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REGIONAL ENVIRONMENTAL CENTER



Illegal Logging in SEE and EE (Governance, Implementation and Enforcement)

Illegal logging activities in Bosnia and Herzegovina

A. DIAGNOSTIC AUDIT

June 2010

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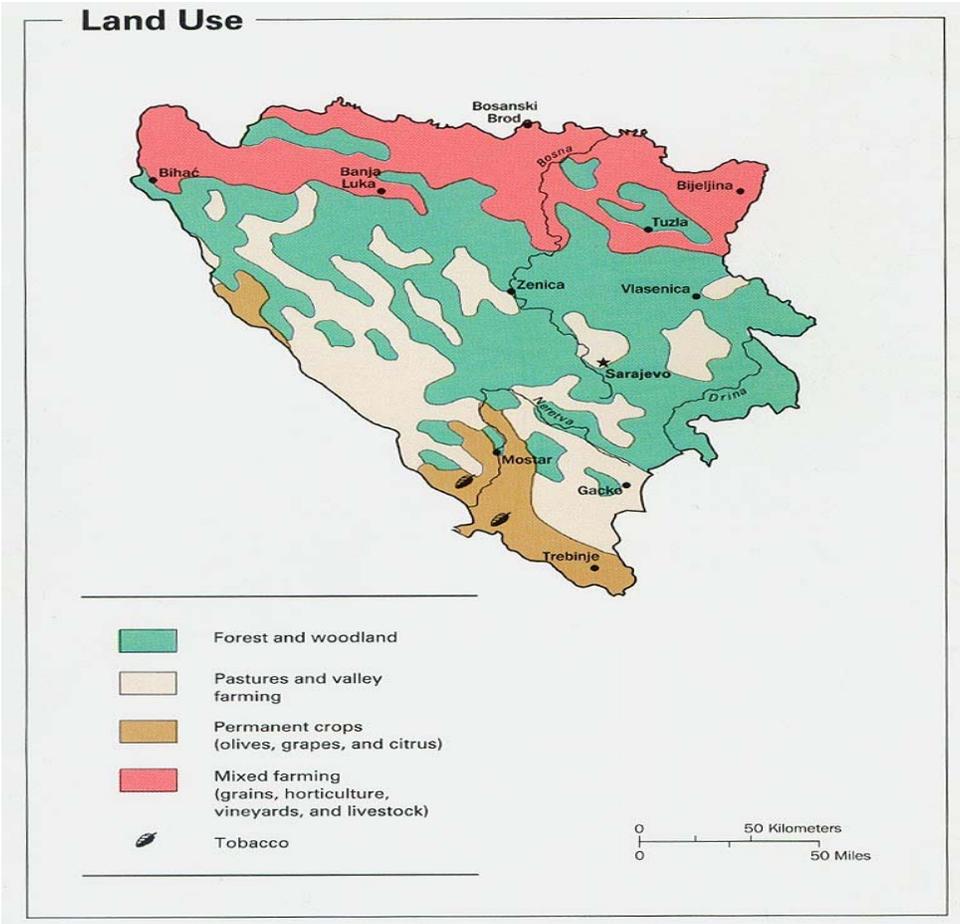
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List of acronyms

BiH	Bosnia and Herzegovina
CFMC	Cantonal Forest Management Company
EU	European Union
EUFOR	European Union Force
FBiH	Federation of Bosnia and Herzegovina
GDP	Gross Domestic Product
GTZ	Gesellschaft für Technische Zusammenarbeit (German technical assistance)
KM	Konvertible Marks, BiH currency (1 KM = 0.5 €)
MAP	Medicinal and aromatic plants
MAFW	Ministry of Agriculture, Forestry and Water Resources, Republika Srpska
MAWF	Ministry of Agriculture, Water Resources and Forestry, FBiH and Cantonal level governments
MoFTER	Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina
NEAP	National Environmental Action Plan
NFI	National Forest Inventory
NTFP	Non-timber Forest Products
OHR	Office of the High Representative
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy and Action Plan
REC	Regional Environmental Center
RS	Republic of Srpska
SFE	State Forest Enterprise
SIC	Standard Industrial Classification
USAID	United States Agency for International Development
WB	World Bank

1. INTRODUCTION

It is indisputable that forests and forest land have a high level of significance as natural resource in Bosnia and Herzegovina (hereinafter BiH). The forests cover 2.709.769 ha of BiH (from that 500.037 ha is barren land or 10%) and represents app. 53% of the whole area of BiH. Forestry is one of the most important nature based resource sectors in BiH. Subsequently, the means of forest management and the way in which forest resources are used or miss-used is of a crucial importance for the country itself including a wide range of stakeholders with various interests. The following land use map shows the contribution of forestry compared to other land use categories in Bosnia and Herzegovina.



