

ENFORCING ENVIRONMENTAL LAWS FOR STRONG ECONOMIES AND SAFE COMMUNITIES

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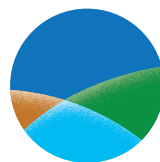
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ABBREVIATIONS AND ACRONYMS

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COP	Community of Practice
DGF	Development Grant Facility
EITI	Extractive Industries Transparency Initiative
ENRLE	Environmental and Natural Resources Law Enforcement
FLEG	Forest Law Enforcement and Governance
GAC	Governance and Anti-Corruption
IBRD	International Bank for Reconstruction and Development
ICCCWC	International Consortium on Combating Wildlife Crime
ICT	Information and Communications Technology
IDA	International Development Association
IUU	Illegal, Unreported or Unregulated [Fishing]
MDG	Millennium Development Goals
NRM	Natural Resource Management
PDR	People's Democratic Republic
PEPs	Politically Exposed Persons
UNODC	United Nations Office on Drugs and Crime
VPU	Vice-Presidential Unit
WBG	World Bank Group

Ongoing consultations were undertaken in the development of this roadmap. A Community of Practice was established in 2012 to engage Bank staff across regional and network VPUs. This community—the Rangers—has been instrumental in providing input and feedback on this roadmap, culminating in a full consultation on the first draft during SDN Week in March 2013. Their contributions are gratefully acknowledged. The Roadmap was prepared under the guidance of the Environment Sector Board, with special thanks to Sari Soderstrom and Magda Lovei.

Consultations in the context of the WBG's role in the ICCWC partnership also helped inform the roadmap. Other people, representing a broad range of stakeholders, including civil society, academia, the private sector, and other development partners, were also consulted in the formulation of this roadmap.

The Roadmap was prepared by a team comprising Valerie Hickey, Bill Magrath, Julian Lee, Klas Sander, and Marilyne Goncalves; with support from Elisabeth Mealey, Jim Cantrell, Sara Thompson, and Juliette Guantai.

Note: All dollars are U.S. dollars unless otherwise indicated.

EXECUTIVE SUMMARY

This roadmap for environmental and natural resources law enforcement (ENRLE) sets forth a course of action for the World Bank's ENRLE Community of Practice for FY2013–15. It outlines for senior management a strategy to mobilize and strengthen the Bank's engagement in the fight against environmental and natural resource crime, an issue that has significant detrimental effects on the economic, social, political, and environmental stability of our client countries. The roadmap also serves as a mobilizing tool for staff and management in regional departments to demonstrate the importance of ENRLE and to outline the menu of solutions that the Community of Practice (COP) can offer to strengthen our clients' fight against environmental and natural resource crime.

Recent spikes in poaching, in illegal logging, and in illegal, unreported, and unregulated (IUU) fishing have amplified the already urgent need for action. These crimes increase poverty, shrink prosperity, and magnify social and political tensions that undermine healthy communities and strong economies. Investment returns in wise environmental and natural resource law enforcement can be high.

Criminal activities that affect the environment and natural resources are on the increase and pose an increasingly serious threat to development. Data and analyses reviewed by the World Bank's Community of Practice on ENRLE begin to show the magnitude of illegal logging, poaching of wildlife, trade in endangered species, wildland arson, criminal toxic releases, and other environment and natural resource–related crimes. They also show the diversity of the criminal threat, ranging from small-scale, artisanal crime that arises from poverty and inequities to growing problems of organized transnational criminal networks and enterprises using corruption, money laundering, technology, and other sophisticated methods to exploit persistent weaknesses in resource management and law enforcement. All World Bank client countries suffer from these crimes and are underserved by existing international law enforcement institutions and available mechanisms for support, capacity building, and operational cooperation. Vulnerability to environment crimes is often deepened by overarching problems of governance, corruption, and weaknesses in accountability at the national level.

Environmental and natural resource crime is common, but in many countries it is rarely prosecuted. The very elements that make these crimes possible—that natural capital is undervalued, seldom properly guarded, and often has unclear or contested ownership—also compromise prosecution.

This Roadmap FY2013–15 builds on recently scaled-up support for ENRLE¹ that includes project commitments on the order of \$50–60 million per year. Along with investments, the Bank supports advisory and analytic work and leadership in regional and international processes and dialogue. While the Bank is not a law enforcement agency, its established programs to support natural resource and environmental management and to safeguard global public goods, its commitment to strengthening good governance and to fighting

1 The coverage of ENRLE falls within investments in the natural resources sector and includes IDA/IBRD investments coded as agriculture, fishing, and forestry; environment; public-administration; and other investments that are directly related to governance and criminal justice.

corruption, and its partnerships with key law enforcement agencies such as Interpol and Europol give it an opportunity and responsibility to do more.

This report discusses how the World Bank Group (WBG) will mobilize to work better on ENRLE. Recognizing the evolving global context, a new and fully mobilized Community of Practice will put more emphasis on building a constituency within the WBG to work on the range of ENRLE issues, on building the capacity of WBG staff to provide investment and technical assistance on ENRLE, on strengthening analytical work to develop a pipeline of ENRLE investments, and on fostering demand among clients for Bank investment in ENRLE.

