

Towards a development strategy for the wood processing industry in the Congo Basin





Cameroon. © FAO/ M. Vandenhaute

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WHITE PAPER*
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Cover page photo: Log storage, Cameroon, © FAO/M. Vandenhaute

* "White Paper" is a term used in several domains to designate a tool to communicate with the public. In the specific case, this White Paper is intended as a reference document for readers to understand the situation, challenges and options for the development of wood processing in the countries of the Congo Basin

Foreword

Between September 2010 and June 2011, the Governments of Cameroon, Gabon, the Republic of the Congo and the Democratic Republic of the Congo, together with the International Tropical Timber Organization (ITTO), the Interafrican Forest Industries Association (IFIA), the International Technical Tropical Timber Association (ATIBT) – the latter two now merged into a single organization – and FAO, through the National Forest Programme Facility, organized a series of workshops on the subject of wood processing in the Congo Basin. The main outputs of these workshops then became the subject of a working document entitled *Recommendations for the development of wood processing in the Congo Basin*¹. The workshops were financed by the RECAP WOOD INVEST Project of the European Union's (EU's) Pro€Invest Programme, FAO and ITTO.

The present White paper summarizes the strategic elements contained in the working document and takes up its salient points. It is aimed mainly at policy-makers and other stakeholders in the forest sector in Central Africa.

FAO, ITTO and ATIBT hope that this publication will encourage a response from policy-makers to the issues identified and also act as a reference tool that will help involve all the stakeholders in the development of a sustainable forest industry in Central Africa.

¹ A working document, only available in French, entitled "*Recommandations pour le développement de la transformation du bois dans le bassin du Congo*"



Plywood factory, Gabon, © FAO/O. Serrano

Summary

This White paper brings together a series of reflections and suggestions for the formulation and implementation of development strategies for the forest industry in the Congo Basin. It is dynamic in nature and will therefore need regular revision so that relevant information can be kept up to date and any progress taken into account.

Wood processing in the Congo Basin is a major economic activity, in which large-scale forest enterprises linked to international markets coexist with small and medium-sized enterprises (SMEs), which mainly provide finished products for the local market, working with rudimentary facilities and means.

Primary processing is by far the most widespread activity in the Congo Basin, with low yields and an underutilization of the residues and by-products. Wood processing through to the finished product is carried out mainly in the informal sector and supplies a market that is not governed by the same rules of taxation, traceability and work specifications and requirements as the formal

industrial sector. This sector is thus extremely competitive with the formal sector.

Large-scale forest enterprises are only marginally interested in local markets, and the business climate is not encouraging for investment. The individual initiatives that do exist are not part of any national or regional strategic framework.

Given the changes taking place in traditional export markets, which are becoming increasingly closed to African wood, both because of the economic crisis and because of new requirements (the EU Timber Regulation, environmental and climate-change related requirements etc.), in recent years the governments of the countries of the Congo

Basin have focused on developing local, regional and continental markets for wood products. This focus is finding a new echo among formal enterprises in the wood sector.

The reflections and suggestions in this White paper were developed in the course of four workshops organized between September 2010 and June 2011 in Cameroon, the Republic of the Congo, the Democratic Republic of the Congo and Gabon. These workshops were part of the multistakeholder dialogue launched by the governments of the region with a view to sustainable forest development. The White paper follows on from the Accra Action Plan of 2009 and the RACEWOOD event of 2010.

The strategic elements identified for developing wood processing up to the final product comprise four main thrusts: ensuring a firm political will and a favourable business climate; guaranteeing facilitated access to inputs and production means; creation of a structured wood value chain; and structuring up profitable formal markets.

For each of these strategic thrusts, the White paper presents the views of stakeholders as expressed

during the workshops with regard to political, legislative and fiscal measures that could facilitate their implementation. These proposed measures envisage, for example: strengthening the coordination among institutions and promotion of a national-level interprofessional organization for the wood sector; integration of the formal and informal sectors through the development of subcontracting activities; boosting of training at all levels; facilitated access to finance; promotion of an image of wood as a noble material; structuring of wood supply; and a reduction in legal, institutional and trade barriers among countries and regions in order to facilitate trade flows, combat illegal trade and improve the competitiveness of African production.

