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Promoting sustainable value chains in the Congo Basin

An analysis and set of recommendations based on three case studies
in producing and importing countries



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Client


German Facilitation to the Congo Basin Forest Partnership

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EXECUTIVE SUMMARY

Background

The Congo Basin represents the second largest area of tropical rainforest in the world. While this part of the globe has experienced nothing like the scale of forest degradation and conversion seen in the Amazon and Southeast Asia, its forests have recently been under increasing pressure due to economic development. This is driven by both domestic and foreign industrial investments in the agriculture and mining sectors as well as small-scale agriculture and forestry. At the same time, markets and consumers impose an increasing level of scrutiny on the conditions of production. Debates have thus been intensifying on the emerging and tangible threats to forest resources in the region and the means to abate their impacts. Given the number of Congo Basin countries and sectors involved – covering diverse commodities, the production of which is related to various extents of forest loss – our analysis is based on three case studies that are deemed critical, are representative of the stakes in the region, and cover both producing and importing countries. **The approach is thus to start from these three case studies and then derive more general lessons for the entire region.**

The **first case study** is dedicated to the spectacular policy announcement by Gabon that it would make FSC timber certification mandatory from 2022 onwards for all concessionaires willing to keep operating in the country. Such certification is relatively advanced in Gabon and this unprecedented policy stands as an intriguing and promising example in the region. The **second case study** relates to a prominent approach that has emerged and grown over the last decade, namely corporate zero-deforestation commitments. This is complementary to the first case study as it refers to a process initiated by the private sector itself, and we apply it to the oil palm sector in Cameroon. For the **third case study**, we move to the importation side of things with the most advanced policy effort to take action in consuming countries, namely the French National Strategy against Imported Deforestation (SNDI).

Case study 1: Mandatory FSC certification in Gabon

The announcement by **Gabon** that all timber producers operating in the country must be FSC certified from 2022 onwards is **remarkable** in several ways:

- it represents an unprecedented level of ambition, particularly for a developing country,
- it refers to a private standard as a means to achieve public objectives such as sustainable forest management,
- it is one element in a larger series of measures that the country has taken over several years to improve its reputation and to rationalize the utilization of its forest resources.

Gabon was already a front-runner in the region with the log export ban it put into place about ten years ago. This was a well-known type of measure that had already been tested and applied in other parts of the world (e.g., in Indonesia to develop its plywood industry) to stimulate investments in the downstream stages of the value chain and to retain more added value domestically. Gabon has progressed along this path with **other ambitious steps** such as:

- the widespread application of forest management plans (which is also seen in neighboring countries),

- playing a leading role in the application of REDD+ in the region,
- the enlargement of a network of national parks and eco-tourism to diversify revenues from forest resources.

While there is general consistency in the rolling out of this set of policies, critics have also highlighted **gaps** such as a relative neglect of community forestry. More importantly, they have warned about possible negative consequences such as a misalignment between upstream (timber production) and downstream (processing) stages of the value chain, disruption of vertical integration in the wake of special economic zones being implemented near the main logistical hubs, or reputational risks as pressure to become certified could result in audits of lower quality. This policy initiative is also taking place in a context where the expected positive impacts of FSC certification (not specific to Gabon) on the sustainability of forest management lack a credible and undisputed evidence base.

Case study 2: Zero-deforestation commitments in Cameroonian palm oil sector

The second case study in **Cameroon** points to the specificities of the Congo Basin where the **palm oil sector remains disorganized and non-industrial** in many ways. This is in stark contrast with the situation in the leading oil palm producing countries located in Southeast Asia. Indeed, oil palm originates from Africa where it still makes up significant shares of the total planted area worldwide; yet the low yields result in a **much smaller share of total production compared to Southeast Asia**. Oil palm also has a long history in Cameroon where it developed during colonial times, then with state-owned companies of which some were later privatized; the Bolloré group is now the main player in the country.

A rural development fund – FONADER – contributed significantly to the Nucleus Estate Smallholder (NES) model whereby farmers are associated with companies that provide technical assistance. After some years of successful operation, its collapse in 1990 induced a new wave of independent smallholders who supplied **artisanal mills** that have become a feature of the sector in Cameroon. The pace of expansion has been unabated ever since and has resulted in a situation where **a majority of plantations are owned by smallholders** with their own mills and low productivity even in medium-scale plantations developed by wealthy local entrepreneurs. Low productivity is also found in state-owned plantations.

A study indicates a **lack of remaining large pieces of land in areas that are suitable for oil palm while also meeting sustainability conditions** as defined by the main certification standard Roundtable on Sustainable Palm Oil (RSPO). As a result, and for the sake of deforestation-free expansion, either the sector will develop with scattered smallholder plantations only or new industrial plantations will entail the conversion of forests in good condition. Having said that, this view is partially disputed and others argue that suitable land is available in the forest-savanna transition zone where good soils and high insolation are present, and the only barrier is that the dry season is too long. One intervention opportunity might thus be to use climate finance to divert new plantations away from forested areas and to pay for the additional irrigation costs.

Zero-deforestation commitments have been made by operators of private industrial plantations and these seem to be enforced, which is encouraging. Yet, **their broader application faces major obstacles** such as the large share of production that flies under the radar with small- and medium-scale plantations (often owned and funded by wealthy Cameroonian entrepreneurs)

supplying very local (often artisanal) mills and markets. **Market and consumer pressure is thus almost non-existent.** An inconvenient truth seems to be that the bulk of deforestation is happening outside concessions and thus outside of the responsibility of industrial actors, which gives **limited leverage to zero-deforestation commitments.**

Case study 3: The French National Strategy against Imported Deforestation

The third case study considers a very different, importing-country perspective with France's initiative to address deforestation that is embedded in its imports (and predominantly those of agricultural commodities). **As concerns regarding importation of deforestation are also present at the European Union level,** this case study should be followed closely to take stock of accomplishments and challenges before applying lessons in other countries and possibly at the EU level. With measures that unfold on many fronts and in many ways – from the dissemination of information among stakeholders to the application of labels or dialog and coordination with producing countries – the **SNDI is a living experience** that is about to yield critical knowledge for replication and improvement.

Policy options and recommendations

It is crucial to distinguish between lessons that apply specifically to the studied countries and those that are relevant to the region more broadly. A first step is to reflect on the broad directions that are uncovered (sometimes implicitly) by the three case studies.

Certification

With regard to the first case study, an unprecedented announcement was made to trigger changes and potentially even a paradigm shift. It should be noted that Gabon was uniquely capable of adopting such a game-changing approach because it had prepared for years through a suite of strong decisions and policies that all pointed in the direction of increasing sustainability in the use of its large forest resources. **Consistency is of absolute importance** for at least two reasons: (1) to ensure effectiveness, with cross-fertilization and mutually supportive policies; and (2) to appear predictable to investors and entrepreneurs. As for using noteworthy announcements to showcase decisions or policies to the outside world, **this practice can be a double-edged sword** because once attention is focused on the pioneering country, thereby creating high expectations, any failure is more apparent. Additionally, there might be a sense of urgency to take advantage of the momentum with decisions and options being adopted without weighing up all advantages and disadvantages.

In fact, it is probable that the mandatory FSC certification target will not be met (or delayed), that supplies will drop abruptly once non-certified concessions cease operating, or that its application will lead to a second-grade certification with compromises made and overall credibility affected. In particular, it is important to understand that an application of the target that is satisfactory for all parties would require some level of flexibility to secure supplies for processing units that are at risk of lying idle in a situation where overcapacities could (arguably) emerge. This flexibility could theoretically be achieved through the possibility of importing logs and/or sawn timber from the region; however, the other Congo Basin countries have decided to soon put in place a log export ban similar to that initiated by Gabon a decade ago. This effectively

closes the door to such an option. **This highlights the absolute need to increase cooperation among the Congo Basin countries in the design and implementation of their policies.**

The Gabon experience is also very interesting from the perspective of **hybrid governance**, i.e., the complementarity between public policies and objectives on one hand, and the initiatives, products and strategies of the private sector that might coincide with, and hopefully support, sustainability aims on the other hand. The **decision by the government to rely on a private standard to ensure that its objectives are met** is a case in point that might constitute a milestone in the field. While the idea has been debated in expert circles for quite some time, it has, to the best of our knowledge, never before been applied across the board in a producing country.

This tectonic shift also speaks to the various measures that can be undertaken to push timber production to the highest sustainability standards. While it has traditionally been a prerogative of states to enforce their own sets of rules with monitoring undertaken by civil servants, things started to change when NGOs were positioned as watchdogs with a complementary role. Though ultimately, whatever the origin of the means of verification –either undertaken by states or delegated to third parties – the choice of the rules, supporting measures and incentives that aim at ensuring a seamless transition and satisfactory implementation always remains with states. Gabon is also interesting in this regard as it has pioneered the use of fiscal incentives to encourage forest companies to do good with varying taxation levels depending on whether the operations are just conventional, also legal, or even sustainable, hence a three-tiered system. While very recent, **this fiscal arrangement deserves to be given time to unfold and succeed.**

Zero-deforestation commitments

Connections ought to be made with **zero-deforestation commitments** for palm oil in Cameroon. Indeed, these are corporate sustainability commitments originating from private actors outside of the public sphere (laws, regulations, enforcement framework, legal sanctions, etc.). **Their very nature is a source of both strengths and weaknesses.** In terms of strengths, these commitments tend to raise the bar, allow the most ambitious and progressive actors to move forward, and ideally complement the public framework (legal and political) without compromising it. Weaknesses include the lack of monitoring and transparency, the risks of having a two-tiered system with double standards of quality and obligations, or greenwashing. We are especially interested in two aspects: first, the expected impacts of these private commitments; and second, the means to develop an efficient package in the form of hybrid governance, with a view to securing positive impacts.

As it happens, **expected impacts for oil palm in Cameroon are limited** primarily due to the very structure and dynamics of this sector in this specific country (but **also presumably in other neighboring countries**) where informal actors and artisanal mills proliferate, are outside the control of both the authorities and private industries, are associated with large-scale deforestation, and are not in the least concerned by foreign markets or consumer pressure. As a result, effects of the zero-deforestation commitments made by the private industrial players are expected to be very limited. Then comes the question of hybrid governance and the role that the government can (or should) play in order to clean up the value chain and ensure limited environmental damage while pursuing a logic of expansion and economic development. An obvious

low-hanging fruit is to align the corporate commitments with the draft National Strategy for the sake of consolidation and expanded coverage of sustainable growth in the sector.

This approach does not appear to be occurring in reality given that the draft **strategy lacks teeth and lags behind the zero-deforestation commitments in terms of ambition**. While it addresses relevant and necessary aspects such as better agricultural practices for higher yields and replanting with more productive and higher quality seeds, this is certainly not sufficient to face the forest conservation challenge that lies ahead. For instance, although the Strategy makes mention of setting aside High Conservation Value / High Carbon Stocks forests, it is not clear yet how these areas will be identified and taken into account in the distribution of licenses and little is done to control the disorganized expansion of small- and medium-scale plantations in forested areas.

We contend that Cameroon's approach to **zero-deforestation commitments could serve as a source of inspiration for other Congo Basin countries** and they could retain its positive aspects (e.g., national strategy, ambitious industrial players) while avoiding its negative ones (e.g., limited scope, public companies not leading by example). We also argue that innovative solutions could be explored such as the possibility to tap into climate finance (or other sustainability-related funds) to cover the additional costs (primarily relating to irrigation systems) of planting in less suitable areas (e.g., forest-savanna transition zone in Cameroon) rather than the most suitable ones where natural forests would need to be cleared.

Imported deforestation

Adopting the perspective of importers and consumers, responsibilities should be shared and **contributions from all parties are necessary if one expects to deliver on sustainable value chains at scale**. Having scattered, rather small experiments and virtuous actors will not suffice; what is needed is a change in gear and a move towards the next, transformative level. In this regard, the **French experiment (SNDI) provides a good source of lessons learnt**, though it is still nascent and does not yet present effective and conclusive responses to all technical or political challenges. Having said that, one point of convergence for all debated issues within the SNDI relates to the means of discriminating between sustainably and unsustainably produced commodities. Here, discussions revolve around the reliance on existing standards, zero-deforestation commitments by companies, jurisdictional certification or the creation of new ad-hoc labels to serve this objective.

In a way, Gabon is one step ahead with its mandatory FSC certification, which could serve as one means of ensuring that importing countries do not close their doors given that the FSC rubber stamp is seen by many as a guarantee of sustainable production (at least more so than with usual national legal frameworks and forestry codes). Yet there are discussions around the legality of such moves as illustrated by the long-standing conflict between the European Union / France and the main producers of palm oil in Indonesia and Malaysia, with the latter invoking the World Trade Organization (WTO) and the right to competition. This case is also of great importance because Indonesia has unilaterally developed its own sustainability standard (ISPO) to bypass the leading certification scheme (RSPO). While this action was officially taken for reasons of state sovereignty, the ISPO was never accepted by importers as proof of sustainability. The same could happen for countries in the Congo Basin if they were to decide to go their own way with, e.g., a local alternative standard to FSC or PAFC. While the possibility of developing local

forest certification standards is one that we think deserves consideration because it would provide a sense of ownership in producing countries and contribute to capacity development, we must be aware of the **possible lack of recognition by buyers**. Time will tell whether this is a risk worth taking.

Another point of convergence between case studies concerns the relations between producing and importing countries. The SNDI involves dialog, investments, and action by the French Development Agency (AFD) in production regions to tackle the issue at its source and help build capacity to engage in sustainability production. It also pays attention to jurisdictional certification and funds a number of projects that support such moves.

Outlook

Leaving aside the specificities of each of the case studies, we aim at making **higher level recommendations for the Congo Basin countries** and beyond to achieve sustainable supply chains for forest-related products.

There is positive progress being made with interesting and sometimes innovative experiments in the region. **One overarching finding** is that for supply chains to become sustainable, **both ends of the chain must be properly considered**, involving producers and buyers. Given a diversity of producers and buyers with their own requirements and expectations as well as constraints, it is clearly **challenging to find solutions that work across the board**. The three case studies show that **one single approach** – be it corporate commitments or a radical move by a state to impose the highest sustainability norms on all producers – **is likely to fail**, both in terms of creating sufficiently comprehensive sustainable value chains and in maintaining healthy and dynamic economic activity. Indeed, change is progressive and **abrupt decisions entail risks of disruption** or of creating a tiered system whereby leakage might outweigh progress if those actors that fly under the radar create damage that outweighs the positive achievements of front-runners.

Hybrid governance is a promising avenue with its complementarity between public and private tools and actors in pursuit of a common objective. However, it must be designed with care in order not to lead to full reliance of a public policy on a private-led tool or approach (or the reverse: reliance of the private sector on public impetus). This is a **thin line to walk**. For instance, corporate commitments are selective (e.g., focusing only on the main private palm oil group in Cameroon that holds a minority of all planted areas); national strategies must align and fill the gaps at the same time (e.g., involving state-owned companies for palm oil in Cameroon or ensuring alignment of timber production and processing capacities in Gabon); and national sovereignty seems necessary for a country to maintain control of its operations rather than being dependent on decisions taken in other places (e.g., Gabon developing its own system instead of relying exclusively on FSC).

Complementarity, or even more coordination, is also necessary between producing and importing countries in order to set up the right systems to promote sustainability in value chains. In this respect, the potential of standards and certification to be used as door openers in some markets remains elusive, not only because of lacking recognition by a substantial share of consumers but also because it faces anti-discriminatory measures (e.g., via the WTO). Therefore, such moves towards widespread certification would gain from relying on the application of incentives as was tested in Gabon with differentiated tax levels, and proper communication efforts

to give compliant producers an advantage over competitors (e.g., with Fair & Precious brand), among other possibilities. **The case of the SNDI is telling in this regard as it uses soft action as a guiding principle.**

As a common thread, we believe that **countries are likely to find benefits** (as well as supply chains in the long term) **in participating actively in the design and implementation of solutions.** This can translate into creating their own certification systems with sufficient credibility or supporting front-runners in sustainability through national policies / strategies and tailored incentives (e.g., differentiated tax rates or priority access to procurement policies). There is indeed a wealth of solutions and lessons available with either (free) monitoring technologies and impact assessments of various types of experiments and standards that can only make it easier for interested parties to identify the right solutions and access the means of implementation.

Creativity should also be encouraged to craft solutions and access funding to make up for the additional costs involved where necessary. We have suggested one option involving the provision of support to oil plantations in forest-savanna transition zones (with low suitability) by tapping into climate finance. However, the same principle can be applied in many circumstances, e.g., with sustainable timber production in its strictest sense or cocoa production in agroforestry systems. **Funding sources already exist and are only awaiting the best propositions;** markets are starting to organize themselves to engage with producing regions and prioritize sustainable products; and the private sector feels increasing pressure from consumers and NGOs to act responsibly. **What remains to be done is connecting the dots,** which the Congo Basin countries increasingly have the capacity to do, and all the more so with well-targeted donor assistance whenever relevant.