Chapter 1 THE EVOLUTION OF A ROADMAP

The World Bank has historically tended to avoid direct involvement in criminal justice matters. Interestingly, and importantly, this has led the Bank to support innovations in natural resource policy, addressing problems in a way that is not labeled law enforcement. The most important example of this is social and community forestry, which grew out of concern with problems of illicit grazing and uncontrollable theft of firewood across much of South Asia. Since the 1980s, World Bank support for a redefinition of law enforcement problems as poverty reduction and development challenges best addressed through local community participation and tenure reform created a new paradigm for resource policy that has helped the lives of hundreds of millions of people.

In the past several years the Bank began to reconsider its engagement with issues of corruption and criminal justice. With the recognition of “the cancer of corruption” as a major obstacle on development, and later with a broadened understanding of poverty as a vulnerability, including exposure to crime, the Bank has opened up to more-direct involvement in criminal justice work, and specifically to ENRLE. The Bank General Counsel’s various legal opinions—more specifically, the *Legal Note on Bank Involvement in the Criminal Justice Sector* (February 2012) and the staff guidance notes on *Financing of Fisheries Enforcement Activities* (2010) and on *Support for Criminal Justice Activities* (2012) issued by the Legal Department—have clarified the Bank’s scope for engagement and opened the way for investment in fisheries law enforcement projects, analytics, and nonlending services in relation to anti-money laundering, stolen asset recovery, and other law enforcement support.

The World Development Report 2011 demonstrated how global threats—transnational organized criminal activity, corruption, the illegal trade in natural resources, the laundering of

the proceeds of crime, and tax evasion—affect governance and development outcomes across the developing world (World Bank 2011a). If they are to be effective, country-level efforts to tackle these threats have to be backed by international cooperation and collective action. The World Bank’s global governance and anti-corruption (GAC) agenda stresses and seeks to support this cooperation and mutual accountability. Given the scope of its operations and its relationships with a range of stakeholders and actors on the global stage, the Bank is well positioned to play a strategic and catalytic role in improving the governance of global initiatives, whether it is protecting the global commons, safeguarding the integrity of transnational flows of money, or guarding against illegal trade in natural resources (World Bank 2012).

A range of global threats can significantly impede efforts to improve governance and development gains at the country level, including the illegal trade in natural resources. In 2008, resource rents accounted for around 7 percent of global gross domestic product. While more than 50 Bank clients are resource-rich, many are also low-income, fragile, or in a post-conflict period. Resource wealth provides an opportunity to stimulate economic growth in these countries and advance sociopolitical progress and achievement. Yet there are serious governance risks that contribute to countries experiencing a paradox of plenty—a situation where abundant resource wealth is accompanied by poor governance and high levels of poverty. The Bank’s aim is to help ensure that such natural resources are used correctly and to address issues of exploitation. To date, this effort has included continued support for increased coverage and implementation of global governance initiatives that address specific natural resource management (NRM) issues, such as the Extractive Industries Transparency Initiative (EITI), the Forest Law Enforcement and Governance program (FLEG), and

Reducing Emissions from Deforestation and Forest Degradation. It has also entailed efforts to strengthen corporate governance of companies that are involved in natural resource extraction in foreign countries (World Bank 2012).

Many types of activities support sustainable NRM regimes and good governance. ENRLE is an additional narrow specialization that addresses reducing criminal activities that target and exploit natural capital, as well as helping to identify the criminals and criminal groups who are involved. Despite past efforts, World Bank client countries continue to suffer from environmental and natural resource crime and are underserved by existing international and domestic law enforcement institutions and available mechanisms for support, capacity building, and operational cooperation. Across the developing world, criminal activities are an increasingly serious threat to inclusive green growth and shared prosperity and to the conservation of natural resources and the environment. Data and analyses reviewed by the World Bank's Community of Practice on ENRLE has highlighted the magnitude of illegal logging, poaching of wildlife, trade in endangered species, wildland arson, criminal toxic releases, and other environment and natural resource–related crimes. Their work also identifies the diversity of the criminal threat, ranging from small-scale, artisanal crime that arises from poverty and inequities to growing problems of transnational criminal networks and enterprises using corruption, money laundering, and other sophisticated methods to exploit persistent weaknesses in resource management and law enforcement. Many World Bank client

countries have paid scant attention to this escalating problem or have been powerless to address the challenges in a sustainable manner. Many efforts to support countries have not established long-term solutions, which has created a cycle of mistrust and apathy by some stakeholders.

Several elements combine to give the World Bank a unique comparative advantage to help its clients address environmental and natural resource crime. First, the Bank has expertise in anti-money laundering, customs enforcement, fraud and corruption investigations, trade, justice sector reform, and environmental law. Second, it is well versed in designing long-term financing and technical assistance, which is important given that law enforcement is often short-sighted and emphasizes seizures and captures rather than underlying issues related to prevention and detection. Third, the Bank is well positioned to facilitate dialogue among stakeholders and create inclusive networks for more effective ENRLE, as its participation in the International Consortium on Combating Wildlife Crime (ICWC) demonstrates. And finally, the Bank brings to the table a poverty focus that seeks to ensure that ENRLE targets organized crime rather than hurting the subsistence activities of the poor. As a result of these factors, the Bank is already the largest development assistance provider on ENRLE.

This roadmap outlines how the World Bank will mobilize internally to provide support to our client countries as they build their law enforcement capacity in support of sustainable NRM regimes.