Wood processing. © FAO/M. Vandenhaute, © T. Baldassarri H. von H., © FAO/O. Serrano



Strategic thrusts for the development of wood processing

Ensuring a firm political will and a favourable business climate

- * Recognition by policy-makers of the importance of the wood value chain in the country's development
- * Boosting of dialogue and coordination among the various sectors and state institutions concerned
- * Boosting of enterprises' confidence in the country's future and the administrative and justice systems
- * Development of a regional, or even continental, strategy
- * Facilitation of the expansion of subcontracting activities
- * Establishment of a targeted, incentivizing fiscal system

Guaranteeing facilitated access to inputs and production means

- * Guarantee of access to sustainable, legal raw materials
- * Facilitation of access to financing
- * Boosting of training
- * Development of infrastructure and services
- * Establishment of storage facilities for wood

Development of wood processing

Building up profitable formal markets

- * Further development of inter-African markets
- * Development of a supply that matches purchasing power
- * Establishment of a state policy promoting wood
- * Creation of a positive image for wooden houses
- * Taking advantage of the differentiation of markets at the continental level

Creation of a structured wood value chain

- * Creation of awareness among the various actors and stakeholders of the complementarity of their activities
- * Establishment of norms for the standardization of supply
- * Development of standardized, good-quality production
- * Creation of clusters
- * Encouragement of an interprofessional organization
- * Promotion of entrepreneurship



Log storage, Democratic Republic of the Congo. © F. Van de Ven

Why a White paper?



Sawnwood, Republic of the Congo. © Danzer AG, Baar

Why a White paper?

The wood value chain in the Congo Basin, at least that forming part of the formal economy, could contribute more to national and subregional economies by developing processing activities that would generate added value, national wealth and employment. And this is what the governments of the Congo Basin countries have been calling for in recent years.

This White paper chimes with the Convergence Plan of the Central African Forest Commission (COMIFAC), especially its fifth strategic thrust concerning the sustainable development of forest resources and the economic development of value chains.

It is part of the multistakeholder dialogue launched by the Congo Basin governments with a view to the sustainable development of forests in the region and follows on from the Accra Action Plan produced by the International Conference on Promotion of Intra-African Trade in Timber and

*A compilation of ideas
and suggestions, expressing
the stakeholders' views on how
best to develop the forest industry
in the Congo Basin*

Timber Products organized by ITTO in Ghana, 30 June – 2 July 2009, and the RACEWOOD event organized by IFIA in Cameroon in March 2010 and financed by the Pro€Invest Programme of the EU.

This White paper brings together a series of reflections and suggestions for the development and implementation of strategies to develop the forest industry in the Congo Basin. These were formulated over the course of four workshops organized between September 2010 and June 2011 in Cameroon, the Republic of the Congo, the Democratic Republic of the Congo and Gabon.²

² For details of these workshops, see **FAO/ITTO/ATIBT**. 2013. *"Recommendations pour le développement de la transformation du bois dans le bassin du Congo"*, working document (in French only).



Informal market, Democratic Republic of the Congo. © T. Baldassarri H. von H.

During these workshops, those involved in the value chain, mainly leading officers of the government services concerned and the private sector, tackled the issue of wood processing in the Congo Basin by addressing three broad groups of questions:

- What should be done to involve the forest industry sector much more in national and regional markets for finished or semi-finished products from Central Africa?
- How is the informal sector to be integrated with the formal economy without hampering its dynamic or forgetting local consumers, while helping it to set up a value chain leading through to a quality finished product of local wood?
- How can the consumption of wooden products by the inhabitants of the Congo Basin be promoted?

The White paper does not offer recommendations

or guidelines to answer these questions, but rather a compilation of ideas and suggestions expressing the views of the stakeholders on how best to develop the forest industry in the Congo Basin. FAO, ITTO and ATIBT hope that their publication will encourage the establishment of political, legislative and fiscal measures throughout the Congo Basin and in each individual country to address the issues that have been identified, and also provide a reference tool that will help to involve all the stakeholders with a view to supporting wood processing, developing markets and establishing a sustainable forest industry in Central Africa.

Because of its dynamic nature, the White paper will need regular revision so that relevant information can be kept up to date and any progress taken into account.



Small-scale chainsaw milling, Central African Republic. © FAO/M. Vandenhaute

Wood processing in the Congo Basin: some features

Wood processing in the Congo Basin: some features

Wood processing in Central Africa is a major economic activity, mainly carried out by the informal, small-scale sector, with limited technical and financial means, little training and few structures, and for which no precise information is available.

The processed forest products – mostly sawnwood, veneers and plywood – produced by large-scale enterprises working in the Congo Basin are mainly exported to Europe, the primary world market for tropical wood, whereas logs are sent to Asia where the markets also take species that are not used in Europe.

There are thus two sectors existing side by side: first, the large-scale forest enterprises that are well connected to international markets; and, second,

Primary processing is still the foremost activity in the Congo Basin and takes place mainly in the informal sector

the small and medium-sized enterprises and industries (SME-SMIs) that strive to provide finished products to the local market, working with rudimentary facilities. The forest industry has little interest in local markets, which are deemed unattractive, and the business climate is not favourable for investment. There are of course some promising

Wood product artisans, Democratic Republic of the Congo. © T. Baldassarri H. von H.



individual initiatives, but they are not part of any national or regional strategic framework.

