1.1. General economic situation and conditions for illegal logging

Relatively hard economic situation in Serbia and high percentage of population that lives on the existence edge are main causes for illegal activates in all social fields. Forest represents especially suitable object for various illegal activities, since it takes wide area and it is practically impossible to ensure its protection. Every increase of protection degree immediately causes significant increase of forest management costs, which are economically unacceptable for public companies and forest owners.

Ownership of forests in Serbia is such that 51.5% (about 1250000 ha) is owned by State, and 48.5% (about 1150000 ha) is privately owned. State forests in Serbia are mainly located in greater estates in the mountain regions and historically overviewed they have been owned by State forever. Privately owned forests are in much smaller estates, and in very small real estate lots, located in urban areas, by villages and towns, most often in lower sea levels. Problems concerning illegal activities in private and State forests are different. This is caused by the location, different organization model, historical habits, economic force of the owner, attitude of the State and etc.

1.1.1. Logging without permission or concession from public forests

State forests are managed by public companies whose founder is the State. There are 2 public companies for forest management and 5 national parks. These companies have long tradition in forest management, significant personnel and technical potentials that provide high degree of protection against illegal logging and other activities. Companies are organized in three levels, but by the territory they are organized in 5 levels (company, management, forest administration, compound and area). The lowest level is practically covered by forest technicians that besides forests growing and protection perform forest security. There are 624 forest security guards currently employed in Serbia. By such organization, very good control and security of State forest is ensured. Forest security guards, by hierarchy, through engineers and managers achieve the communication with the local police and if needed with prosecutor's office. In the State forests the greatest number of illegal activities is related to wood theft and illegal hunting. Local population, elementary or organized in smaller groups, mainly commits theft. The theft is mainly committed in the forests located near villages and towns or in smaller estates that are surrounded by private forests. Smaller and isolated estates are harder to protect. The object of sealing most often is firewood, or technical wood of different quality. Illegal logging in State forests, which are managed by public company Serbia sume (manages about 90% of State forests in Serbia), was 12,007 m³ in 2003.

Illegal logging is most intense in forest managements that are boarding the territory of Kosovo and Metohija, where the access to boarding areas is hard, and those are Vranje, Kursumlija, Leskovac, Raska and Leposavic. The total registered quantity of illegal logging in this part of Serbia was 5,463 m³ or 45.5% of the total illegal logging in State forests in Serbia, in 2003.
1.1.2. Wood theft or illegal logging from private forests

Private forests represent more complex problem. Private owners are not organized, average area of forest estate is 0.3 ha, owners mainly live in towns, and there is no organized security service for private forests. On the other side, it is very often that the owners themselves unlegitimly log and harvest their forests, in order to obtain some income necessary for living. System for private forest management is so organized, that there is a service for managing these forests, which is financed by the State budget, and whose main activity is marking the trees for logging, by the requirement of the forest owner, issuing the documents for trafficking and giving some skilled help to owners. This service annually marks for logging about 800,000 m³ of mainly firewood. This is also the officially registered quantity of harvested wood in private forests. However, the estimate is that the logging in private forests is much greater, even more then twice, or closer to 2 million m³ of wood. Legally logged wood in private forests is mainly used for further sale, mainly to population in the town areas. Illegally logged wood, in the sense that it has not been logged with the adequate skilled preparation is mainly used by rural population as firewood. This wood is being transported on short destinations, from forest to village, in tractors, where the trafficking control is rear. These loggings are not innocent since there intensity is such that there are clear logging, or too high intensity logging, which make the bad situation in private forests even worse.

The second problem of private forests is wood theft. Security service for private forests do not exist. Practically, the owners themselves are obliged to secure their forests, and in the case of theft the police is competent. Theft is mainly committed by the population of near by villages or by organized groups. It is committed in the forests whose owners do not live any more in villages but they migrated to towns, so many of them never get to know that they have been robbed. In the mentioned activates the appearance of organized groups has been noticed. There is a great number of legally registered stores that bye the certain quantity of wood on the stump from forest owners, deceiving them about the price and quantity, and then mainly do the clear logging on the place. Owners mainly do not make a check up of the place after the logging, but they are just satisfied with the money they have received for wood. It is very hard to resist to such appearances, since there are no adequate mechanisms for protection of private forests owners. Police rarely intervenes adequately when the thefts are concerned, forest inspections are not competent, and security service for private forests does not exist.

The exact data for the quantity of illegal logging in private forests does not exist, since the great number of the owners did not even report the theft. It is hard to give any estimate, but is evident that there is a slightly increasing trend of these thefts.

1.1.3. False declaration of volumes, species, values or origins of harvested wood

Estimated value of illegally harvested wood in State forests is about 55,000 US$ (2003). In the element structure of harvested wood the firewood is dominant, with the participation of about 90%, while other wood elements (technical wood) participate with 10%.
For significantly greater quantity of illegally harvested wood in private forests, its value is significantly greater than the value of illegally harvested wood in State forests. The estimate is that the value of illegally harvested wood in private forests was about 2.4 million US$, in 2003.

