

**ENSURING SUSTAINABILITY OF FORESTS AND  
LIVELIHOODS THROUGH IMPROVED  
GOVERNANCE AND CONTROL OF ILLEGAL  
LOGGING FOR ECONOMIES IN TRANSITION**



**Working Document - Georgia  
for  
The World Bank**

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**PREFACE AND ACKNOWLEDGEMENTS**

This report has been prepared as part of a study being carried out by SAVCOR INDUFOR on ensuring sustainability of forests and livelihoods through improved governance and control of illegal logging for economies in transition and has been prepared in cooperation and consultation with individual experts and representatives of government/non governmental organizations (Annex 1).

I would like to express my sincere thanks to all who made their invaluable input while finalizing this document.

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**ACRONYMS AND ABBREVIATIONS**

cum	cubic metres
DPA	Department of Protected Area (of the Ministry of Environmental Protection and Natural Resources)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FD	Forests Department (of the Ministry of Environmental Protection and Natural Resources)
FDP	Forests Development project
FSDC	Forest Sector Development Centre
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEL	Georgian Lari (1 USD = 1.83 GEL at February 25 2005)
LGB	Legal Governmental Body
MEPNR	Ministry of Environmental Protection and Natural Resources
MFI	Mountain Forests Institute
s.o.b.	solid overbark measure
TACIS	European Union's Technical Assistance to CIS Countries
TEV	Total Economic Valuation
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
USD	United States Dollars (1 USD = 1.83 GEL at February 25 2005)
WB	World Bank
WWF	World Wide Fund for Nature

## 1. INTRODUCTION

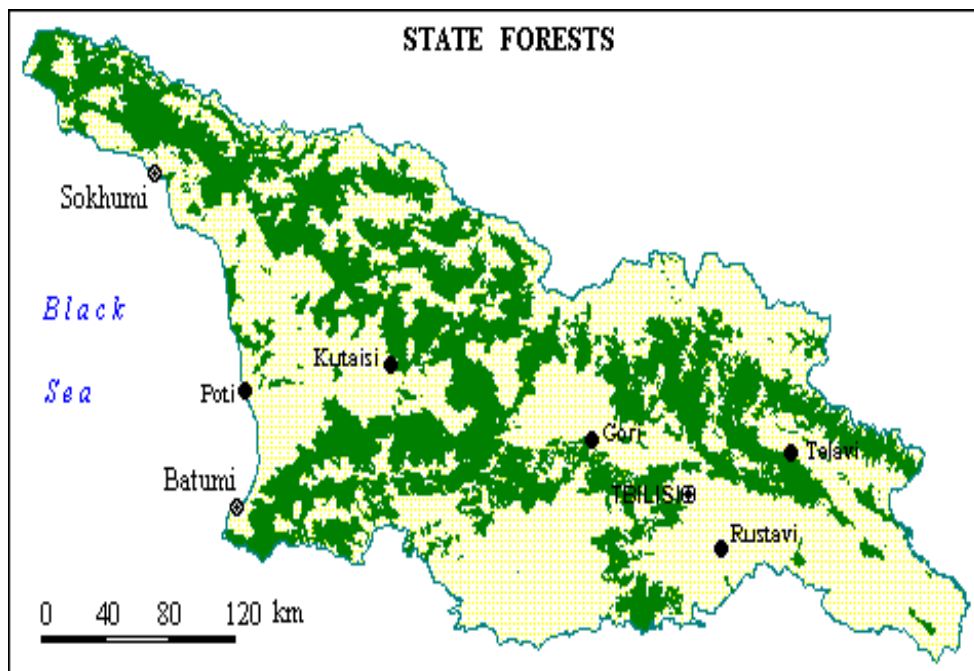
### 1.1 Overview of Georgia's Forests

Georgia is a mountainous country covering 70 000 km<sup>2</sup>, with a population of 5.5 million people. 40% (2.76 million hectares) of Georgia's territory is covered by forests, which play a vital role in protecting the environment and supporting rural livelihoods. They include habitats and species of international as well as regional and national importance.

All Georgian forests are State owned. Over 80% of the forests are composed of broadleaves and 20% of conifers. The main species are beech (49% of the area), oak (10%), fir (8%), hornbeam (7%), spruce (6%), pine (5%), alder (3%) and chestnut (3%). The remaining 9% constitute a mix of other tree and bush species. In terms of age structure, 48% of the state forest area is classed as medium-aged, 15% maturing and 30% mature or over-mature; 7% are classed as young. The total standing volume of wood is some 451-million m<sup>3</sup> sob. With a population of 5.5 million, it gives a standing volume of just under 80 m<sup>3</sup> sob per person.

2 528 thousand ha of the forests lands of Georgia are state property managed by the Ministry of Environment (Forestry Department and the Department of Protected Areas, Reserves and Hunting) and the Mountain Forestry Research Institute manages only a smaller part.

**Figure 1.1**      **Map of State Forests**



Most of the Georgian forests according to the present classification belong to mountain forests and the majority of all timber is harvested on these forests, which make up 98% of the forest area and have protection, soil and water conservation and recreation functions. The volume of the annual cut does not exceed the annual growth increment. The main species for commercial use are beech, spruce and fir.

All forests in Georgia are owned by the State. The Forest Code gives powers to the Executive Government to allocate responsibility for the physical management of forests to various government institutions and the church. The Forest Code provides for private ownership but these powers have not been used as yet.

The Georgian Forest Fund is allocated to the Protected Area Forest Fund and the Useable Forest Fund. The Protected Area Forest Fund is managed by the Protected Areas Department (PAD) of the Ministry of Environment Protection and Natural Resources (MEPNR). The Useable Forest Fund is allocated to the Local Forest Fund managed by local (District) governing bodies and the remainder which is mostly under the responsibility of the Forests Department (FD) of the MEPNR with a small area under the Mountain Forests Institute. (MFI).

## **1.2 Contribution to the Economy**

According to official statistics the forestry sector's current contribution to GDP (forest management, harvesting and processing) is around 1.5% or 2% compared with 4% to 5% during the period of central planning. These figures do not include the value of non-timber forest products, which are traded but not fully reflected in the official GDP statistics or captured in payment to the Treasury. No estimates are available of the total number of people employed in the sector. Anyway, a large part of the economy is informal and rural people employed for some of their time in the forestry sector also have other jobs including working their own land. Many people who had worked in the sector have been forced out by various rounds of restructuring and have had to find jobs outside the sector. There has also been significant emigration caused by unemployment.

Georgia's trade balance in timber products is substantially in the red. The latest available data (2002) indicate a deficit of around USD 16 million. Imports were around USD 20 million (paper and paperboard accounting for most of this) and exports were around USD 4 million (sawn and processed timber accounting for most of this). These are the official statistics recorded by the Georgian customs authorities. Domestic consumption is probably at least 2.5 million cum sob (different studies have produced a range of estimates and these are provided in section 3) and of this amount probably around 2 million cum sob is fuelwood, on which as many as 500 000 rural households might be dependent for at least part of the year (there is substantial seasonal migration between villages and towns).

Unauthorised harvesting is eroding Georgia's forest capital, mostly to supply the daily energy needs rural people, and overgrazing. It is evident that those parts of Georgia's forests accessible to rural communities and commercial harvesting are under serious threat, although the precise level of the threat cannot be determined because of inadequate data. While parts of the forest fund are under threat the full economic value of a substantial area of forest is not being exploited (see Table 1.1), taxes for forest use are often not paid, or received into the State Budget, and income tax and value-added tax arising from forest use is under-paid. The private sector is not fulfilling its potential to contribute to the sustainable use of Georgia's forest capital. The sawmilling sector suffers from over-capitalisation at the same time as there is under-capitalisation in the harvesting sector and value-added sectors such as carpentry.

**Table 1.1 Indicative Estimates of the Potential Annual Economic Value of Forest Products and Services from Georgia's Forests**

Product/service	Value of potential yield (million gel and (%))
Industrial roundwood	17.5 (14)
Fuel wood	23.0 (18)
Mushrooms and nuts	4.0 (3)
Medicinal plants	6.9 (6)
Hunting	0.7 (<0.1)
Fishing	7.3 (6)
Grazing	65.0 (52)
<b>Total</b>	<b>124.4 (100)</b>

Note: Estimates exclude forests of the Abkhazia and South Ossetia ARs.

### **1.3 Overview of Illegal Logging Activities**

After independence, it became almost impossible to import cheap wood from Russia. This has led to increased exploitation and often over - exploitation of native, Georgian forests. Independence brought the stoppage of sustainable forest management, as well as uncontrolled and increasingly unsustainable harvesting of timber resources in a number of areas.

Authorized removals of wood from Georgian forests gradually declined as a result of budget constraints affecting the operational capacity of the State Forestry Department and the declining domestic market for industrial round wood. On the other hand visible trade in illegally harvested Georgian timber in Turkey was obvious, but it accounts for only 6% of total estimated harvested volume. The most immediate threat to Georgian forests is the harvesting of fuel wood. Declining GDP, rising poverty and the decline in energy subsidies for fossil fuels has led to greatly increased use of fuel wood. At present, nearly 60% of the annual forest harvest (or about 720 000 m<sup>3</sup>) is unrecorded fuel wood. The main harvesting is around population centres and is clearly visible.

Illegal fuel wood harvests in Georgia exceed the official quota, (that is calculated based on forest inventory and approved by the FD on an annual basis) by at least 700 thousand m<sup>3</sup> annually and represent a serious threat to forest sustainability in some areas. The continuing degradation implies substantial environmental costs, for which no estimates are available. This ongoing problem results from desperate shortages of alternative energy sources and the lack of an effective control system. Primary fuel wood users are small households in the countryside. Fuel wood is harvested close to villages, which results in local degradation of adjacent forests. This problem is particularly severe in former kolkhoz and coppice forests, which, deprived of responsible management and protection, are gradually devastated. In 2003 under the World Bank financed Forests Development project the Georgia Forest Sector Rationalization and Institutional Development Plan was prepared; the plan clearly identifies the options for further development of this sector. The proposed scenario will ensure sustainable management of Georgian forests and reduction of illegal activities.

## 1.4 Underlying Causes

The **main driver of poverty driven illegal logging** is lack of affordable energy sources for rural households. Rural households have come to depend on wood for heating and cooking. Forest managers find themselves under pressure to supply from unsustainable and illegal sources or to ignore illegal activity if they detect it.

The **main driver of commercial illegal logging** is irresponsible and greedy entrepreneurs inside the country and in other countries such as Turkey who want as much wood as they can get without worrying about the consequences for Georgia's forests and people.

There are many other underlying causes - most of them common to poverty driven and commercial illegal logging – including: widespread disregard for the rule of law; corruption; weak accountability of state forest management and law enforcement bodies; weak institutional capacity; insufficient funds for essential functions. These underlying causes are discussed in more detail in section 4.2.