Forest resources

Forming an unbroken block like that of the Amazon, the forests of the Congo Basin cover about 243 million hectares, approximately 56 million of which are given over to production. And of these 56 million hectares, 30 million are under a management plan and about 5 million are Forest Stewardship Council (FSC) certified. Extractions of industrial roundwood amounted to 14 million cubic metres in 2010.³

The contribution of the forest sector to GDP in 2006 was about 2 percent in Cameroon and the Democratic Republic of the Congo, 1 percent in the Republic of the Congo and Equatorial Guinea, 3 percent in Gabon and 11 percent in the Central African Republic, where exports of timber account for about 40 percent of national export receipts each year. In both Gabon and the Central African



Carpenter, Democratic Republic of the Congo. © F. Van de Ven

Republic, the wood sector is the second largest employer in the national economy, after the State.

Features of the wood processing industry

Primary processing (sawnwood, veneering, sliced wood, plywood), is the main activity in the Congo Basin. Gabon, which banned the export of logs in 2010, has the largest number of industrial facilities.

There are major differences among countries.

In Cameroon, almost 75 percent of forest production is processed locally, while in the Republic of the Congo the rate varies between 51 and 65 percent depending on the year, with a wide disparity among enterprises. The relatively high processing rates in these two countries is the result of a voluntarist policy that is seen in Cameroon's 1994 forest law and the Congo's 2000 forest law.

Yields are poor, with underutilization of waste and by-products. Throughout the Congo Basin, it is still often more profitable for enterprises to export logs, transporting them with their waste over hundreds of kilometres, rather than exporting sawn and other elaborated wood products.

Wood processing through the final product is a very important activity but is carried out mainly in the informal sector, with products or poor or very poor quality. Informal production is mainly artisanal, carried out with chainsaws or mobile saws and thus requiring very little investment. This production supplies a market that is not governed by the same rules (taxation, traceability, management, labour costs, specifications) as formal industrial production. Given that price is the only criterion taken into account by consumers, who tend to be unconcerned about criteria of quality and sustainability, products from the formal sector have little chance of placing

³ FAO. 2011. *The state of forests in the Amazon Basin, Congo Basin and Southeast Asia*. FAO, Rome.

themselves on a market that is therefore highly competitive.

Voluntary Partnership Agreements (VPA-FLEGT) are making inroads into the Congo Basin. Within the framework of the EU's Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT), the EU Timber Regulation (which came into force on 3 March 2013) forbids the trading on the EU market of wood that has been illegally harvested and requires that operators provide proof of due diligence when placing forest products on the EU market. On the other hand, also under the FLEGT Action Plan, Voluntary Partnership Agreements (VPAs) are being negotiated between the EU and producing countries to develop a guaranteed supply of legally harvested wood. Cameroon, the Republic of the Congo and the Central African Republic have already signed VPAs, and agreements are being negotiated with Gabon and the Democratic Republic of the Congo.

Infrastructure and services are still inadequate. The road network is sparse throughout the region, roads are often in a poor state and unasphalted, and there are few cross-border links. Railways are often obsolete and their network is insufficiently developed. Sea traffic is basically focused on Europe or Asia and will remain so for some time to come, if intra-regional services remain both difficult and expensive. In addition, many ports suffer from technical problems (draught, facilities etc.) that prevent them from being efficient – or in some cases even operational. Forest extraction and wood processing are affected as much by the absence of an electricity supply at a competitive price and by unpredictable power cuts as by inadequate communication routes.

Log marking, Cameroon, © FAO/M. Vandenhaute





Sawmill control cabin, Republic of the Congo. © Danzer AG, Baar

Developing wood processing in the Congo Basin

Developing wood processing in the Congo Basin



Log transport and storage, Gabon, © FAO/O. Serrano

In recent years, the governments of the Congo Basin states have focused on the development of national, regional and continental markets for wood products. This focus is finding a new echo among formal enterprises in the wood sector, since their traditional export markets, mainly in Europe, are gradually shrinking and concentrating on a limited number of species.