For performed illegal deeds, 1707 reports have been submitted, in 2003, but only 243 or 14% have been solved. This data points out the necessity for more accurate work of justice administration.

1.1.7. Obtaining logging authorization through bribes

Even besides law mechanisms that exist for the harvest control in the State and private forests, the corruption of different intensity in different regions of Serbia is present in every day practice. The estimate is that the most expressed corruption is in south and southeast parts of Serbia, that are very rich in forests but also with mainly rural population that has very low income for living. Besides that, on this region there is a great number of private sawmills, that supply themselves with wood from the nearby forests.

Wood sailing system in State forests is inefficient to prevent the corruption appearance. Even auctions that have been organized in last years, are inefficiently organized and with many problems and mistakes, and as such they do not represent an efficient mean to prevent the corruption.

1.2. What mechanisms are in place to monitor or estimate their importance

Competent authorities have estimated that the most efficient way to prevent the illegal logging is to disable the trafficking and sale of illegally harvested wood. The special attention is paid to the trafficking control. Based on the Law on forests, the wood should not be moved from the place of harvest until it gets suitable documentation and be marked with forest stamp. This concerns all forests with out ownership consideration. The costs for wood marking and issuing the documents in State forests are beared by companies, while in private forests the costs are beared by the State, and the job is done by the service for private forests management. In this way it is provided that there is no wood without proper documentation in traffic. Every wood that is in traffic without proper documentation, is treated as illegal and has to be submitted to law sanctions, and is very often confiscated. The control is done by forest security service, forest inspection, trade inspection and the police. Controls are done regularly, but are especially intense in fall, when the trafficking of firewood is the greatest. The whole system starts from the assumption that if the illegal harvested wood is impossible to sell, there is no motive for illegal logging. These controls mainly prevent the illegal wood transportation on longer distances and farther markets with lower degree of forestation, where is greater demand so as the price of wood. The transportation by rural roads is not forbidden, so it is easier to transport illegal wood on local roads. The appearance of forged documentations for transportation has also been noticed or that the documentataion has been provided by corrupting the competent forest official.
1.3. The volume of illegal logged wood

By the registered data about the illegal logging in State forests, so as based on the estimates received of competent experts for the real situation on the spot, the estimate is that the annual illegal logging or theft in the State forests is from 1 to 5% of the total harvest. In private forest this percentage of illegal logging is much higher and is over 50%.

2. Trade in product of illegal logging

Trade of illegally harvested wood, in the greatest measure, is performed on the market of Serbia. This especially concerns the firewood, and in smaller quantities the technical wood (sawnwood logs). The participation of illegally harvested wood in the export is insignificant, for the fact that the firewood is being exported in very small quantities, while the log export is under control of inspection service in the public companies and under customs service. Part of illegally harvested technical wood is exported as sawn wood. It is estimated that the participation of sawn wood produced from the illegally harvested wood is less than 1%.

Considering modest raw material potentials of softwood and oak wood in its forest fund, Serbia imports significant quantities of logs and sawn wood of these species. More than 95% is exported from Bosnia and Herzegovina. Considering the numerous law and custom regulation lacks in Bosnia and Herzegovina, but also the technical problems and weak equipment on some border crossings, the illegal log and sawn wood trade is present between Serbia and Bosnia and Herzegovina. Illegal trade of mentioned products is present mainly through greater quantity of imported wood than this declared in the documentation that follow the goods. The additional problem is unrealistically low unit price, and by that the total value of such goods. The estimate is that the value of so imported wood is less than 5%.

2.1.3. Other trade related falsification

Considering that there are no certified forests in Serbia by the principle of sustainable forestry, there are no legal or illegal products in traffic with falsified certificates.

3. Forest Law Enforcement, Governance and Trade Policies

Competent service for control of law or sub-law regulation changes in the field of forestry is Department for management supervision, which is the part of Forest management, in the Ministry for agriculture, forestry and waters. The activity of this service is performed through the synchronized activities of 5 departments for management supervision, located in Novi Sad, Belgrade, Kraljevo, Uzice and Nis. This service employs 85 forest inspectors that perform the control of forest law application. During 2003, 13963 supervisions have been performed. The illegally harvested property of 2281 m³ of technical wood has been confiscated. In this period 3279
requirements for law violation charges have been submitted, 30 reports for economic violations and 60 criminal charges. Based on applied measures, the fines as high as 10,000 USD have been set.

3.2. Official policies to reduce or eliminate illegal logging

Government of Serbia trys by numerous measures and changes of law regulations in the tax system to reduce illegal activities in the whole economy, and by that in the field of wood sale, to the lowest level. In that sense VAT has been adopted, that will be applied on 1st January 2005, which will in significant measure influence the decrease of illegally harvested wood trade. Of all other measures, especially significant are changes of custom nomenclature and its coordination with nomenclature of EU, which is due. In the jurisdiction field that regulate financial field the changes that will in significant measure influence the decrease the illegally harvested wood trade are due, as so through the increasing the penalty measures as by destimulating the companies whose activity is the sale of these products.