



Certification of tropical forests: A private instrument of public interest? A focus on the Congo Basin

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ABSTRACT

Forest management certification seems to be stagnating or even receding in the Congo basin. This is attributable to the financial difficulties of some European companies, but might also be a consequence of unexpected interactions with the FLEGT process, which is lagging behind in the Congo Basin. Although this process and private certifications are expected to be complementary, the reluctance of EU authorities to give certified timber a “green lane” for entering the European market may discourage concessionaires from seeking a stringent certificate, while the demand for timber is increasingly shifting towards markets in China and other emerging countries that are not ready to pay a “price premium”. An underlying issue is the difficulty in qualifying the added value of certified timber over legal timber, although some research has shown how certification has closed loopholes in public regulations. Recognition of the public interest of certification could be achieved through fully trusting private certificates for due diligence procedures and, eventually, for obtaining FLEGT licences. Public verification and traceability efforts would be re-centred on non-certified timber and the informal sector, which intersects with forest tenure issues. While some countries wish to make certification compulsory, this article prefers to propose the use of financial incentives through differentiated forest taxes, in order to preserve the credibility of standards, and it details potential mechanisms that could reinforce the independence of auditors.

1. Introduction

Independent tropical “good forest management” certification is now more than 20 years old, having started with the creation of the Forest Stewardship Council (FSC) in 1993. It has often been greeted with some scepticism, because of the gradual South-South shift in the trade in tropical timber, the fragility of an instrument based exclusively on trust, the lack of scientific consensus on “criteria and indicators” of sustainability (Lescuyer et al., 2004), or because it does not address non-sectoral factors and bypasses States (Smouts, 2001). It is also criticized by advocates of strict preservation of natural areas, insofar as it endorses the industrial exploitation of old-growth forests (Freris and Laschefski, 2001).

The problems raised in the early 2000s remain largely valid, but certification, which is a market instrument supposed to express “consumer power”, has become in various forms an unavoidable topic in forestry debates (Rametsteiner and Simula, 2003). This is also indicative of the attractiveness of the idea of economic incentives and private governance over the traditional reliance on public regulations

for forest management (Cashore et al., 2004).

In addition to the “good forest management” certifications that the FSC or the PEFC (formerly *Pan-European Forest Certification* scheme, now *Programme for Endorsement of Forest Certification*) wish to promote, there are also certifications of the legality of the wood used.¹ The rise in certification in the Congo Basin, which started in 2005 with the first certificate delivered in Cameroon, was believed to be continuous and irreversible. However, in 2018 several certified companies were in financial difficulties and sold some of their assets to companies that seemed not to be willing to keep the certificates for the concessions they had taken over (Karsenty, 2018). As a consequence, the area covered by FSC certification was 4.49 million hectares (FSC, 2019), down from the peak of 5.58 million in 2017. In reality, the size of the certified area had been stagnating since 2010, with 6 industrial groups (including their subsidiaries) owned by Europeans (plus one controlled by the Singapore-based transnational conglomerate, Olam). Those companies were considered as the “low-hanging fruits” of certification. On the other hand, the growing importance of Asian and African companies, whose outlets are markets disregarding certification, is not seen as propitious

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¹ In this article, when speaking of “certification”, unless otherwise stated, we refer to “forest management” certification (FSC type). We will refer otherwise to “certification of legality”.

for the spread of certification. At the same time, development of the FLEGT process under the auspices of the EU, and the coming into force of the EUTR in 2013, may have had a deterrent effect on some companies. Some might possibly opt for certification but prefer to obtain less stringent “certificates of legality” for facilitating the due diligence exercise required by importers to reach the European market.

FLEGT efforts are clearly targeting governance through the reinforcement of public institutions and participation of civil society, while certification is aiming to change the forest management practices of the private sector. Although theoretically complementary, these processes seem to be having unexpected interactions, resulting in the current stagnation of certification in the Congo Basin. As the FLEGT process, whose ultimate objective remains the delivery of FLEGT licences to partner countries, is lagging behind in the Congo Basin and is currently not able to tackle the issue of the growing informal fluxes of timber onto the domestic and sub-regional markets, the situation is worrying. A new approach seems necessary, based on governments and development partners taking into account the public interest dimension of certification. This new approach requires full integration of certification into the FLEGT processes and the introduction of financial incentives for certified forest companies.