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LIST OF ABBREVIATIONS

AFD	<i>Agence Française du Développement – French Development Agency</i>
APOI.....	<i>Africa Palm Oil Initiative</i>
CBFP.....	<i>Congo Basin Forest Partnership</i>
COMIFAC	<i>Commission des Forêts d’Afrique Centrale</i>
CPO	<i>Crude Palm Oil</i>
CSER.....	<i>Corporate Social and Environmental Responsibility</i>
EU	<i>European Union</i>
EUTR	<i>European Union Timber Regulation</i>
FFB.....	<i>Fresh Fruit Bunches</i>
FLEGT.....	<i>Forest Law Enforcement, Governance and Trade</i>
FONADER.....	<i>Fonds National du Développement Rural</i>
FPIC.....	<i>Free, Prior and Informed Consent</i>
FSC.....	<i>Forest Stewardship Council</i>
GAR.....	<i>Golden Agri-Resources</i>
GDP.....	<i>Gross Domestic Product</i>
GEI	<i>Global Environment Institute</i>
GFW.....	<i>Global Forest Watch</i>
GGSC.....	<i>Global Green Forest Products Supply Chain Initiative</i>
GNFT	<i>Groupe National sur les Forêts Tropicales – National Group on Tropical Forests</i>
GSEZ.....	<i>Gabon Special Economic Zone [in Nkok]</i>
HCS	<i>High Carbon Stock</i>
HCV.....	<i>High Conservation Value</i>
MINADER.....	<i>Ministre de l’Agriculture et du Développement Rural</i>
NES	<i>Nucleus Estate Smallholder</i>
NGO.....	<i>Non-Governmental Organization</i>
PAFC	<i>Pan-African Forest Certification</i>
PDPV.....	<i>Programme de Développement des Palmeraies Villageoises</i>
PEFC.....	<i>Programme for the Endorsement of Forest Certification</i>
PLADDT.....	<i>Plans Locaux d’Aménagement et de Développement Durable du Territoire</i>
PPECF.....	<i>Programme de Promotion de l’Exploitation Certifiée des Forêts –</i> <i>Program to promote certified forest operations</i>
REDD+.....	<i>Reducing emissions from deforestation and forest degradation</i> <i>and the role of conservation, sustainable management of forests</i> <i>and enhancement of forest carbon stocks in developing countries</i>
RIL.....	<i>Reduced-impact logging</i>
RSPO	<i>Roundtable on Sustainable Palm Oil</i>

SAFACAM.....	<i>Société Africaine Forestière et Agricole du Cameroun</i>
SFM.....	<i>Sustainable Forest Management</i>
SFPS	<i>Société des Palmeraies de la Ferme Suisse</i>
SNDI.....	<i>Stratégie Nationale contre la Déforestation Importée –</i> <i>National Strategy against Imported Deforestation</i>
SOCAPALM	<i>Société Camerounaise de Palmeraies</i>
SPOTT	<i>Sustainability Policy Transparency Toolkit</i>
ToC.....	<i>Theory of Change</i>
TFA.....	<i>The Tropical Forest Alliance</i>
UNFCCC	<i>United Nations Framework Convention on Climate Change</i>
WRI	<i>World Resources Institute</i>
WTO.....	<i>World Trade Organization</i>
ZDC	<i>Zero-deforestation Commitments</i>
ZSL	<i>Zoological Society of London</i>

1 INTRODUCTION

1.1 Context and objectives

This report was commissioned by the Congo Basin Forest Partnership (CBFP) under German Facilitation. Its overall objective is to analyze the potential and prospects for sustainable value chain management for the main agricultural and forest commodities produced in the Congo Basin countries. The focus is on developing practical recommendations for policymakers and other stakeholders in the region to trigger decisions that will improve the sustainability of value chains.

In a context where increasing attention is paid to the conservation of remaining tropical forests – of which the Congo Basin represents the second largest area globally – the CBFP has the ambition to discuss and promote promising avenues for making value chains more sustainable with minimized impacts on standing forests. This part of the world has to date experienced less forest degradation and conversion compared to the Amazon and Southeast Asia, in part due to a less conducive business climate with a lack of infrastructure and relatively low population densities on average. However, this situation is progressively changing with much greater pressure due to economic development, investments from domestic or foreign entrepreneurs and companies, and small-scale agriculture and forestry (e.g., collection of fuelwood). Moreover, markets and consumers are imposing an increasingly high level of scrutiny on production conditions. Debates have thus been intensifying around emerging and tangible threats to the forest resources in the region and means to abate their impacts. This report is a contribution to this discussion.

1.2 Scope and guiding focus areas

Guiding focus areas provide additional angles from which to tackle these issues and frame the analysis. First, it would be beneficial to study prioritized types of intervention with the objective of thinking positively and trying to find ways to stimulate their roll-out and maximize their effectiveness. Three interventions come to mind here and were considered worthy of further investigation within the framework of this study: (1) making certification a requirement for accessing markets (with the challenge to avoid displacing the problem from one geography to another – i.e., from EU to China or India); (2) enhancing the perceived value of certification (e.g., improving communication of the positive side-effects on environmental services and others); or (3) setting up the right incentives in producing countries with the right fiscal measures (e.g., land-based tax-avoidance for certified concessionaires). In this respect, it should be noted that Gabon's policy to cancel all concessionaires without certification from 2022¹ onwards serves as an excellent case study.

Second, in addition to the well-known field of wood certification, another prominent approach that needs to be properly accounted for in this strategic document relates to the increasing number of companies signing up to zero-deforestation commitments under pressure from civil society groups and consumers. This is also known as market governance as opposed to public

¹ Note that other (confidential) sources indicate that the policy will enter into force in 2025. We consider 2022 in this analysis, but some of our comments might be overstated if the deadline is actually three years later.

governance, or market sovereignty as opposed to country sovereignty. Although the Terms of Reference for this study mention infrastructure and mining, we agreed to focus on forestry and agricultural commodities as they are the main causes of forest degradation and deforestation and will presumably remain so if no ambitious and long-lasting action is taken to address their negative impacts.

Third, we need to pay attention to policies and initiatives in the northern hemisphere or developed importing countries where substantial policy shifts seem to be occurring at this time. Assessment of these is key to decisions to be made by the German Facilitation based on this consultancy. Here, we will delve into the pioneering French National Strategy against Imported Deforestation (SNDI), which is expected to serve as a source of inspiration for other related initiatives. For example, in the European Union there are ongoing discussions about upcoming European legislation relating to sustainable value chain management for agricultural and forestry commodities.

With these elements in mind and considering that the Congo Basin region hosts up to six producing countries, choices were made regarding case study selection which are explained in the methodology section below.

1.3 Methodology

Approaches for sustainable value chains include certification (e.g., FSC or RSPO), other legality enforcement tools (e.g., Forest Law Enforcement, Governance and Trade (FLEGT)), fiscal measures, or corporate sustainability schemes / non-state market-driven governance (e.g., zero-deforestation commitments). These approaches merit analysis in their broader context, particularly ongoing or emerging initiatives in the northern hemisphere such as the SNDI and the related nascent EU Legal Framework. The applicability of such approaches, their chances for tangible success and the potential challenges of each of these (and other) tools when applied to the Congo Basin specifically are a focus of the study.

Our analysis was based on a mix of desk research and interviews (conducted remotely), drawing on a list of contacts that were discussed with the client but also relying on the consultant's personal network of experts. The stakeholders who participated in the interviews are mostly experts / scientists in the domains covered by the case studies, but also private sector associations, private sector companies, leading institutions for sustainability commitments and standards, and NGOs. The list of interviewees is included in Annex A 2. The two case studies on Gabon and Cameroon were also reviewed by experts in each of the fields, as noted in the acknowledgements in Annex A 1.

Given limited resources, this analysis certainly does not aim to be exhaustive, neither in terms of coverage nor depth. The approach that was proposed by the consultant, and agreed to by the client, was to select three case studies from which more general lessons about replicability in other countries and sectors can be drawn. Therefore, the choice of case studies was strategic and was made cautiously to ensure that they were as emblematic, and/or representative, and/or promising as possible.

The case studies chosen and the justifications for their selection are as follows:

- Timber certification in Gabon is relatively advanced and this country provides a positive and promising example in the region. Ambitious policies and targets have been set with domestic support but also clear rules in order to ban non-certified concessions from operating in the country from 2022 onwards. Yet, the certification policy will be studied with due attention paid to the broader policy context and the series of events that led to such an unprecedented announcement. Only with a better understanding of the reasons for why this approach was pursued in Gabon, its chances of success, alternative pathways, and other aspects, will we be able to infer its soundness and potential for replicability in other neighboring countries.
- Zero-deforestation commitments relating to palm oil in Cameroon were considered instructive given that this country is one of the leaders in the region in terms of oil palm plantation development. Moreover, it is strategic to determine the extent to which operating companies have joined the prominent zero-deforestation movement led by private companies in the sector all over the world. As these corporate sustainability commitments are one critical piece of the jigsaw for sustainable supply chains, the example of palm oil in Cameroon is useful to evaluate the possibility that this approach could also be applied to other agricultural commodities such as cocoa, rubber or coffee.
- The Northern Hemisphere / importing countries' perspective is also fundamental and was mentioned in the Terms of Reference for this study. It is tackled here with the case of the innovative French National Strategy against Imported Deforestation (SNDI). The types of activities that are embraced as well as the methodological questions and debates around its implementation will be examined in relation to their relevance for other importing countries that would like to engage in such a course of action (including at the European Union level).

Conclusions are provided for each case study and “Key points” boxes are included at the end of each sub-section to highlight key messages. Consolidated messages, lessons and recommendations are provided in the associated Policy Brief. In order to reduce the size of the main text of this report, parts of the case studies were moved to the Annex and interested readers are encouraged to explore the Annex sections to gain a fuller picture of the case studies, including arguments that underpin the key conclusions drawn.

2 CASE STUDY N°1: MANDATORY FSC CERTIFICATION IN GABON

2.1 Background

Gabon represents a case of an ambitious sustainable timber production policy that has proceeded in several steps. This policy culminated with the announcement in October 2018 that from 2022 onwards all concessionaires must be FSC certified to have the right to continue their operations in the country. We study this case to understand if it can also serve as a blueprint and a source of inspiration for other countries in the region. To do so, we first look at the series of events that led to this remarkable announcement, starting with the ban on log exports from 2010. This is a policy that has spread in the region and most countries from the Congo basin Forest Partnership are set to follow suit from 1 January 2022² (also including similar measures to stimulate timber processing). Some of these countries (e.g., Republic of Congo) have already embedded this objective into their forest law. These initiatives are also considered because it would be misleading to analyze certification in isolation from the other policies that create what might be a conducive context, especially where the intent is to consider the potential for replication in the region and beyond.

Second, with respect to certification we primarily address the variety of barriers that stand in the way of companies pursuing certification and continuing their operations in Gabon. However, we also examine some options for helping the private sector overcome the barriers to full policy implementation. Some of these are about to become reality while others remain speculative, and they range from fiscal to no-fiscal measures.

We then move on to the various expected impacts of these policies: impacts of certification per se and impacts of the related policies on the sector and economy. With respect to the former, impacts and effectiveness of certification are still debated and are far from apparent; the latter relates to the timber processing dynamics downstream in the value chain. Here again, there are debates about the alignment between timber production and processing (whether integrated or not) and ways to align capacity on both sides.

Lastly, we will put some of these findings into perspective by examining other related attempts to take action at the level of wood legality, the relevance of seeking a lower-grade ambition with legality verification vs certification of sustainability, and the pros and cons of basing a public policy (or mandate³) on a private standard with third party auditing.

² <https://www.agencecofin.com/bois/2109-80389-vers-une-interdiction-des-exportations-des-grumes-dans-tout-le-bassin-du-congo>

³ In this report we use the term “policy” to refer to the announcement made by the government to make FSC certification mandatory for concessionaires. It might be argued that the term “mandate” or “instrument” would be more appropriate if one considers that it is one element of the wider Gabon policy towards sustainable forestry. For the sake of simplicity, we stick to “policy” but acknowledge the merit of using the other terms as well.

As a starting point for this case study analysis, three observations should be made:

1. A given policy or measure cannot be understood in isolation from its broader context. In this case, the context is characterized by a series of events that prepared the ground for Gabon's unprecedented announcement that is unique in the world.
2. We cannot yet consider the policy a success, or take it for granted that the mandatory certification is going to be applied effectively in 2022 or even that it will be applied consistently across the board.
3. Each country has its own characteristics, and conclusions drawn are not entirely applicable to neighboring countries. This is further compounded by the fact that Gabon has always been an extreme example of a high forest cover / low deforestation rates country with alternative sources of revenue from mining industries and low demographic pressure⁴.

While the focus of this case study is on certification, the announcement comes after a series of events and policies in Gabon that are important for understanding its logic, relevance and potential. To enhance readability, **our description of this series of events is located in the Annex A 3.**

Key points

- *The **case of Gabon is unique** with its unprecedented announcement that FSC certification will be mandatory for all concessionaires from 2022 onwards.*
- *This announcement must be studied with due consideration of a **series of events** and policies that took place and were implemented over the preceding decade and longer.*
- ***Overall impacts** from this announcement / policy should be conceived not only in terms of (assumed) improved forest condition with certification vs. conventional logging, but also at the level of the timber sector more broadly and the alignment between timber production and processing levels.*
- *We also note that effects of this policy cannot be assessed fully as it is still unfolding, and the potential for **replicability** in other countries must be considered with caution due to the many aspects that may differentiate Congo Basin countries from one another.*

2.2 Impacts of sustainability certification

In this section we look at the evidence base for the impacts of FSC certification on environmental as well as social aspects. In consulting published impact evaluations, we adopt a critical view of the methods that underpinned their analysis. We also analyze the very conditions under which certification audits are undertaken – with what implications – and discuss the theory of change (ToC) behind timber certification.

⁴ This situation was a starting point for an ambitious analysis on the role of mining industries in forest protection through the Dutch Disease phenomenon (Wunder 2003).

Focus on a systematic review: What does it tell us?

One important and relatively recent source of information is a review of existing evidence published by Burivalova et al. (2016). As stated by the authors, this should be considered with caution as *“there are almost no rigorous case studies on the impacts of certification [...] that avoid the pitfalls of selection bias and false attribution, and otherwise meet the standards for formal impact evaluation established by the Collaboration for Environmental Evidence [...] and the Initiative for Impact Evaluation”*. Yet, it also provides a good summary of the existing evidence even if this is not based on the most reliable scientific methods—presenting results from 50 case studies that are well-distributed across continents and compare FSC / Reduced-Impact Logging with conventional forest management, among others. All selected studies provide comparisons between at least two different approaches to forest management from the following list: certified / Reduced-Impact Logging⁵ (or not), industrial forest management, certified (or not), Community Forest Management, and open-access use by local inhabitants. We only report here results for certified vs conventional industrial forest management.

A first aspect relates to the economic impacts of certification and this also speaks to the barriers to pursuing this option. The authors indicate that positive and negative economic impacts from FSC certification were reported in quite equal measures in the case studies: price premiums were widely reported and yet these do not match increased costs or meet companies’ expectations, and they are highly variable in relation to time, products and markets. Overall, certified management tends to be less profitable for operators than conventional management⁶, yet this should be put into perspective as the difference is likely to narrow as time goes on and more logging cycles are considered. Indeed, the higher pre-logging costs will be absorbed over time and better reconstitution of the stocks for second and third cuts will provide gains in the future. It is worth noting that the (positive) influence of time in certified vs. conventional logging depends ultimately not only on the management decisions but also on the absence of disturbance from other factors such as encroachment by neighboring populations or illegal activities by third parties.

Social aspects are a clearer winner from certification, with gains in about half of the cases and almost no cases of losses; the other half of cases do not show significant impacts in either direction. These positive impacts usually translate into better working conditions for employees and improved well-being for neighboring communities. Yet it must be noted that the improved well-being is mostly a consequence of extended infrastructure (roads, schools, health care, etc.). These may be provided to local populations as partial compensation when their access to local resources is limited and there are no clear fees payable by the company.

⁵ Please note that this study conflates RIL AND certification. As such, it does not pertain only to certification because not all RIL-based studies are concerned with certified areas.

⁶ We must be aware that profitability can be approached from various angles – including per m³, hectare, depending on the total volumes, depending on the time period considered, etc. – with each potentially yielding different conclusions.

The most significant gains are to be found in the environmental sphere, which was arguably one of the main *raison d'être* – or drivers – of certification in the first place. As could be expected, more plant and animal species as well as a higher abundance of animals are observed in certified forests (even after logging intensity is accounted for). This is in addition to the other finding that certified forests suffer less deforestation, which in turn leads to limited loss of biodiversity.

Less ground disturbance and better planning of road infrastructure are also important secondary impacts, but these results must be interpreted with caution because they may be due to lower logging intensity. This raises questions about the relationship between certification, reduced impact logging (RIL) and logging intensity. We address this point later because one potentially desirable scenario for Gabon and the Congo Basin in general might be to intensify timber production per hectare in order to increase the value of the forest resources through the production of second-grade species / Lesser-Known Timber Species (LKTS). As such, the questions of whether higher intensity logging is compatible with certification on the one hand, and whether it creates more environmental damage on the other hand, need to be clarified for the assessment of certification policies in the region (e.g., do targeted commercial species require large disturbances for regeneration?).