Chapter 2 THE IMPACTS OF ENVIRONMENTAL AND NATURAL RESOURCE CRIME

Environmental and natural resource crimes are widespread and severe, and they directly undermine sustainable natural resource regimes and the strong economies that depend on them. As such, they mirror other crimes, for which the negative relationship with development has been conclusively established (see, among others, World Bank 2011a, 2011b; Heinemann and Verner 2006; Ayres 1997). Crimes affecting natural resources and the environment inflict damage on developing countries worth more than \$70 billion a year. In addition to their economic impacts, these crimes undermine efforts to promote sustainable development and lasting poverty reduction, further alienate and marginalize already disadvantaged communities, breed corruption and distrust in civil authorities, and pollute the supply chains of legitimate natural resource-based businesses.

Environmental and natural resource crime impedes progress in a wide range of important areas of concern, including environment, poverty reduction, governance and the rule of law, trade and customs, and investment climate. As the use of natural resources constitutes the foundation of many poor people's livelihoods, crime depresses incomes and well-being. Many poor people are caught in a vicious cycle of being forced to unsustainably exploit the very resources they depend on for their incomes, often times in contravention to the law. In many cases, however, external actors are responsible for illegal resource extraction. For example, illegal, unreported, and unregulated fishing off the coast of West Africa by far-off nations consumes some 37 percent of the total catch, risking the fishery's collapse and affecting the livelihoods, safety, and food security of local fishers and coastal communities (Valdmanis and Akam 2012), not to mention the loss to the national treasury.

Environmental and natural resource crime directly undercuts development by undermining institutions and fueling corruption. Criminals take advantage of states' weakness and inability to govern and control their territory. As a result, they have a vested interest in preventing countries from developing and building effective state institutions (Haken 2011), which harms key areas for development, including the investment climate and public service provision. Since these crimes rely on state powers "looking the other way," they inherently fuel corruption and elite capture: Where there is a lack of economic opportunity, people are easily enticed to engage in crime, and officials are easily bribed to facilitate smuggling. Environmental and natural resource crime also provides liquidity for corruption that further drives poor decision making. This not only occurs at a micro-level, such as when a government official intercepts looters, but it extends to higher levels of government and financial systems that are abused for money laundering purposes.

Environmental and natural resource crime frequently deprives developing countries of scarce income. The Environmental Justice Foundation estimates that Guinea loses \$105 million worth of fish to pirate fishing yearly, Sierra Leone loses \$29 million, and Liberia, \$12 million. In illegal trading, few monetary resources flow into the source country. In one case, Indonesian loggers received \$20 per cubic meter of illegal timber, which Malaysian businesspeople subsequently sold for \$200, leaving 90 percent of revenues outside the source country (Haken 2011). Lost income—whether private, in the form of lost wages or depressed prices in legal markets due to increased supply, or public, in the form of forgone taxes and royalties where legal markets exist—is something most developing countries can ill afford, as these funds are by definition unavailable for investment in productive development purposes.

Environmental and natural resource crime is often also linked to insecurity, instability, and violent conflict.

In Cambodia, Liberia, Côte d'Ivoire, and the Democratic Republic of Congo, illegal timber helped fund armed conflict, further benefiting timber traffickers who profited from the instability (Oksanen et al 2006). Sudan's Janjaweed militia slaughtered hundreds of elephants for ivory in neighboring Chad to purchase arms for use in Darfur (Begley 2008). According to Interpol and the U.S. State Department, Somali warlords and Al Qaeda-affiliated elements have sponsored elephant and rhinoceros poaching to generate income (Wyler and Sheikh 2008), as has the Lord's Resistance Army in Uganda (Gettleman 2012). This blood ivory destabilizes near and far-off nations while undermining the development of local communities.

Environmental and natural resource crime undermines the sustainability of investments in the natural resources sector and raises the cost of sustainable landscape or seascape management.

The World Bank invested \$1.18 billion on biodiversity conservation between fiscal years 2001 and 2011, the majority of which supported protected areas. These public investments are being liquidated by criminal elements, at the cost of sustainable NRM regimes and public goods protection. Having to repeat the investment and rebuild the public sector and community capacity necessary to use it in the aftermath of crime is doubly expensive.

Environmental and natural resource crime leads to environmental degradation.

In some cases, the very survival of a species is at stake. Some of the world's most iconic species and ecosystems—including rhinoceroses, tigers, elephants, tropical rain forests, and coral reefs—are threatened with extinction and destruction because of crime and related corruption. But the effects can also be more indirect. For example, deforestation, especially when conducted illegally and in the absence of good forest management practices, can contribute to soil erosion, increased rainwater runoff, risk of flooding, reduced groundwater recharge, and diminished local resilience against the effects of climate change.

Environmental and natural resource crime is rampant and largely goes undetected and unpunished.

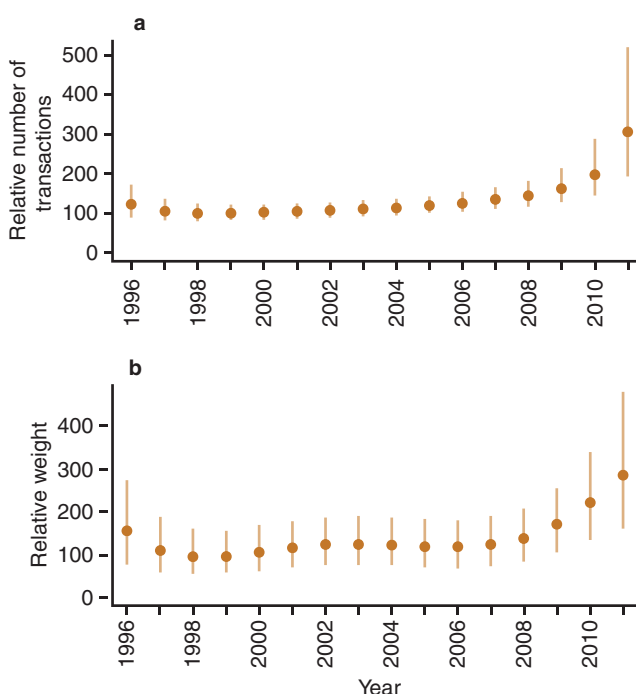
Natural capital is often undervalued, unguarded, and suffers from an absence of clear ownership. Moreover, natural capital is rarely mapped or counted, thus making its disappearance difficult to confirm. Laws in many countries, even when they do cover environmental crime, apply penalties that do not serve to deter the crime. Often treated as civil crime, fines—even when applied—are rarely of an order to reverse a very favorable risk-reward balance that is currently and overwhelmingly on the side of the criminal.