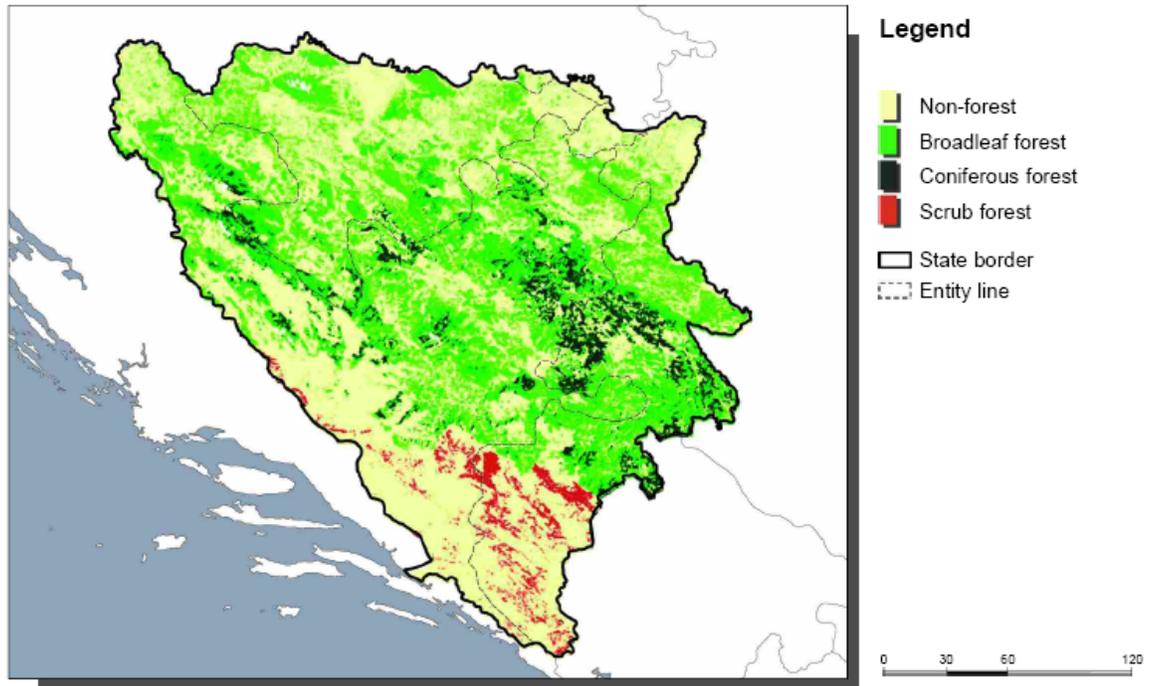
Source: "Courtesy of the University of Texas Libraries, the University of Texas at Austin." CIA 1993 Perry-Castañeda Library Map Collection

The size of forest area in BiH is 2.709.769 ha (NEAP, 2003) where the contribution of each category is visible in the table below.

Table 2. Basic information about forest resources in Bosnia and Herzegovina (NEAP, 2003)

State Forests	RS	F B&H	B&H
High forests (ha)	553.763	645.081	1.198.844
Low forests (ha)	259.034	260.403	519.437
Uncovered & barren lands (ha)	166.919	301.132	468.051
Total State forests (ha)	979.716	1.206.616	2.186.332
Private forests			
Area (ha)	229.874	293.563	523.437
Total (ha)	1.209.590	1.500.179	2.709.769

BiH is very rich in forests mainly created by natural restoration and quite diversified in different species. As the table shows the forests and forest land cover about 2.7 million hectares of the whole country area, out of which approximately 81% is state owned, and approximately 19% in private ownership among scattered and small parcels. High forest represent 48% of total forest area, coppice makes up 34% and the rest of the total area is forestland of 14% is productive and 4% is unproductive.¹



Source: BiH NEAP Directorate. 2003

¹ BiH forestry development program 1986-2000, 1986.

Additionally, it is worth noting that BiH has less than one percent of its territory under environmental protected areas, e.g. national parks and other nature protected areas, which is a distressing fact concerning its biodiversity richness and natural resource potentials. The figure above shows the domination of the deciduous species (these are mostly beech (*Fagus* spp.) accounting for almost 40% of all species cover in the country and Oaks (*Quercus* spp.) contribute another 20%. It is clear that the ratio between deciduous and conifer species is around 2:1, where beech and oak combine almost 50% of the whole forest composition country wide.

Table 3: Estimated forest cover (in hectares) in Bosnia and Herzegovina (Forest and Wood Sector Review-BiH, USAID, 2006.)