## 1.5 Reform Efforts

Since independence Georgia has become a signatory to a number of International Conventions, enacted a number of laws affecting the forest sector and elaborated some relevant subsidiary legislation. Table 1.2 below presents the ratified international conventions.

**Table 1.2 Ratified International Conventions**

No	Convention	Date of ratification (signature)
1	Convention on Biological diversity	31, August 1994
2	Forest Principles and Agenda 21 adopted at the UN Conference on Environment and Development in 1992	1992
3	Framework Convention on Climate Change	1992
4	Convention on International Trade in Endangered Species of Wild Fauna and Flora	12, August, 1996
5	Convention on Wetlands	30, April 1996
6	Convention on the Conservation of Migratory Species of Wild Animals	11, February, 2000
7	Convention on Combat on Desertification	23, June 1999
8	Convention on access to information, public participation in decision-making and access to justice in environmental matters (Aarhus Convention)	May, 2000

Georgia was actively involved in the preparation of, and participated in the Fourth Ministerial Conference on the Protection of Forests in Europe held in Vienna in April 2003 and signed the Vienna Declaration adopted by the Conference.

Georgia's main partner in the forestry sector is the World Bank, which has provided credit for implementing the Forests Development Project (FDP), building on preparatory work funded by the Government of Japan and EU-TACIS. The goal of the FDP is to establish sound forest

management systems that maximize the contribution of Georgia's forests to economic development and rural poverty reduction on an environmentally sustainable basis. The Project's implementation period is 2002-09. On January 2004 the Forestry Department and FAO was signed a grant agreement for the purpose of developing a National Forest Policy and Strategy ensuring the protection, conservation and utilization of Georgian forests in a sustainable way.

A number of other environmental and forest sector related projects have been carried out or are ongoing. The Global Environment Facility (GEF) is a major source of funds and the World Bank as the implementing agency of the GEF is the leading international organization in this field. Other GEF agencies UNEP and UNDP are also very active. The first Biodiversity Country Study project was prepared with support of UNEP. The German Government played a significant role in the practical implementation of a strengthened national parks system. USAID are supporting the a Rural Energy Security Programme and the US Forest and National Parks Service is assisting with improving the management of Georgia's protected areas network. A brief description of the most relevant projects is Annex 2.

Reform efforts have been made difficult by the instability of government institutions (changes of ministers and senior staff) and forestry being lower on the government's agenda than what are considered to be more pressing problems such as encouraging economic growth and developing a stable national energy supply.

## **2. DEFINITION OF ILLEGAL LOGGING**

Generally, illegal logging may be perceived in different ways depending on domestic legislation. Considering the format required in ToR the definition covers all timber harvesting activities that fail to respect national laws and norms that regulate such harvesting operations. Thus the national definition of illegal logging should cover every element of illegal activity that occurs in forests. From the viewpoint of the Georgian Forest Code, prepared and approved by the Georgian Parliament in June 1999 **illegal logging is defined as 'logging without permission'** (Article 5, paragraph "m"). Proceeding from the above only the first, second and fourth bullets of the definition in the study ToR (outside the concession area, in excess of quota and without appropriate permit) are captured by the national definition of illegal logging. Logging in a protected or prohibited area can be assumed as illegal when a permit has not been issued. Various other laws and regulations cover all other activities of violation. Only statistics under the national definition of illegal loggings are available.

## **3. ILLEGAL LOGGING**

Illegal logging is the most pressing issue that threatens to diminish the size and quality of the Georgian forests. The total volume of illegal logging is much more than the authorized one, but it should be noted that it is almost impossible to identify the precise volume of illegal logging, that is caused by number of objective reasons (lack of transport, appropriate funds, low salary, that does not satisfy even the minimal social requirements, that encourages the forest guards, responsible for protecting the forests to identify some other source of income for survival) as well as subjective ones (fear of resignation and involvement in corruption).



### 3.1 Volume of Illegal Logging

#### 3.1.1 Officially Recorded Illegal Logging

Two sets of data have been obtained on officially recorded illegal logging. The first set, for 1998 to 2001, is from a study carried out under the Forests Development Project (URS 2002). This data set applies to the territories managed by the Forest Department. The second set, for 2002 to 2004, applies to the entire State Forest Fund and has been obtained by the author from the various institutions responsible for managing these territories (Forest Department, Protected Areas Department, Mountain Forests Institute).

Over the period 1998 to 2001, officially recorded volumes of timber felled illegally increased by almost one third, from 37 000 cum. to 49 000 cum. (Table 3.1).

**Table 3.1 Officially Recorded Illegal Felling in Georgia 1998-2001**

Activity	1998	1999	2000	2001
	cum sob			
Total volume of illegal logging	34 643	32 353	41 652	47 044
Total including Adjara and Abkhazia	37 605	32 848	44 418	49 621

Source: FD Data

The data for 2002 to 2004 is presented in Table 3.2. According to these official data the volume of illegal logging did not exceed 10-11% of the volume that was legally harvested, though it should be mentioned that according to specialists and experts working in this field the actual volume of illegal cut is 8-10 times more than recorded statistic data.

**Table 3.2 Officially Recorded Illegal Felling in Georgia 2002-2004**

Activity	2002	2003	2004
	cum sob		
Total volume of officially recorded illegal logging	46 180	56 988	60 846
Total volume of legal logging	452 900	531 000	640 957
Total officially recorded logging	501 082	589 991	701 803

Source: FD Data

In Table 3.3 we present the breakdown of officially recorded illegal logging taking place in Georgia in 2002-2004 between fuel wood and industrial wood. According to these figures, about 82-85% of the annual illegal forest harvest in the period 2002–2003 was unauthorized logging for fuelwood. According to the FD, probably about 90% of this was harvested by poor people for heating and cooking. A small amount – probably around 10% - was fuel wood harvested for sale.

These data are consistent with the Forest Department’s estimation that illegal logging in the period 1998–2001 was largely fuel wood harvested illegally by the local population. Around 23% of the illegal logging in the period 2002–2003 was estimated to be commercially cut for industrial wood (15%) and fuelwood (8%). Most of this was in the Samtskhe-Javakheti and Racha – Kvemo Svaneti regions, dominated by conifer forests. Sawn wood obtained from these regions is mostly sold into the domestic market. In 2004, 68.7% of recorded illegal timber was industrial timber – a much higher figure than in 2002 and 2003. This was presumably caused by the moratorium advertised by the new management of the sector, during which a large quantity of sawn wood was confiscated.

**Table 3.3 Volume of Illegal Logging during 2002-2004**

Activity	2002		2003		2004	
	Volume (cum)	% of total	Volume (cum)	% of total	Volume (cum)	% of total
Total	46 180	100.00	56 988	100.00	60 846	100.00
Of which:						
- Industrial wood	7 917	17.14	8 390	14.72	19 034	31.28
- Fuel wood	38 263	82.86	48 598	85.28	41 812	68.72

### 3.1.2 Other Information Sources

The TEV of Georgian Forests (URS Corporation 2002) and Forest and Forest Products Country Profile (Mitreveli 2002) stated that the total amount of illegal logging was 700 000 m<sup>3</sup> solid over bark.

The Georgia-TACIS Household Energy survey carried out in 1994 estimated annual consumption of fuel wood alone to be 3 million cum sob (TACIS 1994). This would imply a level of illegal logging in excess of 2.5 million cum sob.

The TACIS report on Wood Fuel Management and Distribution to Efficiently Supply Rural Areas with Energy (Jaakko Poyry Consulting 1998) estimated demand from rural households to be 1.6 million cum sob based on 487 000 rural households with 60% of these having access to forest and each household consuming 6 cum sob a year. This would imply a level of illegal logging in excess of 1.1 million cum sob.

The Rationalization and Institutional Development study (RWA 2003) arrived at a figure of 2.55 million cum total consumption of roundwood, implying a level of illegal logging of around 2 million cum, 1.7 million of which was fuel wood (see Box 3.1).

It is not surprising that different studies have produced different estimates of the volume of illegal logging or that estimates of illegal logging for fuel wood are several times higher than official figures for removals of fuel wood. The official figures and some of the studies take no account of cutting of roadside trees by poor people who cannot afford transport with which to take fuel wood from deeper in the forest. There is no estimation of how much wood is carried on shoulders and in wheelbarrows. The volume might seem insignificant but taking into consideration that it is not only men but entire families who are involved, the figure might be substantial.

### **Box 3.1 Estimation of Total Consumption of Roundwood (RWA 2003)**

Results from a household survey in the district of Oni in 2002 suggest that rural households consume about 10-15 cum stacked of wood for fuel each year (URS Corporation 2002). This is equivalent to 7-10.5 cum sob. The 1989 census recorded a rural population of 2.4 million. Using the figure of 3.7 persons per household adopted following the Oni survey we get 650 000 rural households. If each consumes 10 cum sob (the upper end of the range from the Oni study) the unrecorded volume of fuel wood harvested is of the order of 5 million cum sob. This figure is probably an overestimate because it does not take into account seasonal migration of households out of rural areas into towns and cities. A figure of 2 million cum sob seems realistic.

According to FD statistics, production of industrial wood for further processing was only 70 000 cum sob in 2001. If this were accepted then around 500 wood processing units consumed only this 70 000 cum sob of logs. Based upon general accepted yield data in saw milling this would result in a total output from these mills of between 31-39 000 cum sawn per year and would all have gone to the export market because official statistics for 2001 show total exports of sawn timber to be 37 000 cum.

**Table 3.4 Consumption of Roundwood in Georgia in 2001**

<b>Category</b>	<b>Estimates (cum sob)</b>	<b>Official statistics (cum sob)</b>
Industrial Round wood	550 000	70 000
Fuel wood	2 000 000	300 000
Sub-total	2 550 000	370 000
Officially recorded illegal felling	Not applicable	50 000
<b>Total</b>	<b>2 550 000</b>	<b>420 000</b>

### 3.2 Types of Illegal Logging

A recent survey carried out by GORBI for the Forests Development Project provides a picture of the reasons rural households engage in logging (Table 3.5). The survey results serve to confirm that logging for fuel wood is by far the largest share of illegal logging.

The study revealed that at least one member of 35.6% of the families living in three pilot districts of Georgia is engaged in woodcutting. The overall majority of such families name the need for the firewood as that for the fuel as the only reason for cutting down the trees. 7.9% of the families cut down the trees to sell them. Every family in the studied Regions uses firewood to some extent, 50% of families buy or are given firewood, 35.6% of families are engaged in wood cutting; it is uncertain how the remaining 14.4% of families manage to get the necessary firewood.

The main harvesting is around population centres and is clearly visible – especially outside Tbilisi where its adjacent hills have been stripped bare in recent years of years. This problem is particularly severe in former kolkhoz and coppice forests, which, deprived of responsible management and protection, are gradually devastated.