Chapter 3 A TAXONOMY OF ENVIRONMENTAL AND NATURAL RESOURCE CRIME

Illegal logging. Illegal logging includes a wide range of activities associated with the misuse of timber resources. In most countries, specific forms of illegal logging include timber theft from public or private forests, evasion of timber taxes and royalties, and felling of protected trees or trees outside of designated areas. Smuggling of stolen timber, falsification of documents related to timber harvest and transport, violation of forest practice regulations, and many other infractions both civil and criminal can constitute illegal logging in some jurisdictions. Illegal logging is believed to cost developing countries on the order of \$5 billion per year in lost timber revenue alone, while the overall global trade is estimated to range between \$7 billion (Haken 2011) and \$15–20 billion (Goncalves et al 2012; Seneca Creek Associates and Wood Resources International 2004). Estimates are that suspicious material may constitute as much as 23–30 percent of the global supply of industrial hardwood and that the availability of illegal material depresses global wood products prices by 7–16 percent.

Wildlife poaching and trafficking. The global illicit wildlife trade has been estimated at between \$7.8 billion and \$10 billion by one source (Haken 2011) and at between \$22 billion and \$32 billion by others (Europol 2011). For the past 10 years there has been an exponential growth in illicit trade in wildlife, driven mostly by increasing affluence in Asia, where there is an appetite for the rare and exotic. Figure 3.1 illustrates the best estimates currently available for the increase over recent years in the level of illegal shipments of elephant ivory from African countries by volume and number of incidents. The most lucrative trade is in animal products that include elephant ivory, tiger bones, Tibetan antelope, rhinoceros horns (which can fetch prices higher than that of gold [Guilford 2013]), and exotic birds and reptiles. The European Union is considered the primary market for illegal wildlife, but China and the United

FIGURE 3.1: Elephant Trade Information System’s Estimated Trends in Ivory Trade, 1996–2011 (Transactions Index and Weights Index aggregated over ivory classes and countries with 90 percent credible intervals)



Source: Underwood et al 2013.

States also constitute important destinations (Europol 2011). For some species, poaching and illegal collection of live animals has driven numbers so low that their very survival is at risk. Much of the most popular groups of species for trade in Southeast Asia have been collected to the point where they are so scarce that it is no longer commercially viable to try to find them in the wild. These include freshwater turtles, for example, and collection for trade in these species has now shifted to Africa and the Americas. Poaching for protein provision—the bushmeat trade—is mostly a domestic

practice and may not be considered illegal in some countries, but its value and impact can be significant on ecosystems, conservation, and human health. Estimates of its value in West and Central Africa range from \$42 million to \$205 million (Davies 2002).

Illegal fishing. Illegal, unreported, or unregulated fishing is facilitated by the fact that once fish have been landed it is almost impossible to determine their origin, making it easy to place illegally caught fish into regular markets. Estimated global economic losses from IUU fishing range from \$4.9 billion (Haken 2011) to \$23.5 billion per year (Agnew et al 2009). Sub-Saharan Africa alone is estimated to lose more than \$1 billion per year, and Southeast Asia some \$3 billion. As with wildlife and forest products, the largest importing markets for IUU fish are the European Union, Japan, and the United States, with China and South Korea also believed to be significant destinations.

Toxic waste disposal. The increasing spread of modern industrial manufacturing processes has outpaced the ability of regulatory authorities in many developing countries to keep pace with the generation of hazardous byproducts and waste. Controls on waste disposal in some countries have generated concentrations of poorly regulated recycling enterprises where workers and communities are exposed to high concentrations of hazardous substances. Indications reveal that organized crime networks in source countries are involved on a massive scale in channeling waste to countries such as China, India, Ghana, and Kenya.

Arson. Illegal use of fire, primarily for land clearing, but also in association with hunting, is one of the most widespread environmental and natural resource crimes. It has major consequences in both industrial and developing countries. In the latter, the illegal use of fire by agro-industrial interests is associated with land grabs and encroachment.

Direct criminal activities related to environmental and natural resource crime are often supplemented by cascading crimes of a secondary nature but with no less an impact on development. Especially with large-scale crime, diligent and aggressive prosecutors can often establish culpability under many diverse statutes that reinforce, or can even replace, charges related to the underlying natural resource crime. Examples include false declarations, tax evasion, fraud, and conspiracy.