Cover Type	State owned	Private	Total
Federation of BiH			
High forest	639,226	54,609	693,835
Low (sprout/coppiced) forest	258,395	151,042	409,437
Land for reforestation	164,213	61,303	225,516
Bare land, not for reforestation	74,097	0	74,097
FBiH subtotals	<i>1,135,931</i>	<i>266,954</i>	<i>1,402,885</i>
Republic of Srpska (RS)			
High forest	543,034	n.a. ¹	543,034
Low (sprout/coppiced) forest	170,811	n.a. ¹	170,811
Land for reforestation	194,505	n.a. ¹	194,505
Bare land, not for reforestation	64,770	n.a. ¹	64,770
RS subtotals	<i>973,120</i>	<i>280,000</i>	<i>1,253,120</i>
Totals for BiH*			
High forest	1,182,260	54,609	1,236,869
Low (sprout/coppiced) forest	429,206	151,042	580,248
Land for reforestation	358,718	61,303	420,021
Bare land, not for reforestation	138,867	0	138,867
Total forest cover, nationally²			
	2,109,051	266,954	2,376,005

¹Data for private land not available from the R.S. (only for total, source http://nasasuma.com/download/Nasa_suma_strategija_lat.pdf)

²Does not include forest cover area on private lands in the RS
Source: Hadziabdic, S. 2004. ²

The table shows the estimated forest cover in BiH in the year 2006, showing lower estimations than in other previous similar studies. The new forest inventory (initiated by the World Bank) will give more precise data in the future.

Nevertheless, the table shows the dominance of the high forest cover type and slightly larger share of state owned forests in F BiH than in RS. It is interesting to note that there is still significant amount of the area which is suitable for reforestation (over 350.000ha) which could in the future create new potentials for enhancement of forest activities.

² From Forest and Wood Sector Review-BiH, USAID, 2006.

2. GOVERNANCE

2.1. Policy framework

On the state level of Bosnia and Herzegovina, there is no relevant forestry Ministry. By the Constitution of Bosnia and Herzegovina, the country is divided in three entities, i.e. Federation of BiH, republic of Srpska and Brcko district. The Federation of BiH is divided in 10 cantons. **The Ministry of Foreign Trade and Economic Relations is representing the state level forestry towards the other institutions.** With reference to the Constitutional provisions, owners of forests are BiH Federation, Republic of Srpska and Brcko District and entities and a district conduct administrative forest governance through relevant forest ministries.

Officially, in the FBiH entity, according to the existing Law on Forests from 2002, the forests are governed by Federal Forest Administration with head offices in Sarajevo, and coordinating the Cantonal Forest Administrations. The forests governance is conducted by the cantonal public companies (Forest Economic Company), organised in nine Cantons (although no company for Posavina due to lack of forest area).

The organisation of forests in Republic of Srpska is unique, and RS Ministry for Agriculture, Forestry and Water Management founded by the RS Forestry Agency is governing the forests.

Forest governing in BiH is regulated by entity laws on forests. Other laws additionally deal with the natural resources' protection matter (Law on Nature Protection, Law on Environmental Protection, Law on Water, Law on Hunting, Law on National Parks), as well as some strategic documents such as National Environmental Action Plan (NEAP), as well as numerous Local Environmental Action Plans (LEAP) and National Strategy and Biodiversity and Landscape Diversity Protection Action Plan that are under preparation.

Besides the entity laws on forests, this area is regulated by environmental entity laws on nature protection in FBiH and RS, entity nature protection laws as well as entity laws on hunting.

2.1.1. Overall Forest Policy

A Forestry program will be developed in both entities, which would constitute the basic document defining participative, comprehensive, inter-sectoral and permanent processes of planning, implementing, monitoring and evaluating forestry policy with the aim of achieving the sustainable forest management of all forest property modules, together with an action plan for its implementation, developed by relevant ministry and adopted by the governments and parliaments. The Forestry Program is to be developed on the basis of the forestry development strategy which is under preparation in BiH. Hence neither the Forestry Program nor the Forestry Development Strategy have been yet adopted at entity level.

BiH forests are governed by the principle of sustainable productivity, meaning that the sustainable system of forest communities and its habitats is supported. The governance is inclined towards the natural forests renewal, providing the introspective diversity and the overall protection of all forest values. This scientific approach is generally part of forest governance tradition. The system is elaborated in detail and is a part of all management plans, i.e. forest-economy foundations and executive projects. The forest-economy foundations are developed for

every forest-economy area for a 10-year period and represent the basic document for planning forest management

The forest-economy areas are divided into economy units, and the realisation of the management system, and based on geological-pedological and composition characteristics these units are further divided into departments and sections. The size of the department varies depending on the terrain characteristics and it is 50 hectares, in average. The forest governance concept has a long tradition (has been developed for more than 100 years) and is entirely in compliance with international criteria of sustainable forest governance.

In accordance with the BiH Federation Law on Forests, the Minister contracted the transfer of forests management and governance to the cantonal ministries relevant for the forestry issues.

There is a Federal forestry administration formed within the Federal ministry of agriculture, water management and forestry, with the function of planning the forestry development and there are cantonal forestry administrations formed within the cantonal ministries, having the function of planning and administrative supervision over governing state and private forests. In the BiH Federation, Assemblies of all ten cantons form one forest governance association in the territory of one canton each. The cantonal minister competent for forestry issues contracts the transfer of governing state forests for the period of five years and the association is reporting to the cantonal ministry for all their activities.