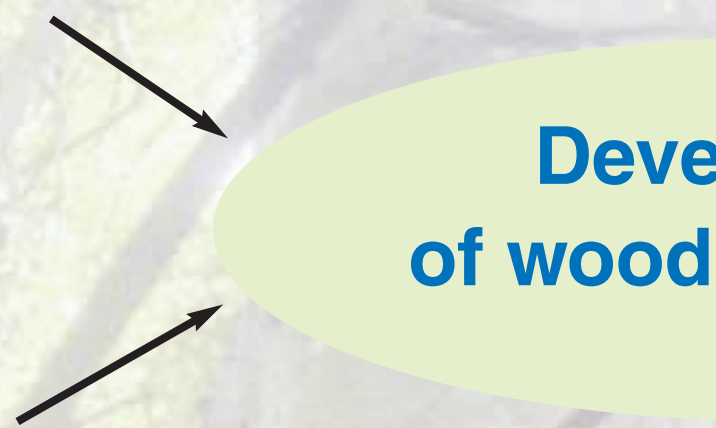
The European market demands quality and an efficient, punctual supply, requirements that Congo Basin enterprises sometimes find it hard to meet. The economic crisis has also played an important role in reducing European markets for wood coming from the Congo Basin. Expanding Asian markets want raw materials, but also wood products, and are showing a growing interest in a wide range of species. The standards required are not as high as those for the European market, although this situation is rapidly changing.

The strategy to develop wood processing in the Congo Basin countries through to the final product has four priority thrusts: a firm political will and a favourable business climate; facilitated access to inputs; creation of a structured value chain; and the structuring of profitable formal markets.

Ensure a firm political will and a favourable business climate, guarantee facilitated access to inputs, structure the wood value chain and structure profitable formal markets

Ensuring a firm political will and a favourable business climate

- * **Recognition by policy-makers of the importance of the wood value chain in the country's development**
- * **Boosting of dialogue and coordination among the various sectors and state institutions concerned**
- * **Boosting of enterprises' confidence in the country's future and the administrative and justice systems:** create conditions for working in solvent, profitable markets, facing fair, transparent competition, having a clear idea of future profits and envisioning a reasonable timeframe for a return on investment; significantly reduce parafiscal or informal levies
- * **Development of a regional, or even continental, strategy:** reduce legal, institutional and trade barriers among countries and regions in order to facilitate trade flows, combat illegal trade and improve the competitiveness of African production; harmonize customs documents and codes in order to facilitate the movement of goods
- * **Facilitation of the expansion of subcontracting activities** between the formal forest extraction sector and carpentry SMEs
- * **Establishment of a targeted, incentivizing fiscal system:** a whole set of targeted measures, such as tax exemption or relief and the reduction in rates



Deve
of wood

Building up profitable formal markets

- * **Further development of inter-African markets**
- * **Development of a supply that matches purchasing power:** control and improve material yields; optimize by-products; improve finishing and conservation in order to safeguard quality
- * **Establishment of a state policy promoting wood:** establish a minimum quota for the use of wood in collective housing and public, industrial and agricultural buildings
- * **Creation of a positive image for wooden houses:** develop a wooden architecture for public buildings, which would act as flagship products, and create wood promotion centres; develop a prototype wooden framework for low-cost housing
- * **Taking advantage of the differentiation of markets at the continental level:** establish links between supply and demand within regional subgroups by facilitating travel, improving market information and organizing trade fairs and shows, thus helping to consolidate supply, which is very fragmented at present

Guaranteeing facilitated access to inputs and production means

- * **Guarantee of access to sustainable, legal raw materials:** (1) management plans; (2) land tenure and cadastral policy; (3) traceability of raw material; (4) a sustainable balance (in volumes and species extracted) among level of forest extraction, processing capacity, domestic demand and local people requirements; and (5) simplification of procedures for allocating permits
- * **Facilitation of access to financing:** establish a fund specifically for developing the wood processing sector and lines of credit by refinancing on the basis of forest development or prefinancing on the basis of processing
- * **Boosting of training** at every level in the value chain: materials and techniques; marketing and design; new occupations
- * **Development of infrastructure and services:** transport, electricity
- * **Establishment of storage facilities for wood,** including a range of species and good-quality kiln dried wood near urban areas

Development
processing



Creation of a structured wood value chain

- * **Creation of awareness among the various actors and stakeholders of the complementarity of their activities** and the advantages they could draw from synergies
- * **Establishment of norms for the standardization of supply** in order to improve industrial and economic effectiveness
- * **Development of standardized, good-quality mass production** in order to control costs and achieve greater productivity in the face of imports not only of wooden products but also of products of competing materials (aluminium etc.)
- * **Creation of clusters** - zones where operators are concentrated
- * **Encouragement of an interprofessional organization:** group large-scale enterprises, SME-SMIs and artisans together in a national wood-sector interprofessional organization in order to become a force for ideas and action; group artisans together in cooperatives or trades union, thus providing a structure for operators who often work in a highly individualistic manner
- * **Promotion of entrepreneurship:** create a fabric of well-managed SME-SMIs and develop an “industry and value chain culture” among small-scale operators, with objectives of performance and profitability

Political will and an improved business climate

The development of the wood processing value chain in Central Africa requires that the State first recognize the importance and role of the wood value chain in its country's development.

