

Assessing the impacts of international timber procurement policies on the Forestry sector of Central Africa

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Overview of the forestry sector of Central Africa

The six forested countries of central Africa are: Cameroon, the Republic of Congo, the Democratic Republic of Congo, the Central African Republic (CAR), Gabon, and Equatorial Guinea. These countries cover a total area of 4,048,470 km² and the total population for the six countries is estimated at approximately 100 million inhabitants (UNPP, 2010). The Central Africa sub-region is generally characterized by very strong population growth, and the population is expected to double within 25 years.

There exists widespread poverty in the sub-region. DRC and CAR - which when combined represent more than 73% of the total sub-regional population - are classified among the lowest income countries in the world (GNI/inhabitant < US\$ 935, according to the World Bank ranking, 2010). Additionally, Cameroon and Congo are classified as lower middle income. Only two countries, representing a mere 2% of sub-regional population, are middle-income (Gabon) or high income (Equatorial Guinea). Complementing these raw economic figures is a generally high degree of disparity in distribution of national wealth - situating the management of forest resources in the Congo Basin against a background of ubiquitous impoverishment among its population.

The forestry sector of Central Africa

According to state of the forest report (De Wasseige et al., 2009), the formal forestry sector has played an important role in the Congo Basin since the colonial era. However, the sector's contribution to GDP has decreased gradually and consistently - especially for countries where the oil sector has been growing rapidly, notably in Congo, Gabon and Equatorial Guinea. According to data collected in ministerial departments in charge of economy and finance in the countries concerned, the lowest forest sector contributions to GDP are found in Equatorial Guinea (0.22%) and DRC (1%).

However, the consideration of the forestry sector's role in the national economy cannot be limited solely to its estimated contribution to GDP. For example, in spite of only being 6.3% of GDP, CAR's timber exports contributed 41% to national export earnings in 2007. In both CAR and Gabon, the forest sector is the second largest employer in the national economy after the state. Jobs in the forestry sector are of particular importance because a large proportion of employees come from surrounding rural areas. In Congo, for example, there are about 4,000 employees³ in the logging and timber sector in the provinces of Sangha and Likouala alone. In DRC, with very little rural employment in the formal sector, there are

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³ See 'The forests of Congo in 2008' chapter in this report.

15,000 direct jobs listed in the timber industry ⁴. In rural forested areas across the Congo Basin, the formal forestry sector is by far the largest private employer.

In 2007, the formal forestry sector in Central Africa produced about 8.4 million cubic meters of timber (De Wasseige et al. 2009). Gabon, with nearly 3.4 million cubic meters, is the largest producer followed by Cameroon (approximately 2.3 million m³). The smallest producer is DRC, with 310,000 m³.

Concerning timber products exports, unprocessed logs represent the largest product category exported from Central Africa. The largest producer of logs, Gabon, was also the largest exporter of this product, with nearly 53% of sub-regional log exports in 2007. These figures are likely to change by the end of 2010 as Gabon adopts a log export ban policy. The second largest sub-regional export is sawnwood. Cameroon is the only exception in the sub-region, where the volume of processed products exported surpasses that of logs. As mentioned above, this can be seen as a result of deliberate policy to encourage in-country wood processing.

The main destination of overall timber exports from Central Africa remains the European Union, although the importance of Asia is rapidly increasing. As an example, China has recently become the main destination for Gabonese timber exports.

Status of the FLEGT process

Because of the importance of the European markets for timber products exported from Central Africa, the FLEGT process is the most important procurement policies implemented by international markets, which is likely to have a widespread impact in the forest industry of Central Africa. The republic of Congo was the first country of Central Africa to sign a Voluntary Partnership agreement with the EU in April 2009, it was followed by Cameroon a year later. Currently formal negotiations are underway between the CAR and the EU with a target to reach an agreement before the end of the year 2010. Gabon and RDC have also sent letters of intention to the EU and negotiations are expected to begin during the last quarter of 2010.