Republic of Srpska Forest Agency is responsible for:

- developing long-term program of managing karst and the program for utilising other forest products,
- monitoring the implementation of planning documents and maintaining their register,
- implementing the forest inventory in big areas,
- maintaining the record and the cadastre of forests and forest land,
- monitoring the health condition of forests,
- monitoring the spending of special purpose funds for forests,
- expert coordination of private forests affairs and supporting measures for private forest owners,
- performing general, forest-development and hunting planning,
- providing information on the market of wood and other forest products,
- cooperating in applied research,
- implementing standards
- transferring knowledge in forestry,
- promoting interest groups in the process of planning and sustainable management of forest resources of all property modules.

According to the new Law on Forests in the RS, from 2008, and on the basis of special contract concluded with the Ministry,, part of forest land management (the use of forests and forest land owned by the Republic, including the obligation of conservation) is performed by the public forestry company „Forest of Republic of Srpska“ and through their organisational components comprising the company. The use of forests is defined as cutting trees, production and transport of forest assortments, use (collection) of other forest products, as well as trade with wood and other forest products.

2.1.2. Government National Action Plan for Combating Illegal Activities in Forestry

On the basis of Petrograd declaration, adopted at the Ministerial conference on conducting the Law on forests and management, two entity ministries have created compatible Action plans for suppressing illegal activities in the sector of forestry and wood industry in FBiH and RS.

In 2005 an **Action Plan** to Combat Illegal Activities in Forest and Wood Processing Sectors in Bosnia and Herzegovina was developed for both entities. The Action Plan aims to embrace all types of illegal activities in the forest sector including theft and corruption-related crime. In its scope description it identifies the latter issue as more serious in terms of “causing damage and financial losses”. Its main strategy is that “...illegal activities cannot be fully eliminated relying only on regulation; lasting results can be achieved only if the enterprises themselves demonstrate a will to pursue this goal. Another key strategy is to increase the cost of illegal activities through improved control and provide incentives for legal suppliers (e.g. by improving market access through certification).

The Action Plan is adjusted to various specifics of the two entities in Bosnia and Herzegovina, Republic of Srpska and Federation of Bosnia and Herzegovina. Distinction on entity level is necessary considering the fact that entities have the management jurisdiction over natural resources. The need for various approaches arises from the differences in administrative structures, regulations on the sale of wood and measures already enacted by entity governments.

The goal of the action plan is suppression of all forms of illegal activities in the forestry sector, including theft and corruption. In the sense of causing damage and financial losses, illegal activities such as corruption constitute a serious problem. This form of illegal activities may include bypassing legal provisions on forest management, falsifying data on loggings, trade, and other data emanating from forestry companies.

The Action Plan is currently limited to suppressing illegal activities that refer to business dealings of the public forestry company and the company for semi-final and final wood production.

Action plan is comprised of two main action directions:

1. enhancement of the external control (strengthening the inspection control as well as strengthening the institutions that conduct the control of the legitimacy in this area themselves), and
2. internal development of the public forestry companies.

The attitude that supports this report is that the illegal activities can not be entirely eliminated solely with regulations; more permanent results can be achieved only if the forestry companies commit themselves to meet the set objectives. The key strategy means suppressing illegal activities through improved control and support towards the legal suppliers (contractors and buyers), for example by improving the access to market through certification and transparent way of selling forest wood assortments.

Implementation of the action plan³

Activity	Responsibility for implementation	Time frame
1. External control		
1.1. Defining institutional structure for the control function in the forestry sector.	Government of Republic of Srpska	June 2006
Establishing the Republican administration for inspection affairs on the entity level that includes all inspection services. To form special department for natural resources through the Book of Regulations on internal organisation.		
1.2. Separation of responsibilities between the Forestry and hunting and other inspection services (for example, market and financial inspection), with the aim of eliminating failures and overlaps when it comes to control of purchase and wood processing;	Government of Republic of Srpska	June 2006
1.3. Increasing the number and training the staff and other resources that would be available to the Forestry and hunting inspection, in accordance with the mandate and responsibilities of this body;	The proposal should be submitted by the Inspectorate and approved by the Government of Republic of Srpska	June 2006
1.4. The continuation of the cooperation between the Republican forestry inspection and EUFOR with the aim of supervising the transport of wood and supply of the wood-processing industry; improvement of coordination and further development of control procedures;	The proposal for the improved should be submitted by EUFOR and the Republican forestry inspection	June 2006
1.5. The joint cooperation between EUPM and the RS police with the purpose of fighting illegal activities in the forestry and wood industry sector;	The cooperation proposal should be submitted to EUPM by relevant ministries	June 2006
1.6. The cooperation with EU-CAFAO with the purpose of strengthening the customs service in the sense of discovering the wood exporting activities and import and export reporting; with the task of conducting the control of exporting wood and wood products;	Proposals should be submitted to EU-CAFAO and the BiH Council of Ministers by relevant Ministries;	September 2006
1.7. Strengthening cooperation with judicial bodies (courts and prosecution offices), to ensure serious consideration of suppressing illegal activities efforts in these activities;	The cooperation proposal should be submitted to the Ministry of justice by the Ministry of agriculture, forestry and water management and Republican	September 2006