Local and international entrepreneurs in the formal sector must be able to have confidence in the future of the country and the region, and in the administrative and justice systems, work in solvent, profitable markets, face fair, transparent competition, have a clear idea of the profits they can expect in the future and envision a reasonable timeframe for a return on investment. Tax incentives alone are not enough. Similarly, the question of competitiveness cannot be addressed without raising the issue of a penalizing CFA franc.

States should provide local operators with the means to process, enhance and market finished and semi-finished products on the national, regional and continental markets. This means the introduction of such support measures as development of the local market through an

appropriate fiscal policy, development of banking supply to support investment and consumption, investment in infrastructure and services (transport, electricity) and the coordination of customs policies among countries in order to develop regional markets.

All this requires a concerted effort on the part of the various sectors and state institutions involved: those in charge of forests, to make quality raw material legally and sustainably accessible; those in charge of the economy and finance, to take action over fiscal measures, both on exports and imports (machinery, tools, accessories and other imported items), and also on the establishment and development of enterprises; those in charge of energy, to improve electricity supplies at a competitive cost; those in charge of secondary and higher education, to provide training in wood products manufacturing related skills; those in charge of the environment, to optimize wood residues and by-products; and those in charge of industry, to create and equip a proper wood processing value chain.

Sawmill, Gabon, © B. Castadot



Regional impetus

The whole African market has an equivalent value to that of Brazil or the Russian Federation. The narrowness of national markets, whether for demographic reasons or because of low purchasing power, hinders the development of a wood value chain, which means that states need to formulate a regional – or even continental – strategy. This will entail reducing institutional, legislative and trade barriers among countries and regions in order to facilitate trade flows, combat illegal trade and improve the competitiveness of African production.

Within the Commission of the Economic and Monetary Community of Central Africa (EMCCA), it is observed that some rules, especially those concerning freedom of circulation of goods and people, are being ignored and that informal levies are penalizing trade. Non-tariff protective mechanisms are the main hindrances to the wood trade: very lengthy administrative procedures, frequent roadblocks, corruption of economic operators etc. The VPAs that have been signed or are being negotiated with the EU as part of the FLEGT process could improve this situation.

The harmonization of customs documents and codes could facilitate the movement of goods. Such harmonization could start among the zones of EMCCA, the West African Economic and Monetary Union (WAEMU), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC). This would necessitate indepth knowledge about existing and potential production and markets.

Wooden products, such as doors or windows are often made to measure, according to the customer's individual instructions to the carpenter. Measurements therefore vary from one order to another, which becomes a handicap in terms of industrialization,



Capacity development to strengthen the forestry sector, Republic of the Congo. © E. Parker/TFT

mass production and economies of scale.

An expansion in subcontracting between the formal forest sector and carpentry SME-SMIs may have a positive impact on the cost of inputs, productivity and competitiveness, and also on the development of new products (glue-laminated beams, door lintels and frames, prefabricated roof trusses and walls etc.) for national, regional, continental and international markets.

A targeted, incentivizing fiscal system

The current formal taxation and informal levy systems hamper the development of a modern formal wood value chain because of a multiplicity

*Create the conditions
for local operators to process,
enhance and market finished
and semi-finished products
on national, regional
and continental markets*



Peeler log, Gabon, © FAO/O. Serrano

of taxes and a fiscal system unsuited to the desired objectives. In Cameroon, for example, the tax on wood entering a mill is a considerable deterrent.

A whole set of targeted measures can be envisaged, such as tax exemption or relief (from VAT etc.) or perhaps reductions in rates. For such provisions to be effective and efficient, regional-level reflection on them is needed.

Taxes on activities intended for export and those for the domestic market can be differentiated. In Cameroon in particular, a tax on the export of processed products could be reintroduced, which would allow products intended for the domestic market to be exempt from tax. The free allocation of log export quotas to processing enterprises is another possibility that would be effective if it is based on verifiable, objective criteria. It is nevertheless important to carry out a proper evaluation of the repercussions that such measures, introduced at the national level, could have on trade on regional markets.

Differentiated taxation can be applied to regulated micro-enterprises (clusters, approved management centres etc.) and unregulated ones, and also to various types of investment (mobile saws as opposed to planing machines etc.). There could

also be provisions with regard to import duties, which could reduce the high cost of inputs (varnish, glue) for carpenters, cabinet-makers and other professions.

Differentiated tax rates can encourage the use and processing of a wider range of species. However, the taxation system must stay simple, and in this scenario only two groups of products can be defined (“promotion”/“classic”), with a very low rate for the promotion group.

A very low rate of VAT for sales on the domestic market would be a great incentive, especially in the context of the legalization of the informal sector, as would exemption for certain petroleum products. Lastly, it is often suggested that taxation thresholds could be adjusted depending on the degree of the processing of the wood (primary, secondary or tertiary). It should be noted, however, that in many cases where it is applied, this taxation mechanism has barely been effective enough to encourage enterprises to increase their processing.