This article takes stock of the current process of institutionalising forest certification in the Congo Basin and analyses current interactions between the FLEGT process and certification. The article highlights the limitations of the VPAs concluded between the Congo Basin countries and the EU, and proposes a new distribution of roles between public and private instruments, namely the FLEGT/EUTR combined apparatus and certifications, and a mechanism of financial incentives based on differentiated forest taxation to support certified companies and encourage new ones to follow suit.

2. Certification, sustainability and governance

It is a fact that certification has not reduced deforestation in tropical countries (Marx and Cuypers, 2010; Rametsteiner and Simula, 2003; Blackman et al., 2015). However, deforestation trends are closely linked to public forest-related policies adopted by governments. Since certification is associated with improved forest management in production forests, this may indirectly contribute to preventing deforestation. Indeed, sustainable development of a territory, generating employment and tax revenues, may influence collective decision-making on the use of public lands, particularly in African States aspiring to “emergence” through agribusiness. This is often not sufficient to convince governments to create, keep and invest in managing permanent forest estates, as can be seen in Cameroon (Ongolo and Karsenty, 2015), but it can be expected that a decrease in forest fiscal revenues and a reduction in employment associated with a shrinking timber resource (due to unsustainable logging practices) would encourage policy-makers to decide in favour of forest conversion to agriculture. Even though nobody has the hindsight to assert that forest certification guarantees “sustainable yield”, which is something that might be assessed over several felling cycles expressed in decades (Karsenty and Gourlet-Fleury, 2006), improved forest management prevents rapid timber resource depletion that would push stakeholders to consider land conversion – as has been the case in Southeast Asia (Romero and Putz, 2018).

One of the recurring debates is whether certification can develop and be effective in marked tropical countries with a weak rule of law and poor governance, or in “areas of limited statehood”.² Taking certified areas of tropical natural forest, where legitimacy and

² Areas of limited statehood lack the capacity to implement and the ability to authoritatively enforce central political decisions. They cover “failed/failing states” in the crisis regions of the world, “weak states” in developing and transition societies (Risse and Lehmkuhl, 2006; Börzel and Risse, 2010)

management issues are most acute, the modest figure is 7.8 million ha or 10 million ha if extended to semi-natural forests, including reforested areas (calculation based on FSC data). The Congo Basin is still the tropical region with the largest area of FSC-certified natural forests, with almost 4.5 million ha by June 2019. This is causing annoyance to some environmental NGOs opposed to any form of industrial exploitation, which are particularly trying to undermine the credibility of the certification of concessions operating in Gabon, Congo and Cameroon.³ The presence in these countries of European groups with large concessions, exporting the majority of their production to the EU, explains the importance accorded by Central Africa to FSC certification.

The direct objective of certification is to improve practices at the level of the forest management unit. In the case of FSC-certified concessions in Central Africa, research indicates that certification has led to improvements in forest production practices, and these advances are also reflected in the social dimensions (workers, local populations) of that management (Tsanga et al., 2014; Cerutti et al., 2016). Despite the “poor governance” of the forest sector, these advances confirm the hypothesis put forward by Cashore et al. (2004) that certification can, to some extent, be a substitute for ineffective public policies. To the extent that companies invest in certification to take or maintain certain market shares related to environmental issues, which are also the most profitable, they self-regulate to avoid losing their certification and therefore comply as far as possible with laws and regulations.

It is clear that certification has become an institution, in the sociological sense of an “established social form”. While, in its early days, independent certification was perceived by States themselves as competition or even an attack on their sovereignty, the discourse has changed. Certified areas are promoted by governments to demonstrate the good management of their forests. In Malaysia, Indonesia and Brazil the governments themselves are the promoters of national certifications,⁴ which are easier for their administrations to control.

3. Certification in the context of the FLEGT initiative

3.1. “Country certification”?

The EU has put in place a Timber Regulation (EUTR) that penalises the import of illegal wood. The regulation requires importers to exercise “due diligence” to verify the compliance of their suppliers. At the same time, the EU has proposed Voluntary Partnership Agreements (VPAs) to producer countries to provide them with the capacity to verify the legality of all timber produced and exported. As a result of this “upgrading” process, countries will be able to export to the EU timber with “FLEGT licences” (acronym for Forest Law Enforcement, Governance and Trade), which is therefore deemed legal, thus exempting importers from due diligence procedures.