The impacts of timber procurement policies: the Cameroon case

The FLEGT process started in Cameroon in 2004. The negotiations to reach the VPA started in November 2007 with a schedule to sign the VPA by the end of 2008. VPA negotiations are said to be completed but the agreement is still awaiting signature. The negotiations for the VPA focused on seven points:

1. The agreement implementation field: agreement on legislations and forest products to be taken into account
2. The legality verification system which includes: the national forest law enforcement system, the issuance of legality system, the monitoring system (database), the traceability system and the issuance of FLEGT licences
3. The establishment of an independent auditor
4. Procedures for verification and acceptance of FLEGT licences

⁴ See 'The forests of the DRC in 2008' chapter in this report

5. Modalities for the monitoring of the VPA implementation
6. Institutional arrangements
7. Financial mechanisms and supporting measures.

The VPA between Cameroon and the EU is quite ambitious as it intends to cover all products destined to all markets (EU markets, other international markets and the domestic market). It also intends to be audaciously transparent by putting information in the public domain which has been considered strictly confidential private information in the past. Before the VPA is implemented, the forestry administration will have to face a few challenges (Vandenhoute, 2009) some of the most important being:

- The adaption and field implementation of the national forest law enforcement strategy
- The recording of all data of the forestry sector in a centralized database
- To assure the monitoring of all cases of disputes
- To computerize all forest inventory results for all types of forest titles
- To monitor the bestowing of officially secured documents
- To build the human resource capacity of the MINOF staff in charge of forest law enforcement and monitoring.

Some of the pending issues that deserve solutions before the issuance of FLEGT licences in Cameroon include:

- What should be done of illegal forest products seized by the forestry administration and auctioned?
- How can the legality of imported wood products coming from countries that have not signed VPA be verified? This is for example the case of Gabon which is not progressing at the same pace as Cameroon with its VPA and from where Cameroon imports small quantities of Okoumé plywood each year.
- How can private initiative of forest certification be taken into account?
- How to improve transparency in all government administrations involved in the trade of timber products?

How can civil society organizations be involved in the implementation of the VPA?

The impacts of timber procurement policies

Market impacts

Cameroon's timber industry is very much dependent on European markets, about 74% of its exports value is made in EU markets. The link between national production and the EU markets has been strengthened since 2003. Cameroon introduced then a policy on log export regulation according to which a list of timber species was forbidden to exportation as raw logs. The log export regulation led to increase in local processing in the country, it is estimated that in 2006 for example about 95% of the total log production from the industrial sector in Cameroon were processed in the country. Contrary to Asian Markets, EU markets prefer processed products (mainly lumber) to raw logs.

Since the beginning of the process to adopt timber procurement policies that favor timber products from legal origin, logging/timber processing companies in Cameroon have not tried to divert to other markets that do not require proof of legality or sustainability, instead they have taken various initiatives to meet the requirements of the EU markets. A possible trade diversion to Asian markets may however now result from the effects of the financial crisis if the low export levels to Europe will continue and more demand can be tapped in Asian markets where logs are preferred over processed wood, but this is hopefully a temporary situation.

The prices of timber products exported from Cameroon have not been much impacted by the procurement policies. There are some reports that FSC certified timber products have received price premiums in the Netherlands and the UK, for example the price of certified Azobe lumber is said to have increased by about 5% in markets for public works in the Netherlands⁵. Cameroon is so much dependent on EU market where that if Cameroon is not capable of meeting the requirement on legality verification, these market would be jeopardized. In the other hand, Cameroon which is expected to implement a VPA and where FSC certified forests already exist would have a market advantage in Europe on other tropical timber exporters from Africa where the VPA are not expected to be implemented by 2012.