Taxation should be designed on the basis of national needs (for example, Cameroon has a deficit in veneering, while Gabon has a deficit in sawnwood) and must be adaptable while remaining predictable.

The “parafiscal” or informal levies made by decentralized state representatives, especially those posted along traffic routes or those who control extraction permits, can represent up to 15 percent of the sale price of sawnwood in towns. It has been estimated that in Cameroon informal taxes represent 2 000 to 3 000 CFA francs per cubic metre, as against 1 000 to 2 000 CFA francs in Gabon. One of the best incentives for individual sawyers to legalize their activity would therefore be to guarantee them a significant reduction in such informal levies – although in a way that this reduction would not be completely offset by the costs associated with legalization.



Log haulage, Central African Republic. © C. Duhesme

Access to inputs and means of production

Raw materials

In the current situation, national markets in the Congo Basin are undersupplied with quality wood, inasmuch as almost all, and in some cases all, wood is intended for export. However, setting up a national wood value chain entails first and foremost a concern as to the source of the supply. There has to be information on who cut it and where, and who supplied the market and with what documents. This means that each country should promote sustainable management plans for all forests, launch a wide-ranging land tenure and registration policy and clearly identify the actors, the regulations in force and the procedures for identifying raw materials, so that they can be monitored through traceability. Such an approach must also help to establish a sustainable balance (in volumes and species extracted) among the level of forest

extraction, processing capacity, domestic demand and local people's requirements.

The procedures for allocating permits can be simplified by reducing the time taken in processing applications or by redefining responsibilities for them at each level. The legislative framework can be revised in order to authorize the recovery of wood.

*Promote management plans
for all forests, establish
a sustainable balance
of forest extraction
and guarantee
the traceability
of raw materials*

Near towns, the existence of large enough storage facilities with a range of species and good quality kiln dried wood at competitive prices is vital for establishing a market and a really effective value chain.

Structuring the value chain would enable to solve the problem of the availability and storage of wood, and also actions to raise awareness about good quality kiln dried wood among those involved in the sector and consumers. Within an integrated value chain, kiln drying of wood could be subcontracted, as far as the SME involved in forest harvesting are concerned.

Financing

Financing policies and mechanisms are inadequate and penalize a capital-intensive activity. Borrowing conditions are so prohibitive (in duration and rates) that large enterprises have little or no recourse to them, while small-scale operators find the lack of access to credit a major handicap. The absence of working capital prevents them from obtaining good quality wood in order to fill orders. The establishment of a fund specifically for developing the wood processing sector would solve this type of problem.

*Facilitate access
to clearly identified
and identifiable financing*

Measuring log diameter, Central African Republic. © C. Duhesme





Portable chain-sawmill, Central African Republic. © FAO/M. Vandenhaute

Generally speaking, financing must be clearly identified, identifiable and accessible.

Lines of bank credit must be opened.

In the Democratic Republic of the Congo, donors such as the French Development Agency have put in place guarantee products that allow banks to share the risk, extend the maturity timeframe, reduce obligatory guarantees etc. Lines of credit can be created by refinancing on the basis of forest development or prefinancing on the basis of processing.

Training

Training is a priority thrust and requires a national policy, inasmuch as there are virtually no proper training facilities in the whole of the Congo Basin. Training needs to be boosted for all levels in the wood processing value chain (training for sawyers, carpenters, cabinet-makers etc., and training in the

use and maintenance of equipment, management, accounting etc.).

Materials and techniques. Generally speaking, artisans work with very few species, hardly ever using most of the vast range of species found in the Congo Basin and often being unfamiliar with their properties. Enterprises lack qualified staff of all types: sharpeners, sawmill operators, cabinet-makers and carpenters, production and finishing operators, designers, timber engineers etc.

Marketing and design. With a view to getting established on local, regional or continental markets,

*Boost training
at all levels
in the wood processing
value chain*

training in precise and technical trades is needed in order to meet existing or future needs, through appropriate marketing that encourages people to “buy local”: furniture, design items, interior architectural elements, wooden houses, flooring, ship outfitting, veneering, modern office furnishings, cabinet-making, household carpentry etc.

New job opportunities. There are also new jobs linked to the environment, wood traceability, legality, products quality and the maintenance of equipment, but also computers, management and accounting. Increased stress should also be placed on apprenticeship and mentoring.

Apart from training, the value chain must be capable of attracting young people and keeping its competent staff by offering them adequate salaries and working conditions, and even social recognition for working with a noble material.