Some European Commission experts promoting VPAs point out the limits of certification, which concerns only a handful of companies and has no significant influence on national policies. The VPA-FLEGT thus aims to transform the governance of the forest sector. The inclusion of the internal market for wood (largely supplied by “informal” small-scale loggers) in several of these agreements reflects the initial ambition of the approach. Thus, well-designed VPAs would be the “trigger” for a process that may provide institutional solutions to global forest governance and, under an optimistic hypothesis, would have significant potential for reinforcing both global private certification and domestic good governance (Cashore and Stone, 2012). All the more so since the additional cost of being certified is limited, estimated by an Oréade-Brèche study (2017) at around € 2.2 per m³ per year for a 500,000 ha concession already fully compliant with existing regulations in the Congo Basin.

³ See <https://fsc-watch.com/category/congo/>.

⁴ See <https://globalforestatlas.yale.edu/conservation/forest-certification>.

Nevertheless, we argue that the process of “public certification of the country's exports” enters de facto in conflict with the logic of “good forest management” certification carried out by the private sector (FSC, PEFC, etc.). Indeed, it raises the question of the added value of the latter relative to full compliance with laws and regulations. Full compliance includes not only forest management plans which, if scrupulously applied, are supposed to ensure the sustainability of timber exploitation, but also the specifications of concession contracts, which comprise specifications for social achievements and constitute legal obligations.

3.2. Legality gaps filled by certification

In other words, is there a difference between legality and sustainability? Moreover, can “good forest management” certifications, such as the FSC, provide guarantees of greater sustainability than the implementation of management plans and compliance with specifications?

European experts have often replied in the negative to this question, considering that full compliance with forest laws and regulations is likely to ensure environmental and social sustainability. However, several studies have shown that there are gaps in the forest management standards of some countries, and that the letter of the regulation can be respected while betraying its spirit, at the expense of environmental sustainability (Vandenhoute and Doucet, 2006; Vandenhoute and Heuse, 2006; Cerutti et al., 2008). In addition, the European Commission is greatly embarrassed to qualify the legality of wood from “conversion forests”, resulting from administrative authorisations for development granted by the ministry in charge of agriculture, especially when no “permanent forest estate” has been legally enforced through gazetting. Formally, this conversion wood is not illegal, and it can be exported with FLEGT licences, unless specific provisions were adopted when the VPA was concluded. However, these woods cannot be certified, as they are not associated with sustainable exploitation.

Professional associations, such as ATIBT (International Tropical Timber Technical Association, mainly focused on Africa), regularly ask the European Commission for FSC-certified timber to be considered from the outset as presenting only a “negligible risk” of illegality within the framework of due diligence. They have never received a clear positive response. In 2018, a British trader who imported FSC-certified wood from Cameroon considered this to be a sufficient guarantee of legality. The British National Authority, while acknowledging that the timber was not from an illegal source, sanctioned him financially (up to £7000) for failing to carry out due diligence procedures, as for any other imported wood (ITTO-TTMA Report, 2018).

3.3. Adaptive dynamics of an economic instrument

Certification is an economic instrument based on incentives. It is known that one of the theoretical advantages of economic instruments over regulation is that they encourage agents not to stop their efforts when they reach the threshold required by regulation (Tietenberg, 1990). Forest management certification provides a process for continuous improvement of practices, thus pushing to go beyond legal standards. In some cases, this poses a problem for forest companies, which are required by some certification bodies to increase the recovery rates (after initial cutting) of marketed species volumes in excess of legal requirements (Cerutti et al., 2008). The ongoing discussion about the Intact Forest Landscapes (IFLs) is also a source of concern for many concessionaires operating in the Congo Basin. An IFL is defined by FSC in the international generic indicators as “a territory within today's global extent of forest cover which contains forest and non-forest ecosystems minimally influenced by

human economic activity, with an area of at least 500 km² (50,000 ha) and a minimal width of 10 km”. In 2014 environmental members, including Greenpeace, successfully campaigned for FSC members to pass motion 65, which stated “If, by the end of 2016, a relevant standard has not been implemented, a default indicator will apply that mandates the full protection of a core area of each IFL within the FMU [Forest Management Unit]. (...) the core area of the IFL will be defined as an area of forest comprising at least 80% of the IFL falling within the FMU”. In the General Assembly 2017, members of the Economic Chamber succeeded at passing motion 34 that recommend to: “Enable the conducting of regional assessments of the short and long-term impacts – positive and negative – of the management and protection measures associated with the implementation of Motion 65/2014”. Although this last motion avoid the firm 2016 deadline that would have forced some concessionaires with IFLs in their permits to give up FSC certification or to waive large volume of timber, it was – and is still a source of concern for several FSC-certified concessionaires. Some of them have decided to go for a double certification (PAFC, in addition to FSC), to remain certified anyway if, in their eyes, FSC requirements became too tough.