Costs impacts

- Government costs

In addition to the financial support provided by the EU, the government of Cameroon would spend about 1.5 million US\$ to facilitate the implementation of the VPA mainly on equipment. It is not expected that the government will hire new personnel exclusively for the VPA, but the current staff in different public administration will be trained to upgrade their capacities to deal with the new technological environment and the new procedures.

- Costs of producers

In aggregate, it would cost the timber producers of Cameroon about 35.6 million USD to meet legality requirement for the whole country as expected by the VPA and 52.53 million USD to satisfy the requirement of sustainability put forth by the procurement policies of some international markets in Europe and North America. About 80% would be supported by the industrial enterprises managing concessions. Nevertheless it seems very unlikely that the local communities and the municipal councils will be able to disburse the amount expected from them (9.3 and 1.3 million respectively) given their weak financial capacities and the level of poverty in the livelihoods. Donors, International organizations must intervene to keep these producers in the timber business.

Forest sector impacts

⁵ Personal communication with Yene Yene, Tropical Forest Trust in Central Africa

There has been considerable progress in recent years to move towards SFM in the management of forest concessions in Cameroon. In 2003, no forest concession was managed according to an approved forest management plan; in 2008 the number of concessions covered with approved FMPs was up to 65 covering a total forest area of 4.2 million ha. Moreover, a number of logging enterprises selling their products to EU markets have voluntarily applied for FSC forest certification or legality verification. Interviews with government officials suggest that there is a sharp decrease in forest infractions registered⁶ as time goes on, this trend is confirmed by Cerutti and Fomete (2008).

The government has engaged itself in a number of initiatives to improve governance in the forestry sector including the appointment of international NGOs (Global Witness in 2000 replaced by Resource Extraction Monitoring (REM) in 2005, both are UK-based) as independent observers to monitor forest law enforcement operations, the publication of an atlas that provides information on Cameroon's logging concessions (with Global Forest Watch of the World Resources Institute), and the signature of a VPA.

Forest industry

Without doubt forest enterprises engaged in certification have improved the efficiency of their field operations and have established internal auditing systems that monitor the whole production process. By shifting towards legality verification or forest certification, forest enterprises in Cameroon are facing an increase in production costs, however, the most important costs are related to compliance with the Cameroonian law than with auditing although additional costs related to changes in management practices are met in the case of forest certification.

Impacts on community forests

There is no impact on community forestry of procurement policies as yet because most products supplied from community forest are destined to the local markets. However, in the long run they should become participants in timber trade when the number of CF's increases and their capacity is improved. It is feared that if the procurement policies are widely applied; most community forest will go out of business because the costs of legality verification and sustainability certification are too high for them.

In 2008, 177 community forests were already allocated for a total area of 632,330 ha. Considering a cutting cycle of 25 years, 25,239 ha of community forests would be harvested each year if all the 177 community forests are active. Assuming that the harvest in a community forest is also equal to 7m³/ha, the annual national harvest from community forests would be about 177,052 m³/year. Statistics from the study presented by Lescuyer *et al.* (2009) suggest that the whole business chain from timber harvest to the delivery of sawnwood to the final consumer requires 0.15 job/m³ when artisanal logging and processing techniques are used as is the case of community forests. Thus community forest would provide 26,558 jobs

⁶ Personal Communication With the Director of Forests also confirmed by Vandenhoute (2009)

for rural (sawnwood production) and urban (selling) poor people. Currently, timber production from community forests is not monitored by the forestry administration and is part of the informal sector. Therefore if community forests are abandoned because it is too expensive for the communities to meet the costs related to legality verification, more than 25,000 poor people will go jobless, and even the urban middle-class Cameroonians who depend of community forests and the informal sector for construction timber products would face important problems.