Infrastructure and services

Infrastructure, especially transport and electricity, plays a primary role in the development of national and regional markets. The creation and development of a market for finished wooden products in the Congo Basin means that wood must be kiln dried. Thus, the lack of a reliable source of electricity is one of the factors that most hamper the creation of a competitive, structured, wood processing value chain, especially for the mechanization of workshops, the use of dryers, and industrialization in general.

The physical availability of good quality wood and the ability of the value chain to compete with imported substitute products depend on a combination of all these factors.

*Adequate
infrastructure and services
are needed*

Forest road construction, Cameroon, © FAO/M. Vandenhaute





Artisanal wood processing, Democratic Republic of the Congo. © T. Baldassarri H. von H.

Creation of a structured value chain

The Congo Basin has no properly structured wood value chain – that is, a chain of actors stretching from harvesting a tree to the sale of a house or a piece of furniture. One of the main tasks of government institutions and industry associations is that of making the various actors aware of how their activities complement each other and the advantages they can draw from synergies.

The strength of large-scale enterprises lies in their skills regarding forest extraction, management, development, sawing and peeling, drying and machining, the quality of their production, their familiarity with world markets and their financial capacity for investment and expansion. However, they run into the problem of access to marketing channels in local markets and the lack of a large-scale local market.

In fact, tertiary processing is often out of reach for these enterprises linked to secondary processing export-quality production, which for the moment is

too expensive for local purchasing power.

Nevertheless, processing enterprises could target niche markets that exist at national level for tertiary processing.

The informal sector has a good knowledge of local demand and in general has a good marketing network. It also supplies products at competitive prices; for example, it is estimated that in Cameroon the price of a cubic metre of sawnwood produced by artisans is 20 percent lower than that produced by professional sawyers. This average difference of 20 percent is found in the Democratic Republic of the Congo for planks.

Raise the various actors' and stakeholders' awareness of the complementarity of their activities and the advantages of synergies

However, this informal sector lacks financial and technical skills.

Connecting industries with artisans is one of the key elements in a wood processing strategy aimed at local and regional markets. A tie-up between industry and small-scale operators can raise the quality of the products placed on the market and, once under way, encourage consumers to purchase these products, which can be offered at affordable prices thanks to economies of scale.

The existence of norms and the standardization of supply are thus the source of industrial and economic efficiency.

Clusters

Clusters (zones where operators are concentrated,

as has been done in Cameroon) can help the informal sector to identify the benefits that would follow from its incorporation into the formal economy. Clusters facilitate the supply of kiln dried, graded – that is, “traced” – wood and allow access to industrial maintenance, transport facilities and financial and administrative services. This encourages investment in secondary and tertiary processing and allows the creation of an employment pool, while facilitating access to raw materials.

*Connecting industry
with artisans
can improve
the quality of products*

Marking wood products in a sawmill, Republic of the Congo. © E. Parker/TFT; Informal market, Cameroon, © B. Castadot





Sliced veneer, Republic of Congo. © Danzer AG, Baar

An interprofessional organization

Large-scale enterprises, SME-SMIs and artisans should be grouped together within a national wood-sector interprofessional organization, in order to become a force for ideas and action. This may be preceded by the grouping of artisans into cooperatives or associations, which would provide a structure for operators who often work in a highly individualistic manner. Economies of scale could be achieved by negotiating collectively with equipment suppliers. Inputs could thus be adapted to the operators' investment capacities.

Entrepreneurship

The creation of a fabric of well-managed SME-SMIs is vital in order to provide the artisanal sector with a structure and encourage industrial enterprises to work with them and invest in processing through to finished and semi-finished products. This requires, for example, the development of an "industry and value chain culture" among small-scale operators, with performance and profitability objectives. As things stand at present, formal enterprises will

not earn as much profit on the local market as on the international (or inter-regional) market, if only because they are not competitive with the informal sector.

On the other hand, it may be envisaged, for example, that the formal sector might develop its market for processed products, expanding it to the inter-regional level while supplying the local market as a sideline.

There is also the question of the impact that the legalization of small-scale extraction and work would have on prices, whether it follows the signing of a VPA or is part of a policy to structure the sector.

*Develop a wood-sector
interprofessional organization
and create a fabric
of well-managed SME-SMIs*



Informal market, Democratic Republic of the Congo. © T. Baldassarri H. von H.

Building-up profitable formal markets

The market already exists: Africa imports wooden products worth US\$4 billion each year, but only 10 percent comes from the continent itself, which means that the potential is considerable. Africa is one of the regions of the world enjoying the greatest economic growth. It has a population of 1.05 billion, 400 million of whom live in towns and therefore consume more than rural inhabitants. The manufacture of finished and semi-finished wooden products, especially the construction of homes, has the potential to be the prime creator of skilled jobs.