It must also be noted that the authors do emphasize trade-offs and some are reported here as they represent key elements in the decision-making processes and strategic inputs for policy-makers. One straightforward trade-off of certification is associated with new limitations on local livelihoods (i.e., fuelwood collection, agriculture, etc.), especially if these are not compensated for with payments from the timber companies. Indeed, more sustainable management is usually associated with more restrictions. This can take the form of restricted hunting, which can cause problems in places where bushmeat is an important source of protein –and Gabon might be a case in point. This problem could also be compounded by increasing numbers of big mammals wandering in the area and causing damage to local agriculture and triggering human-wildlife conflicts.

Going beyond and adopting a more critical approach to the evidence base

While the previous systematic review is a valuable source of information, it was criticized for its lax criteria for inclusion of studies in the sample. Indeed, and as recognized by the authors, there was no criterion relating to having experimental or quasi-experimental methods of application. With the flurry of published studies in peer-reviewed journals that do not reach the minimum quality requirement to guarantee robustness –because they lack clear and replicable protocols, do not include control groups or do not pay sufficient attention to confounding factors – it is problematic to consider all results equally if one wishes to draw conclusions from the evidence base.

We therefore now refer to another study that attempted to address these shortcomings and focus the analysis on a much more limited sample of studies that meet more stringent methodological (and hence quality) criteria (Komives et al. 2018). As a consequence, it includes far fewer references with only 10 selected articles. With all geographies included (Sweden, Mexico, Tanzania, Indonesia, Gabon, Cameroon, Peru, Chile), it focused on the impacts of certification in terms of:

1. Forest cover change: measurement is usually based on remote sensing techniques, which provide *“increasing evidence of non-impact of FSC on measured rates of forest-cover change”*, with the exception of Chile where certification significantly lowers the rate of forest conversion to plantations. Yet it must be noted that the main objective of FSC certification is not to stop deforestation but rather to reduce forest degradation, emissions and biodiversity loss with the preservation of ecologically important areas and connectivity (as far as the environmental pillar is concerned).
2. Forest quality and conservation of important areas: while no general conclusion can be drawn due to the different locations and measures implemented, results were not very encouraging, with positive impacts of low significance (and even negative impacts in one case in Indonesia).
3. Carbon emissions and biodiversity were each covered by one single study, but with limited conclusive results for different reasons (lack of control for all covariates, and contrasting logging histories with possibly hidden discriminatory factors).

We elaborate on the one study that looks at Gabon (Medjibe et al. 2013), which is of obvious interest for our own and also exemplifies some of the shortcomings found even in published articles. While using a qualitative matching technique to ensure that the main assumed explanatory / influential factors in the sites of application and control would be the same, key variables suspected to affect the outcomes were still different. As a consequence, differences in results could lack robustness (e.g., with regard to number of workers or logging intensity). The observed variables representing outcomes were tree damages due to skid trails or commercially harvested trees, or post-logging species composition. Differences were noted but should be regarded with caution because of the methodological flaws mentioned above; in other words, one cannot statistically attribute differences to certification with confidence.

Also of interest here, the case of Cameroon is the subject of another study by Panlasigui et al. (2018). Based on remote-sensing data, it compares protected areas, concession establishment and certification. Results show significant but very small differences in forest cover change over the period 2000-2013 due to certification. These results held for only one out of four regions.

We argue that although many studies and reports are released on the impacts of forest management certification, they are often of dubious quality and it is difficult to draw lessons from them. Moreover, impacts are usually found to be only slightly positive or neutral, meaning that there is ultimately not a very clear and defensible case for certification. A related concern is that the ToC for FSC certification additionality is almost unfounded, i.e., it remains unclear whether certified companies would have behaved and operated differently without the objective to reach certification. Indeed, one can assume a self-selection bias if certified companies are those that already had a sustainable approach to forest management, which is very different from having something imposed by regulation for instance and with potential to change the course of action for reluctant companies. In the end, all these elements seem to support the conclusion that certification is more of a guarantee that companies do operate legally and subscribe to the main principles of sustainable forest management (including social aspects), rather than proof that they make dramatic changes to their on-ground practices or that certification creates the conditions for very positive impacts.

A recurrent debate and suspicion about the reality of certification as a game-changer in the field

We outlined the challenges associated with impact assessment above in order to highlight the absence of a robust ToC and counterfactuals⁷. We continue our exploration here with additional reflections about the auditing process itself in the case of FSC specifically (though some generalizations can also be made in relation to other standards). In doing so, we must keep in mind that these audits are relatively complex and time-consuming, with limited time available to auditors to conduct their duties.

The audits involve verification that Principles and Criteria (P&C) developed by the FSC are implemented by the candidates after the generic international ones are translated into national standards that better suit local conditions (the latest international version of the P&C was released in 2015). As these audits are conducted in lots of different contexts, one important condition for satisfactory auditing outcomes is that indicators provide as limited scope for interpretation by auditors as possible. Otherwise, all kinds of pressures and mistakes can take place and distort auditing results, to the detriment of the standard's credibility.

As a matter of fact, recent pantropical research on FSC standards and their use by auditors suggests that there is significant leeway in the interpretation of FSC indicators and the translation of these at the national level⁸, with between 10% and 30% variation depending on the countries of application (Piketty et al. 2019). As stated by the authors: *“This scope must be minimized to ensure the standard is more effective in order to guarantee changes in management practices on the ground, and thereby to make the FSC certificate more credible”*.

The reasons why the currently used indicators result in assessments with such large differences relate to their excessive broadness / vagueness and the resulting inability of auditors to undertake proper and objective verification. This is true for all references to international conventions, rules and norms that are obviously difficult to verify. This problem is compounded by the references to national laws and regulations as well as traditional practices, which are far from being always clearly stated. Of particular interest to our study, one indicator (P2C211) for the Congo Basin countries requires conformity with various legal provisions framing forest management plans but also modes of access to natural resources, and insists that all stakeholders be informed. When one adds some level of vagueness to the phrasing of some indicators, it becomes clear that the auditors will undertake assessments with varying results. If the possibility that these auditors may be subjected to some level of pressure to provide positive assessments is considered, then these opportunities for interpretation become all the more problematic. Piketty et al. (2019) also found that indicators were not always additional to national regulations.

Another critique that should be seriously considered is the recurrence of minor non-conformities. The large numbers of these tend to suggest that substantial deviations from best practice are at play — though they are minor, the fact that there are many non-conformities and that they are recurring might eventually make them significant in terms of impacts. Based on the analysis of 516 reports from 78 certified companies in seven tropical countries, Piketty et al.

⁷ We must acknowledge that FSC as a member of ISEAL has a ToC with specific pathways of change.

⁸ Note that an interviewee suggested that PEFC chose their indicators in such a way, and produced an auditing manual to drastically minimize variations in interpretation.

(2019) point to the disturbing fact that a majority of companies do not seriously address these problems as suggested by the absence of a continuous reduction in the number of non-conformities over the years. Admittedly, the types of non-conformities practiced by a given company tend to change over the years, as opposed to one flaw being repeatedly found; however, this is not always the case.

Also relevant for our study, the authors found a specific problem associated with Gabon and Cameroon: in these countries, there is commonly non-conformity with two indicators. For one of these (P4C2I2 on health and hygiene), a certain pattern has been identified: for a given company, the auditors note a non-conformity for aspects that differ from year to year but remain under the umbrella of the same indicator, which means that the company in question never fully meets health and hygiene conditions but is still certified. If proper use of the standard had been enforced, the recurrence of what could have been a minor non-compliance would have evolved into a major non-compliance, leading to either termination or suspension of the certificate. It is important to note the view of one of our interviewees that these weaknesses remain in relation to the recently validated Gabonese FSC standard.

These criticisms might be tempered or at least put into perspective, for instance by focusing on the key indicators that are suitable for providing a basis for robust, objective and fair assessments by auditors across contexts. Indeed, it might not be a significant problem that some indicators are too vague for a reliable and objective assessment if there are others that already cover the most important aspects (social and environmental). Yet, the issue of minor non-conformity should be satisfactorily dealt with by the standards. Moreover, it should be a priority that the key indicators are easy to audit without ambiguity or room for interpretation for auditors / certification bodies who might in turn be facing pressure from their clients. The case of Gabon, involving a unique full-scale experiment, could be seen as a golden opportunity to make progress in that direction and scrutiny is to be expected from civil society to make sure that misuses of the standard are reported.

Key points

- ***It is still debated, and far from proven, that sustainability certification – of which FSC and PEFC/PAFC are prominent examples – has positive impacts that are significantly different from conventional forest management. This is due to the lack of evaluations using the most rigorous methods such as experimental methods.***
- ***There are several reasons for this relative absence of clear evidence, including the ToC (have certified companies actually changed their forest management techniques?), and the (lack of) rigor of certifiers / auditors in their verifications of whether companies have shown progress.***
- ***If we leave aside the strength of evidence (or lack thereof) on the impacts of certification, available results in the literature generally point to positive impacts, especially on environmental and social fronts. Trade-offs are also identified, such as lost economic opportunities when the exploitation of forest resources is constrained, including for local populations.***

2.3 Barriers to systematic FSC certification of all forestry operations

Interviews with a variety of stakeholders provided an opportunity to collect a diversity of views about obstacles on the path to certification. These are presented and briefly discussed in this section and might lead to more systematic analysis of the problems they pose and their implications for the future. In relation to implementation costs, it was reported that because FSC certification is all-encompassing, the process is highly complicated and generates costs relating to management, e.g., with additional workforce required to change management processes and the necessity for training. Indeed, FSC certification goes way beyond *modus operandi* in wood production and requires adherence to many ISO-type procedures at administrative and financial levels. This is particularly true in Gabon where the legal framework is deemed sufficiently sustainability-oriented that companies which operate legally do not have to make dramatic changes to their operations on-the-ground in order to become certified. This was reiterated yet expressed differently by another key informant who explained that companies must undertake structural changes, which sometimes leads to a deep reshuffle of their internal system rather than changing operations on the ground.

These views tend to reinforce the common assumption that up-front costs borne by companies are highest in the process of obtaining certification but that benefits can be reaped over subsequent years. For example, companies need to have a long-term vision and to plan for a long-term presence in the same area or else the up-front investments would make little economic sense and would be lost once the company moved to another area. Certification can thus be viewed as a proof of commitment and as one way to discriminate between well-intentioned companies and others – or according to an economic idiom, to reveal preferences. This could, in turn, benefit the hosting country through greater stability and a higher level of enforcement of the legal framework.

Up-front investment costs associated with certification would likely not be a major problem for companies with a long-term vision if, and only if, healthy profit margins would follow and reward this course of action. However, in reality, informants complained that Gabon does not provide efficient logistics with the result that profit margins are squeezed to the minimum with or without certified operations. In particular, the harbor is not fit-for-purpose and does not meet expectations for a country with such high ambitions to reform its economy overall and its forest sector specifically. This problem might be all the more acute because the various policies in place encourage less vertical integration, with processing capacities located in one or more special economic zones that are, in principle, far away from many forest operations. This pushes transportation costs (as a share of total production costs) upwards.

There is thus a need to think about the whole reform package and make sure that all aspects are compatible and support one another. Additionally, one might assume that the low profit margins and higher costs associated with certification will force some companies to try to bypass some rules and operate on the fringes of legality, possibly also manipulating the auditing processes (as noted above). This is clearly the exact opposite effect to that which is sought.

Another barrier, according to interviewees, is the lack of premium prices granted to certified products and the resulting challenge to compensate the higher costs of production overall. In this context, certification is viewed as either an additional constraint on production (equivalent to stricter and more demanding legal requirements applied to forest management for production purposes) and/or a mechanism for accessing some markets or increasing the market share in more lucrative markets. However, the information collected suggests that it is not straightforward that the latter can materialize in practice, and legality might be a better strategy for accessing international and demanding markets as illustrated by the already quite long history of FLEGT. Indeed, for all its flaws and disappointing results relative to the politico-economic investments in the process, FLEGT has demonstrated that European markets would welcome legal timber products across the board that have come from producing countries with ambitious laws and regulations (from a sustainability perspective), rather than some high-grade certified timber products alongside a majority of illegal and unsustainable products.

Put differently, the question here is whether sustainability certification (FSC in this case) could be so widely adopted that demanding markets could import certified products exclusively. The answer might be negative given the large volumes involved: there would still be room for non-certified products and this would carry the risk of significant problems. A safer strategy might be to engage fully in legality-verified products instead. This is also something that China seems interested in with its Global Green Supply Chain (GGSC) initiative for forest products, though this is not an avenue that Gabon is pursuing at present. However, one solution to the relatively unexciting prospect of investments in sustainability certification with little gains would be to rely on the standards to promote much more aggressively certified products in the targeted markets. This is one strategy adopted by the label / brand Fair & Precious, which is committed to certified timber products beyond ensuring legality, reportedly because of the risks entailed with legality verification in cases where things go wrong under intense scrutiny from civil society.

Another way to consider barriers is to look at the other side of the coin and identify benefits. Barriers are just as significant as benefits are less significant. As noted above, the benefits associated with certification are not straightforward for companies operating in the tropics and selling an increasing share of their production to less demanding Asian markets. Yet it is useful to note here the several benefits mentioned by one interviewee in explaining their company's policy towards FSC certification: (i) securing investments through shareholders, (ii) following a general trend (and norms) towards more sustainable practices in a sector tainted with opacity and suspected low sustainability, (iii) increasing the credibility of the company with both shareholders and stakeholders, (iv) increasing or securing market shares, and (v) diversifying options for marketing in case things go wrong in the primary markets. These various aspects can be summarized through the following line of reasoning: given that certified products do not easily sell at a premium, companies would rather see certification benefits in terms of diversified markets, secured funding and credibility.

Overall, barriers can be assumed to be serious enough, whatever they are, if one considers the predictions made by key informants who have extensive experience of the Gabonese context and/or operations in the country: between a third and one half of current concession areas might be serious candidates for certification, which ultimately equates to about 5 to 8 million hectares.

Key points

- *While **FSC certification may be mandatory in Gabon from 2022 onwards**, many barriers exist that could ultimately prevent many companies from obtaining certification.*
- ***These barriers** are well-known and broadly acknowledged, and they explain to a large extent the reasons why many companies have not yet pursued this option.*
- *Among the identified barriers, higher production costs are not necessarily the core of the problem and the many **administrative or management implications** and hurdles seem to provide an even greater obstacle to certification. Having said that, it is also undeniable that the lack of premiums and other incentives – such as accessing markets and increasing market shares – has a critical influence.*

2.4 Possible fiscal and non-fiscal measures to overcome barriers and succeed at scale

The success of Gabon’s plans for systematic certification of its forestry operations by 2022 will depend on the decisions and accompanying measures that will be taken in the coming months and years. In this section, we pay attention to the various fiscal and non-fiscal measures that the government could promote to smooth and accelerate the adoption of the FSC certificate rather than finding itself in the referee position in 2022 and then providing green or red cards once the deadline has passed.

Promising fiscal measures already implemented

In terms of fiscal measures, the authorities have already taken action through the 2020 fiscal law, based on recommendations and a reasoning that has been around for years now. The whole argument is as simple as its effects might be significant. It involves differentiated forest taxes to incentivize legal and sustainable operations, as the more legal and sustainable the operations, the lower the taxes paid to the state (and the lower the total production costs). In fact, Gabon is the first country in the region (other previous experiences were made in Peru and Brazil) to have put such a system in place in 2020. Three rates were set for the area tax for conventional operations, legality-certified operations, and sustainability-certified production (either FSC or PAFC/PEFC). According to Karsenty (2021), this measure should however be put into perspective because the area tax is low relative to the logging and the export taxes. A more significant step would thus be to broaden the application of the fiscal measure to increase its impact on the decisions of concessionaires. Besides, this fiscal reform is *de facto* about increasing the costs for those companies without any certification in a context where the taxes were generally low and decreasing the rate would be practically useless. Instead, rates were increased for legality-certified operations and much more so for those with no certification whatsoever.

One immediate critique of this reform – which we must note was fully supported by the interviewees – is that it seems transitory given that Gabon has announced that only FSC-certified operations will be allowed from 2022 onwards. As such, it is intended that differentiated taxes will be removed soon after their introduction if things unfold as planned. Beside the fact that we question the feasibility of the stated deadline for the announced measure – which is likely

to at least be delayed in order to avoid an abrupt fall (if not collapse) in the volumes of timber produced domestically – differential taxes are also a mechanism to ensure a smooth transition by preparing the ground and making it easier for companies to meet the challenge of certification. In addition, it can also be interpreted as a signal sent to the sector that the government is in control and is eager to do whatever it takes to enable the national targets to be met. On the other hand, there is clearly a risk that this signal will be misunderstood and that companies interpret the fiscal reform as a self-defeating policy that validates a situation where the absence of certification is tolerated.

