How to address the lack of adequate regulation of the fast growing national and regional timber markets in the Congo Basin

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1.0 State of national and regional timber markets

2.0 Drivers

3.0 Opportunities and options for formalisation
Significant economic, social and environmental contributions

Widespread value chain economic benefits:

- **Financial gain:** € 50 M for Cameroon; € 11 M for DR Congo; € 1.1 M for CAR (Bangui area); and € 4.5 M for Gabon (Libreville area only)

Yet

Huge economic losses in revenue for national governments

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**Table 1: Key findings on informal and formal production of timber.**

<table>
<thead>
<tr>
<th></th>
<th>CMR</th>
<th>GAB</th>
<th>DRC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual domestic consumption from informal chainsaw milling (sawnwood, 000 m³)</td>
<td>662</td>
<td>50</td>
<td>1,024</td>
</tr>
<tr>
<td>Estimated informal jobs (000)</td>
<td>45</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Contribution to local economies (million €)</td>
<td>32</td>
<td>1.6</td>
<td>34</td>
</tr>
<tr>
<td>Profit per m³ harvested (€/m³)</td>
<td>5</td>
<td>6</td>
<td>4–24</td>
</tr>
<tr>
<td>Annual formal production/export (sawn wood, 000 m³)</td>
<td>360</td>
<td>150</td>
<td>36</td>
</tr>
<tr>
<td>Annual forest taxes paid (formal sector, million €)</td>
<td>29.3</td>
<td>53</td>
<td>58</td>
</tr>
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</table>

CMR = Cameroon, DRC = Democratic Republic of the Congo, ECU = Ecuador, GAB = Gabon, IND = Indonesia, RWE = roundwood equivalent.

Source: Cerutti et al., 2014; Lescuyer et al., 2010.
Significant economic, social and environmental contributions

Over 1/3 total wood market in the Congo Basin for domestic and regional markets (Lescuyer et al., 2012)

(Source: ETFRN News 52, December 2010)
Figure 1: Figure 1: Proportion of timber originating from informal chain saw milling in the Congo Basin (Source: adapted from Pacheco et al., 2016).
Significant economic, social and environmental contributions

• Volumes of sawnwood traded across land borders than shipped overseas.
  - DRC estimated regional export 120 000 m3 of sawnwood > four times international sawnwood exports (de Wasseige et al. 2014).
  - Chad is second only to China in the volume of timber it receives from Cameroon (CIFOR)

• Rural and urban employment and financial independence – income generation.

• Household subsistence - food, housing and other daily household needs

• Reinvestment in other income generation – agriculture, etc

• Strong organisation and entry barriers

• Informal sector of timber trade culminates in significant forest degradation
Some drivers

- Demand created by growing populations
- Industrial production destined for international markets – supply gap
- Low Production costs - Price Vs Quality
- Booming infrastructure development – public and private
- Unemployment - Limited alternative sources of income
- Various land use changes – small scale to large scale
- Property rights issues on land and forests
A sector in the dark and criminalised

- Inadequate/quasi lack of national policies to respond the domestic sector, its impact on forests, attendant legislation and the direct or indirect links to exports.

- General criminalization - little incentive from authorities to put in place either an adapted regulatory framework or a system to monitor the socioeconomic and environmental impacts of the artisanal sector.

- In-country supply chain and cross-border trade largely undocumented or at least underreported.

- The sector and those working in it are classed as illegal.
Challenges for formalisation

- Legal and fiscal regime gap
- Small logging authorisation regimes inexistent/inefficient
- +/- VPA FLEGT momentum – negotiation to implementation
- Human, financial, material for monitoring and regulation of impacts
- Number of actors involved (nationally and regionally) + organisation
- Disputed ownership claims/rights on the resource
- Limited coordination amongst different authorities - government supervisory agencies, local administrations, local communities – whose responsibility?
- Attitudes and behaviours – illegality not seen as problem vs demand for cheap
- (Un)known costs of becoming “legal”
- Porous borders and conflicts
- Vested interests + corruption: formal taxation the exception
## Challenges

**Table 2. Problems reported by chainsaw millers and timber sellers (% of total interviews)**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Gabon</th>
<th>Cameroon</th>
</tr>
</thead>
<tbody>
<tr>
<td>administrative hassles</td>
<td>41</td>
<td>71</td>
</tr>
<tr>
<td>technical (mechanical) problems</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>difficulty in access to a legal title</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>abuse of power (businessmen, client, worker)</td>
<td>10</td>
<td>41</td>
</tr>
<tr>
<td>lack of infrastructures</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>relations with customary owners</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>lack of capital</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>scarcity of the resource</td>
<td>2</td>
<td>11</td>
</tr>
</tbody>
</table>

*Source: Lescuyer et al (2010; 2014)*

5-15% various payments
Towards regulation - Integrating into the formal sector?

- Do we understand the dynamics to develop targeted legal and fiscal regimes?
- What can we learn from inclusive VPA multistakeholder dialogue? How to include informal sector actors largely left out of processes, build on networks, role of related ministries?
- TLAS to include wood produced and traded domestically? 2 stage approach?
- Decentralisation of logging authorisations? Watch out for impacts and elite capture!
- Tenure and ownership rights – linked to short term/complex permitting system + how to coordinate with related ministries?
- Public and private procurement? - role of ministries of finance, public works, etc
- Technology - place of satellite imagery and citizen mobile applications e.g self declaration - recording timber origin etc (geo referenced, volumes, species etc), telephone/online tax payments; complaints apps (pictures, control posts, video) alerts etc
Towards regulation - Integrating into the formal sector?

- Beyond forest - civil society led independent monitoring? include markets, depots, sawmills, industries etc
- Financial and technical incentives for value chain actors? - tax rebates, access to markets, credits, improved technologies etc.
- Adopt regional approaches? - impacts go beyond domestic markets and national boundaries: role of regional competent organisations
- Law enforcement and fight against corruption – at highest government level
- Monitor enforcement of new legislation – can ministries of forests and environment police themselves? role of judiciary, law makers?

Look out for negative impacts on actors – formal taxation Vs culture of informal payments leading to resistance
Thank you

Merci