Corruption. NRM authorities in many countries have wide discretion, operate with minimal supervision and oversight, and are exposed to many temptations and inducements to endorse or overlook crimes and infractions. Public resource taxation, pricing arrangements, an absence of transparency and discipline, weak technical planning, and other problems create space that private enterprises and politically protected interests can use to capture and exploit economic rent in corrupt payments. In some countries entire natural resource bureaucracies are built and operate on the basis of systems of corrupt side payments at the expense of public revenues and environmental sustainability. Many links in the chain from harvest to consumer rely on government approvals and the issuing of licenses and permits. This interface between government officials issuing permits and those exploiting the resource generates major and frequent opportunity for corruption to flourish.

Money laundering. As indicated, environmental and natural resource crime generates enormous sums of money. Those acting near the acme of the criminal networks as well as the corrupt officials exercising control over concessions, licenses, and other arrangements use a range of methods, often complex, to disguise the illegal origins of their profits. Under commonly accepted international standards,² such efforts constitute money laundering and are themselves criminal offenses in more than 150 countries. By extension, regulated financial institutions are obligated to monitor suspicious transactions that could involve money laundering and are themselves subject to penalties for failing to report or being party to illicit transactions.

Smuggling. Much of the criminal harvest of natural resources affecting developing countries involves illegal international shipments. Some of this trade is controlled by specific international agreements (the Convention on International Trade in Endangered Species of Wild Fauna and Flora [CITES]), the Basel Convention, the Montreal Protocol), while other movements are criminalized by national legislation of either or both countries of origin and destination. Depending on the product, smuggling can involve concealment, mislabeling, forged or falsified documentation, or other methods. Differences in legislation and practice between countries can be serious impediments to controlling smuggling.

2 See the recommendations of the Financial Action Task Force at www.fatf-gafi.org.

Chapter 4 THE ROLE OF LAW ENFORCEMENT

Law enforcement programs consist of measures to prevent, detect, and suppress crime. Criminologists define crime prevention simply: it is the disruption of the mechanisms that cause crime. For most countries, combating environmental and natural resource crime is not currently a priority and often remains overlooked and poorly understood, despite the actual and potential scale and consequences. Environmental and natural resource policies and laws and their enforcement have not, or not always, kept up with the changing levels and patterns of trafficking in fauna and flora. Underdeveloped legal frameworks, weak law enforcement, and poor prosecutorial and judicial practices, as well as a lack of understanding of the different factors that drive wildlife and forest offenses, have resulted in valuable wildlife and plant resources becoming threatened by, among other things, illegal logging, illegal trade in timber products, and poaching and trafficking in animal parts, derivatives, and plant material. The high demand for timber, wildlife, animal parts, and plant material around the world has led to large-scale illegal logging, harvesting, and poaching operations. Illegal trade in protected fauna and flora offers opportunities to make significant profits because it supplies goods that are considerably cheaper than legally sourced material. Illegal trade can also be an impediment to developing long-term legal industries. The gaps in domestic and international control regimes, difficulties in identifying illegal commodities and secondary products, and intricate trafficking routes have resulted in the inability to effectively curtail the trade (UNODC 2012b).

The criminal justice system has been used in the fight against environmental and natural resource crime, but

with only limited success. Moreover, in the few cases where it has been used it has tended to target low-level criminals whose involvement in illegal activities is needs-based and often for subsistence rather than trade. As such, it has created no real deterrent and has encouraged skeptics to further discount the relevance of environmental law enforcement in general and criminal justice methods in particular. Large-scale illegal operations are carried out by sophisticated criminal networks, and law enforcement actions need to be focused on the masterminds behind these networks and the high-level corrupt officials who enable and protect them. Pursuing these important targets through the criminal justice system will require creativity and a clear focus on the criminal justice rules and procedures that prove most effective (Goncalves et al 2012).

To be effective, law enforcement needs to look past low-level criminals and look at where the profits from environmental crime go. By following the money trail, and using tools developed in more than 170 countries to go after “dirty money,” criminal justice can pursue criminal organizations engaged in large-scale illegal operations and confiscate any ill-gotten gains. The criminal networks operate outside geopolitical boundaries and rapidly move their operations when law enforcement in a particular national jurisdiction gets close to them. There is an urgent need to focus law enforcement investigations across these networks in a coordinated way, which requires rapid and trusted cooperation between countries. Unfortunately, such cooperation is far less likely for natural resource crime, as this is not a priority for most governments’ enforcement agencies.

Chapter 5 The WBG Portfolio

The World Bank is now the largest provider of development assistance for combating environmental and natural resource crime.

A 2006 estimate found that the World Bank was financing over \$310 million in investments for forest law enforcement and governance alone (World Bank 2008). A more recent review found that the level of funding had remained more or less constant, with ongoing commitments at around \$300 million supporting 39 projects covering forestry, fisheries, and wildlife law enforcement. Of this, \$201 million has been devoted to crime prevention, with relatively little to suppression, and \$95 million goes to crime detection efforts. Specifically, the Bank has financed such diverse ENRLE work as the establishment of a forest police agency in Lao People's Democratic Republic; a series of projects across South Asia on wildlife law enforcement; a series of fisheries law enforcement projects in West Africa; park and protected areas ranger operations and training and equipment, as well as log tracking and chain of custody systems in Liberia; and a forest crime detection and case tracking system and independent forest crime monitoring in Cambodia and other countries.

In addition to its investment operations, Bank analytic, due diligence, and partnership work addresses environmental and natural resource crime.

