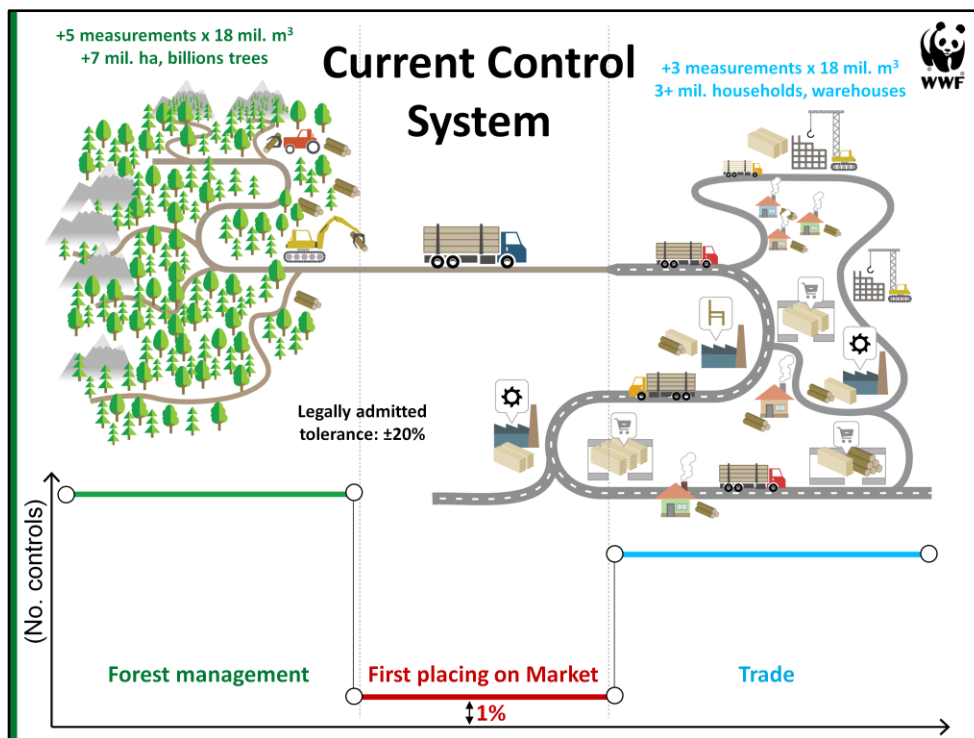
A specific risk that need to be priority addressed, otherwise millions of cubic meters could disappear!

The strength & efficiency of a control system is very much linked to “**risk taking**”. But **what are the RISKS for operators?**

**Well**, there are NO SIGNIFICANT risks for operators SINCE:

- only about **1%** of the transports leaving the harvesting place are verified – **randomly or even at your discretion**
- the penalties sanctions are symbolic in this case – the **fines are less than the value of overloaded wood** (e.g. 200 – 1000 EURO for an overloading volume up to 10 m3 /transport).

*If the fine is less than the cost of the ticket there will be quite some people who will assume the risk and will not buy the ticket!*



This is a **Helicopter View** on how the control system looks like.

Guarding billion trees in the forest and over 18 million m<sup>3</sup> (annual allowable cut) are **measured AND verified** 5 times as a standing volume before harvesting and, as a control measure, identification of unmarked stumps in 7 million hectares. All these considering that the standard error legally adopted can be over 20%. **You may wonder why all these?!**

And then, after the wood has entered the market, we again pretend to control illegal logging by looking for differences between the documents and stocks in over 100,000 warehouses, sawmills AND firewood for over 3 million households.

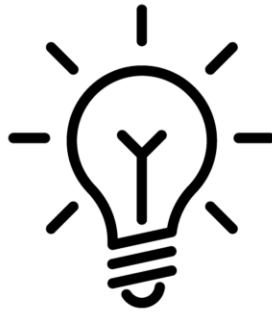
But in all these **critical points targeted** the illegally harvested wood can be laundering or swallowed by administrative trick, self declaration of processing yields.

