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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PLAN

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

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

	CMR	GAB	DRC
Annual domestic consumption from informal chainsaw milling (sawnwood, 000 m^3)[a]	662	50	1,024
Estimated informal jobs (000)	45	1	25
Contribution to local economies (million €)	32	1.6	34[f]
Profit per m^3 harvested (€/m^3 RWE)	5	6	4–24
Annual formal production/ export (sawn wood, 000 m^3)	360	150	36
Annual forest taxes paid (formal sector, million €)[l]	29.3	53	58[m]

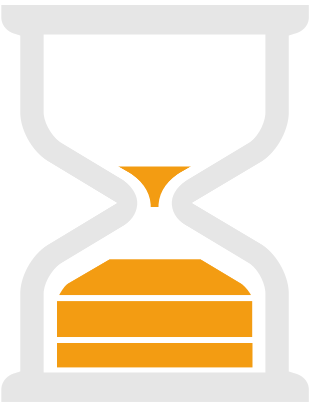
CMR = Cameroon, DRC = Democratic Republic of the Congo, ECU = Ecuador, GAB = Gabon, IND = Indonesia, RWE = roundwood equivalent.

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)**

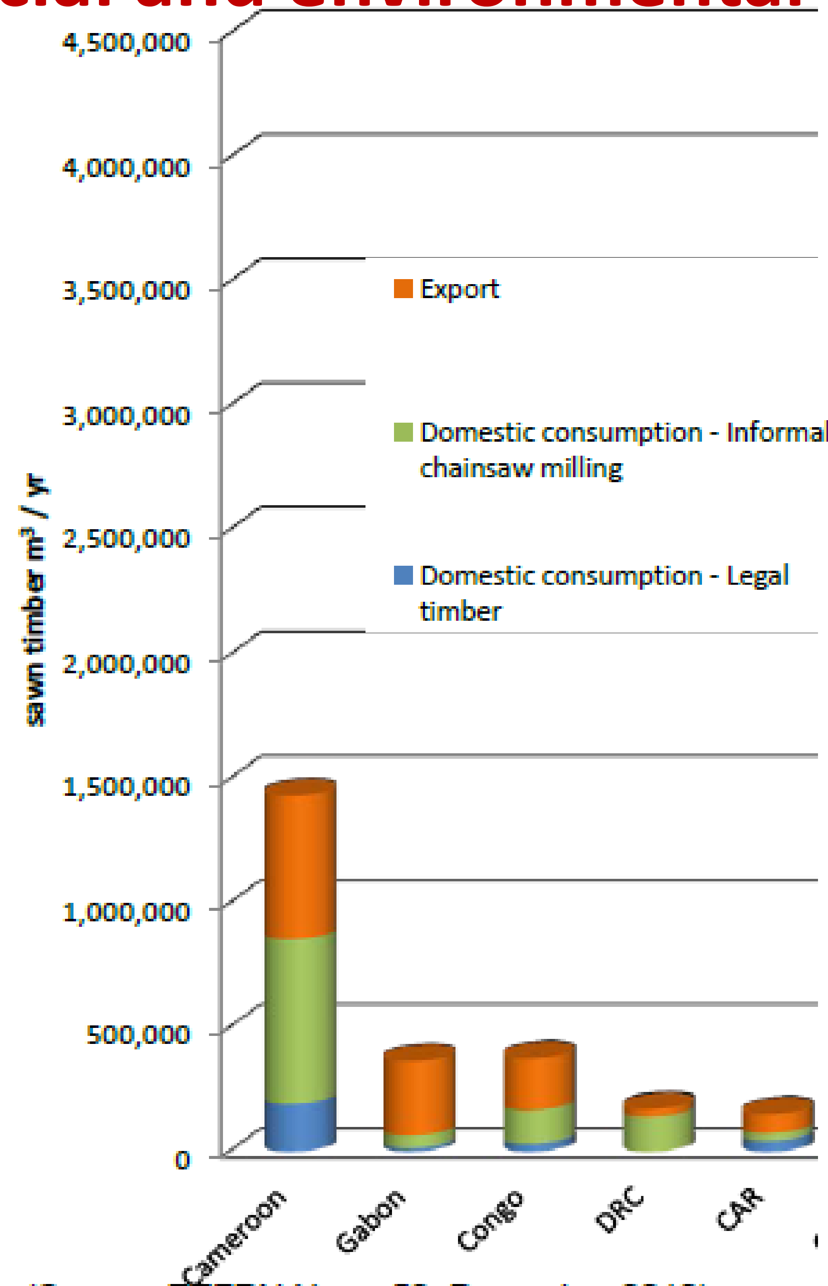
Yet

Huge economic losses in revenue for national governments



Source: Cerutti et al., 2014; Lescuyer et al., 2010.