Dialogue with the Government of Lao PDR during planning of the Nam Theun II Hydroelectric Power Project, for example, secured more-effective control of illegal logging and poaching of wildlife in the project area. The Bank's program of support to financial sector integrity is helping to bring anti-money-laundering tools to bear in addressing ENRLE. The Bank initiated the concept of forest law enforcement and governance with its sponsorship of the first East Asia Ministerial Meeting on the subject in 2001, followed by similar meetings in Africa, Europe, and North Asia. With funding from the European Union, the Bank set up

the European Neighborhood and Partnership Instrument, a FLEG program that supports governments, civil society, and the private sector in Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine in the development of sound and sustainable forest management practices, including the prevention of illegal forestry activities.

Nonetheless, a portfolio review revealed several weaknesses, not least of which is an absence of broad and deep technical expertise at the World Bank to provide quality control on issues related to environmental law enforcement.

This has resulted in operations that are less than fully satisfactory and often disburse slowly. For example, the regional International Development Association (IDA) operations to support law enforcement in South Asia are moving much more slowly than expected.

The portfolio review also highlighted the absence of transnational, regional, and global activities to facilitate developing countries' access to international cooperation in support of their domestic efforts to tackle environmental and natural resource crime.

The Bank cannot substitute for cooperation between states, but it must enable states to cooperate more effectively—first by promoting inclusive networks that respond to the needs and constraints of developing countries and, second, by enabling cooperation between national authorities at an operational level, such as by providing information, facilitating contacts, or playing an honest broker role. The Bank can also play a valuable role by helping bring together international organizations to tackle issues of common concern and by supporting concerted action. The Bank has begun to play this role collaborating with the CITES Secretariat, the World Customs Organization, Interpol, and the United Nations Office on Drugs and Crime (UNODC) in ICCWC.

Lessons from the last several years of implementation have been integrated into this roadmap (see Box 5.1). These lessons have relevance to broader themes across all regions. They are taken from a brief review of the WBG portfolio performance in ENRLE since 2000.

The best ENRLE can only happen in the context of a suite of sustainable NRM investments. NRM operations across sectors provide the singular vehicle to introduce ENRLE. Whether in forestry, fisheries, biodiversity, or land management, ENRLE is a narrow specialization important to facilitate the success of the broader NRM portfolio. Similarly, ENRLE in the absence of investments in achieving sustainable NRM regimes cannot be successful.

As much as NRM operations provide the vehicle to introduce ENRLE, ENRLE needs to adopt practices and lessons from existing specializations within the Bank, from anti-money laundering to trade facilitation. ENRLE activities must tie in with the Bank's broader NRM and GAC agendas and should take advantage of expertise and experience in other specializations across the Bank. The organization has a cutting edge anti-money-laundering specialization in the Finance and Private Sector Development Vice-Presidential Unit (VPU). The Bank also has a wealth of experience in customs modernization, trade facilitation, and investigation of fraud and corruption in Bank-financed projects. Additionally, the Bank is a leader in environmental law and in supporting countries to develop comprehensive regulatory frameworks for environmental management.

There is a financing gap in ENRLE. The Bank's current portfolio of up to \$300 million fails to tackle the quickly growing demands for support against environmental and natural resource crime. Nonetheless, this catalytic financing has unearthed the larger demands in client countries and has provided opportunities to show proof of concept.

Partnerships will be key to the success of the ENRLE agenda. The Bank is not a law enforcement agency. However, as a development institution, it is forward-looking and an expert in project design and long-term financing. Conversely, while law enforcement institutions have the technical expertise from crime scenes to court cases, they tend to be reactive and often suffer from a failure

of long-term planning. Combining both skill sets will be critical to furthering the agenda in pursuit of countries' domestic agendas. Similarly, civil society has an important role to play as crucial partner to achieve ENRLE.

Law enforcement in general—and ENRLE in particular—is misunderstood. The objective for the ENRLE agenda is to strengthen mutual accountability to protect national assets and domestic revenues in low-income countries with weak institutions against global threats. This highlights the development imperative of the agenda, focusing on the protection of developing countries' vulnerable assets: their natural resources and the resources managed by the public sector. Instead, too often ENRLE is seen as an enforcement-only approach that is blind to the need-greed dichotomy.

This misunderstanding often leads to an assumption of reputational risk associated with ENRLE investments. The strengthening of country institutions remains central to the larger development agenda, and ENRLE works to do this. In this sense, it carries no more risk than other institution building undertaken at the Bank. Moreover, the ENRLE agenda is about supporting developing countries' efforts to tackle environmental and natural resource crime through the effective implementation of international standards and by facilitating their access to operational-level cooperation, in particular on law enforcement and criminal justice. Again, these activities do not uniquely carry reputational risk.

The Bank's support to ENRLE has been warmly welcomed internationally and by client countries. The Bank's role was applauded by the Parties to CITES during the 16th Conference of the Parties in Bangkok in March 2013. And the president of the African Development Bank sought out the World Bank's assistance to address demands from their clients to deal with an increase in elephant poaching in African elephant range states.

The global public good dimension of ENRLE is too often ignored. There are no effective systems in place to respond to what is an international problem. The World Bank is set up to effectively work on global public goods by promoting linkages between global initiatives and the Bank's work at the national level. The Bank's support, through the Development Grant Facility (DGF), to ICCWC is a down payment on testing how to do this.

BOX 5.1: Lessons Learned from the Design and Operational Aspects of ENRLE Investments

Improve domestic, public sector cooperation. Domestic cooperation between agencies involved at different stages of the fight against environmental and natural resource crime should be strengthened so as to coordinate action and maximize resources and expertise. Actors in the environmental and natural resource sector should actively engage in the broader effort to increase the effectiveness of forest law enforcement through investigations, prosecutions, and the confiscation of criminal proceeds.