*This is how the **distribution of control efforts** looks like!*

*Please note that only a few **of the transports from the harvesting place** are verified (still not following properly a risk based approach)*

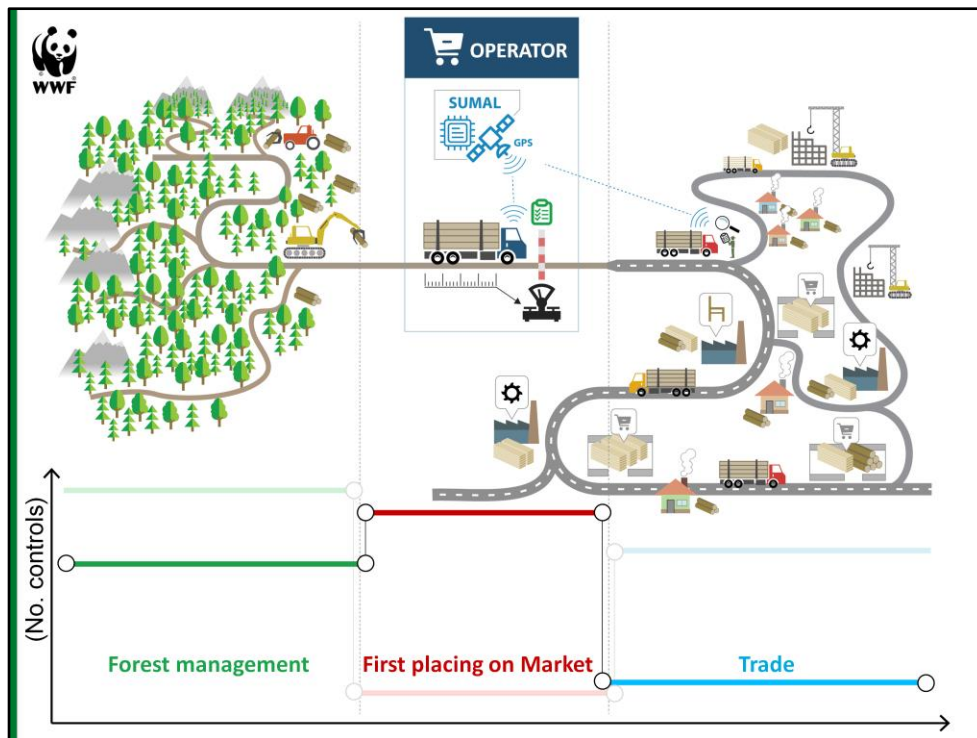
**Imagine the resources allocated! Imagine the costs that finally are paid by the FOREST!**



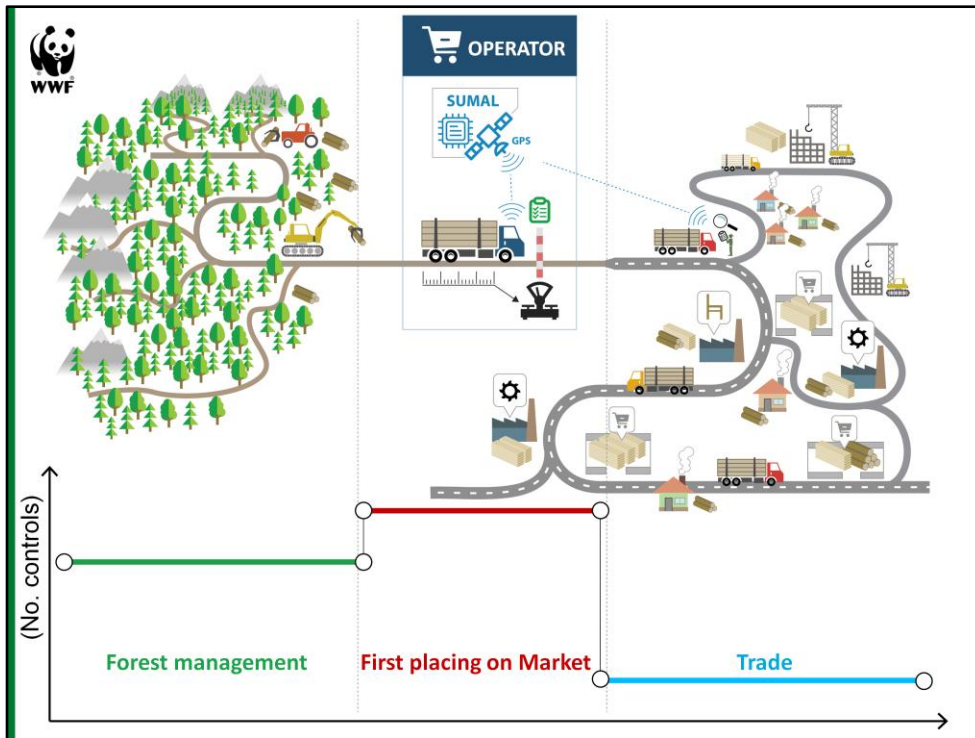


## A radical change is necessary!

The current control system based on **marking and guarding the trees in the forest** doubled by **controls throughout the entire wood chain of custody** must be transformed into a **system oriented towards monitoring the wood as it leaves the forest**.