**Table 3.5 Objective of Wood-cutting According to Regions**

	Borjom	Oni	Ambrolaur	Total	Borjom	Oni	Ambrolaur	Total
	Quantity				%			
For sale	247	58	190	495	14.3	3.5	6.5	7.9
For firewood	1 565	1 630	2 760	5 955	90.6	99.3	94.5	94.7
For construction material	20	9	40	70	1.2	0.5	1.4	1.1
<b>Total</b>	<b>1 728</b>	<b>1 641</b>	<b>2 922</b>	<b>6 290</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Declining GDP, rising poverty and the decline in energy subsidies for fossil fuels has led to greatly increased demand for fuel wood. Almost 75-80% of the rural population are not provided with alternative energy resources (natural gas, oil, etc). In settlements where alternatives are available, households cannot afford them. The GORBI study concludes that 60-70% of illegal logging is for fuel wood that is harvested by poor, socially insecure rural people for their own consumption. About 10% of fuel wood is harvested for sale in Tbilisi and other large towns.

Most **commercially driven illegal logging** is of industrial timber for sale into domestic and export markets. As noted above, only a small proportion – 10% - of the fuel wood logged illegally is for commercial purposes. Estimates made as part of the Rationalisation and Institutional Strengthening study (RWA 2003) give the overall picture of the flows of round timber from Georgia’s forests and into domestic and export markets (Figure 3.1).

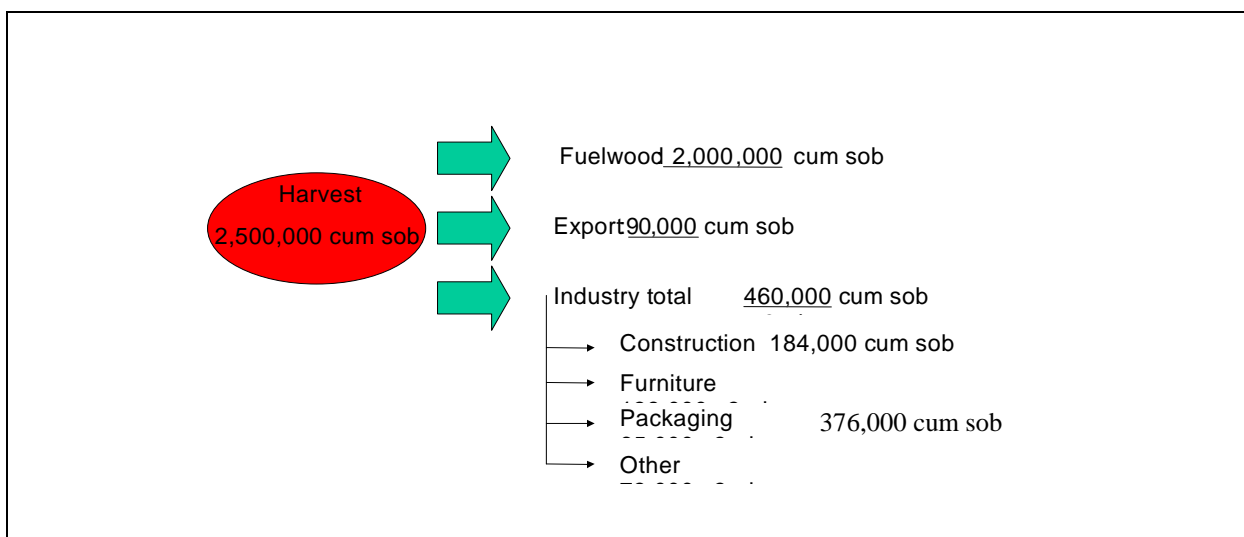
Official removals of industrial roundwood in 2001 were 70 000 cum sob. According to Figure 3.1, removals of industrial timber amounted to 550 000 cum sob, of which 90 000 cum sob went to export and the rest was processed in Georgia and a proportion of it exported. It appears, therefore, that the domestic market is the biggest customer of illegally logged industrial timber.

If we consider illegal logging in the sense of the definition provided in the ToR rather than the narrow definition of the Georgian Government, we can say that the total amount is likely to be substantially larger because of, for example: under-declaration of income/profit tax; transfer pricing; non-compliance with silvicultural regulations. It is not possible to provide an estimate for this additional volume.

**Table 3.6 Checklist on Poverty Driven Illegal Activities in the Forest Sector**

Statement	True/false	Comment
Almost all (more than 80%) of rural people depend on fuelwood for energy needs	True	
The majority (more than 50%) of rural people depend on fuelwood for energy needs	True	
There is no feasible alternative energy source available for the rural people who depend on fuelwood, especially the poor	True	
Almost all (more than (80%) of urban people depend on fuelwood (and/or charcoal) for energy needs	False	
The majority (more than 50%) of urban people depend on fuelwood (and/or charcoal) for energy needs	False	
There is no feasible alternative energy source available for the urban people who depend on fuelwood (and/or charcoal), especially the poor	False	
Almost all (more than (80%) fuelwood (and charcoal) production and trade is done outside of the formal economy/ without legal authorisation	False	
The majority (more than 50%) of fuelwood (and charcoal) production and trade is done outside of the formal economy/ without legal authorisation	True	
The legally extractable supply of fuelwood (and charcoal) is sufficient to meet the subsistence needs of rural and urban populations.	False	
Almost all (more than 80%) of wood used in local construction in the rural areas in harvested and transported without legal authorisation	False	
Most (more than 50%) of wood used in local construction in the rural areas in harvested and transported without legal authorisation	True	

**Figure 3.1 Timber Flows from Georgia’s Forests in 2001 (RWA 2003)**



### 3.3 Export of Illegal Timber

Before independence Georgia imported a substantial proportion of its timber needs from other countries of the former Soviet Union, mainly from Russia, and was able to maintain a healthy balance of payments by exporting manufactured goods and by sustaining a tourist industry built around visitors from the Soviet Union. The catastrophic collapse of the Soviet economy forced Georgian exporters of manufactured products to close. Exports in 1985 of beech and walnut veneer were 2 300 m<sup>2</sup>; exports of sawn beech timber were 2 000 m<sup>3</sup>. Both had fallen to zero soon after independence. Exports of other products including paper and board also collapsed. Concurrently, entrepreneurs seized the opportunity to export logs cheaply, undercutting international competitors. Recorded exports of round wood were zero in 1990 and 15 000 cum sob in 1995. Temporary measures have been introduced several times in the recent past at the urgent requests of the general population, such as a temporary ban on final felling (1998-1999) and numerous temporary bans on log export.

Table 3.7 presents import and export data from the State Department of Customs for the years 1998-2002 for the following digit WTO trading codes:

- 44 Wood and articles of wood; wood charcoal
- 47 Pulp of wood or of other fibrous cellulose material; waste and scrap of paper or paperboard
- 48 Paper and paperboard; articles of paper pulp, paper or paperboard

**Table 3.7 Imports and Exports of Timber and Timber Products**

	1998	1999	2000	2001	2002 (6 months)
	<b>million USD</b>				
<i>Imports</i>					
44	3.293	2.901	2.706	2.857	1.223
47	0.143	0.136	0.065	0	0
48	10.056	8.914	11.814	14.748	8.668
Total	13.492	11.951	14.585	17.605	9.891
<i>Exports</i>					
44	5.785	5.606	7.154	4.206	1.849
47	0	0	0	0	0
48	0.653	0.463	0.69	0.25	0.114
Total	6.438	6.069	7.844	4.456	1.963
<i>Balance (Exports minus imports)</i>					
<i>Balance</i>					
44	2.492	2.075	4.448	1.349	0.626
47	-0.143	0.136	0.065	0	0
48	-9.403	-8.451	-11.124	-14.498	-8.554
Total	-7.054	-6.24	-6.611	-13.149	-7.928

The balance of trade in timber and timber products is substantially in the red and would have been substantially more so were it not for the exports of logs recorded in Category 44. The total value of imports is on a rising trend as demand for Category 48 products from a growing economy increase. Exports, on the other hand, appear to be on a declining trend.

The TEV study (URS Corporation 2002) showed that Georgian export statistics covering sawn wood exports understated the volume considerably and that a significant volume of

sawn wood from illegal sawmills was exported to Turkey. In the same study it was estimated that only 60 000 cum sob sourced illegally were utilized by the processing industry, but it is apparent from the initial survey that consumption of logs is considerably higher than what the official statistics indicate.

Table 3.8 shows the data of timber export from Georgia in 2002-2004. The data analyses show that the volume of legal export in 2002–2004 has been increased significantly, the positive role in such increase played the regulation approved by the Georgian Parliament in July 20 2001 “On urgent activities for regulating wood utilization and export” and later the law (May 2003) “On issuing licenses and permits on commercial activities”, according to this document the Forestry Department was in charge of issuing export permits. After making certain changes in September 2004, the mentioned permit is issued by the special service under the Ministry of Environment Protection and Natural Resources. It is also obvious, that since 2002 there were no cases of legal round wood export, and that all of the exports were sawn/processed wood.

As for the data of illegal export, according to the WB experts in 1999 it was equal to 30-35 thousand cum. (Jacek Siry and Tijen Arin, 2000), at present it is impossible to get the similar data, though we can presume that this figure has been reduced, the increase of legal export can serve as the indicator of this fact. In compare with 2001, export has been increased up to 132.,9 thousand cum.

**Table 3.8 Timber Exports from Georgia in 2002-2004**

Year	Unit	Total volume of export	Among them	
			Roundwood	Sawn / processed timber
2002	Thousand cub.m.	44.7	-	44.7
2003	Thousand cub.m.	93.6		93.6
2004	Thousand cub.m.	132.9		132.9

### **3.4 Impact on Government Finances**

Often, when transfer to the State budget from timber sales is analyzed, just the payment for utilization of natural resources is taken into consideration, but in fact, out of this activity, and particularly from timber processing, the State budget gets much more revenue in the form of various taxes (VAT, income tax, social tax) as well as from compensation for damage to the forest.

The revenue to the State budget from legal wood utilization and recovery from illegal activities for the period of 2002-2004 according to the official data is presented in Table 3.9.

All private companies and entrepreneur transfer into the State budget income, profit and social tax. These payments have to be added to the figures in the above table. Tentative estimates of these figures are as follows: in 2002, 2 257 thousand GEL; in 2003, 2 676 thousand GEL; and in 2004, 3 318 thousand GEL.

According to above given data the total revenue to the State budget from timber harvesting, transport and processing annually is 5-7 million GEL.

**Table 3.9 Revenue to the State Budget from Legal and Illegal Wood Utilization**

		2002	2003	2004
		1 000 GEL		
<i>Income from legal wood utilization</i>				
1	Department of Forestry	2 572.2	3 196.8	3 963.6
2	Department of Protected Areas	20.6	26.8	18.4
3	Institute of Mountain Forestry	23.2	25.0	120.2
4	Total	2 616.0	3 248.6	4 102.2
Recovered from illegally logged timber sold by the FD		156.0	71.4	126.6
Recovered from illegally logged timber through fines		70.9	60.2	85.8

The transfers would have been much more, if the court and executive bodies fulfilled their duties better in relation with compensation for illegal activities carried out in forest. According to the data of Forestry Department, the loss due to illegal logging in 2002 was equal to 1 007.2 thousand GEL, out of this amount, just 70.9 thousand GEL (7%) has been recovered, in 2003 the loss was equal to 1 102.9 thousand GEL, and just 60.2 (5.5%) thousand GEL has been recovered, in 2004, this figure was equal to 886.5 thousand GEL, and 85.8 thousand GEL (9.7%) has been recovered.