³ This Action plan is for Republic of Srpska and similar one exists for Federation of Bosnia and Herzegovina

	Inspection Administration	
1.8. Development of the forestry state analysis and assessment of the type and scope of illegal logging and export of illegally cut logs; estimation of financial losses of the Government; combining the mentioned assessment with financial control;	Formulation of the proposal by the relevant Ministries	December 2006
1.9. Conducting independent inventory and assessment of companies – users of wood;	Formulation of the proposal by the Ministry of economy, energy and development and Market inspection	December 2006
1.10. Conducting independent assessment of control mechanisms efficiency in the forestry sector, including the functioning of Prosecutor's office and judiciary.	Head institution for public sector audit	December 2008
2. Internal development of the Public forestry company "Forests of Republic of Srpska" a.d. Sokolac		
2.1. Redundancies, transfers and hiring new staff in order to ensure the competitiveness of company's management and company uninvolved in illegal activities;	PFC "Forests of Republic of Srpska"	After the revision is completed
2.2. Implementation of centralised public competition methods and other market based mechanisms for forming prices for the sale of wood to all private companies; this should be extended to the sale of wood to the state owned wood-processing companies, so till the end of 2008. we have at least half of the wood that originates from the state owned forests, sold by means of these methods; this ratio should reach at least 70% by the end of 2009;	PFC "Forests of Republic of Srpska"	Ongoing process
2.3. Ensuring the strict compliance with regulations that refer to public procurement except in extreme cases when sufficient number of service suppliers can not be identified through reasonable efforts or quick reaction is needed (for example. the contractor for cutting the wood in the areas struck with diseases);	PFC "Forests of Republic of Srpska" Formulation of instructions for exceptions by the relevant Ministry in cooperation with the Ministry of Justice	To be implemented immediately June 2006
2.4. Diminishing possibilities for financial frauds in the following manner:	PFC "Forests of Republic of Srpska"	Already implemented
a. Demanding paying off debts in the reasonable period of time and rejecting new deliveries;	PFC "Forests of Republic of Srpska"	
b. Cease of sale of wood to unregistered saw mills;		
c. Ban of compensation to commercial companies;		
2.5. Implementation of principles of corporate management in accordance with the Law on public companies and standards of corporate management; development of management system (including those referring to the legal obligations of the director), internal control mechanisms and procedures that promote the sustainability of the forest activities and transparency (for example, implementation of standards for management of forests	PFC "Forests of Republic of Srpska"	Development process to start in the middle of 2006

and the control of line of supervision, certification of these systems, accounting, evidencing, information management);		
2.6. Establishing the system for collection and dissemination of relevant information on forest management and the sale of wood (for example, list of areas planned for cutting, list of buyers and the amounts to be delivered, detailed annual report, etc.) in the form of available to public (for example on the internet).	PFC "Forests of Republic of Srpska"	End of 2006
2.7. Development and institutionalisation of the procedures for the revision of forest management in the Public forestry company in cooperation with stakeholder groups;	PFC "Forests of Republic of Srpska"	End of 2007
2.8. Performing the independent impact assessment of internal development programs in the Public forestry company.	Head institution for public sector audit with the support of the international community	End of 2008
3. Parallel and supporting activities		
3.1. Conducting the National forest inventory;	Ministry of agriculture, forestry and water management	Preparation process ongoing
3.2. Formulation of the National forestry policy (NFP); integration of "Action plan for suppressing the illegal activities in the forestry and wood industry sector" in NFP;	Relevant Ministries State FSC working group	End of 2008 Ongoing
3.3. Promotion of certification of managing forest resources;		
3.4. Closing down wood industries that work without appropriate permits;	Market inspection	Immediate implementation
3.5. Conducting the liquidation and bankruptcy for the wood processing companies;	Relevant Ministries	Immediate implementation
3.6. Privatisation of remaining state owned wood – processing companies and furniture factories ;	RS Government and bodies in charge of privatisation	Ongoing process
3.7. Ensuring the political parties' liabilities to publicise their sources of financing, to justify their expenses and revenues and to have the annual audit of their activities conducts – regulated by the Law on financing the political parties;	RS Government	Ongoing implementation
3.8. Ensuring that the government officials and elected politicians publicise their property and source of income – implementation of the Law on conflict of interest;	RS Government	Immediate implementation
4. Implementation of the agreement		
4.1. Allocation of the monitoring and coordination jurisdiction and ensuring the timely implementation of the Action plan to the most relevant Ministry within the Government of Republic of Srpska;	RS Government	May 2006

4.2. Allocation of the jurisdiction of mobilizing the international funds and other resources to the state Ministry of Finance and Treasury for supporting the implementation of the Action plan.	RS Ministry of Finance through the Ministry of Finance and Treasury	June 2006
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The Action Plan to Combat Illegal Activities in Forest and Wood Processing Sectors in Federation of BiH is adopted in March 2006 and in Republic of Srpska in April 2006.