While it is not exactly the purpose of this report to further explore the options for more selective or more inclusive timber production with other species and higher production intensities per hectare, we also note that this fiscal approach can be declined in many different ways and for different purposes. For instance, the taxes could be revised or fine-tuned according to the location and other related parameters that indicate the additional transportation costs incurred by producers. They could also be set with the objective to encourage the production of second-grade species / LKTS with lower market prices.

Non-fiscal measures are deemed complementary and critical

Non-fiscal measures can also use incentives that make it cheaper to operate sustainably – and this is perfectly justified by the positive externalities that such operations generate – e.g., by providing a comparative advantage to certified companies in the process of allocating concessions, or allowing more flexibility in their payments to ensure their financial sustainability as well. All of these proposed measures are really about smoothing the way for virtuous companies facing the barriers to certification as presented above. They are not about maximizing the benefits accrued by these companies in a purely discriminatory manner, but rather gently tipping the scales towards certification in the cost-benefit analyses that companies are assumed to undertake in decision-making processes.

Some other measures are definitely on the other end of the financial vs in-kind spectrum of tools at the disposal of governments. One problem stated by a key informant is that companies do not always understand the processes that must be followed and the conditions that must be met in order to become certified and may not have the right contacts to support their journey. In this context, one low hanging fruit would be to provide training and information to those interested in the challenge. This is one of the missions of the PPECF (*Programme de Promotion de l'Exploitation Certifiée des Forêts* – Program to promote certified forest operations) that was created in 2012 with funding from KfW and the participation of the COMIFAC (Commission des Forêts d'Afrique Centrale). While its activities are diverse, they all share the objective of fostering increased numbers of certified operations in the Congo Basin (without differentiating in terms of priority between FSC and PEFC). Coaching interested companies and running workshops to share information with stakeholders (rather than proactively reaching out to specific companies), are examples of this effort to solve knowledge-related issues for candidates of certification.

Another example of in-kind support could be for governments to prepare the ground with more key data and information provided to companies that are considering investing in a given country and obtaining certification. Considering the issue of low profit margins and associated business risks for these certification candidates (cf. the departure of the Rougier group that had 2.3

million hectares in concessions spread over Gabon, Congo, Cameroon and the Central African Republic), two types of data and information could be envisaged: species distribution and the presence of High Conservation Value (HCV) forests. The former would help potential investors to make a rapid judgment about the attractiveness and feasibility of engaging in forestry operations by submitting a proposal to the country's government. It would also show the commitment of the host country and send a positive signal to investors regarding the governance mechanisms in place (thereby creating a less risky environment for doing business).

The latter proposition would be specifically targeted at companies aiming at certification given that the protection of HCV forest areas is one condition that must be met to obtain certification. Yet, it not only requires costly field data collection and continued monitoring, but also acts as a Damocles sword above companies because HCV areas cannot be fully exploited. While certification standards might still require field data collection to make sure that the mapping of HCV is rigorous and reliable,⁹ it is also possible to be creative and to generate probability maps that are second-best but provide substantial preliminary elements to anticipate where HCV areas will be. The example of the Roundtable on Sustainable Palm Oil (RSPO) is instructive with its "probability maps" that can be used for such objectives.

Key points

- *Taking stock of the barriers identified previously, **measures can be designed and applied** to speed up and make certification easier for all forest companies that aim to remain in Gabon; such measures can be fiscal or non-fiscal.*
- ***Fiscal measures hold significant potential** and were unanimously praised during the course of this study. Gabon has recently started to experiment with such measures – a pioneer in the region but not worldwide – with different rates applied to the area tax depending on the quality of operations (none, legality, sustainability).*
- *The fiscal measures could also be conceived as one first attempt that can later be **broadened and deepened** to orient forest management towards other aspects such as intensified timber production that, for instance, has lesser-known species and/or is of lower commercial value.*
- ***Non-fiscal measures** are essentially intended to ease the way for virtuous companies; they are not about disproportionately benefitting these companies but rather about shifting the balance gently towards certification. In this way, they can be as effective as fiscal measures.*
- *These **non-fiscal measures** are diverse; examples include **privileged access to concession licenses**, and the provision of **support to navigate the intricacies of certification**. Other more exploratory measures could be **making available HCV maps** or more information on timber species inventories with distribution and density.*

⁹ Some values, such as social and cultural values, can hardly be detected with aerial surveys and remote sensing techniques, creating a clear trade-off.

2.5 Implications for the processing industry and the economy

Gabon has engaged in a series of initiatives and measures of which mandatory FSC certification is the culminating policy. It cannot be analyzed and interpreted in isolation from the rest of the forest sector and even the economy in its entirety. In this section, the objective is to reflect on the possible implications for, and interactions with, the processing industry and the government's priority to stimulate investments in the special economic zones.

Effects of the log export ban

It is useful to start by looking back at the first of this series of events with the log export ban set up in 2010. While this kind of policy is put in place with a view to developing the industrial basis and retaining domestic economic value, there are also associated risks and drawbacks. Two can be mentioned and explained here for the sake of preventing the most adverse effects: declining prices and margins for concessionaires, and a misalignment between processing capacities and supplies.

Regarding the first aspect, the log export ban has had the direct effect of reducing the number of buyers and the size of markets for the forest concessionaires. As only domestic sales are allowed, only domestic buyers are targeted, and this automatically reduces the choice of options and the competition between buyers. As a consequence, a situation of quasi-oligopsony emerges that tends to push prices downwards by providing buyers with an excessive power of negotiation. This situation seems to have occurred with an abrupt reduction of timber production in the early 2010s followed by a return to pre-ban volumes in 2018, probably once new investments in processing units became effective in coping with timber supplies restricted to the domestic market (Banque Africaine de Développement). This suggests that the losses in terms of production in the first years of the ban being implemented were corrected after a period of adjustment. However, the issue of downward trends in prices remains: informants complained about lower profit margins due to the obligation to sell to processing units based in Gabon.

Regarding the second aspect, the price issue is also related to the emerging (mis)alignment between processing capacities and timber production. From a purely economic standpoint, rising timber prices would only be possible in a context of industrial overcapacity, as competition would shift from the sellers' sphere (concessionaires) to the buyers' sphere (processing units). In other words, an artificial level of scarcity on the demand side (fewer markets for logs) that was triggered by the log export ban, may have put some concessionaires out of business and stimulated investments on the processing side at the same time. This in turn may have led to a new equilibrium once the new units were up and running which enlarged the available markets for logs. However, there is now a debate about the persistence of processing overcapacities and this issue will be critical to solve when deciding on the way forward.

Signs of processing overcapacities being aggravated by regional log export bans?

Three facts tend to support the assumption that the current situation is characterized by processing overcapacities rather than a need for more industrial investments: rising timber prices, the closure of some processing units, and some pressure on domestic timber supplies. This assessment is supported by the assumed sustainable level of timber production in Gabonese

forests, which is around 4 million m³/year and very close to the current level of production. All of this brings plans to create more special economic zones and to stimulate more industrial investments into question.

In this context of relative tension between demand and supply of timber in-country, it is critical to observe what might happen in neighboring countries where there are also plans to establish a log export ban. Indeed, processing overcapacities in Gabon would be intensified if there were no possible adjustment based on the raw timber surpluses from other countries in the Congo Basin. This also points to recommendations by interviewees that some level of flexibility would be favorable to facilitate the alignment between supply and demand — for instance, making about 15% of the log production eligible for export for processing abroad. While it may first seem to contradict the previous assumption about domestic processing overcapacities, this might also indicate problems related to specific products for which capacity is not installed and available within the country. If this were to be verified, there would be a case of double misalignment between timber production and processing with insufficient overall timber supplies but also a lack of processing capacity for specific species and products.

Will mandatory certification compound the problem?

Gabon’s unprecedented decision to mandate FSC certification from 2022 onwards should be analyzed in light of the changing environment described above. If one assumes (i) industrial processing overcapacities, (ii) a minority of concessions being certified as of 2021, and (iii) upcoming log export bans in other Congo Basin countries, there seems to be a tangible risk that timber production will fall after 2022 following an enforcement of this policy. This in turn could exacerbate overcapacities and could potentially disrupt the whole sector.

With such risks on the horizon, it is likely that the government of Gabon will temporize, support phasing in the implementation, and delay the full enforcement of the announcement by, e.g., by accommodating those concessionaires that demonstrate proven efforts and an engagement in moving towards FSC certification though they may not yet have secured the certificate. This might explain the government’s request that concessionaires provide a report on the actions they have undertaken to progress towards certification. Indeed, one key informant estimates that only about half of the current concessions will be able to obtain certification by 2022.

Significant risks of a potential disruption include reputational damage to the government of Gabon (if this high-profile policy is not enforced in time) and to FSC (if pressure on auditors to accelerate the process leads to abuses and mistakes and resulting NGO campaigns)¹⁰). One potential means of avoiding such risks would be to intensify production in existing concessions. The intention here would be to broaden the range of logged species and produce greater volumes per hectare. This might help to shift companies’ attention toward second-grade species or LKTS. Key informants note that because such an approach would be absolutely feasible and acceptable within the FSC rules, there is no contradiction between obtaining certification and producing more within the current concession area. However, it seems that specific safeguards would also be required to avoid unsustainable intensification.

¹⁰ FSC denies this risk on the grounds that it is governed by a variety of stakeholders, including civil society.

A variable business climate (1): Driving change through greater concentration?

A common view of interviewees is that Gabon is, at least to some extent, on the verge of entering unknown territory. With uncertainties around the alignment between timber production and processing capacities, the capacity of most concessionaires to achieve certification by 2022, and the commitment to (and relevance of) maintaining the initial 2022 deadline for certification across the board, just to name a few, it is challenging to try and predict the future of the forest sector.

All these elements are related to an underlying problem, which is a lack of predictability in the business environment for investors, including both those already in the country and those who might be pondering entering the market. Whatever regulations are enforced, it already seems clear that the sectoral landscape is changing and will result in a different distribution of actors and power balance. One initial outcome to observe in the coming months and years will be the list of companies still operating concessions and their size. One might argue that greater concentration is coming, with big actors occupying more market space and operating larger forest areas upstream in the value chain. Indeed, a key informant noted that the requirements for certification might place a disproportionate burden on smaller companies than bigger ones, especially if internal management systems must be changed to achieve what is described as a “quality approach” (as opposed to a “management approach”). In addition, only those companies with long-term plans to do business in Gabon will invest the necessary time and resources to become certified; companies with a shorter time horizon may no longer find this environment sufficiently conducive and lucrative.

This concentration in the making, if it ever materializes, is related to another aspect, namely the geographical origin of the business players. It is no secret that a dividing line in the sector is drawn between European and Asian companies, with the former generally more inclined to follow the path to sustainability to access lucrative Western markets. While there are numerous exceptions to this empirical observation (for instance an increasing awareness about sustainability on the Chinese side (Cook 2018)), it is important to keep in mind in efforts to predict the consequences of the Gabon policy.

One remaining source of uncertainty relates to the strategies that may be adopted by Asian investors; at this stage there is only limited anecdotal evidence on which to predict what these might be. For instance, it might be assumed that Chinese concessionaires will abstain from investing in certification and thus leave the country as soon as the new policy is enforced. As such, it is important to make an informed assessment about the plans of Asian actors or investors (with around three quarters of concessions being under Chinese management)¹¹. There are several opposing signals in this respect. On the one hand, China has launched its Global Green Supply Chain (GGSC) Initiative for forest products and targets legality verification. On the other hand, it was also noted by interviewees that a number of Asian investors in the Gabon Special Economic Zone (GSEZ) have been using second- if not third-hand equipment in their processing units. This is interpreted as a sign that it is probably not their intention risk investing in the long

¹¹ 74% of concession areas (<https://www.lenouveaugabon.com/bois/2003-14676-74-des-superficies-attribuees-a-l-exploitation-forestiere-appartiennent-aux-societes-chinoises>) and 71% of concession permits (<https://www.gabonreview.com/exploitation-forestiere-les-chinois-trustent-71-des-permis-forestiers/>).

term in Gabon but rather to reap some benefits until they move elsewhere (e.g., to China to take advantage of commercial tree plantations when they mature).

Overall, interviewees suggested that about half of the current concession area might be certified in the short term, which leaves about 6–7 million hectares. What happens next is a matter of speculation at this point in time, and one interviewee suggested that remaining certified companies might request that the government allow them to integrate other abandoned concessions with larger areas under their management. This concentration would potentially pose problems due to the much greater difficulty of handing over large (in comparison to small) concessions. This is exemplified by the case of CIB (Congolaise Industrielle des Bois), which is still looking for a new owner. Additionally, if bigger companies require making capital available and going public, there is a risk that more short-term objectives are given priority as opposed to family groups.

A variable business climate (2): Driving change through less vertical integration?

Another aspect that merits mention is the possibility that ongoing policies will have the effect of disconnecting upstream and downstream stages of the timber value chain, with most investments in processing units in the GSEZ to enjoy the associated benefits (tax holidays, social and logistics infrastructure, etc.). While not necessarily creating a disconnection between companies active upstream and downstream – indeed a given company or group can obviously operate concessions and processing units in different locations – it seems that these circumstances will in effect encourage outsiders to make new investments in the GSEZ. This trend seems to be encouraged by the policy to move forward with the plan to have a stock exchange for wood that would act as an intermediary between timber production and log purchases. As mentioned earlier in the report, this new structure for the sector would possibly push timber prices down in a context of oligopsony and captive sellers (once the alignment between timber production and processing capacities materializes).

However, with a lack of data on production at various stages, it remains challenging to make accurate predictions about future developments. What can be said here is that vertical integration is quite a normal practice and provides advantages in terms of logistics and efficiency, as well as planning, particularly in a context where frontiers are closed and the situation is artificially modified through various policies (from the log export ban to GSEZ and mandatory FSC certification).

But is the scenario of one big GSEZ in Nkok controlling the processing of all logs produced in Gabon unavoidable? Alternatives might involve either several GSEZs in different locations and/or parallel processing by concessionaires on-site. Indeed, it seems that there are plans to install a handful of new GSEZs in various corners of the country: this would clearly be a wise decision as it makes little economic sense to have processing units far away from the production sites given transportation costs, logistical challenges, carbon emissions generated, and the aberration to transport waste-to-be over long distances on imperfect roads, not to mention the missed opportunity to create local employment that could help to stem more migrations to cities and towns. Another option – and both are highly compatible – would be to support on-site processing capacities to ensure at least a level playing field with the GSEZ. In practice, this would require that the government provide infrastructure support to create new clusters in the most

promising zones in terms of standing timber resources and access to markets with rivers and harbors.

Key points

- *The **log export ban** entailed several risks such as lower prices and margins for concessionaires due to a captive domestic market (only domestic processing units can be supplied hence reduced competition), or misalignment between timber supplies and processing capacities.*
- *While prices might have indeed been pushed downward, the thorny question of **industrial overcapacities** (insufficient log supplies and processing units remaining idle), or conversely under-capacities (timber producers struggle to sell their products as processing units operate at full speed) is debated.*
- *Our assessment tends to suggest the presence of overcapacities. These might constitute a **serious risk** if and once the new rule enters into force in 2022 and some of the concessionaires are not allowed to continue their operations. Furthermore, the timing might be problematic as the other Congo Basin countries also plan to implement a log export ban and this would further dry up timber supplies in Gabon.*
- *The **implications of this policy** also include a possibly higher degree of concentration in the sector with only bigger players willing and able to engage in the road to certification. It remains to be seen if this concentration is likely to result in a disproportionate share of the industry in the hands of Europeans or Asians, who are currently the main if not the only players.*
- *Another implication could be less vertical integration with more disconnect between companies in charge of timber production in concessions and those in charge of processing. This phenomenon can be connected to (and even compounded by) the (otherwise usually praised) **special economic zones** that encourage investments in processing outside of concessions and near logistical infrastructure such as harbors.*

2.6 Alternative path for discussion: Towards legality verification instead of FSC certification

In this section, we discuss the possibility that legality verification is preferable to sustainability certification, at least as a first step and in the context of hybrid governance.

The case for legality verification

While the trajectory that Gabon is currently taking has numerous merits, the various insufficiencies and risks call for some reflection about alternative or complementary policies that could keep the best of the existing approach and add new variations via fine-tuning.

Potentially the most prominent option would be to slightly reduce the level of ambition of achieving universal FSC certification by introducing two revisions to the announcement made in 2018. First, the government could retain the excellent initiative that materialized in the new 2020 fiscal law with differentiated tax rates depending on the quality of operations — from the

adoption of a proper forest management plan to the certification of legality, and finally the certification of sustainability (FSC in this case). While viewed positively, this fiscal arrangement is in essence ephemeral if FSC certification becomes mandatory. It seems at least worth discussing the option of allowing this fiscal measure more time to have impact on companies' practices and strategies. Moreover, the worst perverse effects would be mitigated with companies being less prone to mine resources before closing down their business if they see encouragement to improve over time without a binary and drastic type of measure.

Second, it can be discussed whether a focus on one particular private standard for sustainability is ultimately the best idea. Given that FSC is the dominant actor in the Congo Basin, is well-known among consumers (relative to other standards), and has widespread credibility among stakeholders, the choice made by president Bongo makes sense. However, FSC certification remains difficult to obtain for many companies based on the various barriers to certification that were discussed earlier in the report. In a context of relatively low profit margins for reasons also related to the ongoing restructuring of the sector (see discussion above – ban on exports, captive sellers, etc.), it might not be the best timing for such a dramatic shift to be imposed, in a top-down manner, through regulation.