We have also calculated the possible revenue to the State budget in case the volume of legal harvest is increased, i.e. if the total volume of cut is legalized. In case the actual volume of illegal logging exceeds 8-10 times recorded one, and we add the official data of legal cuts, we can easily estimate that more than 1-1.5 million cum.wood is harvested annually in the country and the transfers to the State budget in spite of the changes carried out in tax code would be more than 15-20 million GEL.

With regard to the impact on Government finances from the illegal cutting of fuelwood we can say that the resource use taxes that the State budget is not receiving amount to around 5 GEL (the average stumpage tax on fuelwood) multiplied by the estimate of 2 million cum sob, which equals 10 million GEL each year.

### **3.5 Threats to the Environment**

Impacts of unsustainable logging include: damage to ecological integrity and conservation values, for example long term change in stand structure due to over-harvesting of valuable mature trees for industrial wood, gradual opening of forest margins leading to permanent loss of forest; reduction in environmental functions leading to soil erosion and pollution of rivers. No estimates have been made of the reduction in forests conservation and environmental service values as a result of illegal logging.

Poverty driven illegal logging and commercial illegal logging are generally located in different areas, carried out by different types of people and have different impacts. Poverty driven illegal logging generally takes place close to settlements and results in gradual opening of the forest canopy and disintegration of the edge followed by retreat of the forest boundary. This includes logging of the former kolkhoz forestlands, which results in opening up of protective belts, soil erosion and crop damage.

As mentioned above, there are many cases when the whole family collects broken branches at the roadside. This case may not fall into the category of criminal illegal activity but the volume these poor people collect can be enough to damage the trees and environment.

Commercially driven illegal logging generally is carried out in more remote locations, out of sight of the state forest management and law enforcement bodies. Environmental damage is less visible, except where the use of inappropriate machinery causes soil erosion, but the damage to stand structure and, as a result, biodiversity, can be significant.

## **4. GOVERNANCE**

### **4.1 Policy Framework**

#### **4.1.1 Key Policy Goals**

Until now the main policy document for the Georgian forestry sector is the *Main Principles of Government Policy for Georgia's Forest Sector Development*, approved by the State Minister in May 2002 to support the bid for World Bank funding of the FDP. The full text of the document is at Annex 4. The document acknowledges the forestry sector to be one of the priority areas for socio-economic development of the country and confirms the government's commitment to developing a comprehensive National Forest Policy in line with UN guidelines on sustainable development. The document sets out an action programme for the period 2002–2010 and lays down a number of principles that will guide the development of a national forest policy:

- Conserve the ecological balance in Georgian forests, improve the productivity of the forests and establish high productive stands;
- Ensure the conservation of the virgin forests, endemic, relict and other valuable species;
- Increase the soil productivity, avoid the erosion caused by wind or water, as well as avalanches, landslides, etc;
- Ensure sustainable utilization of natural resources;
- Develop ecotourism and hunting, solving the social problem by providing us with economic effect and saving utilization of natural resources.

There are no specific policies regarding fuel wood or industrial timber.

A National Forest Policy and Strategy will be developed following the agreement signed in 2004 between the Forestry Department and FAO. The document will lay out the country's medium and long term forestry goals and serve as a foundation for sustainable growth of the forestry sector.

#### **4.1.2 Main Policies Related to Illegal Logging**

Over the last several years the Government has at various times imposed moratoriums on wood cutting and export of logs with mixed success. In 2004, in order to replace the ineffective licensing and non-professional planning systems, prevent illegal cutting practices and improve the deplorable situation that has been emerged due to improper exploitation of

forestry resources, the Government of Georgia declared a moratorium on wood cutting. The moratorium lasted for three months. During that period carpenter and sawing workshops should have been shut down. A group of duty officers was assigned to the Akhaldaba checkpoint to take care of timber trucks. However, it turned out that some carpenter and sawing workshops stayed in business even after the moratorium's going into effect.

Local population was skeptical about the effects moratorium could have. According to them, the only effect that it had produced was that communities never got the firewood in good time. (Annex 5 presents some view of the local population on declared moratorium).

#### 4.2 Main Drivers and Effectiveness of Government Counter-measures

The **main driver of commercial illegal logging** is irresponsible and greedy entrepreneurs inside the country and in other countries such as Turkey who want as much wood as they can get without worrying about the consequences for Georgia's forests and people. The **main driver of poverty driven illegal logging** is lack of affordable energy sources for rural households. Rural households have come to depend on wood for heating and cooking. Forest managers find themselves under pressure to supply from unsustainable and illegal sources or to ignore illegal activity if they detect it. The second of these is by far the most important in terms of negative impacts on forest values.

There are many other factors, or underlying causes, facilitating illegal logging in Georgia, such as:

- *Widespread disregard for the rule of law.* Forest law is not widely understood and many people have a 'this does not apply to me' attitude. The promise of easy profits fuels corruption.
- *Corruption.* According to Transparency International's Global Corruption Index 2004, Georgia has a score of 2,0, ranking it with the fourteen most corrupt countries in the survey. International concern about corruption in forestry has grown during the last decade. There are good reasons for such concern. Illegal logging deprives governments of significant amounts of money in tax revenues, causes environmental damage and threatens forests that many people depend on. Corruption occurs in all types of forests damaging communities and destroying trade. Forest related corruption and widespread violation of forestry laws undermines the rule of law, discourages legitimate investment and gives the wealthy and powerful unfair advantages, due to their contacts and ability to pay large bribes.
- *Insufficient funds for essential functions.* The financing system for forestry is not able to guarantee sufficient funds for state forest management and law enforcement bodies. As a result, officials are paid poorly and not motivated to manage forests in a more sustainable way. The present level of monitoring of extractive activities and enforcement of forest laws is insufficient. A large area of forest established on former collective farms is managed by enterprises established by local governing bodies. There is virtually no support for or supervision of these enterprises.
- *Weak accountability of state forest management and law enforcement bodies.* Powers and duties overlap or collide. Forestry related laws establish the same or similar functions with different institutions leading to inefficient governance. Conflicts between and ambiguities in functions lead to reduced effectiveness. In some cases the same or similar functions are

vested in different institutions, or closely connected functions are separated between two or more institutions.

- *Weak institutional capacity.* The infrastructure of forestry administration and management is very poor; in several offices there is no electric power, water and heating. Computer technology is practically an unknown. Competencies are weak in some areas. The workforce in the forests is often untrained and has no information about modern and efficient technologies. Working conditions including provisions for safety and health are poor. Due to the extremely low salaries and the lack of incentives, forestry administration and management staff has little interest in efficient management and in the improvement and protection of forests.

The only government counter measures have been occasional moratoriums on log exports and felling. None have succeeded in combating illegal logging for longer than the periods of the moratorium and even within those periods the measures have met with limited success. The problem is that the Government is failing to tackle the underlying causes of illegal logging. These are so powerful that it will be impossible to reduce illegal substantially for as long as they continue to act on the sector.

### **4.3 Legal Framework**

#### **4.3.1 Main Laws**

The main laws governing timber harvesting are as follows:

The **Forest Code** lays down that forest use may only be carried out within the framework of a management plan that has been approved by the MEPNR. The MEPNR has powers to authorise forest use if an approved plan does not exist. These powers are essential because all management plans are out of date; the State budget has not been able to provide funding for new inventories and management plans. The Code specifies the various types of cuts that are permitted in the Georgian Forest Fund.

The **Law on environmental permits** lays down the procedures for giving permission to use natural resources. The procedures include environmental assessment ('ecological expertise') of activities likely to have significant environmental impacts and include the approval of forest management plans.

The **Law on State ecological expertise** lays down detailed procedures for environmental assessment prior to authorising natural resource use.

The **Regulations for licensing forest use, on announcing tender and holding auction for selection of contractors** lays down the procedures for selling use rights to forests including for the extraction of timber. These procedures are explained in detail in a later section.

Relevant **secondary legislation** made under powers provided under the Forest Code includes:

- Decree of the Minister of Environment # 99, issued in 2002 "Regulations for Calculating and Recovering Losses Caused to the State Forest Fund as a Result of Illegal Forest Use"
- Decree of Chairman of the Forestry Department: "*On regulations for forest protection*",

- Decree of Chairman of the Forestry Department: “On regulations for restricting, banning, and restoring rights for forest use”,
- Decree of Chairman of the Forestry Department: “On legal certification of timber harvesting and regulations for issuing certificates to producers”.

The **Administrative Code** lays down sanctions against violation of rules and regulations and the **Criminal Code** defines criminal activity and lays down penalties.

The current system of calculating the penalties for illegal logging is set out in Annex 6.

#### 4.3.2 System of Selling Timber

The procedures for selling standing timber are regulated by the regulation on “Selling the Standing Timber” in accordance with the Forest Code XV, Chapter, Article 74 and 116.

There are following procedures for selling use rights:

- For final and commercial thinnings the permission is issued based on tender, according to the present legislation tender is issued by the Ministry of Environment protection and natural resources within the approved quota.
- For all other types of cut, using the Forest use ticket

In both cases the permission is issued based on the application submitted by the customer. In case of a tender the bidder company pays a service fee as well. The Ministry of Environment Protection and Natural resources carries out control and supervision on the above procedure.

The permission on issuing the use right is the document strictly registered and it is impossible to deliver it to someone else.

In Georgian Forests wood is cut in accordance with the cutting rules:

1. Under the Final cut
2. Under the thinning and
3. Under the Special cut

Special cuts are primarily to supply fuel wood to local people and are at the discretion of the District Forest Manager. Industrial timber mostly comes from thinnings and final cuts.

The wood is cut on an allocated cutting area, outside the cutting area the wood can be cut only based on a permission issued by the authorized body. The cutting area is allocated in accordance with the regulation ‘on allocating the cutting area’. Selling the standing timber is carried out within the annual wood use quota calculated in advance in accordance with the rules. The cutting area is delivered to the forest user, who is later authorized to carry out cutting. The local Forest district authority supervises accordance with the cutting rules. After removing the prescribed quota, the cutting area is inspected and again the protocol is made. In case there is some violation of cutting rules identified, it is corrected/improved by the forest user within the specified time.

The amount of fee per cum in GEL is laid down in the Law on “Fees for natural resource usage” (most recent version December 29 2004). The payment for forest use is defined according to the species distributed on the territory of Georgia, the distance from the railway and the parameters of timber resources (diameter). The fees are set out in Table 4.1. The fees are divided into five groups according to species. The amount of fee is also differentiated according to the category of timber, e.g. industrial timber, that itself is divided into three parts according to the diameter at the thin end of the log (thick, 25 cm and more, average 13–24 cm and thin 4-13 cm) and fuel wood. Each group is also divided according to the rate based on distance from the railway: rate I – up to 10 km, rate II – 10-25 km, rate III – 25-40 km and rate IV – 40 km and more.