If we want EFICIENCY, then the control system need a PARADIGM SHIFT!



this is a vision for an effective controls distribution

To skip the administrative burdens and increase the share of controls at first placing on the market using what an electronic traceability tool like SUMAL could OFFER.

And the controls here should **follow a risk based approach** considering: continuously **UPDATED risk factors & modus operandi.**



## EC infringement procedure (EUTR)



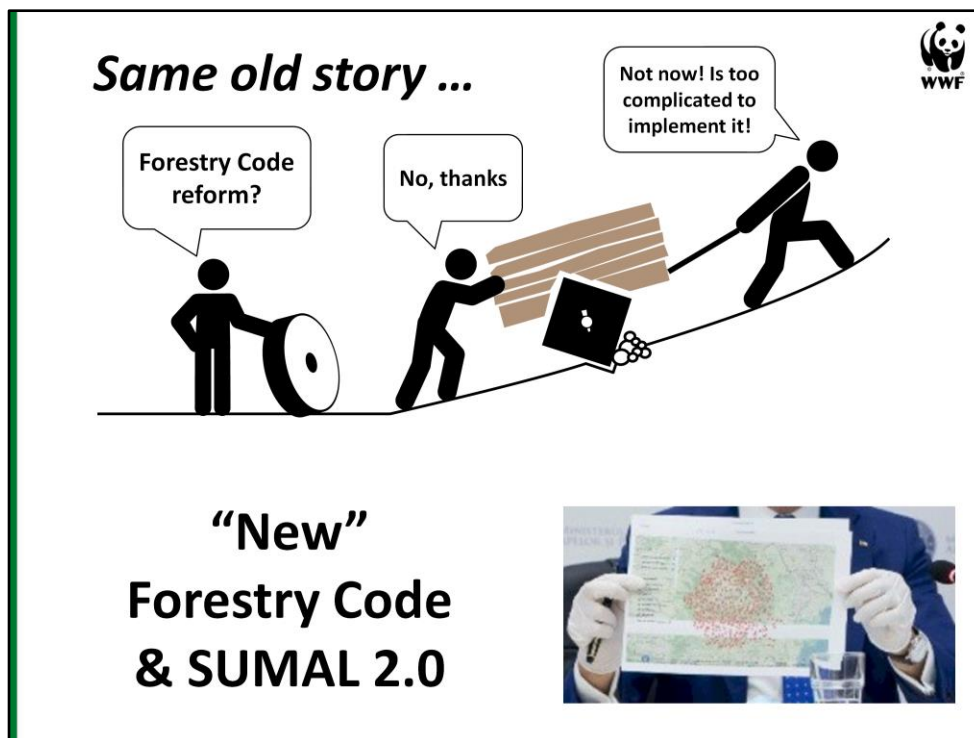
- ❖ Control's prioritization following a risk based approaches!
- ❖ Effective, **proportionate** and **dissuasive penalties regime**!