Therefore, an alternative could be to impose legality verification, at least as a first step¹², especially given the generally positive light in which Congo Basin countries' forest laws are generally viewed (note that this option was generally welcome by the interviewees). What is usually missing is a high level of enforcement due to governance challenges. Having legality verification could thus be a win-win strategy as it helps improve sustainability and increase tax revenue for the national budget, and also reflects the efforts made over the years to develop a widely recognized legal framework. Plus, funds from FLEGT could be used to improve national civil servants' capacities and technologies such as information systems.

Sustainability certification makes sense from a hybrid governance standpoint

Arguments have also been made against the use of legality verification across the board vs. supporting wide-scale adoption of sustainability certification. Indeed, one interviewee explained that legality verification was less reliable and more subject to changes in terms of which certificate schemes do operate (see Annex A 4). In addition, it might have implications for the involvement of overseas development assistance. Indeed, while initiatives such as PPECF can continue supporting certification (and thus benefit from the Gabon policy), legality verification would be a harder case because it is debatable whether such funds should be dedicated to supporting something that is legally obligatory. Note that FLEGT funds can be used to increase local capacity rather than paying for compliance with the law, which is welcome.

This discussion can also be seen in light of ongoing debates around hybrid governance systems, whereby public policies rely to some degree on private instruments. The mechanism that would apply here is well described and analyzed by Karsenty (2019) who explains that forest certification has been either stagnating or receding in the Congo Basin for reasons that can be linked to

¹² Note that some confidential sources indicate that such a plan is actually in train with legality verification mandatory from 2022 onwards and FSC certification mandatory from 2025 onwards.

some extent) to both the shifting markets from Europe to Asia / China¹³, and to the FLEGT process that proposes its own system of legality verification for producing countries. In a context where markets do not provide good prospects for a price premium or market share increase, or where they put in place their own systems with priority given to the legality aspects of production and good governance, there is little space for the deployment of a costly and constraining certification system with little expected benefits for the private sector (and limited impacts – see section 3.2). One possibility to break this deadlock would be to have sustainability certification be eligible as a substitute for due diligence processes by importers to ensure legality of the products; this decision has yet to be made.

At first sight, there is thus a contradiction between the ambitious Gabon policy and the reality of the markets. But, as Karsenty (2019) points out, a case remains for sustainability certification standards if there is recognition of the public interest in certification with the burden of verification moved from companies and public officers to the private standards in use. Indeed, FSC for instance could be seen as a way to ensure both sustainability and legality and thus to serve as a (maybe slightly too powerful and costly) means to meet European countries' requirements for due diligence and the enforcement of the legal framework in the forestry sector.

In other words, it is an example where a private instrument could serve the public objectives and interest. However, varying conclusions can be drawn from this line of reasoning with regard to the use and application of FSC at the producing country level. Indeed, rather than having a mandatory approach to certification as exemplified by Gabon – with associated reputational risks for both the country and FSC – it could be fruitful to think about focussing more on fiscal (and possibly also non-fiscal) measures to encourage and enable certification by the most virtuous companies while preserving the credibility of the FSC. If such an approach were to be considered preferable, something would need to be done about the independence and reliability of auditors / certifiers because the stakes would go beyond sustainability to include legality.

Sustainability certification might be even more sensible with the development by Gabon of its own standard

These reflections about hybrid governance and the reliance on private mechanisms to achieve public objectives resonate particularly loudly in Gabon where the interactions between the state and the private group Olam (headquartered in Singapore) are intimate. As suggested by the creation and development of the GSEZ Nkok (see Annex A 3), the private group exerts decisive influence over Gabonese public and economic policies. It also sometimes contributes directly to the implementation of the government's economic plans, as exemplified by its practice (encouraged by the government) of distributing large areas of forest for timber production from concessions, either granted directly by the government or concessions that were abandoned by companies (usually those not surviving the previous log export ban) (Karsenty 2020).

These points suggest that there is an increasing trend in the country to delegate parts of the policy realm and implementation to private actors and/or mechanisms. There is thus an overall consistency in the directions taken by Gabon even if these can also be criticized on several fronts

¹³ Yet one informant provided anecdotal evidence of favorable markets with the share of veneer imported to Europe and coming from Gabon having increased in a more general context of decreasing veneer imports.

as suggested in the analysis. In this respect, we could also add that there might be a hidden agenda to contract the total area under productive forest management in the country as a means of facilitating more conversion of forests into agriculture (noting that Olam is a world giant actor in this field with direct interest in oil palm and rubber among others). The internal consistency in hybrid governance (when both sides recognize their complementary roles) and the role of the private sector is also in line with a trend in the sphere of sustainable development and natural resource management to design and test more hybrid governance systems.

In closing, a third-party standard and verification could indeed be a transitory path towards robust and credible national certification systems under national control. The objective would then be to have investments being made to support governmental agencies and other levels of government and make them stronger. Taking the opportunity of the Forest Code revision, the national zoning land use plan process, and the political momentum in favor of SFM, the government of Gabon could start a process of recruiting, training and maintaining human resources, but also of obtaining the best technologies (which are increasingly free of costs with the availability of high-resolution radar and satellite images), to define a set of meaningful and measurable indicators for SFM.

There is a lot to learn from the experiences of private sustainability certification systems and building on those lessons may facilitate this process of transition. If used strategically, technology can facilitate understanding of on-ground changes, leaving precious time and resources for government representatives to do work on-ground and gather key meaningful information. Every government has a control office (national audit office) that supervises the day-to-day activities of all government sectors; more staff working with these control offices would help create processes and actions to increase accountability. Change will admittedly not happen overnight; but this quasi-cultural change would probably be the best option in the longer term. In contrast, full reliance on a private standard could become irreversible if it were to block such advances in governance and capacity.

Key points

- *As the announcement that FSC certification would be compulsory in Gabon from 2022 onwards poses several tangible risks – yet considering that the policy might not be fully enforced, potentially revised or delayed until 2025 – we suggest that the government of Gabon **also consider alternative pathways**.*
- *For instance, in place of sustainability certification, it would be interesting to explore the less ambitious objective of **legality verification**. Even though this approach also has drawbacks, such as being viewed as less credible by many stakeholders, it has the advantage of being easier to achieve and of emphasizing the value of the domestic legal framework in the longer term.*
- *In terms of the choice of the FSC sustainability standard, there is some concern arising from the fact that a private standard would determine the rules of forest management in Gabon (which is obviously a matter of sovereignty). As an alternative, it might be more productive in the longer term to increase capacity in-country with the design and application of a **specific standard that is under the responsibility of Gabon** itself and in accordance with its own terms.*

- *Another option would be to keep using and optimizing the already innovative (for the region) **fiscal measures** that have just been put in place and would have the potential to push concessionaires towards legality and sustainability certification but in a softer, step-wise and more predictable manner for investors.*
- *These debates must be analyzed in the context of **hybrid governance** and the emergence of arrangements whereby states can rely on private standards and tools to meet their own objectives and implement their own policies. This delegation of authority in hybrid governance arrangements is being studied to identify the most promising approaches. Gabon will serve as a case study from which interesting lessons will be drawn about the capacity of hybrid governance arrangements to deliver.*

2.7 Conclusions

By way of conclusion, we outline several facts, comments and recommendations that are not only relevant for Gabon but may also inform other Congo Basin countries that might be tempted to see Gabon's experience as a source of inspiration for their own forest sector.

1. **Gabon is a pioneer in the Congo Basin** (and beyond in some ways) with its successive policy moves from the creation of a vast network of national parks to a log export ban, a leadership role in REDD+ and its unprecedented **announcement that FSC certification would be made mandatory from 2022¹⁴ onwards**. Gabon's experience will be a great source of lessons for other countries in the Congo Basin.
2. **FSC certification** (and probably other similar schemes such as PEFC, though this was not assessed in this study) **tends to provide positive social and environmental benefits. However, evidence remains scarce and disputed** if only high-quality evaluations (using experimental methods) are considered for impact assessment.
3. **Fiscal measures** that were recently established to incentivize legality and sustainability certification respectively are viewed positively by most observers who also support pursuing and deepening this option either through **greater distinctions in tax rates or by using harvest and/or export taxes** instead of the relatively small area tax.
4. While there is generally internal consistency in the series of policies that Gabon has designed in the forest sector, risks and shortcomings were also identified including **misalignment between processing capacities and domestic timber supplies**, disruption if mandatory certification is enforced as flagged, and reputational risks if the desire to reach stated objectives prevails over rigor in monitoring.
5. One might argue that Gabon has engaged in a path that is equivalent to **squaring the circle** with higher production costs associated with certification but lower timber market prices for concessionaires because of the export ban, and lower margins because of less vertical integration and long distances between concessions and the special economic zone.

¹⁴ See previous comments on the fact that FSC certification might in fact be mandatory from 2025 onwards and legality verification from 2022 onwards.

Related to this, the whole policy process might gain from being analyzed from a political economy perspective to identify winners and losers in the process.

6. **Alternative paths** exist beside mandatory sustainability certification and we propose the consideration of **legality verification** as a starter, and even **more ambitious fiscal measures** to incentivize legal and sustainable operations.
7. If Gabon really wishes to take the avenue of sustainability certification, we would recommend that further consideration be given to the **benefits and risks of relying on a third party standard** which, *de facto*, will make (independent) decisions about forest management rules. As an alternative, Gabon could focus on the **development of its own sustainability standards** with significant and immediate investments in its own human resources and capacity but also taking advantage of increasingly effective and available free technologies for monitoring.
8. The plan for Gabon to rely on FSC certification is a case of **hybrid governance** whereby a state delegates responsibility to private actors, and in this case to a private standard. This also applies to the creation of the Special Economic Zone in Nkok, which is operated by the agri-business giant Olam as a public-private partnership. Outcomes of such arrangements should be scrutinized to draw lessons for the region as a whole.
9. **Complementary measures and policies** could be contemplated by Gabon with a view to minimizing the adverse impacts and risks of a globally positive and consistent set of policies. For instance, national inventories of forest resources; HCV assessments to attract companies that might get cold feet about requirements for FSC certification; incentives to exploit second-grade and lesser-known timber species; a level playing field for concessionaires that are located in remote areas and face challenges competing with special economic zones for processing; or a certain level of flexibility for exports of unprocessed wood when domestic processing capacities are not commensurate.
10. One hidden factor that might greatly determine the success or failure of Gabon's approach relates to the **plans by Asian investors**, both Indian and Chinese, given that their departure would create a vacuum in the sector with possible significant negative impacts.
11. A (pessimistic) analyst might be tempted to consider the situation from a different angle and anticipate that top-notch policy objectives and ambitions will in effect lead to a reduction in the number of concessions in operation and provide the government with a good reason to distribute **licenses to agri-business players to convert forests in idle concessions into agricultural plantations** such as oil palm and rubber. While we do not give too much credit to this scenario, it should clearly serve as an additional reason to scrutinize the evolution of the situation before celebrating Gabon as a sustainability front-runner.
12. An (optimistic) analyst might argue that top-down certification as proposed by Gabon would provide a **great case of enhanced impacts of forest certification** as it might address the common loophole of self-selection for companies which gain certification on the basis of their already sustainable operations with ultimately little additionality (or impact). This policy experiment should also be scrutinized for that reason as certification would be a game-changer with companies obliged to go down that road.

3 CASE STUDY N°2: ZERO-DEFORESTATION COMMITMENTS FOR OIL PALM IN CAMEROON

3.1 Background

In this second part of the report, we move our attention to another country, another commodity and another type of policy and measure to make supply chains more sustainable in the Congo Basin. Oil palm can be qualified as a forest-risk commodity in the sense that it is associated with deforestation in parts of the tropics. Globally, it is indeed commonly listed amongst the handful of commodities that are most harmful to standing natural forests along with beef, soy, coffee, cocoa and rubber. While produced mostly in Southeast Asia with Indonesia and Malaysia being obvious leaders in the sector, it originates from West and Central Africa where it has been used for local consumption for centuries if not more. Recent trends suggest that it is growing rapidly in its region of origin and that the situation requires scrutiny in order to take action before it is too late and vast chunks of the Congo Basin forest are converted to oil palm plantations. Within this region, Cameroon stands as one of the countries where the sector is developing rapidly and where the forest is at high risk of degradation and conversion. With Cameroon also being an important host for biodiversity – as illustrated for instance by an overlapping of the areas of current or potential oil palm expansion with great ape distribution (chimpanzee and gorilla – Wich et al. 2016) – palm oil production is a strategic issue for the Forest Partnership for the Congo Basin (CBFP) to consider.

To complement lessons from the Gabon case study, we now explore the potential of the private sector and corporate sustainability commitments to in responding to the issue of deforestation. These commitments that are taken unilaterally by companies emerged about a decade ago in the sphere of agriculture and forest conservation with the New York Declaration on Forests in 2014 as an important milestone. Their main innovation is to rely on decisions by the private sector itself and at various stages of value chains to change practices on the ground with measures tweaked in favor of local populations, working conditions and limited impacts on the environment. As such, they constitute one piece of the jigsaw and their role needs to be better understood.

As we will explain and discuss throughout this analysis, the oil palm sector in Cameroon (as well as in other Congo Basin and West African countries) is at a crossroads and an oily Damocles sword sits above the forest domain in that part of the world. Big plans are underway for companies to invest and smaller producers are engaged in a cycle of investments in low-yield plantations and low-efficiency artisanal mills. While the majority of these companies may not be engaged in zero-deforestation commitments, it is timely to consider the possibility that these could have a stronger presence and become increasingly relevant. Here, the prospects for outside pressure – either from governments of importing countries or civil society (domestic or foreign) – to trigger rapid changes are also of interest. The lessons presented in this case study will provide strategic direction for future action in both Cameroon and in neighboring countries.

3.2 Brief history of palm oil development in Cameroon

In this section we provide a succinct overview of the expansion of the oil palm sector in Cameroon. **A more detailed description can be found in Annex A 5.**

Although Africa’s contribution to global palm oil supplies shrank from 77% in 1961 to 4% in 2014, the continent still holds 24% (4.5 Mha) of the world’s total oil palm cultivated area (Ordway et al. 2019a). This discrepancy between shares of production and of planted areas is caused by the relatively low yields achieved in this part of the world. In Cameroon specifically, where the government aims to double palm oil production (and triple cocoa production) by 2035 from 2010 baselines, approximately 17.3 Mha (68%) of land suitable for agriculture is under dense tropical forest. This figure approaches 86% in the Southwest, which is a major producing region.

During the period of company acquisitions and development until the 1950s, very little was done to develop the smallholder oil palm sector and the two state-owned companies had mixed records in this regard. Things changed with the private company SOCAPALM in the 1960s, which developed a Nucleus Estate Smallholder (NES) whereby smallholders are integrated in the company-led system with managerial and technical assistance. Yet it was only in the late 1970s that the government took genuine action to promote oil palm smallholdings with the creation of the “*fonds national du développement rural*” (FONADER) with support from the World Bank.

The collapse of this Fund in 1990 after twelve years of operation was due to several factors including elite capture, in spite of assessment that the fund had been instrumental in developing the sector. It also resulted in many former FONADER farmers developing their own artisanal mills as a coping strategy, and this artisanal sector has been thriving ever since. The collapse inaugurated a new wave of smallholders, which also included wealthier landowners and internal and external elites (Nkongho et al. 2015). Conversely, the sector is characterized by a limited number of industries, both private and public, which are concentrated in the southern part of the country.

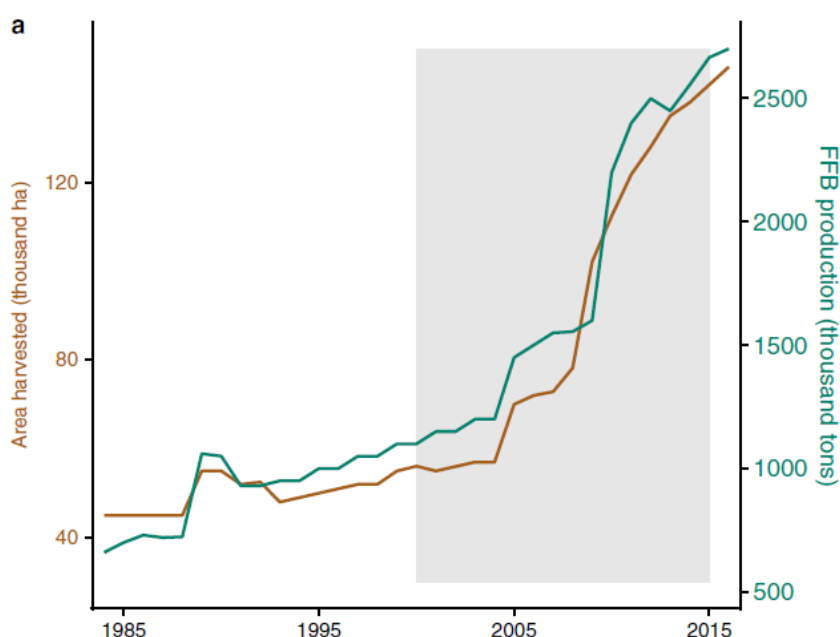


Figure 1: Oil palm expansion in Cameroon

Source: Ordway et al. (2019a)

It is important to cite the study by Gazull et al. (2015) who found a quasi-absence of land that would be both highly suitable for oil palm production and without forest cover on a scale large enough to allow for industrial expansion. It is usefully completed by Wich et al. (2016) who studied the overlaps between the areas of high conservation interest for the great apes in Africa and the oil palm industry, suggesting that 39.9% of the distribution of great ape species on unprotected lands overlaps with suitable oil palm areas. The assessment is a cause for concern, also because protected areas with adjacent oil palm plantations often suffer additional threats, such as illegal incursions of oil palm plantations into the protected areas and killing of apes.