**Table 4.1 Fees to the State Budget for the Main Timber Species**

Species	Rate	Industrial timber (GEL per cum)			Fuel wood
		Thick	Medium	Thin	GEL per cum
Group I Yew, box, juniper, zalkova, Walnut	1.	102	90	81	15
	2.	90	81	72	12
	3.	78	72	63	9
	4.	66	63	54	6
Group II Oak, chestnut, ash, mulberry, maple, lime	1.	60	52	46	10
	2.	52	46	40	8
	3.	44	40	34	6
	4.	36	34	20	4
Group III Beech, hornbeam, etc	1.	47	40	34	7
	2.	40	34	29	6
	3.	32	29	23	4
	4.	25	23	18	3
Group IV Pine, spruce, fir, etc	1.	22	18	15	5
	2.	18	15	12	4
	3.	14	12	9	3
	4.	10	9	6	2
Group V Other species	1.	13	10	8	5
	2.	10	8	6	4
	3.	7	5	4	3
	4.	5	4	3	2

### 4.3.3 Transparency of Timber Sales

According to Table 4.2 it would appear that the process of selling standing timber is transparent.

**Table 4.2 Transparency of Timber Sales**

Statement	True/false	Comment
<i>Awarding concessions/selling timber</i>		
Concessions are awarded/timber is sold predominantly through competitive bidding	True	The license on wood use is issued based on tenders
The public has notice and opportunity to bid before awards	True	Tenders are published national newspapers
Several bids are presented as a rule in the bidding processes	True	The number is not limited
Bids are made public after awards	True	Anyone is allowed to get the information after awards at the FD
Award rules are publicly available	True	Tenders are advertised by paper

Statement	True/false	Comment
Unsuccessful bidders and other interested parties may challenge awards	True	
An independent internal government watchdog polices the process	False	They participate in tender committee
Forest officials must disclose financial interests in the forest sector (own and those of family members/close relatives)	True	
<b><i>Timber harvesting and sales from valid concessions</i></b>		
Concession contracts, inventories and plans are publicly available	True ... False...	for inventories and plans for concession contracts
Rules regarding forest practices concerning concession areas are publicly available	True	Available from the Forest District Office
Citizens may bring lawsuits or file administrative complaints to enforce concession requirements	True	But in practice the time and money cost of doing so is prohibitive
<b><i>Timber harvesting and sales from private forests</i></b>		
Forest officials have a procedure for controlling in the field timber harvesting and sales from private forests	False	There are no private forests at this stage
Rules regarding forest practices on private lands are publicly available and accessible to private forest owners	False	There are no private forests at this stage
<b><i>Transport of timber</i></b>		
Government officials have a procedure for controlling the transport of timber	True	By the help of Police
Government officials have a procedure for verifying the origin of timber being transported	True	The certificates described in section 4.4.2
<b><i>Sales of confiscated timber</i></b>		
Records are kept on volumes and assortments of illegally procured or transported wood captured by officials	True	The wood is confiscated by the forest district offices and later it is sold
Captured wood is sold in public auctions or through other kinds of public bidding	True	Sales are made by the Forest Department
Records are kept on volumes confiscated and sold as well as on prices obtained	True	Records are kept by the Forest Department
<b><i>Processing of forest products</i></b>		
Law requires licensing or registration of commercial processing facilities	True	
Government performs regular inspections of processors	False	According to the law they should but they do not have the resources to do so.
<b><i>Export or import of forest products</i></b>		
Customs officials trained to recognize restricted/prohibited species	False	They base their inspection on the certificate
<b><i>Concealing revenue from forest activities</i></b>		
Forest revenue system (royalties, taxes etc.) establish a clear basis for monitoring revenue collection (volume or area based)	False	Systems and procedures for monitoring forest revenue are based on written records.
Records are kept on logging volumes and revenue collection by defined geographic areas	True	Forestry is not in charge of wood processing
Periodic audits are carried out to verify that revenue collected matches with logging volumes/ areas under production	False	According to the law this should happen.
<b><i>Civil services, social, and institutional factors that influence illegal activity</i></b>		
Forestry officials regularly trained to upgrade law enforcement skills	True	Some meetings take place within the region / district
Judges and prosecutors trained in forest sector issues	False	

Statement	True/false	Comment
Forest agency is subject to independent audits	True	Audits are carried out by the State Chamber of Control on a regular basis.
Civil service has ethical code-of-conduct (e.g. regarding acceptance of gifts and benefits)	True	
Ombudsman or other independent mechanism responds to public complaints	False	Government ombudsman service is not accessible or responsive to public complaints concerning logging.

#### 4.3.4 Shortcomings in the Legal Framework

The main shortcoming in the legal framework is that responsibilities for controlling forest use, selling use rights and monitoring illegal activity are in the hands of one organization – the MEPNR. In effect, the MENRP controls the supply of timber, is able to determine the outcome of tenders, and has the power to decide which entrepreneurs will be considered legal and which ones will be considered illegal.

At the same time, although according to the present legislation, forestry sector and forest protection activities among them have to be financed out of the State budget, at present levels of funding financing it is almost impossible to carry out monitoring and supervision on forest activities, during which different kind of violations are revealed and addressed.

The legal framework may encourage illegal logging to some extent because the procedures for getting access to forest resources are cumbersome and small entrepreneurs distant from Tbilisi are likely to find it very difficult. However, it is almost certainly the case that over-regulation is not a substantial causal factor. The simple fact is that the amount of timber authorized to be felled is far below demand, especially so in the case of fuel wood.

#### 4.3.5 Stakeholder Opinion on Cost of Legal Compliance

According to entrepreneurs interviewed for this study, present prices for natural resources and State taxes allow them to make a small profit. The profit they receive out of this activity is enough for the entrepreneurs to be able to satisfy their and their families' basic needs. Illegal logging has a negative impact on the domestic market because illegally harvested wood is much cheaper than legally harvested wood. As a result of this, the entrepreneurs that have licenses for timber harvesting are focused on export, as selling legally harvested and processed wood in the local market is not profitable for them. The entrepreneurs interviewed refused to say whether they themselves use illegally harvested timber though this should not be excluded. The entrepreneurs are not happy with the fact that the State has recently increased the fee on resource use as they think that increasing the payment when there is still corruption within the country will have a negative impact on the sector and increase illegal activities as well as decrease the income for legal entrepreneurs.

## 4.4 Monitoring and Control System

### 4.4.1 Institutional Framework

Georgia is a parliamentary democracy with an executive government headed by a president elected by universal suffrage. The Parliament is the supreme representative body of the country which exercises legislative power, determines the main directions of domestic and foreign policy and exercises general control over the Georgia Government and other functions within the framework determined by the Constitution. The Committee of Environment Protection and Natural Resources is the main committee dealing with forestry issues (preparation of laws and relevant Parliament decisions, review and discussion of laws prepared by executive government and submitted to the parliament for adoption, also consideration of different international agreements and conventions related to forestry and environment).

Within the **Executive Government** are several institutions responsible for policy and law related to forests.

The **Ministry of Environment Protection and Natural Resources** (MEPNR) is the main agency responsible for forestry matters. Under the Forest Code MEPNR reviews sectoral plans, approves forest management plans, and monitors forest operations to ensure they conform with permit conditions. In accordance with environmental law in force, MEPNR:

- Establishes quota on nature resources use;
- Confirms the license rights and issues them;
- Provides the creation of a Database and information system in sphere of nature resources use ;Is responsible for the State Cadastre;
- Prepares “Red Data Book” and “Red list”
- Works out the organization of environmental monitoring system;
- Provides State control on the environment.

The **Forestry Department** (FD) under the MEPNR is responsible for oversight of the management of the State Forest Fund outside protected areas. FD Functions and Responsibilities include regulating resource utilization in collaboration with MEPNR.

The **Department for Protected Areas** has the same status as FD. The Department is charged with oversight of the existing protected areas (currently one national park, 13 strict nature reserves and five managed nature reserves). With the adoption of the new categories of protected areas DPA has additional functions, including the development of legislation and policy related to revenue generation mechanism, such as park charges, development of eco-tourism and management of recreational use.

The **Ministry of Economy, Industry and Trade** deals with functions related to identification and approval of taxes for forest resources, also for preparation and submission for approval by President an Indicative plan for economic development.

The **Ministry of Finance** is responsible for managing the State Budget system. It proposes the allocation of funds for approval by Parliament and controls spending by organs of the Executive Government. The Ministry is also responsible for customs clearance, identification

of violations in the field of tax payments and customs violations through a special department called the Special Legion. In the case of transportation of illegal timber the Ministry of Finance's Special legion is allowed to identify and fine the offenders.

The Forest Code gives local (district and village) governing bodies certain rights and responsibilities over the Local Forest Fund, including responsibility for ensuring that management of the Fund is carried out in accordance with the law.

#### **4.4.2 Overview of the System**

Illegal logging monitoring system consists of three main forms that are first filled out at the District level and then compiled at a national level. These forms deal with the identification and registration of penal, administrative and unattributed transgressions, the identification and registration of illegal logging; and the identification and registration of the confiscated wood materials.

After a forest use permission has been granted (i.e. license for wood utilization for final and passing cuts and timber cutting ticket for thinning and special cuts) the species, assortment, volume and legality of harvested wood are approved based on the "document certifying the legality of wood" issued by the corresponding forestry office. This document has been enforced with WB support since July 1 2002. All above-mentioned documents are strictly registered and are protected from falsification.

Enforcement of above-mentioned documents has to some extent regulated the process of monitoring and reduced the possibility of using any single document on several different occasions. Nevertheless illegal logging continues to be a significant problem.

Article 93 of the Forest Code provides for a Timber Harvesting Certificate, which is issued to all vehicles carrying out primary transportation of timber extracted from the State Forest Fund in agreement of this Code. The certificate is issued by the authorized forest protection personnel of the regional offices of the FD, DPA or LGBs according to the origin of the timber. The certificate certifies legal ownership of the extracted timber. Primary timber processing as well as transporting and selling products of primary timber processing is illegal without a timber-harvesting certificate. The certificate must be presented to a body authorized by the Georgian legislation on request. The format and procedures for issuing a timber harvesting certificate are defined in the "*Regulations on the Timber Harvesting Certificate and Procedures for Issuing This Certificate*".

Detection of illegal logging is the responsibility of the Forest Department within the territory that it manages. After timber has left the forest, responsibility passes to a number of agencies that have powers of 'stop and search': the police; customs. It is not possible to say how many person years per year or how much funds are spent on detection of illegal logging because this activity is carried out in parallel with other policing duties such as detection of contraband goods. Illegal activities are mainly revealed and recorded by the staff of the regional forestry offices of the FD during the planned (Spring-Fall inspections), sudden and other types of inspections.