	Competent Authorities	Penalties	Checks
Romania			

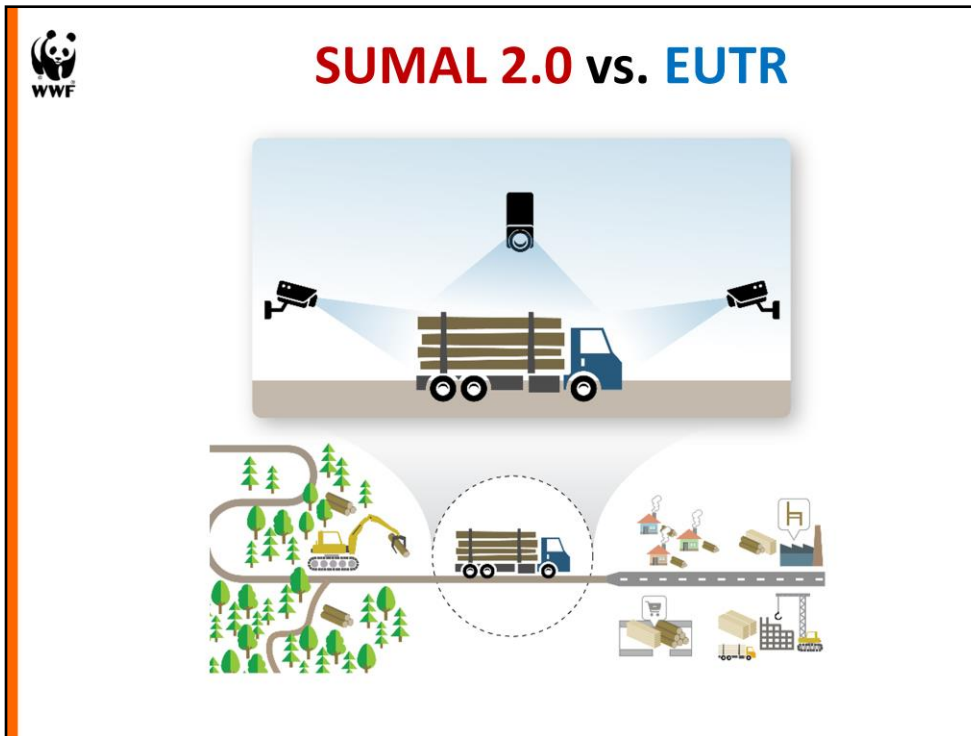
These loopholes are **confirmed also by the infringement procedure** launched by the European Commission against Romania, highlighting two major shortcomings on EU Timber Regulation:

- ✓ **Control's prioritization** is NOT following a **risk based approaches**!
  - ✓ There is not in place an effective, **proportionate** and **dissuasive penalties regime**!
- These are actually the strategic direction for combating illegal logging.**



*Recent amendments to the so called “New” Forestry Code represents (in our opinion) **a new failure of the reform** since is maintaining the same system – that further tolerates “wood disappearance with proper documents”  
**NO significant changes so far.***





Unfortunately, SUMAL 2.0 does not address any of the infringement requirements! Furthermore the wood traceability system SUMAL 2.0 was launched in an **unfinished** form creating blockages in the application, and most important it **does not focus on the first placing on the market** (as required by EUTR).

Combating illegal logging in an efficient way has to be focused on first placing on the market (when the timber is shipped out from the forests).

**We get drunk with cold water** when we are pretending to combat illegal logging by doing checks in over 100.000 wood processing units (where tens of millions of cubic meters are cascading), looking for deviations between documents and stocks. Such control plan is totally inefficient. This online wood tracking system throughout the whole chain of custody might be relevant for statistics on market but not for combating illegal logging.

We need to manage our expectation and understand that SUMAL **is just a tool**, an IT application that cannot perform miracles as long as the entire architecture of the system to combat illegal logging **is mislead**.

The system we have now (how is designed and interconected) is more like a “tiger paper”

- A headache for the ones who whant to play fair
- And is still creating incentives for those wiling to break the law.

## Integrated Solutions



Ending the systemic conflict of interest generated by **stumpage sales** and tree marking control procedures. Wood products **received** at the declared market entry point.



**SUMAL** focused on wood origin at first placing on the market & establish effective **prevention mechanisms**.



Transparent control procedures **Control's prioritization** based on objective and transparent criteria.



Integrated **information platforms** on Forest and PAs management plans. **Gain access to information** on wood origin & traceability.



Effective, proportionate and **dissuasive penalties** regime.



Adequate **performance indicators** related to compliance with **DDS** requirement by the operators.



Increase **transparency** Public summary records of **control** registries & monitoring SUMAL's generated alerts



**Compensation mechanism.** Decrease VAT for firewood and rural construction wood for individuals

*It is very much needed a **SYSTEMIC** change following a **NEW FOREST POLICY VISION**, aligned with European values, principles and norms that take into consideration national specific.*

To reach that it is necessary a legislative package: starting from a NEW Forest Code, but also adapting the penalties regime, wood sealing regulation, operation of the Forest Guards, fiscal code, and of course ... **a New SUMAL integrating all these.**

What are the **strategic directions** that **WE** consider relevant?

Just some key words: transparency, controls prioritization, more access to information, key performance indicators for controls bodies, **prevention mechanism** or compensation mechanisms for private and community forests.



**Together possible!**



**NEW forest policy vision**

**Thank you!**

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Together possible! FOR a NEW forest policy vision! This is what we believe is very much needed for the forestry sector in Romania!  
*And thank you for helping us to promote this!*