Enlist the private sector. When looking into the financial dimension of environmental and natural resource crimes, financial institutions and other entities obligated to report suspicious transactions to financial intelligence units need to be fully mobilized. This can be done through implementing due diligence measures and by monitoring transactions made by politically exposed persons (PEPs)¹ and actors in the sector.

Engage civil society. Nongovernmental organizations need to be engaged as powerful partners who can help governments, law enforcement, and the judiciary to combat environmental and natural resource crime. In many countries, civil society has already played an important role in detecting large-scale forest crimes, in increasing awareness of the extent and impact of illegal logging, and in conducting studies on the forest law enforcement system.

Develop an integrated criminal justice strategy. To be effective, the strategy must target high-level corruption and the companies that pay bribes. It must aim for successful investigations, prosecutions, and the confiscation of the proceeds of crime. Policies should give priority to major illegal cases and should devote the necessary resources to ensure that competent practitioners with the required tools and expertise can take on these cases.

Include criminal justice as part of development assistance programs and country assistance programming. Making criminal justice a component of development assistance strategies will help countries receive the support they need to address the challenges related to forest law enforcement.

Proactively target vulnerabilities and significant offenders. Instead of using the criminal justice system to fine or imprison low-level criminals for regulatory offenses, law enforcement, investigators, and prosecutors should target major crimes and serial offenders.

¹ PEPs are those entrusted with public functions, their relatives, and close associates. Enhanced due diligence applies to PEPs in recognition that by virtue of their position there is an increased risk of money laundering.

Consider all applicable offenses, not just regulatory environmental offenses. In addition to regulatory offenses, environment and natural resource management officials, investigators, and prosecutors should consider the many different crimes that may have been committed. Identifying all offenses as early as possible in the investigation will provide more options for prosecutors in bringing the case forward.

Follow the money. Criminals can be convicted of money laundering related to many different predicate crimes. Furthermore, asset confiscation deprives criminals of the fruits of their crimes and makes it more costly for them to continue their operation.

Enforce anti-money laundering and due diligence requirements. Regulators should strictly enforce know-your-customer and due diligence requirements—particularly those for enhanced due diligence in the case of transactions of PEPs and suspicious transactions within the environmental and natural resource sectors.

Employ all available criminal tools to address these complex crimes. Special investigative techniques like electronic surveillance, undercover operations, and witness protection measures are critical tools.

Improve international cooperation. Law enforcement, investigators, and prosecutors should increase their efforts to cooperate with other jurisdictions. When necessary, they should make formal mutual legal and administrative assistance requests as established in treaties or international conventions like the UN Convention against Corruption, or they may wish to make informal peer-to-peer requests for information and assistance.

Reform and modernize export procedures in trade facilitation projects. Trade facilitation seeks to improve the quality of control while endeavoring to reduce the burden on legitimate traders. This can involve enhanced risk management, information exchange with foreign customs agencies, the use of information and communication technology (ICT), anti-corruption measures, awareness raising of trade requirements, compliance strategies, and quality management of customs brokers. To date, Bank trade facilitation projects largely concentrate on import procedures, but a broadening to export procedures could improve controls in producer countries of illegal natural resources.

Source: Goncalves et al 2012.

Chapter 6 THE WORLD BANK GROUP SUPPORT FOR ENRLE FY2013–15

MOBILIZING THE COMMUNITY OF PRACTICE

In response to the evolving and volatile context of the illegal, unreported, and often unregulated trade in environmental services and natural resources, we have to adapt our approach to law enforcement within the Bank to meet the needs of our clients.

Building a constituency of support for ENRLE within the World Bank

Key Actions:

- Develop and execute an annual workplan for knowledge-sharing events.
- Develop communications products to mobilize understanding of the ENRLE field.
- Present on ENRLE at key WBG events, including during Annual Meetings and sector weeks.
- Develop a mission statement that succinctly says why ENRLE matters to the Bank and captures the intention of the COP.

Building Bank technical capacity in ENRLE

Key Actions:

- Identify areas of ENRLE expertise that need improvement, such as intelligence-led policing, anti-money laundering, forensics capacity building, and development of guidance to strengthen application.
- Map the existing specialties—in anti-money laundering, environmental law, customs modernization, fraud and corruption investigation, trade facilitation, and so on—within the Bank and mobilize these resources in support of the ENRLE agenda.
- Use this gap analysis and mapping to develop and execute a learning program in association with the WBG Community of Practice in Criminal Justice.
- Establish a Global Expert Team consisting of representatives from across VPUs who will be involved at least 50 percent

of their time, plus a dedicated variable budget, to provide quality control and design ENRLE inputs across the NRM portfolio.

- Provide ongoing training and learning events for the broader Community of Practice.
- Develop an expert advisory panel from outside the Bank that can volunteer time to review, guide, and comment as necessary.