#### 4.4.3 Deficiencies in the System

In spite of all above specified procedures, the monitoring and control system is still inefficient. In Georgia as in any other country official control mechanisms against illegal logging are in place via legislation, like Forest Code and associated Environmental acts that in most of cases are not enforced.

As mentioned the present system of controlling all use by license and permit is inefficient. Controls need to be made over the level of exploitation and management practice, but not over use as such. Sale of use rights or products is a business transaction that should be made by the manager of the forest based within the limits of the approved management plan. Use rights and harvesting of products and all the activities that support them should be carried out in accordance with laws and regulations designed to protect the forest, people and the wider environment, but they should not be the subject of any additional controls by the State.

Current laws provide certain powers to local governing bodies and regional representatives of the President to supervise and control forest management; powers that overlap with those of the local offices of the Ministry of Environment and other central government organs, for example the Tax Office. Such duplications of power lead to confusion with regard to accountability resulting in inefficient and ineffective controls.

Supervision and control by government bodies is unlikely to be sufficient by itself, especially so during this period of transition. Government control can be supplemented by independent checks on forest managers to ensure that they are following management plans and complying with relevant laws.

It is also apparent that the official system of monitoring removals from the forest is not working properly. A key part of good forest management is the accurate recording of removals, both official and unofficial. Of the cases of illegal removals that are officially detected, most are voluntarily paid but of those that are sent to court, very few are settled. This may indicate that there are mitigating circumstances taken into consideration when the courts try the cases.

The FD has limited possibilities of punishment of captured criminals carrying out illegal logging. In such cases the protocol is made, that are forwarded to the law machinery within five days, who are in charge of reviewing these protocols and on punishment.

Complete and full revealing of illegal logging by the relevant officials is limited due to lack of necessary facilities on the regional level (transport, fuel, low salary of the staff).

According to the current law, if a penalty for illegal cuts exceeds 500 GEL, the offender will be punished under the criminal law. If, however, a penalty is less than 500 GEL, the offender will bear administrative liability and will have to pay penalty. As it turned out, up to now, no single offender has been held liable under the criminal law, although monetary penalty is by itself pretty severe for illegal cutters.

Criminal prosecution of offenders basically takes place when trees are cut for the purposes of producing construction materials. However, in most cases, detained offenders are hired workers whereas their hirers stay unidentified. In addition, criminal investigative authorities allowing thereby offenders to go free rarely follow up violation reports of the Ministry of

Environment Protection. Local residents believe that both cutting and exporting of construction timber takes place with the consent and encouragement of the local and central governments.

Lawsuits on illegally harvested wood are in general prolonged; compensation of amount of judgment is unsatisfactory. According to the official information existing in the FD during the last three years 9 312 protocols on registered 157 830 cum illegally harvested timber were filled and sent to the court. Unfortunately only 5 638 of them or 60% were considered. The damage caused to the forest is estimated up to 2 976 531 GEL and reimbursed sum is only 217 005 GEL that equals 7.3% of the total sum. This fact can be considered as a result of irresponsibility of the executive agencies and existence of corruption moments.

As the criminals are not properly prosecuted, the syndrome of unpunishability is appearing which is a basis for new criminal activities.

While talking about the measures and future activities combating illegal logging in any country and particularly in Georgia, the public opinion should also be taken into consideration. According to the study carried out in 2004 by the Consulting Company GORBI, the population has named the major undertakings to be executed by the Government in order to improve the management of forest resources (Table 4.3).

**Table 4.3 Public Opinion about Options for Better Management of Forests**

	Borjomi	Oni	Ambrolaur	Total	Borjomi	Oni	Ambrolauri	Total
	Quantity				%			
Make other types of fuel available	6 418	1 881	3 122	11 421	77.9	55.7	51.6	64.7
Make control over the use of forest resources stricter	2 902	2 098	3 018	8 018	35.2	62.1	49.9	45.4
Provide population with information about forest problems	381	452	527	1 359	4.6	13.4	8.7	7.7
Increase control over the export of wood materials	1 783	1 736	2 960	6 478	21.6	51.4	48.9	36.7
Increase number of institutions and organizations dealing with forestry	378	78	431	886	4.6	2.3	7.1	5.0
Government must create new jobs	1 779	9	140	1 928	21.6	0.3	2.3	10.9
Providing population with natural gas	0	0	11	11	0.0	0.0	0.2	0.1

The principle suggestions of the population may be divided into two following groups:

- Expansion of the availability to energy alternative sources. “Other kind of fuel should be made available”
- Administrative issue – “Control over the exploitation of forest resources should be made stricter” or “control over the export of forest materials should be made stricter”.

## 5. CONCLUSIONS AND RECOMMENDATIONS

Illegal logging in Georgia is of two types. By far the most significant in terms of volume and probably in terms of long-term environmental impact is illegal cutting of fuelwood by or for rural households for energy coupled with a lack of affordable alternatives. The second is illegal logging of industrial timber driven by domestic and international demand coupled with the greed of entrepreneurs who are concerned only with profit and pay no regard to the impact of their activities on the environment.

These drivers are enabled by a large number of weaknesses and failures in forest governance including: widespread disregard for the rule of law, corruption, insufficient funds for essential functions, weak accountability of state forest management and law enforcement bodies, weak institutional capacity. These drivers act together in an interconnected system and action needs to be taken on several of the drivers in order to make a real and lasting impact.

Some actions can be taken specifically for fuelwood, some specifically for industrial timber, and some are applicable to both types of illegal logging.

### 5.1 Action to Reduce Illegal Logging for Fuelwood

#### 5.1.1 Short-term Measures

**Increasing the authorised harvest level** can help to alleviate the problem provided that increased harvests are sustainable. This can be achieved by eliminating unsustainable fuel wood cutting near villages and cutting more in areas where forest conditions support fuel wood harvests in a sustainable manner. Increased to about 1-1.5 million m<sup>3</sup> harvest levels would substantially contribute to the generation of higher revenues. Before implementing this approach, it must be determined that it is economically rational and environmentally sound.

**Better utilization of current harvests** shows some promise in alleviating the problem somewhat, but given its scale it is unlikely to eliminate it fully. The primary sources of additional fuel wood from the current harvests are forestry operations and wood residues from the forest industry. Forest operations can generate more fuel wood by utilizing logging residues such as branches, tops, stumps, and small trees from tending cuts, dead trees, and wood from tree species of lesser industrial value. For example, branches and tops can constitute up to 30% of the total harvest volume and be used as fuel wood or wood chips. Before implementing this approach, it must be determined that it is economically rational and environmentally sound. On the economic side, for example, high extraction costs will most likely eliminate stumps as a fuel wood source. On the environmental side, it must be considered that while logging always removes nutrients from the forest, small branches and twigs contain more nutrients than stem wood and their removal implies higher nutrient drainage rates. This in turn may have impacts on soils and site productivity. Removing wood residues may also change growing conditions for regenerated tree species and other flora and fauna species.

**Free Supply of fuelwood.** Under the present legislation, when a customer applies for a certain amount of industrial wood he is allocated a cutting area from which he can obtain the industrial timber that he requires. Usually the customer does not want the small diameter stem

wood and branches but has to remove it under the terms of his contract. This volume could instead be delivered to rural households as fuel wood free of charge by the Forest District.

### **5.1.2 Longer-term Measures**

**Fuel-wood plantations** established close to rural communities could provide alternative supplies of wood for heating and cooking within several years if fast growing species are used. Under the Forests Development Project it is planned to afforest the eroded area surrounding Tbilisi. The project is focused on establishing forest to combat erosion and not on establishing fuel wood plantations. However, fuel wood supply could be added to the project's objectives. If not, fuel wood supply should be the objective of a separate project.

**Alternative non-wood energy supplies** including establishing or re-establishing gas supplies to rural communities, wind power to generate electricity that could be used for electric heating and cooking (though household would need to spend money on electric radiators and electric cookers).

**Increasing the income of rural households** so they can afford to pay for alternative energy sources. This is a very long-term measure because it takes many years of development before the majority of rural households feel secure enough to use their income to pay for fuel at legal market prices rather than take it or receive it illegally.

**Public awareness.** Rural households have little understanding of the long term impacts of their activities on forests and the environment and anyway have more pressing needs to think about. Working with rural communities to increase their awareness of their interactions with forests might help to encourage them to act in a more responsible way, but only if they are at the same time provided with alternatives to illegal fuelwood.

**Reduce the price of alternative energy sources,** e.g. gas (where it is available) and kerosene. This action is not likely to have a significant impact because piped gas is not widely available in rural areas and to use bottled gas and kerosene would mean that rural households would have to invest in new heaters and ovens, which they would not be able to afford to do without large subsidies.

**Privatisation/Commercialisation or long term utilization.** Privatisation or long term leasing of state forest land to private enterprises could bring better management of forests than has been shown to be possible under state management. The present Forest Code provides for both types of transfer but privatisation requires the adoption of secondary legislation (to establish the procedures that would need to be followed).

## **5.2 Action to Reduce Illegal Logging of Industrial Timber**

### **5.2.1 Short-term Measures**

**Address weaknesses in the legal framework.** Specific actions should include review of the active forest legislation, develop the legal amendments regarding the licensing process of wood processing units, and review of enforced legal junctures in order to enable their harmonization with forestry legislation.

## **Implement key recommendations from the Forest Sector Rationalisation and Institutional Development study including:**

- **Higher salaries to front-line staff of the Forest Department.** Salaries are so low that forest guards and other front-line staff are open to bribery by illegally operating entrepreneurs.
- **More effective detection and penalization.** Actions could include: bonuses to detection staff, for example paying detection staff a percentage of the value of all illegally logged timber that they detect and report to the State authorities; improve the infrastructure of the staff responsible for forest protection, for example providing them with mobile phones, vehicles and email; strengthen penalties and sanctions against illegal logging; involving civil society in monitoring and detecting illegal logging; improving communication between national and local levels for preventing the illegal activities in forest.
- **Build compliance with regulations into the contracts of state forest management and enforcement body staff as performance criteria.** Making staff job security and salaries dependent on the level of compliance with regulations would provide a positive incentive to reduce the level of illegal logging.

### **5.2.2 Longer-term Measures**

**Independent certification based on sustainable forest management standards.** The markets for the industrial wood coming out of Georgia's forests are not environmentally sensitive at the moment but there is potential for building awareness in the supply chain so that markets will discriminate in favour of timber from sustainably managed forests and forest management that complies with the law. Markets will need a mechanism that will enable them to discriminate and the most obvious one is independent certification under a credible forest certification scheme. Achievement and maintenance of certification could also be made a performance criterion for the Forest Department and its senior staff.