Key points (from the complete description in Annex A 5)

- *Oil palm (*Elaeis guineensis*) **originates from Africa** where it still makes up a significant share of the total planted area worldwide; yet the low yields result in a much smaller share of total production compared to Southeast Asia.*
- *Oil palm also has a **long history in Cameroon** specifically, where it developed during colonial times, then with state-owned companies of which some were later privatized. The Bolloré group is now the main player in the country (and the only private investor if we leave aside other embryonic projects at the time of writing).*
- *A **rural development fund** – FONADER – contributed significantly to the NES model whereby farmers are associated with companies that provide technical assistance and supply them with their fresh fruit bunches (FFB) production. After successful years, FONADER’s collapse in 1990 induced a new wave of independent smallholders who supplied artisanal mills that have become a feature of the sector in Cameroon.*
- *The **pace of expansion has been unabated** ever since and resulted in a situation where a majority of plantations are owned by smallholders with their own mills and low productivity, even in medium-scale plantations developed by wealthy local entrepreneurs. Low productivity is also found in state-owned plantations.*
- *A study indicates the **lack of remaining large pieces of land** in areas suitable for oil palm that also meets sustainability criteria as defined by the main certification standard RSPO. As a result, the sector will develop with scattered smallholder plantations only or new industrial plantations will be established through the conversion of forests in good condition.*

3.3 Zero-deforestation commitments and hybrid governance

In this section we provide a succinct presentation of both zero-deforestation commitments and hybrid governance, as they are relatively new yet increasingly dominant approaches to mitigating environmental impacts from agricultural commodity production. **A more detailed analysis can be found in Annex A 6.**

NGOs and advocacy groups use consumer awareness campaigns and activism to tackle environmental and human rights issues and these strategies are meant to push companies to acknowledge their responsibility for impacts. This phenomenon might be seen as a manifestation of “market sovereignty”, the process of which is summarized in Figure A 4 in Annex A 6. Indeed, NGOs understand that pressuring brands might hold more potential than pressuring

governments, mostly for accountability reasons and the capacity to affect profitability through market campaigns. Corporate sustainability commitments have multiplied over the last few years and include burgeoning deforestation-free pledges, also labelled “zero-deforestation commitments”. Although commonly presented as pragmatic, it is fair to recognize that these commitments are not necessarily concrete, and ambiguity remains in relation to targets and deadlines (Bregman et al. 2016).

In the oil palm sector, about 65% of global production was covered by zero-deforestation commitments in 2018. However, two observations put this into perspective. First, smallholders are covered to a much lesser degree by these corporate commitments, and this is a problem for Cameroon and the Congo Basin where smallholders are an essential part of the sector development. Second, the focus is clearly on Southeast Asia where the giant producers are located and impacts on natural forests have been identified and tracked for some time.

A bigger problem is the lack of transparency and implementation of these commitments as noted by Haupt et al. (2018). With a relatively limited share of global production certified by the main standard for palm oil (RSPO), there are indeed signs that companies are not living up to their commitments. Moreover, the vagueness and lack of precise and concrete plans to implement and enforce commitments suggests that companies use them more as communication tools than as toolkits to seriously clean up their supply chains.

As a matter of fact, zero-deforestation commitments have created new forms of governance relationships, and most notably a shift in the types of functions that were once the sole domain of the state. This situation is captured in the notion of ‘hybrid governance’ where there are interactions of different spheres of NGOs and private sector actors with the state. In other words, commitments tend to shift the boundary between actions considered to be within the state’s remit and those for which non-state actors are in charge. A tension may thus exist between the bright side of hybrid institutions bringing new opportunities for policy and service delivery with enhanced sustainability, and the darker side of private sectors infringing on public territory and serving certain interests in an undemocratic manner. We argue that this angle is fruitful for studying the potential and pathways for the oil palm sector in Cameroon (and more broadly in the Congo Basin) to achieve sustainable value chains with zero-deforestation commitments.

Some lessons can be drawn from Luttrell et al. (2018) who studied oil palm production in Indonesia. First, multistakeholder processes are fundamental in the realm of hybrid governance as they gather around the table a diversity of views and interests that must be fully understood and reconciled if one wishes to achieve long-lasting impacts. They also introduce an element of independence by bringing on board NGOs (ideally local ones) as watchdogs and facilitators of implementation on the ground.

Second, commitments by individual companies are positive, but adoption on a broader level, such as through jurisdictional approaches, is better. These mix willingness of the private sector to improve practices, willingness of local governments and public institutions to stand up as front-runners in sustainability and reap the benefits of greater visibility and attractiveness to investors, and lower implementation costs (as transaction costs are limited for certification if done at the landscape level and costs are shared among all actors). This jurisdictional approach thus constitutes a perfect example of hybrid governance for sustainability as it must gather all forces from private and public sectors as well as civil society and reach consensus on the objectives and how to achieve these.

Key points (from the complete description in Annex A 6)

- *Companies involved in forest-risk commodity production have been increasingly the **target of efficient campaigns by NGOs** that have progressively changed strategy and focused their actions on the private sector through their consumer base rather than on governments.*
- *This phenomenon touches upon the new concept of “**market sovereignty**” that is complementary to the older concept of “state / country sovereignty”. Indeed, while countries can decide how to plan development and how to regulate their productive sectors, markets are free to favor products that meet a range of conditions in terms of environmental impacts, fair distribution of benefits, working conditions and others.*
- *This movement has translated into declarations and agreements at the international level – of which the **New York Declaration on Forests** in 2014 is emblematic – and in a remarkable wave of corporate sustainability commitments of which zero-deforestation commitments are one branch.*
- *These **commitments involve a flurry of companies all over the world** at all stages of the value chains (from commodity producers to retailers) but their impacts remain ambivalent for reasons such as vagueness of the commitments or lack of monitoring systems or transparency. Oil palm is definitely one of the main commodities targeted.*
- *The implementation of these zero-deforestation commitments has proven **challenging**, and analyses suggest that hybrid governance is a promising avenue to improve their record. It basically involves institutional arrangements that tie together public and private sides to increase the feasibility of these commitments on the ground.*

3.4 Main features of oil palm in Cameroon at present

In this section we provide a succinct description of the current situation of the sector in Cameroon and analyze the implications from the perspective of sustainability commitments. **More detailed analysis can be found in Annex A 7.**

In Cameroon, but also in other neighboring countries, the situation is different from the main producing regions in Southeast Asia in at least one very important way: small-scale producers can process the fruits into crude palm oil by themselves using artisanal mills. This defining feature has significant implications because it allows smallholders and medium-scale plantations to expand independently of industrial projects in remote areas and without coordination (and oversight). Moreover, the processed oil is either used for cooking purposes, or processed into soap mainly for domestic consumption, or sold to refineries for further processing and possibly exports. But if the bulk of this crude palm oil is not aimed at export and is even less likely to reach demanding markets such as Europe or the USA, then the chances that producers will seek more sustainable standards appear to be rather flimsy.

A reinforcing yet complementary description is provided by Ordway et al. (2019a) who explain that contrary to what one would expect from production-related internal economies of scale (and the situation observed in the top producing countries), over two thirds of all expansion in Cameroon occurred outside industrial concessions. This expansion coincided with a boom in

new mills, almost all of which were informal, low-efficiency, and non-industrial facilities. Of the 53% of mills that reported their year of establishment, 95% were built in the year 2000 or later.

Turning to the relationship between the expansion of plantations and deforestation, a couple of references provide recent and converging information. For instance, Ordway et al. (2019a) mapped all mills in the Southwest Region of Cameroon and concluded: “Results from the spatial analyses indicate a large, significant relationship between informal mills and recent expansion and deforestation.” The inconvenient truth seems to be that the bulk of deforestation is happening outside concessions and thus outside of the responsibility of industrial actors.

There is a lack of reliable data on the production of palm oil and refined products as well as associated markets. According to Ngom (2021), 30% of CPO produced in 2018 was consumed by households with the rest either processed into soap or further refined. Sixteen industrial CPO processing units are registered in the country with a total capacity of slightly more than one million tons. Interviews conducted for this study suggest that processing units / refineries operate at about half capacity due to the shortages of CPO. This overcapacity at the refining stage of the value chain is cause for concern, not only from an investor perspective and in terms of wasting previous financial capital for the development of Cameroon, but also because it represents a very tangible threat to remaining forests as there is a strong incentive to expand plantations much further to meet the domestic CPO needs.

With all CPO processed in-country to satisfy demand of second-stage processors, only refined products are relevant for export markets. The markets that are prioritized are regional, such as Nigeria, Tchad, the Central African Republic and Angola to a lesser extent. In this circumstance, there is unlikely to be intensified pressure from consumers and civil society to make practices more sustainable as the markets served are not particularly demanding. This observation does not create much scope for optimism and is critical for the future of sustainability commitments in a context where not a single producer in Cameroon has pursued RSPO certification. Yet as noted by an interviewee, the solution might be found at the financing level. Indeed, as foreign banks and other donors support investments by the industry in a context of challenging access to loans in Cameroon, a need to obtain certification might arise as these lenders tighten their conditions.

Key points (from the complete description in Annex A 7)

- *In Cameroon, but also in other neighboring countries, the situation differs from Southeast Asia in at least one very important way: small-scale producers can process the fruits into crude palm oil by themselves using **artisanal mills** (which is more profitable than supplying industrial mills with a fixed price ceiling). This defining feature has **significant implications** because it allows smallholders and medium-scale plantations to expand in remote areas and without coordination (and oversight).*
- *The oil processed in artisanal mills tends to be **consumed locally, or at least nationally**, hence chances that producers will seek more sustainable standards appear to be rather slim. This is compounded by the fact that over **two thirds of plantation expansion occurred outside industrial concessions**, which coincided with a boom in new mills (a large majority built after 2000), almost all of which were informal, low-efficiency, and non-industrial facilities.*

- *Results from spatial analyses indicate a significant relationship between informal mills and recent expansion and deforestation. **An inconvenient truth** seems to be that the bulk of deforestation is happening outside concessions and is thus beyond the responsibility of industrial actors.*
- *Cameroon is experiencing an unusual situation whereby refining units are in overcapacity and **CPO is imported from abroad**. This is worrying because it is an incentive for more plantations to develop in order to satisfy demand from the installed capacity, which in turn is expected to drive deforestation at scale.*

3.5 Prospects and objectives: Projects in planning and the National Strategy

In this section, we summarize information about future or initiated projects and make connections to the National Strategy. The **full text in Annex A 8** also includes the Africa Palm Oil Initiative.

One project has been stirring controversy for a few years, namely the US-based Herakles Farms. A lease of more than 73,000 hectares of land was first awarded in 2009, but the case was quickly criticized, particularly for its negative impacts and all the more so as it abuts the Korup National Park, which is home to rare apes, monkeys and elephants. NGOs campaigned with tangible results as the presidential decree signed in 2013 for the establishment of the concession covered about 20,000 hectares. There is no reported activity on the site.

In 2016, a Cameroonian company called Azur began preparations for an oil palm plantation west of a proposed park (Ebo Forest) on such a large area (at 123,000 hectares) that it would dwarf even Herakles' original holdings. The plan is to secure CPO supplies for its soap processing factory. No additional information could be gathered on this project during our research.

A new project was reported¹⁵ to be in planning near Kribi on the South coast (Campo and Niébé municipalities) with about 60,000 ha of plantations (largest oil palm plantation in Central Africa) and involving the company Camvert. According to our interviews, about 2,500 ha were approved by the government. So far only about 800 ha of forest conversion have been reported, and it is probable that campaigns against the project may have played a decisive role.

The National Strategy was still being developed at the time of writing, and we only mention its broad orientations. One overarching comment is that this draft might not address fully the main risks of the sector in environmental terms. Instead, it focuses on its development from technical and logistical perspectives. Yet, the Strategy exposes the risk of environmental degradation and recommends¹⁶ aiming for 20% of sustainable palm oil in 2025 and 25% in 2030. This objective would be fulfilled through the non-conversion of forest ecosystems with the issuance of

¹⁵ <https://www.afrik21.africa/cameroun-le-projet-de-palmeraie-%E2%80%89camvert%E2%80%89offre-des-garanties-environnementales/>

¹⁶ The very fact that the document makes recommendations may draw its status into question; a strategy might be expected to outline actions and targets rather than recommendations.

concession licenses outside of HCS/HCV areas only, and the (still vague) plan to develop regulations in line with RSPO criteria.

After mentioning the Accountability Framework¹⁷ as an interesting lead to guide practices by the private sector, the Strategy acknowledges the importance of having detailed studies of go and no-go areas for use in the design of local plans for land use planning (PLADDT). Monitoring and control mechanisms must be strengthened and RSPO principles and criteria must be adapted to the Cameroonian context for this standard to be widely adopted.

We conclude this section by mentioning something that is not in the Strategy but probably should be for the sake of continued growth of the sector – which is clearly beneficial to the Cameroonian economy and development – and which applies a critical lens to the land assessment undertaken by Gazull et al. (2015) as mentioned in Section 3.2. Indeed, while the latter concludes that remaining large tracks of suitable land without forest cover are almost non-existent, this view was contested by an interviewee specialized in land use planning in Cameroon. The so-called unsuitable areas of the forest-savanna transition zone, which are indeed technically of low suitability for oil palm production, could in fact be converted using the proper techniques and approach.

Indeed, the only reason it is unsuitable is that the forest-savanna transition zone has a longer dry season that does not fit well with oil palm plantations. The solution would be irrigation as irrigated oil palm on good soils and high insolation would certainly do very well and is at least an option worth exploring. The downside is that this type of cultivation would substantially increase production costs. Nevertheless, this avenue might be fundable through climate change mitigation and adaptation finance. We were told that extra water is required for 3–4 months a year and the cost of setting up irrigation is about \$2,000 per hectare. The lost carbon from clearing forest is worth about the same at current carbon prices. So, the idea would be to rely on climate finance to pay for the additional costs. This could be through a fund that provides guaranteed loans to the companies until revenues are collected with mature plantations (sales of FFBs); an alternative is to rely on the issuance of credits to make the system self-financing and sustainable.

Key points (from the complete description in Annex A 8)

- *All existing analyses tend to suggest that **expansion is on the table** and more projects for plantations and mills are expected to take place in the coming years.*
- *Several industrial projects have **stirred controversy** in recent years because of the threats to standing natural forests and conflictual relations with local populations in a context of disputed land tenure.*
- *Despite this Damocles sword held above remaining natural forests, it is clear that all **projects in the pipe have had difficulties moving forward** and most are either on stand-by or have been abandoned.*

¹⁷ <https://accountability-framework.org/>

- The draft **National Strategy**, resulting from consultations with stakeholders, clearly states that the future of the oil palm sector must avoid environmental damage including forest conversion. This is reinforced through statements of the **Africa Palm Oil Initiative** supported by the Tropical Forest Alliance and involving 10 African countries, even though the specific wording may be interpreted as suggesting a reduction in deforestation rather than eliminating it altogether.
- The National Strategy is still at the **draft stage** and there is room for more revisions until it is validated. From an environmental and sustainability perspective, the text would gain from being more precise and concrete about the necessary steps to ensure that projects in planning (such as Camvert) do not materialize as they would be in contradiction with the spirit of the Strategy. This also refers to the **lack of details** about the consideration of HCV/HCS assessments in the license distribution processes.
- There is room for **more creativity in the optimal use of land** for the expansion of the sector, which is beneficial for the economic development of Cameroon. For instance, areas deemed unsuitable for oil palm cultivation (forest-savanna transition zones) could be made suitable using proper infrastructure and supported by climate finance.

3.6 Zero-deforestation commitments in Cameroon: Where do we stand and what to expect?

This section presents the state of sustainability commitments in the oil palm sector in Cameroon. Building on the wealth of information presented in previous sections, it discusses the extent to which zero-deforestation commitments have a future in this country and whether they can make a difference considering the dynamics at play.

The current state of commitments

According to interviews conducted over the course of this study, the three private companies SOCAPALM, SAFACAM and SPFS seem to be seriously engaging in sustainability policies. Their concessions boosted the oil palm business in the 1970s, and planted areas were further expanded until stakeholders started to pay attention to forest conversion in the 2010s. In addition, stiff opposition from local populations in some cases (e.g., SOCAPALM Eseka) sometimes resulted in delayed operations and retrocession of land. These companies then halted their expansion (probably under pressure from their majority foreign shareholders), and drafted sustainability policies.