Other social and development impacts

It is certain that the contribution of the forestry sector to the State tax revenues has improved since verification of legality started. For example during the year 2007, the central government has transferred a total amount of 6.7 billion CFA (13.26 million US\$) to local councils of the forested zone of Cameroon representing 50% of the area based forest tax collected that year. The amount is to be used directly for local development and poverty alleviation. When all the identified production forest will be allocated, the amount of area based tax revenues transferred to local council will roundup to 7 billion CFA (14 million US\$). If Cameroon is not able to meet the requirements of the EU, US and Japan procurement policies related to legality of timber products, at least half of this amount would become uncertain.

It is estimated that the formal forestry sector employs 13,000 people in Cameroon and about 8,000 of these jobs are located in the remotest parts of the country where the government is not able to open and maintained roads. The salaries of the employees of the forestry sector constitute the main financial sources on which local economies run in such regions, at the same time the contribution of forest enterprises to the maintenance of public roads is essential. If Cameroon does not implement the VPA, local development in these landlocked regions will receive an important setback.

Finally, the government of Cameroon is collecting about 52 million US\$ of forest taxes annually. Tax recovery has been substantially improved since 2004 (World Bank, 2008) as illegal activities are decreasing. Meeting the requirements of the procurement policies either on legality or on sustainability would consolidate and secure the tax revenues from the forestry sector for the government of Cameroon, in the other hand felling to satisfy these procurement policies will make tax revenues uncertain.

The problematic informal sector

The most problematic aspect of timber production in Cameroon relates to the informal forestry sector that produces about 1 million cubic meters of sawn timber for consumption in the national markets and employs an estimated 150,000 people (Lescuyer et al. 2009). About 20% of the total timber production of the informal sector comes from community forests that can be potentially be monitored by the forestry administration in the mid-run (section 10.5)

but the remaining 80% come from other forest titles for which the administration has shown lack of monitoring capacity and from unregulated/illegal sources such as trees felled in individual farms. If the VPA is implemented (as it is intended) also for the national market the housing and furniture industries in Cameroon will face an important crisis and the self employed people in the informal sector will be threatened to lose their jobs. The VPA may have the perverse impact of increasing poverty instead of reducing it. It seems realistic to postpone the implementation of the VPA for the national market until the forest administration can be able to set affordable regulations for the current informal sector. Socially and politically it seems almost impossible to eradicate the informal sector overnight.

Conclusion

Timber procurement policies such as FLEGT have potentials to contribute to the sustainable management of forest resources in central Africa as the analysis of the Cameroon case shows. The positive impact of FLEGT will especially be felt in industrial forest concessions in which timber products are harvested mainly for exports to international markets. The implementation of FLEGT is however inherent with important financial costs that the forest managers and the national governments have to meet. In the case of industrial companies using foreign capital, meeting the costs of the implementation of FLEGT would not be an important issue. However, for small forest managers (community forests and actors in the informal sector) who are the predominant suppliers of the national markets, the costs of implementing FLEGT are too high and this category of producers may be driven out of business if the VPAs are implemented strictly and without no further support from the States and/or other partners. In that sense, the procurement policies may have adverse effects on poverty reduction.

Recommendations

1. Governments should harmonize the information system of the forest sector in order to establish one reliable database for the sector and decide on the institutional set-up of such a harmonized system.
2. Governments should review all the components of the forestry legislation to detect and eliminate contradictions and to include new provisions that recognize the new technological environment characterized by a computerized information system. As discussed in the section on the “needs of improvements”, sanctions on illegal activities are based on statement of offense written by forest law enforcement officers based on material facts observed in the field. The modern technological tools are not included in the legislation.
3. Governments should provide incentives to keep community forest in the timber production business because of its important social role. This should be done in such a way that forest managing communities do not support the additional cost of legality verification and proof once the VPA is implemented. As it is done with other ministerial departments such as the Ministry of Agriculture the forestry administration should provide technical assistance to the village communities that manage

community forests. The assistance provided by the forestry administration would reduce the costs of management and legality verification and keep community profitable.

4. The partners should support the government of Cameroon in the building up of institutional capacity to implement new approaches in forest law enforcement and legality verification.

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