It is probably in the social and wildlife management aspects that forest certification probably shows significant added value. For forest operators engaged in forest management certification, wildlife management commitments within concessions are more important than the legality and traceability certifications OLB (Origin and Legality of Timber) or VLC (Verification of Legal Compliance) (Dubiez et al., 2017). For researchers (Cerutti et al., 2016; Tsanga et al., 2014) FSC-certified forests contribute more to the well-being of local populations than the other concessions.

3.4. From theoretical complementarity to de facto competition?

In spite of its expansion in tropical areas, FSC certification of natural forests in the Congo Basin has been stagnating since 2014. Some concessionaires prefer “legality certification”, seen as less stringent (Cashore and Stone, 2012, speak of “certification light”) and possibly sufficient to provide some guarantees to EU wood importers who, in application of the 2013 EUTR regulation, have to ensure “due diligence” before selling imported timber in Europe. As mentioned above, certification may facilitate due diligence but cannot replace it, and importers have to ask for numerous documents in order to minimize risks, whether they import timber with forest management (FSC type) or legality (OLB type) certification. Therefore, many concessionaires exporting to the EU wonder whether it is worth the trouble to become FSC certified if legality certification can compare with respect to the due diligence process: possibly useful but not sufficient, whatever the type of certification acquired. Moreover, in the event that the Congo Basin countries were allowed, sooner or later, to issue FLEGT licences (which means that all the exported timber will be verified and, thus, assumed legal, whatever its destination), any certification would become useless for concessionaires with respect to the legality issue – often assimilated to sustainability by many purchasers (Bartley, 2014). Also, as highlighted by Bartley (2014), “for firms looking to demonstrate due diligence/care without publicly exposing themselves, the confidential nature of most verification and tracing initiatives [i.e. certifications of legality] should be attractive”. The issue of the impact of the FLEGT process on the development of certification is therefore real. This raises the question of the potential for FSC certification to expand beyond the so-called “early movers”, which could slow down the evolution towards self-regulation and the improvement of management practices. This is all the more worrying in that the implicit promise of “certifying the country” has not been fulfilled by the FLEGT process.

Currently and previously certified concessions (“Forest Management”) in Central Africa.

Country	Company	Total area (ha)	FSC Certified	Date of first certificate	Abandonment	Comment
Congo	CIB - OLAM (CIB since 1968) <i>Singapore</i>	2,100,000	1,319,300	2006		Olam, owner since 2006, has expressed in 2019 its intention to sell the CIB
	IFO – Interholco (since 1964) <i>Switzerland</i>	1,160,000	1,160,000	2009		
Gabon	CBG (since 1980) <i>France</i>	568,543	568,543	2009		
	CEB - Precious Wood (Since 1946) <i>Switzerland</i>	596,800	596,800	2008		Also PAFC certified
	Rougier Océan (since 1952) <i>France</i>	895,825	575,863	2008		Certification of 319,962 ha suspended in 2018 but likely to be certified again in 2019 Government of Gabon is shareholder (35%) since 2011 (through the <i>Caisse des Dépôts et Consignations</i> of Gabon)
Cameroon	Pallisco – CIFM (since 1972) <i>France</i>	388,949	341,708	2008		
	GWZ - Wijma Cameroon (since 1968) <i>The Netherlands</i>	–	–	2005	2016	First concessionaire certified in C. Africa, 331,000 ha certified in 2012 4 FMUs sold to Chinese and Cameroonian companies
	Rougier Cameroon –SFID (since 1969) <i>France</i>	–	–	2013	2018	Unrest in the Anglophone region led to suspension of one FMU (70,297 ha) Sold in 2018 to SODINAF (Cameroonian company) 262.772 ha certified before 2018
	SFIL (Decolvenaere) (since the 60's) <i>Belgium</i>	185,406		2010	2015	71,410 ha certified before 2015
	TRC – REEF (TRC created in 1999) <i>The Netherlands</i>			2008	2012	Liquidated in 2012 125,490 ha certified before 2012
	SEFAC – SEBAC (since 1968) <i>Italy</i>	405,000		2006	2009	Certification cancelled by ASI (<i>Accreditation Services International</i>) and certifying body suspended 315,655 ha certified before the cancellation

Source: Author's compilation of various sources.