If these markets are to be captured, standardized, good-quality mass production is needed; costs should also be controlled and greater productivity should be achieved in the face of imports not only of wooden products but also of products of competing materials (aluminium etc.). This would allow an improvement in countries' balance of trade and create jobs and wealth by generating added value locally.

Develop a supply that matches purchasing power

Controlling and improving yields would allow optimal use of industrial facilities, reduce costs and capitalize on waste material. By-products or small pieces of wood, which are less expensive, could find better outlets, for example, if they are converted into reconstituted solid wood.

Appropriate processing methods can convert wood waste into eco-materials. Improving the finishing (seasoning, assembling, varnishing, gluing, painting etc.) and ensuring that the product is stored under adequate shelter would allow the quality and competitiveness of furniture, doors and windows to be enhanced at minimum cost,

*Capture African markets
thanks to standardized,
good-quality products*

as compared with imported or substitute items.

Role of public markets

Development of the local market can be brought about through a state policy promoting wood by establishing a minimum quota for the use of wood in public markets, collective housing, public buildings (health centres, schools) and industrial and agricultural buildings, and also in tools of everyday use.

In most countries in the Congo Basin, except perhaps Cameroon, the application of such a measure comes up against the question of cost: “buying local” is more expensive than importing. However, if such a provision were to be generally applied, demand would reach a level at which economies of scale would apply, leading to a reduction in unit price.

Create a positive image for wooden houses

In comparison with potential, the national demand for wooden houses is low in the Congo Basin.

An image of the village hut is still deeply embedded in the collective mind, often associated with poverty and dilapidated shacks. Wood is thus not always seen as a noble material, a conception backed up by a supply of cheap, poor-quality products. In addition, acculturation is leading many inhabitants to think that anything good or of good quality must come from abroad.

Public authorities could help to change these perceptions by developing wooden architecture for public buildings, which would act as flagship products, and by creating wood promotion centres. It would also be useful to develop a prototype wooden framework for low-cost housing.

Wooden house, Cameroon, © FAO/O. Serrano





Plywood production, Gabon, © FAO/O. Serrano

Take advantage of the differentiation of markets at continental level

Although African markets represent a potential in themselves, they are relatively complex, being in the throes of development. This means that only enterprises with a certain level of cash flow can take advantage, inasmuch as it requires an outlay on such things as market and accessibility studies, marketing, competence in international financial transactions, clear terms of payment and guarantees.

The subregional market of Central Africa is more accessible and is extremely promising: it can be developed by speeding up subregional trade facilitation, opening up markets, guaranteeing supply, payments and the quality of products, making partnership agreements with foreign enterprises and optimizing by-products. It also requires some standardization, as well as equal treatment of actors by the administration.

Links therefore need to be established between supply and demand within regional subgroups by facilitating travel, improving market information and organizing trade fairs and shows. This would help to consolidate supply, which is very fragmented today, and also to develop mass production, thus reducing costs and attracting the interest of those involved in the value chain.

Conclusions

The forest wood processing industry represents a potential for sustainable development in the Congo Basin. If this potential is to be achieved, large-scale forest and wood enterprises (which are predominantly foreign) must evolve, if only for their own survival. The European market is rapidly closing to tropical woods, as a result not only of the economic crisis, but also of new requirements. The industry can on the whole no longer count on new areas for expanding forest extraction, but must resort to the creation of added value for new, African markets.

At present most of the processing and value added of wood intended for the local market takes place in the informal sector. This represents a loss of earnings for the state and unfair competition for formally established enterprises, and contributes to a lack of transparency in the sector, thus exacerbating the difficulty of developing a national value chain that is solid, permanent and sustainable. However, it is hard, even at times a delicate matter, to regulate the informal sector, for it is lucrative for a good many stakeholders and exploitation of wood resources is one of the economic activities with the greatest financial impact on rural inhabitants.

For forest enterprises, there is a direct link between a sustainable forest management approach and an “industrial” approach focusing on improved yields and the processing of secondary species (or products deemed unfit for export) into products of high added value intended for national, subregional, continental or international markets. This stress on processing means proposing a model that focuses more on quality than on quantity, and one that is more concerned about the forest resource itself.

The integration of the informal sector, thanks in particular to subcontracting, would be beneficial not only to SME-SMIs, but also to the formal sector. This will require a firm political will and a favourable business climate, the creation of a structured value chain and facilitated access to inputs, finance, training and transport.

The points for reflection offered here, based on the views of those working in the wood industry, are suggested as a starting point for the formulation of national strategies for the sustainable development of the forest industry in the Congo Basin.

Cameroon, © FAO/M. Vandenhaute



This White paper brings together a series of reflections and suggestions for developing wood processing in the Congo Basin. These points for reflection, based on the views of those working in the wood industry, are offered as a starting point for the formulation of national strategies for the sustainable development of the forest industry in the Congo Basin.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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