Even that short term analysis of the implementation of this Action Plans is produced and adopted by Republic of Srpska government (N/A for FBiH) that analysis is not available for public. Several reports on actions done within this action plan were published in media articles but without big impact on state of forests in general.

2.1.3. Government Initiatives Targeted on Illegal Logging Reduction

The forestry sector in BiH was affected by the war affairs; during and immediately after the war illegal logging was very common. The control mechanisms were re-established after the end of conflict and the protection of forests from illegal activities has improved. But the weakness of the legal structures, unstable economy and the low living standard have caused the occurrence of other types of illegal activities, that also comprises the corruption of civil servants. Illegal activities in the forestry sector mainly mean sale of wood by the Public Forestry Company and further chain of activities from the buyer to the user of wood, due to non compliance with legal regulations.

Although the scope of illegal activities in the forestry sector is not precisely established, all stakeholders agree that this problem demands special attention. To point out the seriousness of the situation and dedication towards problem solving, entity governments formulated the Action Plan for Suppressing Illegal Activities in the Forestry and Wood Industry Sector. The plan shall be enforced within the agreed time frame and its progress shall be monitored in cooperation with all stakeholder groups.

The fight against illegal activities cannot be carried out in isolation, but needs to be closely coordinated with the forestry policy measures in a broader context and in direction towards improved governance. For example, improved implementation of the public procurement method would increase the transparency of the sale of wood. However, the procurement policies are also connected to the decision on privatising the remaining state owned wood-processing industry. Establishing the centralised governance controls would facilitate the control over illegal activities and reforming the police and strengthening the judiciary would contribute to the law enforcement in the forestry sector.

Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), seeks to reinforce the push for good governance in developing countries and linking this with legal instruments and leverage offered by the EU internal market. A number of countries around the world are pursuing illegal logging and forest governance initiatives at the national level. The two Entity governments of the Federation of Bosnia and Herzegovina and the Republic of Srpska have become increasingly concerned with forest sector governance and illegal logging. Supported by the World Bank, the Entities were formulate an action plan to target illegal activities in the forest and wood-processing sectors, including theft and corruption. The European Commission has upped its fight against illegal logging by pledging €4.5m to the EU Forest Law Enforcement, Governance and Trade (FLEGT) facility at the European Forest Institute (EFI). The money will be used to back the process of negotiating and implementing Voluntary Partnership Agreements (VPA), bilateral trade agreements between the EU and wood exporting countries. These agreements are designed

to improve forest governance and introduce national verification systems checking the legality of timber imports into the EU.

2.2. Legal Framework

Bosnia and Herzegovina do not have a Forestry Ministry on state level and the same situation is applicable regarding the legal framework, which has been established on entity level.

The Law on Forests in FBiH

The Law on Forests in FBiH⁴ regulates preservation and protection of forests, strengthening its ecological functions, forestry planning and governance, economical functions, financing renewal and upgrade of forests on the territory of BiH Federation (hereinafter Federation), surveillance over law enforcement, penalty and other issues related to forest governance. Forests and forest land, as goods of general interest, enjoy special concern and protection by Federation and the cantons and are used under conditions and in a way regulated by this law. The forests and forest land are natural resources with values manifested through ecological, social and productive function of forests.

The new Law on Forests is currently being drafted and its adoption and will replace the earlier law from 2002.

Law on Hunting in Federation of Bosnia and Herzegovina⁵

This Law regulates the organisation of hunting and hunting areas, hunting and use of game and its parts, hunting areas cadastre, hunting-economical foundation and planning, hunting area ranger service, administration and inspection surveillance over the implementation of this law.

Law on Forests in Republic of Srpska⁶

The RS Law on forests regulates the policy and planning, governance and management of forests and forest land, protection of forests, financing and forest value, cadastre of forests and forest land and forest information system, property-legal issues, as well as other significant issues for the forest and forest land with the purpose of improvement and sustainable use of forests and forest land and development of forests.

Law on Hunting in Republic of Srpska⁷

This Law regulates the governance over hunting resources, ownership over game, systematic categorisation and protection of game, hunting areas, planning in the area of hunting and hunting cadastre, hunting and use of game, prevention and reimbursement of damage from game and on game, means for improving the hunting and personnel involved.

Apart of these laws, in both entities there is **environmental protection laws, nature protection laws and law on national parks in RS** (in drafting stage) which in some parts regulates forestry issues in the large context of nature protection.