4. The promise of improved national governance only partially kept by FLEGT

The FLEGT licensing scheme is based on the establishment of a Legality Verification System (LVS), which includes compliance checks to ensure that timber and timber products intended for export to the EU have been legally harvested. The requirement to verify the legality of timber sold on the countries' domestic markets has been discreetly ignored and is, de facto, not a prerequisite for issuing FLEGT licences to exporters.

This is the case of Indonesia, which has been exporting timber to the EU with FLEGT licences since November 2016. The basis for these authorisations is the SVLK (Indonesian National Legality Verification System). Several analysts question the real guarantees provided by SVLK in Indonesia and have begun to point out its flaws (Rainforest Action Network, Walhi, TUK Indonesia, Profundo, 2018; JPIK, 2018). The Indonesian NGO JPIK highlights the ill-addressed issue of corruption under SVLK, stating “*We found that the SVLK auditors are only looking at the availability of permits without scrutinizing the process of how the permit was issued*” (JPIK (*Jaringan Pemantau Independen Kehutanan*), 2014)

The absence of an intervention strategy for the legality of the internal market, although mentioned in particular in the VPAs of Indonesia, Congo and Cameroon, moves the FLEGT process away from the ambition to transform the country's forest governance, in favour of traditional schemes for the certification of companies by experts from private bodies specialised in control. The main difference is that SVLK is certification proposed by the Indonesian administration, and not directly by a private actor, although the Indonesian system is based on the traceability and legality verification mechanisms presented by

companies and assessed by private auditors (Bartley, 2014). In total, in the six countries signed up to VPAs, an amount of € 231 million was invested in FLEGT between 2003 and 2014 (TEREA et al., 2016), but altogether the total cost of FLEGT was estimated at € 882 million at the same time. The question of the cost-efficiency of FLEGT might therefore be raised. Private certification costs are borne by the companies, and possibly by consumers, although FLEGT costs are incurred by EU taxpayers. It might be too early to draw conclusions related to FLEGT efficiency, but if policy reforms aiming at significantly improving governance and sustainability in the whole timber sector (not only for the segment geared towards exports) are not enforced in VPA countries, one could question the added value of the FLEGT process compared to simply recognising private certifications as guaranteeing “negligible risks” of illegality under the EUTR.

However, in several African countries (notably Cameroon and Congo, signatory countries of a VPA) these systems cannot be finalized and operationalized, despite large financial investments by donors. Having considered the issue from a mainly technical and IT perspective, the Commission's experts underestimated the importance of hidden agendas and the interests at stake. As Overdevest and Zeitlin (2014) state: “*the deeper reasons [for these delays] are rooted in the social and political challenges of overcoming deeply entrenched patterns of corruption and patronage relations in domestic forest governance*”.

These delays, if they were to continue, would have serious consequences for exporters in the Congo Basin. If the countries fail to issue FLEGT licences in the near future, those exporters risk losing market share in a market that often remains more profitable than that in Asia or the Middle East. This risk is embarrassing for the EU, as African countries would be the losers in a process that was intended to be “win-win”.

5. Deepening the institutionalisation of certification in public policies

5.1. Achieving complementarity through the recognition of certification by the FLEGT system

FLEGT licences for timber exported to the EU may be redundant with certification (Hinrichs and Van Helden, 2012), whether of legality or of Forest Management, without ensuring that they provide additional guarantees. If the FLEGT process, backed by EUTR, is to avoid simply drying up trade flows of timber between the “fragile states” (Karsenty and Ongolo, 2012) of the Congo Basin and the EU (the share of the EU in African timber exports fell from 49% in 2008 to 21% in 2017 – ITTO-TMMb, 2018), it would probably be necessary to comply with the request of industrialists that private, legality and FM certifications should be able to exempt further formalities as part of the due diligence established by EUTR.

The national verification and traceability systems under preparation could integrate the systems developed within companies and validated by certifiers. The FLEGT licensing scheme would be complementary to the certification scheme, with certified timber automatically receiving such licences. Governments and their development partners would simply have to assess at regular intervals the functioning of certification systems, including legality certifications, which are less subject to the scrutiny of large ENGOs.