These policies, described as “Responsible Management Policy”, were published in December 2016 and are set at the level of the parent company, which is the SOCFIN group¹⁸. Four key principles are presented, and here we are specifically interested in the “Responsible Development” and “Transparency” parts (the latter is basically addressed through the dashboard and public reports). The SOCFIN group announced its full commitment to eliminating deforestation

¹⁸ The dashboard can be accessed here: <https://www.socfin.com/en/commitments>.

in all its own and its suppliers' operations as well as any use of peat, regardless of depth. This translates into the group committing to no greenfield development without prior mapping of HCV areas and HCS forests, which is on the ambitious side of existing commitments and requirements under existing standards. This is completed by the consideration of the rights of indigenous populations through the application of the widely supported Free, Prior and Informed Consent (FPIC) method. Note that existing assessments are posted on the group's website and are publicly accessible.

The group also posted an update on its Policy Implementation Plan for 2020. It reports on the finalization of the HCV assessment for SAFACAM and SOCAPALM and efforts are under way to pass the RSPO audits successfully at the end of 2020. Regarding the formalization of the concession boundaries at SOCAPALM, the process is under way and will involve participation by the local communities to reach an agreement on go and no-go areas. Lastly, as part of the RSPO certification process, SOCAPALM and SAFACAM are engaged in the compensation and remediation process that will require the companies to properly assess the extent of their responsibility for the loss of forest cover within concession boundaries since the beginning of their operations. As a result, action will be taken to engage in forest conservation elsewhere. We should also note that SAFACAM has engaged with the Zoological Society of London (ZSL) to mitigate environmental impacts in the Lac Ossa Reserve, and that the latest assessment by SPOTT indicates a relatively positive performance by the group in relation to aspects addressed in this study, namely landbanks, maps, traceability, sustainability policy, deforestation and biodiversity, or HCV/HCS impact assessments. Yet the absence of RSPO certification (currently under process) indicates the need for a more cautious note¹⁹.

Contrary to the private companies, the two state-owned companies PAMOL and CDC do not have their own formal commitments. Yet they will play a very particular role in the successful implementation of the National Strategy as they are owned by the state and must serve as an example. According to interviewees, replanting is their priority as opposed to expanding their plantation estate on surrounding forested areas. It must be expected that they will at least meet such requirements as not being responsible for the conversion of HCV/HCS forests.

What to expect from future zero-deforestation commitments?

It is time to take stock of all information gathered so far and discuss the potential for zero-deforestation commitments to multiply and have an impact on practices in the oil palm sector in Cameroon. The extent to which this occurs will depend on the presence of barriers to these commitments and the capacity of producers to overcome them. Moreover, opportunities for leverage and the ability of stakeholders to take full advantage of these will also play a role.

We identify four main barriers, which are interrelated in several ways: the lack of degraded lands without forest cover to establish new plantations; the prevalence of smallholders and artisanal mills; the unfulfilled need for CPO; and the markets for Cameroon palm oil that do not have high demands in terms of sustainability conditions. These four elements reinforce each other and are an explosive cocktail for future uncontrolled expansion of plantations in forested areas. Indeed, demand for palm oil both domestically and in the region calls for new investments, all the more

¹⁹ The full assessment is available here: <https://www.spott.org/palm-oil/socfin-group-s-a/>.

so given overcapacities at the refining stage and CPO imports to meet these supply needs. As it is largely driven by small- and medium-scale farmers and given the proliferation of artisanal mills all over the Southern part of the country (including the Littoral and Southwest) that pay no attention to forest conservation, it would be illusory to believe that the expansion is going to happen in a rational, planned, and sustainable manner.

In fact, companies likely to engage in zero-deforestation commitments are almost non-existent beyond the SOCFIN companies. Pressure can only be expected to come from Cameroonian stakeholders, and particularly civil society actors, who have already demonstrated that they can voice concerns and be heard. This would be in line with the concept of zero-deforestation commitments as an example of market governance, but the fact that consumers will be lightly concerned with sustainability in the region does not help. It should rather be a case in point where hybrid governance comes into play with efforts by the government (or sub-national levels of the administration) to coordinate and support such moves.

As far as leverage is concerned, the situation is clearly problematic, and the oil palm sector will pose a very tangible threat to remaining forests in Cameroon for years to come. However, there are still some opportunities yet to be exploited. To begin with, the government can revise and issue new rules and conditions that new concessions must meet and can also avoid distributing new licenses over areas that contain forests in good condition. This is likely to be challenging given the available assessments that areas suitable for oil palm cultivation do not contain large tracks of degraded land that would qualify. However, the government can also undertake actions to limit and control expansion outside of concessions. The situation might then differ depending on the land tenure and property rights that apply on these lands, and it could be argued that in all cases it is challenging from both a technical and political point of view to achieve positive results on that front. It may be technically difficult to detect smallholder plantations and artisanal mills before they flourish in lots of different parts of the country. Moreover, once they are detected, it is a sensitive matter for the state to reverse a trend in places where such businesses contribute to poverty alleviation and represent a credible source of livelihood for the production of a very popular product that is used on a daily basis all over the country (red palm oil for cooking and soap).

Leverage can alternatively be sought at the level of financing as capital is scarce in Cameroon and most investors will either have to fund their own plantations or raise funds abroad. This is where there is room for even more improvement in a context where improvements are already happening, and the trend is definitely going in the direction of stricter rules for loans in the agricultural sector and oil palm in particular as a highly emblematic crop in terms of tropical deforestation. Additional efforts must be undertaken to make sure that investors no longer have as easy access to loans as was previously the case, even where environmental damage was involved. Yet one immediate and certainly long-lasting limitation is that small- and medium-scale planters – and probably even most large-scale entrepreneurs – can self-finance their operations. Another promising option, at least on paper, is to improve agricultural practices and increase productivity in a country where all plantations outside industrial estates continue to produce very low yields. Such an avenue can also be extended to industrial state-owned plantations where it was reported that practices lag behind and fertilizers were not even used for decades. Therefore, implementing ambitious programs to train farmers and provide in-kind and financial support to both farmers and state-owned companies is a necessary step, even regardless of the

forest conservation issue. Economic development and better use of natural and human resources remain relevant whatever the expected effects on remaining forests. Note also that positive impacts on forests are all but guaranteed without accompanying measures for a number of reasons including the well-known rebound effect: with greater productivity and revenue, there is an incentive to keep expanding cultivated areas.²⁰

Key points

- *At the group level, **all private industrial plantations have zero-deforestation commitments** in their sustainability policies. This translates into the group committing to no greenfield development without prior mapping of HCV areas and HCS forests. This represents a relatively ambitious response to commitments and requirements under existing standards.*
- *Whereas these private companies seem well-engaged in the road to sustainability and RSPO certification, they are **contrasted starkly by the state-owned plantations** that have no such commitments. The priority for the latter seems to be replanting in order to boost yields and it is reasonable to expect that further forest conversion will be constrained also by the responsibility to provide a good example with respect to the National Strategy.*
- ***Barriers to no-deforestation** across the sector are mainly lack of degraded lands; prevalence of smallholders and artisanal mills; unfulfilled needs for CPO; and markets for Cameroonian palm oil that do not have high demands in terms of sustainability conditions. These four elements are mutually reinforcing and are an **explosive cocktail** for future uncontrolled expansion of plantations in forested areas.*
- ***Points of leverage** exist that deserve scrutiny. Firstly, funding usually comes from foreign sources and these could impose sustainability conditions in line with a trend of financial institutions paying more attention to forest issues. Secondly, potential for increased yields through either replanting or improved agricultural practices could be a good substitute for the extension of planted areas; however, this would require firm and coordinated action at scale.*

²⁰ For a good review of this debate around the links between agricultural technologies and deforestation, we suggest referring to the seminal work by Angelsen and Kaimowitz (2001).

3.7 Conclusions

In conclusion, we list a number of key points for consideration by policymakers and analysts with a view to reaching a higher level of sustainability in the palm oil supply chain in Cameroon specifically as well as Congo Basin countries more broadly.

1. **A National Strategy** is still at the draft stage and might evolve based on stakeholder consultations. It states clearly that the future of the oil palm sector must avoid environmental damage including forest conversion. This position is also supported by the Africa Palm Oil Initiative that involves 10 African countries.
2. Until it is validated, there is still room for revision in the Strategy. The **text would benefit from being more precise** as to the means to guarantee positive environmental and sustainability outcomes.
3. **We are at a crossroads and action is required now** as the sector is expected to witness a boom with high demand for palm oil domestically and in the region and plans for large-scale investments are under way.
4. **Markets are local, national and regional and provide few leverage points for effective action and change**, especially from the angle of zero-deforestation commitments. Yet industrial projects usually need to tap into foreign sources of financing through which sustainability conditions could be mainstreamed in order to avoid providing loans for investments that do not achieve positive sustainability outcomes.
5. Cameroon, and sub-Saharan Africa more broadly, have levels of productivity and yields that are well below those in Southeast Asia. This results in large, planted areas that cause significant environmental damage though palm oil production remains limited. In this context, **a critical leverage point might be to invest in and support replanting** with better seed quality and better agricultural practices (e.g., use of inputs such as fertilizers).
6. **Processing is to a large extent artisanal** with motorized / manual mills and the production of (unrefined) red palm oil and soap for local and national consumption. As a consequence, most of the production goes undetected, **which limits the range of options for action**. This is all the more problematic as constraining such activities that have lots of positive impacts on local livelihoods and poverty alleviation is likely to be politically sensitive.
7. From a long list of investment plans and plantation projects either initiated or in planning in recent years, most have been abandoned or have made almost no progress mostly because of campaigns and pressure from civil society and/or conflicts over land tenure with villagers. Another key explanatory factor seems to be that **investors have had cold feet because of the lack of degraded lands** and the incompatibility with obtaining RSPO certification. This is illustrated by the fact that operating private companies are engaged in the certification process and have left about half their concessions forested to comply with the RSPO conditions. All in all, this sends very positive signals about the changing climate for investors who have to be attentive to sustainability when they are associated with international and foreign groups.

8. Caution by investors is also amplified by the willingness of the Cameroonian government to release a National Strategy that puts sustainability at the forefront of the objectives and conditions associated with the future of the oil palm sector (among others). In practice, this **seems to disqualify the issuance of concession licenses in forested areas** where there is sufficiently high probability that HCV and HCS assessments will turn out to be positive.
9. The oil palm sector in Cameroon, but also in other countries in the Congo Basin, is unique because of the prevalence of artisanal mills and the **capacity for smallholders and medium-scale plantations to process FFBs by themselves** and in situ. This situation has implications for their capacity to operate in isolation and undetected, as they do not depend on purchases by industrial mills. As empirical evidence indicates that their development is closely associated with deforestation, this **poses a very tangible threat to remaining forests** in a context of strong demand for vegetable oil and very low yields achieved from both plantations and mills.
10. The prevalence of artisanal mills and independent small- and medium-scale plantations also calls for **combined political action in relation to industrial investments and at the level of the small-scale if not informal sector**. This action is all the more necessary given that demand is expected to increase unabated, due in part to a structural deficit in domestic supplies of CPO (which require plantations to be planted at close proximity because of the specificities of FFBs).
11. **Significant opportunities exist to engage in replanting** of the aging and low-yield plantations in smallholdings and state-owned industrial estates. This is a key priority disclosed in the revised National Strategy and one that should receive support from donors as it is potentially a game changer and may represent a credible alternative to the currently prevalent extensive systems. Yet **this has to be accompanied by supporting laws and regulations to avoid perverse effects** with increased profitability and capital translating into expansion.
12. With available assessments that point to the quasi-absence of large remaining tracks of land that would be compatible with oil palm cultivation and no-deforestation, **attention might have to be paid to wealthy domestic entrepreneurs** who see palm oil as a profitable investment opportunity and could engage in plantations over hundreds of hectares each. As few leverage points exist because their markets are local and they are able to navigate the intricacies of land tenure, this might have to be a key target for the enforcement of the government's National Strategy.
13. There is room for **more creativity in the optimal use of land for the expansion** of the sector, which is likely to be beneficial for Cameroon's economic development. For instance, areas deemed unsuitable for oil palm cultivation (forest-savanna transition zones) could be made suitable with proper infrastructure and supported by climate finance.

4 CASE STUDY N°3: THE FRENCH NATIONAL STRATEGY AGAINST IMPORTED DEFORESTATION

4.1 Background

In this case study we shift focus to the markets where part of the production from the Congo Basin countries is ultimately sold. Here we specifically consider France as a frontrunner in Europe where some of the most progressive and demanding norms and conditions in terms of sustainability are set (e.g., FLEGT). Indeed, this country has the most advanced national strategy against imported deforestation (SNDI) and we explore its approach and implementation milestones to identify whether and how it could serve as an example for other European countries, the European Union at large, or beyond.

4.2 A brief history of SNDI's emergence

The deforestation issue has gained political momentum over the last decade and the European Commission report on “The impact of EU consumption on deforestation” (Cuypers *et al.*, 2013) is an important milestone in this regard. as it reflects the growing attention dedicated to the issue. It was soon followed by the New York Declaration on Forests in 2014, the Amsterdam Declaration related to forest-risk agricultural commodities that was signed by seven European countries (Denmark, France, Germany, Italy, the Netherlands, Norway, and the United Kingdom), and the Action Plan (European Commission 2019) and official communication on the latter by the European Union in 2019.

In this context, France was encouraged primarily by the Cuypers *et al.* (2013) report for the European Commission that showed the extent of the impact of European consumption patterns. The report triggered the creation of an inter-ministerial committee to explore ways to address the issue at the national level. France's participation to the New York and Amsterdam Declarations provided further indications of the country's firm intent to act, and this culminated in the publication of its national strategy against imported deforestation (SNDI) in 2018. In addition, it committed as part of its National Climate Plan to end imports of products that contribute to deforestation.

While we provide further details of the strategy in the next sub-section, we can already emphasize four main entry points and topics to which it gives prominence:

- The stimulation of, and reliance on, expertise and knowledge of scientists in-country to help the authorities in charge design and promote the most appropriate tools to tackle this great challenge with due consideration of all economic, geographic and social determinants and dynamics;
- The design of effective actions that should be promoted as part of the implementation of the strategy;
- The mainstreaming of the strategy and its final objectives in as many domestic policies and measures as possible in order to augment the chances to secure real impact on the ground. This embraces public procurement for instance but also incentives for the private sector to align with these public objectives, among other approaches;

- The means to stimulate the involvement of as many actors / stakeholders as possible and to ensure efficient coordination of their respective actions and activities to reach the overall goal of the strategy.

It is thus apparent that with such a high ambition, the authorities in charge face the challenge of coordinating diverse actors and have striven to ensure a reasonable level of alignment among all related processes and initiatives. For instance, a parallel initiative named “Alliance pour la préservation des Forêts Tropicales” was officially launched in New York on 23 September 2019 in the wake of devastating fires in Latin America and under the leadership of the Ambassador Pierre-Henri Guignard. The missions of the Alliance include the creation of an online platform to stimulate exchanges of information and coordination among countries, the launching of a label that would guarantee that projects funded as part of the Alliance would meet all criteria and conditions, and the creation of a mechanism that enables very rapid reactions to emergencies (such as fires).

4.3 Directions favored by the Strategy

The document that was drafted and published to underpin the SNDI strategy covers a lot of ground. It is not relevant for our own study to examine it in full detail, but readers are encouraged to consult the document available online for further information²¹. Here we provide a general overview of the various directions and strategies favored by the strategy. Next, we elaborate on those that seem to be the most important to us in the framework of collaboration and action in the Congo Basin countries.

The **scope** of the strategy can be described as follows:

- Forest-related and agricultural commodities are embraced. While this is not restrictive, a limited number of products were considered a priority due to their disproportionate impact on forests, namely soy or palm oil as the usual suspects;
- Imported deforestation is defined as “*the importation of raw or processed materials whose production contributed, directly or indirectly, to deforestation, forest degradation or to the conversion of natural ecosystems outside of the national territory*”;
- Forest and degradation definitions are obviously important to characterize the phenomenon and decide on the areas where action is sought – we will address this issue in the following sub-section on methods. In addition to deforestation and degradation, conversion of natural ecosystems and indirect land use changes are also in scope. This may have major implications for the measures taken.
- Net vs. gross deforestation is also an important aspect that is likely to be of significance – the former would also consider expanded forested areas as compensation for the loss of natural forest cover elsewhere – but decisions have not yet been made, particularly regarding the implications for measurement or measures.

²¹ https://www.ecologie.gouv.fr/sites/default/files/2018.11.14_SNDI_0.pdf

The broad **thematic directions** that structure the various objectives and measures are meaningful in their capacity to cover a lot of ground and several approaches through which imported deforestation can be abated. As such, they should serve as a guiding framework for future initiatives in other countries and at the European level to increase overall impacts and fix loopholes and leakage as far as possible. These thematic directions include knowledge, development aid, public and private spheres, and internal governance of SNDI to come up with seamless and effective decisions and action.