⁴ Official Gazette of F B&H, No. 20/02; 29/03, 37/04

⁵ Official Gazette of F B&H, No. 4/06

⁶ Official Gazette of Republic of Srpska, No. 75/ 08

⁷ Official Gazette of Republic of Srpska, No. 60/09

- **Environmental protection laws in both entities** regulate this matter stating the following: Preservation of biosphere comprises the protection of living organisms, their communities and habitats, taking into consideration the preservation of natural processes within their habitats and natural balance, providing sustainability of eco-systems. The use of biosphere can not be done in a way that violates natural processes and conditions for biodiversity and presents dangers for its sustainability.
- **Nature protection laws in RS and FBiH** equally regulate the basic conditions for environmental protection and sustainable development of nature and environment, especially in terms of: a) renewal, protection, preservation and sustainable utilisation of ecological natural balance, b) renewal, protection and sustainable utilisation of renewable natural resources, c) renewal, protection and sustainable utilisation of nature and revitalisation of damaged areas and parts of nature , d) establishing the system for planning, administration, information and financing the nature protection, e) Establishing the inter-entity and international cooperation in the domain of environmental protection, f) public participation in the area of nature protection, g) realisation of goals regulated by the Nature protection Strategy, h) harmonization of economical and social development plans and projects with up keeping all existing renewable natural resources, and) diminishing the utilisation, overload and pollution of species (animals, plants, mushrooms) and their habitats.

2.3. Institutional Framework

At the state (BiH) level there is no institution/body responsible for forests. From time to time each of the entities has worked with specific state-level ministries as their representatives for international treaties and conventions that impact BiH's forests. Early in 2005 the Department of Agriculture, Water Management and Forests was established within the BiH Ministry of Foreign Trade and Economic Relations, but it is currently unclear what role that office will have on forest and wood sector activities. The lack of a national-level focal point for the sector frustrates policy development, coordination of legislation that affects forest management and privatization of forest companies and wood processors, and even impacts ownership for the National Forest Inventory (Kirmse and Mott, 2005).

The overall responsibility for administering government-owned forest lands in the FBiH is with the Ministry of Agriculture, Water Management and Forestry (MAWF). Project Implementation Unit (PIU) is formed under the MAWF, with the task to implement the Forestry Project. PIU tasks are project implementation, coordination of project activities and monitoring.

In the RS it resides in the Ministry of Agriculture, Forestry and Water Resources (MAFW). Within each of the two ministries a forestry department is headed by an Assistant Minister. A small technical staff is housed in the department. Project Implementation Unit (PIU) is formed under the MAFW in 1998, with the task to implement the Forestry Project. PIU tasks are project implementation, coordination of project activities and monitoring.

In the FBiH, forestry activities are administered regionally through 10 cantons. Each canton has an administrative structure similar to the federal-level administration with each canton having a minister in charge of a cantonal-level MAWF and its own forest inspection service.

Under the FBiH's 2002 Forest Law one cantonal forest company/enterprise (CFC) will be responsible for administering the forestry activities within each forest management unit as outlined in the annual management plans. As of the end of 2004, according to a USAID-commissioned paper (Haziabdic, 2004a), only 6 out of 10 cantons had established a Cantonal Forest Companies (CFC). In any case, the new law's implementation seems to vary throughout the FBiH.

Forest administration in the RS is funded through the Ministry budget allocated for the entity. In the FBiH cantonal forest offices are financed through a 0.1% tax on all forest business activities in those cantons. The Cantonal Forest Companies are largely financed by their own revenues generated from the forest operations they oversee.

The above institutions are responsible for state-owned forest lands used for commercial purposes (e.g., production forests). Forested lands within national parks and protected areas (app. one percent of the total land area in the country) are under the jurisdiction of the Ministry of Regional Planning and Environment in the FBiH and the Ministry of Science, Technology and Culture in the RS.

Law enforcement inspection in the area of forestry and hunting is conducted by the Republican Inspection for Forestry and Hunting within the Inspectorate of Republic of Srpska, i.e. Republican Inspection Administration. As for Federation of BiH, there is an Inspectorate for forest inspection performing duties and tasks from the jurisdiction of federal inspection administration. Cantonal forest inspections perform inspection supervision over the implementation of regulations regulating the forestry area (law on forests, as well as related bylaws).

2.4. Monitoring and Control System

2.4.1. Task Force

There was no permanent state body in BiH for monitoring the forestry sector and temporary bodies comprised of representatives of relevant ministries and public companies are formed on an ad hoc basis and mainly within projects initiated by World Bank, USAID and others.

In the mid 2010, Ministry of Foreign Trade and Economic Relations of BiH formed the Working Group for planning and coordination of international aid in the sector of agriculture, food industry, forestry and rural development.

Planning and coordination of international aid comprises set of activities and mechanisms developed by the Sector for agriculture, food industry, forestry and rural development in order to achieve maximum of international aid in accordance with strategic documents and sector priorities. Non existence of international aid coordination system, as well insufficient coordination within the international community in BiH in the previous period of time have diminished the efficacy and the results of invested funds.

There is a Working group formed for planning and coordination of international aid within the Sector of agriculture, food industry, forestry and rural development in BiH with the aim of overtaking activities in the process of efficient development of relevant area, with the clear determination to coordinate and direct donor's aid in realisation of priorities defined in the Strategic plan for Bosnia and Herzegovina for harmonisation of agriculture, food industry and rural development (2008-2011).