Most of the work for these national systems will continue to be extended to sub-regional wood flows of increasing importance (see, for example, Lescuyer and Tal, 2016, for trade between Cameroon and Chad) and, of course, to trade in timber on domestic markets. The EU's financial effort and governmental actions would benefit from a re-centring on the regulation of informal wood flows, a highly challenging mission raising considerable governance issues that ought to be addressed to help these countries move towards the rule of law.

5.2. The “Compensated Reduced Forest Taxes for certified concessions” (CRFT) proposal

Certified areas are nowadays promoted by many governments to demonstrate the good management of their forests, especially in the Congo Basin where, after initial suspicion, officials are prone to put forward the number of hectares certified.⁵ If the positive externalities of certification are considered as public goods, and these labels are increasingly used in public policies, it would then become legitimate to relay market incentives through public incentives and subsidies for the adoption of certification. Public support can be given through criteria for access to public timber markets, as is the case with numerous municipalities in the Western world, where only certified timber is allowed to compete. However, such a privilege is currently challenged by importers of FLEGT-licensed timber (from Indonesia, until present) who want equal treatment for certified and FLEGT-licensed. Insofar as court decisions may impose such equal treatment, it is not certain this advantage will persist.

The “business model” of certification has depended on “price premiums”. Since the premiums associated with certified timber are often not persuasive enough for concessionaires, given the diversity of markets and their uneven maturity, incentives could be provided at production level, by either subsidizing certified companies or alleviating costs. Subsidies have been used in the Borneo Initiative since 2011. This project, funded by Dutch companies and government, contributes two dollars per hectare to FSC-certified companies (Bartley, 2014). This is likely to have contributed to the figure of 3 million hectares FSC

certified in Indonesia in 2018, of which 2.8 million are production natural forests. However, international public donors are generally reluctant about direct subsidies to logging companies, when they do not have internal policies prohibiting them, such as the 1991 World Bank policies. Even though the current Operational Policy 4.36 “requires that industrial-scale commercial forest harvesting can receive World Bank financing only if it is (...) certified under an independent forest certification system acceptable to the World Bank”,⁶ those in charge of the forest sector confide that direct subsidies would trigger strong external criticism, notably by some ENGOs.

In the Congo Basin, the costs that could be reduced are related to taxation, as it is the only category that could be reduced through a political decision – unlike transport and exploitation costs. As it is unlikely to expect countries in which fiscal receipts are intimately associated with commodity exports (even though oil and minerals generate much more revenues than timber) to give up revenues without something in return, it will be necessary to compensate them for the foregone revenues (Karsenty, 2010). Reducing costs through tax rebates would not only complement the business model of certification, but would potentially attract a new category of concessionaires, namely those whose outlets are on markets not sensitive to certification. A coalition of donors, such as the one that is emerging in the Central African Forest Initiative (CAFI), could propose agreements to producing countries aimed at compensating public budgets for reduced taxes for certified concessions (FSC, or the new PAFC label if it is deemed credible by all parties). Compensation would have to be sustained for a minimum period, ideally from 7 to 10 years, to allow concessionaires to prepare for certification and to enjoy tax rebates for some years.

The amounts to be compensated will depend on the rebates negotiated and the area certified. A simple simulation based on a 30% rebate on the main 3 forest taxes (area fees, felling taxes, and export duties) for a certified area of 3 million hectares suggests the following figures for Cameroon:

Simulation – Cameroonian case

1. We assume an average area fee (set through auctions) of XAF 3000 (€ 4.5), which is the average for concessions attributed through competitive bidding since 2000.
2. The felling tax is 2.5% of the mercurial value (administrative value) of logs (varying according to species).
3. For processed timber products, the export duties are set at 5.65% of the mercurial value of 1 m³ of log (tax basis is always 1 m³ of log).
4. Export duties are set at 30% for logs, plus a fixed overtax of XAF 5000 (€ 7.6) per m³ for the most exported species (*Ayous -Triplochiton scleroxylon*), the only one considered in this simulation.
5. The mercurial value adopted (considered as representative of an average situation) is XAF 105,000 (€160) for logs (a value used also for the calculation of export taxes on processed products)
6. We simulate the likely amount of forest taxes of a hypothetical concession of 3 M ha exporting all its production. We assume an average 10 m³/ha of commercial timber harvested, meaning an annual production of 1 million m³.
7. The felling cycle is 30 years in Cameroon. We assume the concession exports 20% of its log production as unprocessed timber, and a wood processing recovery rate of 38% for sawnwood (i.e. 2.63 m³ of logs needed to produce 1 m³ of sawnwood). That means the “concession” will export 200,000 m³ of logs and 304,000 m³ of sawnwood (38% of 800,000 m³ logs).
8. Results: Such a hypothetical concession would harvest 1

⁵ See H. Djombo (former minister of the Forest Economy of Congo) interview in *Le Figaro*, 31/05/2010 http://www.lefigaro.fr/environnement/2010/05/31/01029-20100531ARTFIG_00729-henri-djombo-c-est-une-question-d-image.php.