### **5.2.3 Measures to be Taken Outside the Forestry Sector**

Above, we tried to review all causes and problems existing in forestry sector, but very often the solutions are to be found outside the forestry sector and in the hands of other government institutions such as the Ministry of Finance, Ministry of Justice, Ministry of Economy, Ministry of Energy and Customs Department. These authorities have powers to act against illegal logging, for example by reducing the import fee, reinvestment of revenue from natural resources utilisation, prosecution of offences, enforcement of the law, improving gas and electricity supplies to rural households. Government action against illegal logging therefore needs to include all of the institutions whose powers and duties connect in some way with the demand for wood and the legal and illegal supply of wood.

## **5.3 How to Move Forward**

Georgian institutions sharing the same concern regarding the phenomenon, size, tendencies and of course fight against it, they express their willingness for reducing illegal logging through designing and developing specific steps as part of National Forest Policy and

Strategy. National Forest Policy and Strategy when developed and approved will represent a legal instrument as well as a method of developing and implementing an action plan for reduction of illegal exploitation of national forest resources.

The National Forest Policy and Strategy, elaboration of which has already begun, should include all the above actions that fall under the responsibility of the forestry sector and should make connections to other of the above actions that fall under the responsibility of other sectors (e.g.: alternative energy supplies – Ministry of Energy; reduction in rural poverty – Ministry of Economy and Ministry of Agriculture).

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**LIST OF EXPERTS, REPRESENTATIVES OF THE GOVERNMENTAL /  
NON-GOVERNMENTAL ORGANIZATIONS**

1. George Datunashvili - FD
2. Zurab Gugunishvili – FD
3. Nugzar Berezhiani – FD
4. Lavra Nachkebia – FSDC
5. Avtandil Mikaberidze – DPA
6. Joseph Kurdiani – Institute of Mountain Forestry
7. Mike Garforth – Independent expert
8. Merab Dvali – Independent expert
9. Alexandre Urushadze – NGO
10. Malkhaz Dzneladze – WWF
11. Nana Janashia - NGO
12. Nino Gujaraidze – NGO
13. Lia Todua – NGO
14. Nino Dadelauri – Bankwatch Georgia
15. Nugzar Chikhladze - Entrepreneur

**ACCOMPLISHED AND ONGOING PROJECTS SUPPORTED BY INTERNATIONAL PARTNERS**

- Georgia National Environment Action Plan. World Bank. 1996-2000. Budget USD 327 000. Project is prepared and approved by President in year 2000.
- Biodiversity Country Study. First Biodiversity project in Georgia prepared with UNEP in 1996. Budget USD 90 000. Implementing agency NACRES. Aim of project is to assess existing Biological resources.
- Biodiversity Strategy and Action plan. World Bank/MEPNR alliance. Budget USD 120 000. 1997-1999. Project is finished but requires official approval by Government.
- TACIS Black Sea Biodiversity Project. Implementation agency – Batumi Black Sea Biodiversity Regional Center. Project objectives are 1. To prepare regional strategy for biodiversity conservation; 2. Biodiversity monitoring; 3. Public awareness. UK Consultancy Group Halcro provides project consultancy.
- Borjomi-Kharagauli National Park. Project is funded by German Government according to Georgian-German Intergovernmental Agreement and is established on the State Forest Fund territories. Implementing agency WWF Georgia. Project contains three components: Development of infrastructure – 2 261 100 DM;
- Education and Training – 1 700 000 DM; Support Zone Development – 2 739 000 DM
- Integrated Coastal Zone Management Project. GEF-World Bank and Dutch Government. 7,6 Million USD from which 1.3 million is Grant, 4.4 million is loan. Managed by Local PIU. Projects has five components: Institutional strengthening for the Integrated Coastal Zone Management; Creation of Kolkheti National Park and Kobuleti State Reserve on the basis of State Forest Fund territories; Creation of Environmental monitoring and information system; Coastal erosion study; National Oil Spill Contingency planning.
- Georgia Protected Area Development Project. GEF-World Bank. About 10 million USD Grant. Project components are: Planning of possible National Parks system in Georgia; Creation of Protected Areas in East Georgia; Institutional strengthening of the State Department for Protected Areas; Biodiversity Monitoring and Research; International Cooperation
- Capacity Building and strengthening of Ministry of Environment. UNDP. Budget USD 400 000. 1998-2003. Aim of project to improve office equipment, communication facilities, and training of Ministry's personnel at central and local level.
- Georgia Forests Development project. World Bank. The project will be implemented in 2002-2008 and will support implementation of national regulatory and financial reforms in the forest sector, capacity building in the State Forestry Department (SFD) and other agencies dealing with the forest sector, sustainable forest planning and management in demonstration areas that would serve for replication, and improved forest protection and reforestation in selected priority areas. Project Components are: *Improve Forest Sector Governance through National Regulatory, Financial and Institutional Reforms; Improve Forest Planning and Management in the Central Caucasus Pilot Area; Forest Protection and Afforestation/Reforestation in Selected Priority Areas*

**OUTCOME OF THE INTERVIEW ON EXPLOITATION OF FOREST RESOURCES (GORBI, SOCIAL SURVEY, 2004):**

Because of poor social-economic conditions, local communities depend a great deal on firewood, for which reason they are not likely to quit tree cutting merely because “this may cause harm to environment.” Thus, no success is to be expected by merely prohibiting wood cutting and providing local communities with no alternative fuel and without their long-term engagement in environment protecting activities.

The most of unemployed residents depend largely on illegal cutting and sales of timber. However, it must be noted that this requires huge physical efforts and enables just minimal incomes.

“First of all, people must be employed if we need to prevent illegal cuts. People have to trade in timber to buy a pack of flour and feed their children.”  
(Governor of Borjomi)

“A peasant that is hired for wood cutting is paid 5 lari a day. Wealth, however, is accrued by those people who export timber. Their number is not more than 3 or 4.”  
(President of Borjomi Sakrebulo)

“If people get jobs, they won’t go to forests. Many young people died while wood cutting.” (Governor of Akhaldaba)

As far as the town of Borjomi is concerned, wood cutting is not the main source of income for local residents. However, there is a large group of IDPs from Abkhazia, who, as the Sakrebulo people alleged, depend mainly on the production and trade in firewood as the government’s assistance to them has decreased drastically over the last couple of years.

“IDP children sell firewood by packs. That’s how they earn daily bread...”  
(President of Borjomi Sakrebulo)

Another group that is involved in illegal cuts consists of people owning unlicensed sawing and carpenter workshops.

As the results of survey have shown, forested areas of Borjomi Region are rich by forestry resources, although local communities are not interested in collecting and processing of such resources. As far as such forestry resources as berries, mushrooms and herbs are concerned, almost nobody uses them as a source of income. People use minor forests as pastures for their cattle and production of hay. A few years ago this resources was exploited quite effectively.

“Trading in mushrooms and berries that’s what saved people of hunger. That was the only source of income for them...” (A “Seni” NGO activist)

Communities are entirely dependant on the forest and its resources. The specific response to the question regarding the extent of such dependence was as follows:

“If there as no forest, life in our region would be impossible.”  
(An Ambrolauri Sakrebulo staff)

“Our village is on the top of hill and we need to keep stove worm all the time from September to June. We never remove the stove because summer is so short in our area.”  
(A Nikortsminda Sakrebulo staff)

Apart from being used as a heating fuel, wood is also used as a raw material for wood-processing industries. And this is a source of incomes for rural communities. Remarkably, even responses of sakrebulo leaders regarding the present forestry status drastically differed from each other. One of the reasons is that different villages are located near the forests of different density. The greater the forested area, the greater the extend of illegal cuts and, accordingly, the greater damage caused to forest resources. Some other factors that may affect the status of forest include the availability and status of access roads; in other words, whether it is possible to reach the depths of the forest and withdraw logs therefrom by vehicles.

“Forest not only is not destroyed, we can’t cut as much as have been envisaged by the existing plans.” (An Ambrolauri Sakrebulo staff)

“Forest is in deplorable condition. Nobody cares about it: neither peasants, not businessmen. And nobody cares whether it is young or old tree.” (A Sadmeli Sakrebulo staff)

“Our forest is in acceptable condition, although cutting takes place without any strategies. They cut healthy trees instead of cutting what has to be cut.”  
(A Nikorstminda Sakrebulo staff)

“There are places where no human being has ever stepped into. Of course, in such places the status of forest is pretty good.” (A local wood-processing workshop worker)

In evaluating the current status of forests, very harsh were responses made by the NGO representatives. Specifically, they noted in unison that damage caused to the forests by community members to get some firewood was insignificant to that incurred as a result of illegal cuts made by timber businesses.

“Under the Soviet Union trees were cut in a planned manner. Now they do that chaotically. Foresters still exist, but they take bribes and do not care about their duties. There is a constant flow of logs abroad and all this is done with impunity. It is a real misfortune that nobody cares to build access roads which would enable people to get into the forest depths. Instead, they cut trees on the edges, which ultimately will ruin forests.” (Sakrebulo Association NGO)

To get a daily bread, communities broadly use forestry resources. In addition to timber, they collect mushrooms, chestnuts and berries. However, as the survey has shown, collective activities are not widespread. It must be noted that over the last couple of years, local communities got increasingly interested in bee-breeding. There are some households that

maintain themselves by bee-breeding. Such activities were widespread in Racha in ancient times, however, under the Soviets economic priorities changed and bee-breeding gradually became less popular.

“Under the Soviets people became lazy. Stores got different products, ranging from onions to meat. For this reason, people was lazy to grow even vegetables. Bees require huge efforts.” (Chairman of Utsera Sakrebulo)

People understand well what benefits might be extracted from straightforward and planned exploitation of forest and natural resources.

“Racha is richest region by its natural resources: barite, wolfram, copper. In Ghebi, we’ve got a golden mine. If we were able to use at least half of that, people would live very well.” (A police officer from Oni Police Department)

“Millions of laris are buried in the ground. If all that wealth had a good manager, not only Racha, whole Georgia would be prosperous.” (A Glola Sakrebulo staff)

## **MAIN PRINCIPLES OF GOVERNMENT POLICY FOR GEORGIA'S FOREST SECTOR DEVELOPMENT IN 2002-2010<sup>1</sup>**

### **General Information**

Forests, as a key component of the natural environment of Georgia, have a great ecological, social, economical and cultural significance that is fully recognized in the country. Conservation, protection, development and sustainable management of forests are a priority objective of the overall national policy.

Political, economic and social realities (civil war, financial and energy crisis, etc.) faced by Georgia since Independence has heavily affected the forest sector. Significantly increased demand on wood (mostly for fuel) and a permanent lack of public funding for forest management have created favourable conditions for illegal and criminal practices in the sector, threatening sustainability of the natural ecosystems.

Government of Georgia, appreciating importance of the above problems, made some practical steps to protect forests though the relevant provisions in the Constitution of Georgia and by ratifying or joining several international treaties and conventions. The new national legal and regulatory framework also provides for sustainable management of forests and for public participation in the forest use planning.