Significant economic, social and environmental contributions



(Source: ETFRN News 52, December 2010)

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

Timber from informal chain saw milling

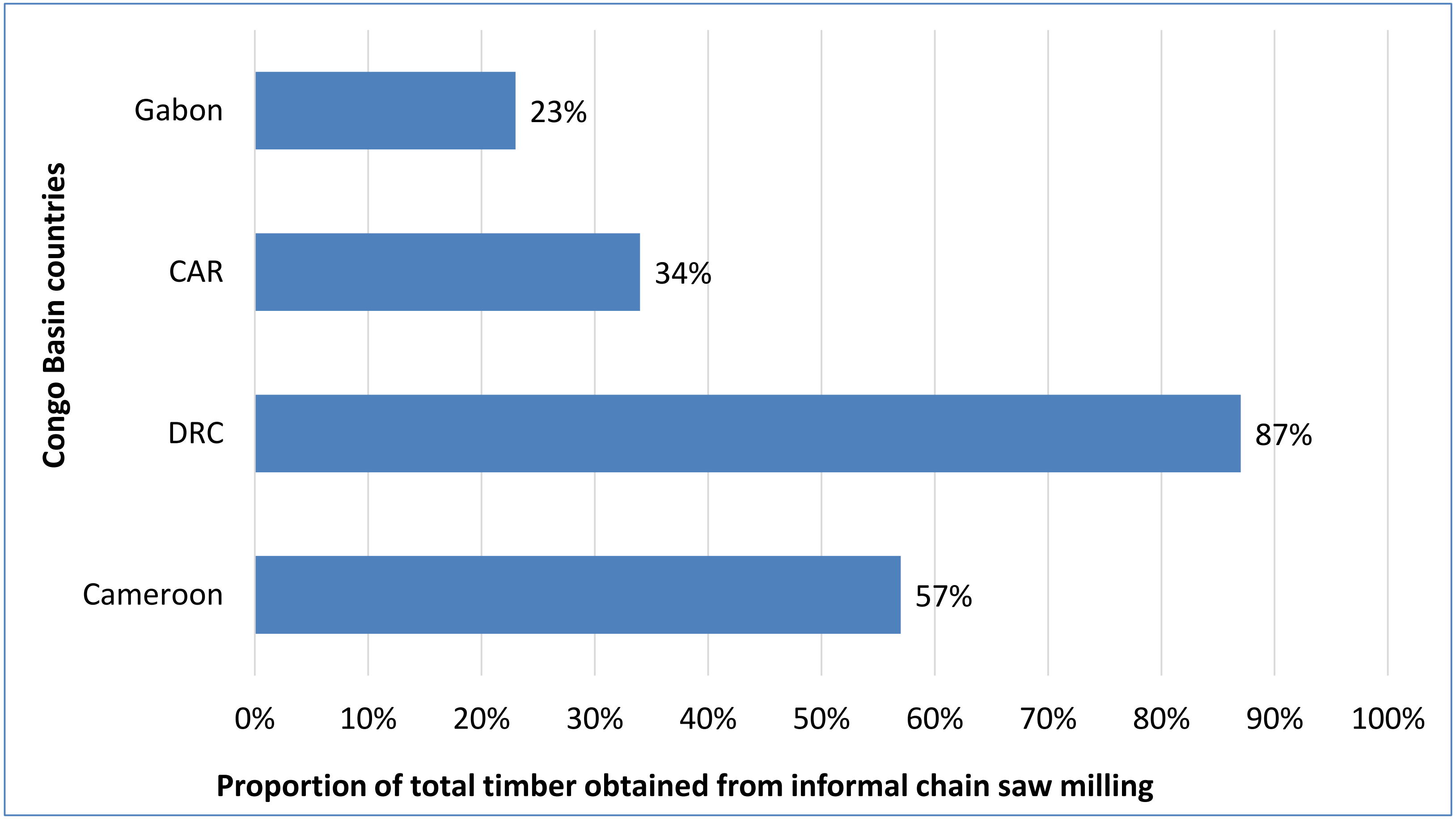


Figure 1: Figure 1: Proportion of timber originating from informal chain saw milling in the Congo Basin (Source: adapted from Pacheco et al., 2016).

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

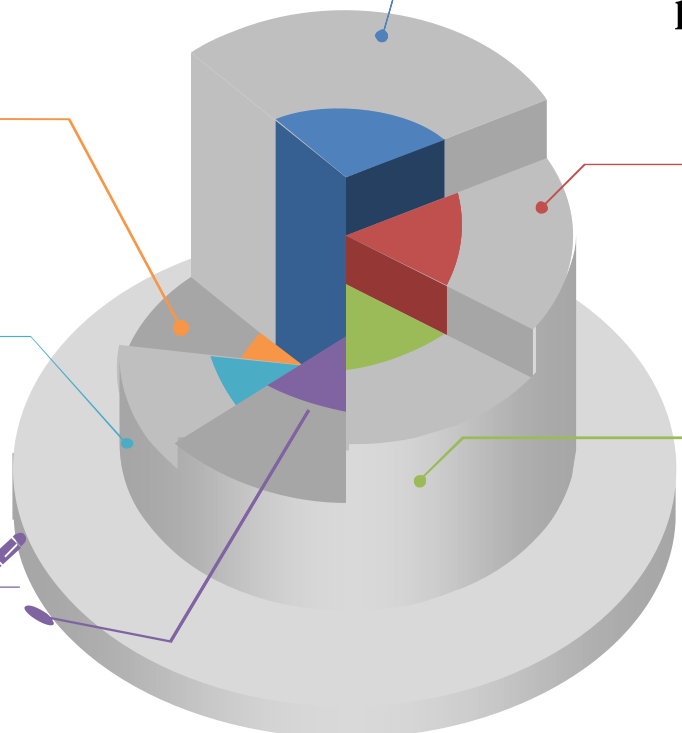
Some drivers

Property rights issues on land and forests

Various land use changes – small scale to large scale

Unemployment - Limited alternative sources of income

Booming infrastructure development – public and private



Demand created by growing populations

Industrial production destined for international markets – supply gap

Low Production costs - Price Vs Quality

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)

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

5-15% various payments

Source: Lescuyer et al (2010; 2014)

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