⁶ <http://siteresources.worldbank.org/EXTFORSOUBOOK/Resources/09-FSB-Ch09.pdf>.

million m³ annually, and pay €34 million of forest taxes (around € 11.3 per ha). A 30% rebate on forest taxes would represent € 10.2 million, to be compensated for annually to the public treasury, for 3 million ha certified.

Cameroon is the country with the highest forest taxes in the Congo Basin. Preliminary simulations, not detailed here, suggest a comparable measure (for 3 million ha of certified concessions) would cost € 1.5 million per year in Gabon.⁷ This lighter fiscal pressure suggests that incentivising the concessionaires might require a tax cut significantly over 30% in Gabon. Congo (Rep.) would fall between these two extremes.

5.3. Pooling the specific costs of certification

A much less costly system, which would be complementary to this CRFT proposal, would be to earmark a fraction of forest taxes paid by all forest loggers for a fund dedicated to the payment of audits carried out regularly by the certifying bodies. According to the *Oréade-Brèche (2017)* study for the PPECF, the cost of the audits (pre-audit, initial audit, 4 follow-up audits) is around XAF 57 million (€ 87,000) for a 5-year period, for a 500,000 ha concession. Clearly, this cost is not significant for large companies; the purpose is rather to avoid direct payment of auditors from certifying bodies by the company which is audited and, therefore, increase their independence, as research has shown that several indicators are too broad to be properly checked by an audit and are, therefore, subject to interpretation by an auditor (Piketty and Garcia Drigo, 2018). It would be a first step towards a move away from the “business-to-business” model adopted by certification, which embodies a risk of conflict of interests between the company and its auditor.

A complementary procedure to reinforce the independence of the auditor would be to prevent the selection of the certifying body by the company itself. One can imagine a random attribution by the standard (the FSC or the PAFC) of an agreed certifying body to a company expressing its will to become certified. A similar idea (audit firm rotation) has been proposed for the US auditing system by many analysts (see Moore et al., 2006) as a means of increasing auditor independence. A difficulty could arise with the uneven fees billed by the certifying bodies (and probably their perceived uneven quality). To be implemented, such a procedure would require the standard (or their accrediting organization, such as the Accreditation Service International for the FSC) to set a cap on the fees a certifying body could ask for.

5.4. Expected challenges

One of main challenges for the CFRT proposal might not be the uncertain willingness of donors to pay, but rather the lack of transparency surrounding forest fiscal issues in the Congo Basin. Many companies might be reluctant about such a scheme inasmuch as they do not pay the nominal taxes they are supposed to, thanks to various services they provide to public institutions (road maintenance, industrial investment in some places, etc.). Significantly, these companies are opposed to disclosing the amount of taxes they pay annually.⁸

⁷ In Gabon, the area tax is set at XAF 400/ha (€ 0.6), and the felling tax paid at the customs barrier is 1.5% of mercurial prices of a list of processed products. Since the log export ban, there is no longer any specific export taxation.

⁸ For instance, the Financial Director of the French company Rougier expressed, during a radio interview (<http://www.rfi.fr/emission/20140917-une-loi-francaise-industries-extractives-plus-transparentes>) her opposition to the regulation (Loi n° 2014-773) which transposes into French law the European Transparency and Accounting Directives adopted by the European Parliament in June 2013. This text states that “The objective is (...) to initiate the transposition by France of the provisions of the Accounting Directives concerning certain

Officially, it is to avoid communicating strategic business information to competitors, but it might also be to avoid making public some bilateral fiscal arrangements with various authorities.