Regardless the ongoing efforts, full enforcement of the mentioned legislation remain a challenge. The Government, under the public pressure to eradicate illegal activities in forest sector, was forced to carry out temporary measures like a ban on final felling (1998-1999) and a moratorium on log exports. Unfortunately, these regulations had only limited impact on the root causes of forest degradation and need to be urgently replaced with more comprehensive national policy measures.

### **National Policy Objectives**

The Government of Georgia hereby acknowledges the forest sector as one of the priority areas for socio-economic development of the country, confirms its commitment to the development of a comprehensive National Forest Policy in line with the UN guidelines on the sustainable development and following the below basic principles:

1. Elaborating of a long term forest strategy and introducing a sustainable forest management system that would maximize the revenues from the Georgia's State forests and would make a significant contribution to poverty eradication in rural areas. Implementation of a long term forest strategy would not cause damage to the environment of other nation States or any areas beyond limits of the Georgia's national jurisdiction;
2. Sustainably managing forest resources and forest lands to meet the social, economic, ecological, cultural and spiritual needs of the present and future generations. Taking due measures for protecting forests from pollution (including airborne pollution), fire, pests and disease with the purpose of full maintenance of the diverse functions of forests;

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<sup>1</sup> Approved by the State Minister in May 2002.

3. Increasing public awareness and providing timely, reliable and accurate information on forests and forests ecosystems for ensuring a well informed decision making;
4. Ensuring participation of stakeholders (society, industries, trade unions, non-governmental organizations, communities residing in forested areas, and individuals, including women) in planning implementation of the national forest policy;
5. Using the national forest policy and strategy for defining the new, and reinforcing the ongoing activities in the sector, including enhancement of the institutional and programmatic development aimed at the management (rational use) of the State forest Fund, its conservation and sustainable development;
6. Developing international cooperation in the forest sector through international and national organizations and other viable vehicles of communication;
7. Carrying out comprehensive assessment and integration of all environmental, social and economic aspects related to forests and the State Forest Fund;
8. Balancing development of all types of forest use, preference given to the least destructive uses of those producing the equal economic outcome;
9. Acknowledging importance of all types of forests in the evolvement of ecological processes and in maintaining ecological balance at the local, regional, national and global levels;
10. Acknowledging of, and providing due support to the identity and culture of the local communities residing in the forested areas. Ensuring acceptable level of their livelihood though the sustainable forest use.
11. Promoting full participation of women in all aspects of the management, conservation and sustainable development of forests;
12. Meeting demand on timber through sustainable use of forest resources, afforestation and reforestation. Carrying out comprehensive evaluation of the perspectives of using forest plantations of the aborigines and introduced varieties with the purpose of increasing supply of fuel wood and industrial timber;
13. Incorporating results of the assessment of economic and non-economic values of forest goods and services and the ecological cost-benefit analysis into the national forest policy and programs to support decision-making on the rational forest use, conservation and sustainable development. Supporting development and improvement of the methodology for such assessments;
14. Creating favorable international economic climate for alleviating poverty and ensuring food security through carrying out sustainable and environmentally sound forest use;
15. Using economically and socially sound measures for maintaining and increasing productivity of the Georgia's green cover and forests, for forest reconstruction and afforestation in the degraded and deforested areas, and for the rational use of the existing forest resources;
16. Integrating of forest management (rational use) with the management (rational use) of the adjacent areas for ensuring ecological balance and sustaining their productivity;
17. Considering conservation of ecologically viable and unique types of forest (including virgin forests and forests with cultural, historical and religious importance) an integral part of the rational use, conservation and sustainable development of forests;
18. Ensuring environmental impact assessment in compliance with the Georgian legislation;
19. Supporting rational use of forest resources though decreased application of non-efficient technologies and through introduction of high standard technologies for the local value added processing;
20. Promoting forest certification through institutional, economic, social and political support to this endeavour;

21. For the purpose of addressing forest degradation, considering effects from outside the forest sector on all types of forest ecosystems and on the demand for forest resources in developing policies for economic, industrial, trade and other sectors and planning inter-sectoral cooperation for regulating these effects;
22. Enhancing national efforts in carrying out scientific research, scientific-technical works, forest inventory and various types of forest assessment as well as international exchange of information on forests and on the outcomes of scientific research and scientific-technical works on rational use of forest resources making full use of education and training institutions, including those in the private sector;
23. Recognizing, appreciating and supporting institutionally as well as financially the local and traditional knowledge and experience regarding conservation and sustainable development of forests. Using this knowledge in the development of new programs;
24. Respecting international legislation and practice applied to trade in forest products. Adopting non-discriminative and mutually agreed upon regulations and procedures of trade;
25. Incorporating environmental cost-benefit analysis in marketing of forest products nationally and internationally with the purpose of supporting conservation of forest resources and their sustainable development;
26. Regulating pollutants negatively affecting forest ecosystems at the local, regional and national levels.

### **Program of Actions**

The Government of Georgia will implement this national forest policy over the period of 2002-2010 following the time-bound action plan outlined below:

1. With the purpose of eradicating illegal and criminal practices in the forest sector, ensuring participation of the Anti-Corruption Council in the analysis and discussion of the outcomes of the inspections carried out by the Chamber of Control of Georgia in accordance with the Georgian legislation in force and with due frequency. Planning and implementing due measures to address issues identified by the Chamber of Control – *starting in III quarter of 2003, once in every two years;*
2. Conducting an independent baseline study of illegal use of the State forests and discussing results of this study by a steering panel comprised of various stakeholders (including representatives of the Anti-Corruption Bureau) – *IV quarter of 2003;*
3. Moving from a ban on log exports and limiting rates of taxation to the improved administrative control over the location of extraction, processing, and exports of timber products through enhanced State inspection system – *IV quarter of 2003;*
4. Improving legal framework for forest sector management with consideration of obligations assumed by Georgia upon signing of international treaties and bringing it in harmony with the EU legislation, as well as developing and implementing mechanisms for law enforcement – *IV quarter of 2003;*
5. Adopting national forest standards and certification procedures for forest management and forest use – *IV quarter of 2003;*
6. Developing and adopting mechanisms for sustainable financing of reforestation and afforestation of the State forests – *IV quarter of 2003;*
7. Introducing a pilot system of economic analysis and market forecasting in forest sector – *IV quarter of 2003;*

8. Improving the existing mechanism of marketing and pricing of the timber and non-timber forest resources through moving from an administrative method of pricing towards the principles of market driven economy and through introducing competitive types of trade in forest resources (auctions, tenders) – *IV quarter of 2003*;
9. Developing and piloting a national program for fuel wood supply – *I quarter of 2004*;
10. Establishing a national system of forest audits for an increased transparency of decision making and an improved access to information on the outcomes of the official inspections and independent forest monitoring – *IV quarter of 2004*;
11. Improving planning of the targeted programs in forest sector based on the integrated land use planning carried out using a methodology of ecosystem-based forest inventory and total economic valuation of forest resources – *IV quarter of 2004*;
12. Elaborating and full scale implementation of a plan for institutional reorganization in forest sector – *IV quarter of 2005*;
13. Drafting legislation on forest ownership rights and submitting it for public review – *I quarter of 2006*;
14. Developing modern programs for reforestation and forest restoration (e.g. restoration of flood plain forests, rehabilitation shelter belts and afforestation of eroded areas) and integrating these programs into the regional development plans – *I quarter of 2006*;
15. Completing establishment of local forest systems and improving their management – *I quarter of 2006*;
16. Creating a national information system on forest management available for public – *II quarter of 2007*;
17. Planning allocation of the State Forest Fund lands for commercial use and for conservation purposes. Submitting this plan for public discussion – *gradually, ranging from 2002 to the end of 2005*;
18. Completing the main activities related to allocation of the State Forest Fund lands for the commercial use and for conservation – *IV quarter of 2007*;
19. Supporting development of the small and medium business related to forest resource utilization. Towards this end, developing regulations and investment programs for introducing patterns of the long term forest use – *IV quarter of 2007*;
20. Systematizing and introducing elements of the sustainable forest management with the purpose of launching forest certification – *IV quarter of 2009*.

**SOME OF THE IDEAS ON MORATORIUM ON WOOD CUTTING TAKING PLACE IN 2004**

“Although moratorium required sawing workshops to be shut down, two of those continued operating. They said they were implementing government’s orders. Having seen that, other sawing workshops renewed unlicensed operations.”

**(A Borjomi Democratic Institute employee)**

“About 50 cases were filed with the court against sawing workshops. A deputy governor’s truck was detained on several occasions. But some people with mini-buses still manage to pass through the border with impunity...”

**(A Ministry of Environment Protection staff)**

“Under the moratorium, officers that had to be on duty day and night at the checkpoint were paid 20 lari a month. Under such conditions it’s hard to sacrifice oneself.”

**(A Borjomi Public Opinion Council member)**

“The moratorium never worked. Every night at least five trucks without license plates passed through the checkpoint. We followed one truck with hidden camera. Nobody even tried to stop it...”

**(A Media Development Association member)**

“Yes, they collect fines, but they may fine just one truck out of ten.”

**(A forester from Akhaldaba)**

“The moratorium hit the most vulnerable ones. A three-month break can do no harm to major industries.”

**(A Forest Researchers staff)**

“The moratorium can not stop illegal cuts. Healthy trees are still being cut down, diseased ones stay upright and the State Budget gets nothing.”

**(A Biosphere NGO staff)**

**SYSTEM OF CALCULATING PENALTIES FOR ILLEGAL LOGGING**

<b>Type of illegal activity</b>	<b>Calculation of the damage (GEL)</b>
Decreasing the stand density after harvesting	Stumpage fee of the standing wood harvested above the acceptable amount multiplied by 5
Damaging the unmarked trees	Stumpage fee of the damaged or taken down trees above the acceptable amount multiplied by 3
Leaving the harvested trees	Stumpage fee of the same species multiplied by 2
Damaging the regeneration while logging	30% of the stumpage fee of the damaged tree
Logging and transporting during the period forbidden according to the wood cutting ticket	Stumpage fee of the harvested tree multiplied by 5
Illegal logging (Diameter – 1.3 m above the root level)	
a) up to the diameter of 12 cm	Stumpage fee of the harvested tree multiplied by 15
b) from 12 cm to 16 cm	Stumpage fee of the harvested tree multiplied by 10
c) from 16.1cm to 36 cm	Stumpage fee of the harvested tree multiplied by 7
d) from 36.1cm to 56 cm	Stumpage fee of the harvested tree multiplied by 5
e) from 56.1cm and more	Stumpage fee of the harvested tree multiplied by 3
Illegal logging of the young conifer trees for Christmas	Stumpage fee of the harvested tree multiplied by 2
Illegal logging of shelter belts	Stumpage fee of the harvested tree multiplied by 10
Illegal logging of rare, fruit bearing trees	Market price of each tree multiplied by 4
Illegal logging and transporting of broken, top dried trees	Stumpage fee of the harvested tree multiplied by 3
Sanitary cut in stands with density less than 0.4	Stumpage fee of the harvested tree multiplied by 3

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