Strengthening country dialogue, identifying projects, and improving ENRLE project quality

Key Actions:

- Increase the emphasis on monitoring and evaluation in ENRLE operations to understand how to structure global responses to sustain and scale up impact beyond individual country operations.
- Design protocols, with the Development Economics Unit, the Agriculture and Environment Sector, and the Legal Sector, to perform diagnostic work on the state of natural resource crime as part of project preparation for all investment operations in the NRM sector.
- Convene quality enhancement workshops in collaboration with task teams working on ongoing ENRLE operations, including the South Asia Regional IDA Wildlife series (Nepal, Bangladesh, and Bhutan) and work in Madagascar concerned with management of stocks of rosewood and ebony.
- Explore the frontiers in methodologies (including in ICT, the deployment of drones, DNA analysis, intelligence-led policing, and so on) and how they can be applied in client countries.
- Develop, in association with the Development Economics Unit, a developmentally oriented research agenda on conservation criminology and explore Bank sponsorship of a workshop bringing together criminology researchers, law enforcement practitioners, and civil society organizations.

Fostering demand from our clients to enhance investment prioritization of law enforcement

Key Actions:

- Dedicate a budget for staff time and travel as a pre-investment facility to support task teams as they prepare projects and foster demand for sustainable NRM regimes.
- Leverage existing specializations to guide sector dialogue and improve our future project pipeline, including tying future actions in with broader Bank governance and anti-corruption work, especially focusing on NRM.
- Mainstream attention to ENRLE across sector and financial strategies, such as the GEF-6 biodiversity strategy.

Providing global leadership by linking conservation criminology to global law enforcement responses

Key Actions:

- Strengthen the WBG role in ICCWC, including, but not limited to, providing continued financial support from DGF. Specifically, in FY2014 the COP will:
 - Work with ICCWC to develop a set of ENRLE Law Enforcement Indicators that will be, among other things, the starting point for a revision of the ICCWC Forest and Wildlife Crime Assessment Toolkit.
- Integrate DGF-financed country analytic work by UNODC in Peru and Bangladesh into improvements in the design and implementation of Bank-financed operations.
- Starting with the Lao PDR Protected Areas and Wildlife Project operation, facilitate use by Bank task teams of support for pre-investment work by INTERPOL available from a grant from the European Commission.
- Through support to the Africa Region for the implementation of the Global Environment Facility's Medium Size Grant project on Fighting against Wildlife Poaching and Illegal Trade in Africa, contribute recommendations on strengthening national, regional, and global architecture for wildlife criminal intelligence and further facilitate the application of innovations in DNA forensic work to the understanding of ivory poaching and smuggling.
- In collaboration with the Task Force against Money Laundering in Central Africa (the regional Financial Action Task Force-style body for the Economic and Monetary Community of Central Africa, consisting of Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon), the COP staff from the Financial Market Integrity Group will lead a study to better understand illicit financial flows related to wildlife crime in the subregion.

- Contribute a study on the global financing needs for improved ENRLE to the summit on wildlife law enforcement planned for early 2014 by the U.K. government.

RESULTS WE WILL HELP OUR CLIENTS ACHIEVE

We will continue to support our clients' progress toward the Millennium Development Goals (MDGs), but we will also monitor indicators being tracked as part of the IDA/IBRD corporate score-card. The selected MDGs reflect the global targets of clients and development partners, not what we would achieve alone with our FY2013–15 program, but they are important to monitor, following the direction of causality of contributions from project-level indicators, to sector performance, to reductions in poverty and hunger (see table 6.1).

Going forward, the Community of Practice will focus on two tenets of ENRLE: addressing the causes of crime and building the capacity of law enforcement authorities.

To address the underlying causes of structural crime, we will focus on:

- *Rural poverty reduction and empowerment of disenfranchised groups.* We will do this by ensuring that projects addressing land tenure issues harden transactions to bring them in line with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forest and by ensuring that greater support to community-based resource management approaches and resource tenure reform are woven into operations.

TABLE 6.1: Results We Will Help Our Clients Achieve

TARGETS/INDICATORS	
1. High-level results our clients are striving to achieve (MDGs)	
Ensure environmental sustainability	Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources Reduce biodiversity loss
2. Sector-level results that contribute to reducing poverty and hunger	
Environmental services	Reduce the rate of average annual deforestation and increase the proportion of fish stocks within safe biological limits
3. Examples of project-level results projected in FY2013–15 that contribute to improved sector performance (attributable to project implementation)	
Forest and tree cover	Hectares of forest and tree cover area under management plans
Land	Population and number of land parcels with use or ownership rights recorded; land area where sustainable land practices have been adopted

- *Reduction of corruption in natural resource agencies.* This will require developing and promoting anti-corruption techniques and ethics standards for environment and NRM agencies implementing Bank-supported projects, including, for example, asset disclosure requirements. We will also work with clients to introduce EITI standards to additional NRM sectors.
- *Better documentation of the value of the natural capital that is being lost and the rate of loss,* which will require economic valuation approaches.

To build the capacity of international and national authorities to execute law enforcement actions, we will focus on:

- *Training trade and customs authorities, prosecutors and judges, and financial regulators.* Specifically, we will apply diagnostic tools under the ICCWC Toolkit and other relevant

instruments to identify gaps in capacity and weakness in relevant legal and institutional frameworks. Simultaneously, we will identify and employ new technologies, including the use of DNA inventories to track illegal trade in natural resource goods (such as elephant ivory).

- *Building the capacity of national agencies for crime detection,* by, among other things, introducing the use of natural resource inventories and assessment. Security and transparency of natural resource stockpiles (such as ivory and rhino horn) will be reviewed and addressed to reduce corrupt practices.
- *Recovering illicit assets gained through criminal activities.* We will strive to introduce the use of environmental and natural resource crime as a predicate offense to anti-money laundering and accelerate the adoption of public revenue tracking.

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