Such a difficulty might tend to lessen with the gradual reinforcement of the EITI (Extractive Industries Transparency Initiative), and a more systematic review of timber revenues in the national reports. The EITI was launched in 2002, with the aim of increasing commercial transparency over payments by companies to governments and government-linked entities in resource-rich developing countries, as well as transparency over revenues by those national governments (Brack et al., 2004). This endeavour is mirrored by civil society through the “Publish what you pay!” initiative. Until now, EITI priority has been given to mining and oil revenues, but timber is part of the scope and forest sector revenues are (poorly) addressed by the 2017 EITI report for Congo (revenues of 2015).⁹ In this respect, it is regrettable that neither the FSC nor the PAFC/PEFC have yet included transparency over revenues paid by companies to States, local governments and communities in its criteria of “good forest management”, although such transparency is a key element of governance.

Another potential obstacle would be the legal institutionalisation of certification. The Gabonese President's 2018 decision to make FSC certification compulsory for all concessions by 2022 is a further step in the use of private instruments for public regulation purposes. In concrete terms, it means that the Gabonese government “offloads” control of forest concessions onto an international organization (the FSC) and certification bodies. If such a legal institutionalisation comes into force, there would be no case for using financial incentives to increase the share of certified production forests.

5.5. The risks with legal institutionalisation

Making forest management certification compulsory means consecrating the power of private governance in an area that has long remained particularly sovereign. On the other hand, it will lead to a reinforcement of pressure from forest companies on the certifying bodies to obtain the necessary label to remain in business. However, these organizations accredited on behalf of the FSC (which does not certify itself) are chosen and remunerated by companies applying for certification, and they have certain margins of interpretation of the criteria of “good forest management” (Cerutti et al., 2011; Piketty and Garcia Drigo, 2018) Some of these certifying bodies are known to be more understanding than others regarding their clients' constraints. The mandatory standard (the FSC or the PAFC) will have to pay particular attention to the quality of the certificates issued by these bodies, especially since NGOs hostile to industrial logging will not fail to try and catch companies having been forced to obtain the FSC label to stay in business without really having taken on board the change in managerial approach that must go with it.

6. Conclusion

The institutionalisation of forest certification is on the move in various forms. As Gulbrandsen (2014) stated, private certification growth is “not indicative of less government involvement but rather of public-private interactions”. Gabon, following in the footsteps of Sarawak, which took similar measures, wants to make certification

(footnote continued)

obligations for European extractive companies concerning the publication, country by country and project by project, of amounts derived from the exploitation of extractive resources and paid to States”. According to the Rougier representative, forcing European companies to disclose the taxes they pay would provide strategic information to their competitors not subjected to the same constraints.

⁹ https://eiti.org/sites/default/files/documents/finergies_-_itie_congo_-_rapport_2015.pdf.

compulsory by 2022. This is not without risks for the credibility of certification standards. Forest certification is based on consumer confidence, in a context of uncertainty about the content of the “sustainable forest management” concept (Karsenty and Gourlet Fleury, 2006; Medjibe et al., 2013; Gourlet-Fleury et al., 2013) in the case of large tropical forests, and controversies surrounding the impacts of logging (Zimmerman and Kormos, 2012; Putz et al., 2014). It is therefore a fragile instrument, as trust can quickly be undermined by a few unfavourable media episodes.

Another approach for deepening institutionalisation, without making certification compulsory, would be to recognise its public interest by integrating certification systems (forest management and legality) in the national verification and traceability systems under preparation. In such a framework, certified timber would automatically be FLEGT-licensed, and the FLEGT efforts would be refocused towards helping the national verification and traceability systems to capture the other timber flows, and to support the governments and civil society in their endeavours to regulate the informal sector – which will need to address the land tenure issue, something certification cannot do.

As shown above, forest management certifications bring a genuine added-value over mere certifications of legality. The increase in certified areas is, therefore, a matter of public interest. Financial incentives seem preferable to legal institutionalisation, inasmuch as conversion of a voluntary instrument into a legal prerequisite might turn against certification standards by undermining their credibility. Using differentiated forest taxation to encourage certification, and compensating governments for the foregone revenues over a negotiated period, might be a promising avenue.

However, having more certified forests areas will only mean a partial improvement of forest governance, and will not directly address the drivers of deforestation, which mostly lie outside the timber value chains – even though they often interact with forest industry operations. Nevertheless, having more self-regulating forest operators, who comply with regulations and are incentivised to improve their forest management, contributes to the sustainable forest development of a territory and can therefore indirectly contribute to preventing deforestation through the long-term ecological and economic benefits that can be highlighted in national debates and in public decision processes regarding land-use planning.

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