The Group is tasked to systematically monitor programming and the realisation of aid, collect observations on all relevant partners, update databases on international aid and plan organisation of donor's meetings. With the aim of planning and coordination of aid, the Ministry cooperates with the Ministry of Finance and Treasury of Bosnia and Herzegovina within which the Sector for coordination of economic aid performs this function and the Directorate for European Integrations where this function is performed by Sector for coordination of European Union assistance.

There is a permanent working body active in the area of environmental protection "Inter-entity body for coordination in the area of environment", with certain advisory and coordination role in the area of protection of forest eco-systems.

2.4.2. Permanent Government Bodies

Supervision and monitoring of the forest management plans is controlled by the Forest Inspection Services (FIS). The FIS, reporting directly to the ministerial forest departments, are charged with monitoring and inspecting forest-related activities regularly to ensure compliance with the Forest Law and relevant regulations. Control system is regulated as an internal and external control of the public forestry companies.

Project implementation units in forestry were established in both entities tasked with implementing, coordinating activities and monitoring of forestry projects.

2.4.3. Legal Procedures

A special department has been established in the State Investigation and Protection Agency that deals with state crime. The forestry is an important sector in most of the European states and it is mainly regulated on the state level. This is not the case in BiH and BiH is also marked by inefficient institutions, legislative gaps and inter-sector problems.

The problem in FBiH is in the fact that the competent control and supervisory institutions are not adequately empowered and efficient, including the police and the judicial system. Cantonal forestry administration has forest protective responsibilities, submits penalty and criminal reports to competent bodies against illegal logging offenders, but since the reports are not processed, there no disincentives for repetitive forest offences.

The situation in RS Forestry sector is similar to that in FBiH. An additional drawback is that the RS Forestry Company does not have the public authority meaning that the courts do not process penalty reports submitted by the staff of the RS Forestry Company. Reports can only be submitted by forest inspectors detecting offences in the field. Since there are only 14 inspectors, the whole system is inefficient. Logging in the private forests is normally carried out without first acquiring an appropriate license since the administrative costs involved for issuing a license represents about 20% of the cost of exploitation of the private forest. The problem is also that the forest keepers are in connection with the police in some locations and such activities are hard to prove. Discussion is ongoing about how to address these problems, which most likely will include amending the Law on Forests and the Law on Jurisdictions.

2.4.4. Shortcomings of the Present System

The unusual characteristics of Bosnia and Herzegovina's central system are coupled with administrative shortcomings, which are reflected in the government's policymaking, public finance management and human resource management functions. Whereas there is some clarity as to the accountability and roles of the state and entity-level government systems, the relationships of accountability at entity-municipal level in the Republic of Srpska and the entity-canton-municipal level in the Federation are often convoluted. This negatively affects the functioning of services where the roles are often overlapping, or accountabilities are shared without sufficient distinction as to the financial, legislative and executive powers and responsibilities.

Information flow in complicated political and social system is an obstacle for communication and coordination of activities. In order to overcome these shortcomings it is necessary to achieve the improved governance in the society as a whole, especially addressing weaknesses in the judicial system and addressing high-level forest related corruption.

80% of all forest area in BiH is state owned. State ownership over forests is dominant in comparison to other European countries. As an owner the state can conduct its management and governance policy with no limitations. The war has had the worst impact on forestry in terms of leading to the territorial dispersion of forests. The politics of short term and local interests prevail in many forest companies as they are clustered.

According to the FBiH Official Gazette, dated April 2007. there are over 2000 saw mills in the BiH, mostly illegal ones. 1300 is situated in the territory of BiH cutting, processing, selling and exporting wood illegally and the state benefits in no way.

Illegal occupation of the forests and forest land is also a problem that is existing.

As for the illegal export of logs, its scope is something that is very hard to establish considering the great number of illegal border crossings especially on Drina river. It is evident that the illegal export is conducted from BiH to Italy, Slovenia and other European countries as well as to Albanian and Greek market through Serbia.

3. CONCLUSIONS AND RECOMMENDATIONS

Actions should not be limited to regulation. Stakeholder's commitment is essential and lasting results can be achieved only if the stakeholders, in particular public forest enterprises, demonstrate a will to meet the objectives, plus the improved interwoven activities of the control bodies.

Combating illicit activities is not an isolated activity but part of broader forest sector policy work and general efforts to improve governance in the country.

The majority of the activities will be implemented under on-going projects and programs, supported by the international community and national, entity and cantonal governments.

As the poverty is the main driver for illegal forests harvesting, particularly of firewood, some greater social changes shall have to take place in order to supervise this, no matter how small scope of the illegal logging activities; high firewood consumption: legal supply does not meet the demand: allowable cut should be increased by 30-50% & policy dialogue on alternative sources of energy is needed.

As for the corruption there is a need to reduce bureaucracy, ensure transparency, take antimopoly measures, remove administrative hurdles, i.e. amend relevant legislation in many of their segments.

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