A starting point of the Strategy is a focus on knowledge with the aim of gathering and building on scientific expertise to improve understanding and assessment of the situation and ultimately help to refine action and measures that will follow suit. The strategy then turns to the producing countries and the absolute need to establish a trust relationship and fruitful and fluid dialog to eventually influence the policies that are designed and implemented where imported products are produced. This opens the door to investments by the aid agency in the places where production takes place. It is not only inspired by the principle of reality but also the tense relationship that France (and the European Union) has experienced with Indonesia (and Malaysia to a lesser extent) around the palm oil issue. It is thus positive to see the provision of assistance to create the conditions of more sustainable production on the ground occupying a significant place in the strategy.

The Strategy then moves to the consumer side in two steps and two broad directions – the public and private spheres respectively. The former is about negotiating trade agreements that do not induce more environmental damage; the trade agreement with Mercosur that is now on the table is a good example. Indeed, studies about its expected impacts have yielded negative conclusions and additional conditions have been submitted (in particular to Brazil) because of a very tangible risk of more tropical deforestation caused by preferential trade conditions between the regions. However, the public sphere component also entails measures that relate to biofuels as these are routinely associated with deforestation (think of palm oil), public procurement policies (think of timber products for furniture and infrastructure), or better due diligence to avoid imports of illegal products (think of the European Union Timber Regulation – EUTR)²². The cherry on the cake is the willingness to also take all these messages to international fora for enhanced influence over decisions that will engage and compel other countries to get on board and to generalize these otherwise isolated (and ultimately ineffective) decisions and efforts.

A fourth broad direction favored by the Strategy lies with the private sector, which is indeed very directly concerned in different ways: from finance to consumer goods companies or importers / retailers and even certification standards that the Strategy aims at enrolling and improving to serve its own objectives. This fourth broad direction also considers consumers and their access to sound and useful information to make better choices in how they spend their money on goods. Consumers, companies and civil society alike are targeted by the public platform that will soon be up and running with data and information about imports and their presumed / estimated impacts in the places of production. For this, the Strategy is collaborating

²² Incidentally, the Fitness check ordered by the European Commission on FLEGT and EUTR has started to produce conclusions and the message is mixed to say the least, with little impacts on practices in producing countries. This is something to follow closely when the report is released to see how its lessons can inform adjustments in the measures that the Strategy will move forward.

with institutions such as the customs agency in France (for better and updated information on inward flows of goods) and the TRASE initiative²³ that has been mapping supply chains for a range of commodities and countries.

A final broad direction / measure relates to good and effective governance of the SNDI to take stock of experience as the initiative proceeds and make iterative improvements in light of lessons learnt from earlier steps and experiences.

4.4 Ongoing methodological and scientific debates for its implementation

In order to inform decisions about activities and actions as part of the SNDI, a Scientific and Technical Council was established under the management of the French Development Agency (AFD). It is ultimately under the responsibility of a steering committee emanating from several ministries, and reports to an institution that has been around for years in France as a discussion forum on tropical forest issues, namely the “Groupe National sur les Forêts Tropicales » (GNFT).

This Council is made up of national experts from various disciplines who undertake assignments on behalf of their own organizations (e.g., CIRAD or GRET) to study specific questions. These assignments are decided by the Steering Committee and are partly funded on condition that (i) these organizations must also contribute in-kind by co-funding the time invested by their experts, and (ii) the tasks are undertaken in a fully collaborative manner with partial results and progress shared and discussed collectively. Overall, the paradigm is to make sure that the SNDI is designed in a transparent manner and gives full credit to French expertise in the field.

This system has been up and running since 13 May 2019 and has been addressing the following issues: definitions and monitoring tools; impacts of SNDI; and certification options for the zero-deforestation objective in value chains. These are succinctly presented below. Note that we leave aside the background assessment of deforestation dynamics, the state of knowledge and available expertise in France, and propositions about the translation of knowledge into axes for the SNDI (as a living document) as these are either nascent or basic.

The definition question

The first work stream is interested in the definition question, which is obviously at the core of the whole process as the SNDI must be able to determine and identify what is acceptable or not in terms of forest impacts of the imported commodities. Characterizing deforestation requires a characterization of forests in the first place, and this debate around definitions has been around in the scientific and operational circles for some time. Just think of the seminal definition by the FAO that is usually mentioned as a reference point and includes variables such as canopy cover, area and tree height, but also the requirement that a permanent change in land use is involved, i.e., permanent agriculture as opposed to shifting cultivation of fires. This is in stark contrast with the definition used by WRI’s influential Global Forest Watch tool that relies on tree

²³ www.Trase.earth

cover (hence including plantations and not only natural forests) and leaves aside the difference between temporary and permanent losses of forest.

This first work stream goes beyond these well-known basic distinctions to enter the realm of operations by embracing the various methodological options on the table as developed in other forums. In particular, two tools/concepts are of direct interest and are seriously contemplated for integration in the SNDI. One was developed and refined over about a decade based on a collaboration between the NGO Greenpeace and the oil palm company Golden Agri-Resources (GAR) and is called High Carbon Stock (HCS). Initially quite straightforward, with carbon thresholds as indicators that a piece of forest would be classified as HCS (carbon stocks above the threshold) or not, it has since evolved in at least two directions: adaptation of the concept to various forest ecosystems, and integration of additional parameters beside biomass for better incorporation of landscape dynamics. These efforts are now coordinated under the aegis of the HCS Approach Steering Group.

The other approach, called High Conservation Value Forest (HCV-F), was developed within the framework of the FSC certification scheme for the identification of no-go areas for candidates for FSC certification. It addresses conservation from biodiversity, climate, economic, social and cultural angles and is thus, by principle, broader than the HCS concept (which is itself has become more complex over the years). It does so by proposing six types of values numbered 1–6 and covering aspects as varied as the presence of endemic biodiversity, flood management functions, medicinal plants, or sacred sites such as graveyards.

Besides the question of whether such tools should be applied to operationalize the SNDI, two issues (not solved yet) warrant mention here. The first one relates to considering the future state of a given piece of land where a certain good would be produced (and subsequently exported to France) in assessments of the production impacts. This could serve as a dynamic approach to evaluating land use impacts that is not confined to verification of whether the land use has replaced a piece of HCV or HCS forest. A no-go criterion for the SNDI might then be where a piece of cultivated land – even if it does not host a forest at the time of the investment – is likely to naturally revert to a forest if it were not disturbed by another (productive) land use. This dynamic approach would by nature promote conservation and likely result in the classification of very large areas as no-go areas from the SNDI perspective.

The second issue relates to the attribution of causality for deforestation. Take the example of oil palm plantations in Southeast Asia that are sometimes established on land without forest cover that was either previously burnt or clear-cut for purposes such as supplying pulp mills, local agriculture or over-logging. It is sometimes debatable that the new investor is linked to the loss of forest, particularly when licenses are issued – and the plantations established – a few years after the loss of forest. This poses the question of whether the new investors (and the commodities produced on this piece of land) should be held responsible for the deforestation and their products subjected to import bans. The answer is not straightforward and nor is the attribution of responsibility. Yet the problem might be solved by building on the dynamic assessment approach (as described above) and taking into consideration that the ecosystem would naturally revert to its original state (or almost) if not put under active production.

Certification options... or other means of verification?

The third work stream addresses certification options for the zero-deforestation objective in value chains. While it builds on the other work streams and particularly definition questions, it also has its own logic and relevance as reflected by its interest in exploring the possibilities for using existing options proposed by standards and not reinventing the wheel. The efficacy of this approach depends on the relevance of existing standards and their suitability for serving the primary objectives of the SNDI. At the beginning of the discussions, the observation that a variety of standards existed for various commodities and value chains resulted in the idea of creating a meta-label that would cover a diversity of situations by taking the best (or the lowest common denominator?) of the many options on the table. While the results from this specific work stream are not yet finalized or made public, we can outline a few of the proposed (but not endorsed) conclusions.

First, there are several interesting approaches developed for the main forest-risk agricultural commodities beside certification standards: public-private partnerships, landscape approaches, codes of conduct, due diligence, multi-stakeholder platforms, and regulations²⁴. Second, several scenarios are proposed and will be discussed that usually combine several of the previously mentioned approaches. Based on a survey of key stakeholders, it appears that the most favored scenarios are the negotiation of bilateral agreements with producing countries, and the reliance on existing standards to decide which products are allowed in (or not). Additionally, there was consensus that incentives should be given prominence over punitive measures and sanctions in the operationalization of the SNDI. This approach would translate, for instance, into differentiated fiscal measures (think of import taxes), a better integration of the SNDI into trade agreements and/or broadening of the legal framework or mandatory due diligence, or national information campaigns to alert consumers and orient their choices towards more sustainable products.

4.5 Implementation: Where do we stand and what to expect?

The SNDI is an ambitious undertaking that will take years to run at full speed and to create significant impacts on the ground. Nevertheless, much has occurred since its inception in 2018: numerous themes have been tackled and many stakeholders and experts have been contributing to its design and implementation. We mention several important types of achievement below.²⁵

²⁴ See the following blog that makes a good case for this combination of approaches in the context of the controversial Greenpeace report against certification standards associated with greenwashing:

<https://www.linkedin.com/pulse/greenpeaces-controversial-report-destruction-certified-nico-roozen/>.

²⁵ For an official view of progress with the SNDI see the press statement following the meeting of the monitoring committee on 18 November 2020: <https://www.ecologie.gouv.fr/reunion-du-comite-suivi-sndi-nouvelles-avancees-en-termes-tracabilite-information-du-public-dachat>; or the full minutes of the meeting here: https://www.deforestationimportee.fr/sites/default/files/2021-01/2020-11-18_CR-R%C3%A9union%20de%20bilan%20de%20la%20SNDI-1.pdf.

Governance, traceability and public procurement

While not exactly an achievement from an “action” point of view, the fluidity of the discussions and the involvement of a wide range of stakeholders is worth noting. It is proof of a certain level of commitment and the desire to operate and move forward in a transparent and constructive manner with the consideration of many voices and points of view. Indeed, the SNDI has a steering committee made up of administrations / ministries, but also a monitoring committee (“comité de suivi”) involving representatives of NGOs, producer associations / interprofessional unions, research organizations, and ministries. Activities and directions are submitted and discussed in the framework of the GNFT (Groupe National des Forêts Tropicales), which is a multi-year national forum that convenes about twice a year to exchange on tropical forest-related issues.

Traceability can be addressed through some standards and zero-deforestation commitments in a farm-to-fork fashion, or alternatively through supply-chain mapping at the level of commodity-country of production to indicate the risks associated with areas of production/countries of importation/traders involved along the chain (e.g., TRASE initiative). However, there is a large potential for improvement both in terms of precision/accuracy and forest-risk commodity/country of production coverage. Here, a giant step is about to be made with the expected issuance of a new legislative decree (following a principal agreement) that allows ministries in charge to access customs data. The plan is to then set up an alert system coupled with satellite imagery and share information confidentially with companies about their risk of exposure to deforestation.

This achievement was far from certain at the beginning of the process as these customs data are obviously of a highly sensitive nature, and the very fact that France has decided to make such information available is in itself proof of the seriousness of the whole process and the existence of political leverage and will. Furthermore, a public online platform has been established to share in an aggregated manner (for confidentiality reasons) all this information with consumers, NGOs, companies or public buyers with a view to prioritizing sustainable imported products.

Another important achievement is the guide for public procurement that contains best practices and should be applied by all civil servants in all sectors in charge of purchases. As the SNDI is not aimed at controlling imports and banning products associated with deforestation or forest degradation – which is out of its scope and deterred by the rules of the World Trade Organization – it is a very welcome and important move to disseminate such recommendations within the public sphere. Indeed, the number of public buyers (in ministries and regions for instance) is estimated to be around 130,000 and their buying power represents up to 10% of GDP (Ministère de la Transition Ecologique 2020).

Soy and trade agreements

A complementary step to the above-mentioned achievements was undertaken with the official report under the umbrella of the SNDI and produced by an NGO on the specific case of soy imports (Angerand and Patentreger, 2020²⁶). Targeting an emblematic forest-risk commodity with the greatest footprint associated with French and European imports, the authors have

²⁶ The unofficial version is already available online here: <https://www.cst-foret.org/ressource/mettre-fin-aux-importations-de-soja-issu-de-la-conversion-decosystemes-naturels-damerique-du-sud/>.

conducted an analysis involving a diversity of stakeholders (civil society, experts, private sector, government) through a series of workshops, with the objective to provide concrete options and recommendations for an operationalization of SNDI. Indeed, it suggests a system whereby risks are estimated for soy importers as a decision-support tool to facilitate deforestation-free value chains. Taking stock of the obstacles to mandatory deforestation-free imports, the authors of the report insist that such an approach is widely applicable and relevant for regulations associated with Corporate Social and Environmental Responsibility (CSER) and related due diligence according to the law (“Loi de Vigilance”). Therefore, even if it is encouraged on a voluntary basis, the legal framework has a role to play to upscale its adoption and use.

It is important to note here that voluntary and regulatory (as well as private and public) actions and commitments, are bound within the framework of SNDI in a hybrid governance fashion. Indeed, it appears that only a combination of action and goodwill by private and public actors, in their own ways, can lead to solid and sustainable outcomes. It is positive that the strategy has gone in that direction and has (consciously or unconsciously) acknowledged this situation. This line of reasoning could even be applied to another important measure taken by the Ministry of Agriculture in relation to the soy sector, namely the Protein Autonomy Plan (“Plan d’autonomie protéinique”²⁷) that aims to reduce dependency on vegetal proteins and especially on soy imports from South America for cattle raised in France or, to a lesser extent, for direct consumption. As another illustration of hybrid governance, the monitoring committee of the SNDI announced in 2020 that several big companies²⁸ signed a manifest and committed to engage with their suppliers to remove any soy-related deforestation from their supply chains.

In another important field of action, but with less obvious and direct connection to the SNDI, the ongoing negotiations on the free trade agreement between the Mercosur and the EU have stalled due to the expected negative impacts on the environment, and more precisely the unacceptable (from the perspective of France-SNDI and a few other European countries) policies promoted by the president of Brazil, Javier Bolsonaro. Here, we see that environmental considerations, and to some extent public opinion, have directed a key decision relating to trade and economic growth. While there are certainly other reasons behind the decision, which may also be reversed at some point, it is nevertheless telling and might not have happened the same way a few years back. All indications are that the SNDI is part of a broader context of decreasing acceptance of environmental damage abroad.

Prioritizing dialog and action over mandatory rules

All of these observations convey an implicit message that deserves to be formulated more explicitly as it is central to the key messages of this report: imposed and restrictive laws and regulations that would ban imports of some products or determine choices made by the private sector are to be avoided. In other words, the SNDI is not expected to determine a list of conditions or criteria to allow some products while keeping others out. Notwithstanding the methodological challenges that this would entail (e.g., how to ensure a particular product meets conditions, and which conditions precisely?), there are also political and legal challenges such as those

²⁷ <https://agriculture.gouv.fr/batir-notre-souverainete-alimentaire-en-proteines-vegetales>

²⁸ Auchan, Leclerc, Carrefour, Groupe Casino, Les Mousquetaires, Système U, Lidl, Métro

relating to free competition within the WTO. As a consequence, the focus on initiating a fruitful dialog with producing countries, and on relying on overseas development assistance (AFD) as the channel for financing change on the ground (e.g., jurisdictional certification), are very welcome and hopefully a successful strategy.

Therefore, the point is to act where action is within reach (e.g., rules for public procurement or free trade agreements), to mobilize stakeholders in the discussions in order to utilize each party's experience and skills, and to influence decisions in the producing countries but also among counterparts within Europe (particularly as the new European piece of legislation on imported deforestation is expected to be issued in 2021). All this means that on-ground impacts from the SNDI are not to be expected overnight, but it is definitely an important stream of action with slow but long-term impacts that could provide guidance for other initiatives.

An illustration of the role that AFD as the financing arm of the SNDI will play is the commitment to spend about € 60 million per year. This spending will occur in about fifteen countries over time, out of which three – Colombia, Ivory Coast and Indonesia – are identified as test cases. Projects are supposed to be in line with the so-called roadmap (“feuille de route”) that is decided through a political process involving the Ministry of Foreign Affairs at the outset. This roadmap is not made public and we were not able to access it, but what surfaced during interviews is the difficulty of setting up indicators that can help identify which AFD-funded projects meet conditions to be SNDI-labelled and thus count in the committed annual spending. These indicators are expected to be provided later and are the responsibility of the SNDI's monitoring committee.

It will be important to make sure that others will capitalize on this experience and not reinvent the wheel, hence the need to disseminate as many learnings as possible. This is all the more important now that significant obstacles are emerging with reluctance by some producing countries to meet some of the SNDI objectives and conditions. Yet the slow but tangible progress also translates into diplomatic and political advances as well as attention paid to the process by importers who are often aware that this is the general direction in which things are developing.

4.6 Conclusions

With this case study, we have considered the other side of trade by exploring the perspective of an importing country in Europe. In so doing, we are taking stock of the key fact that deforestation is embedded in trade and responsibilities lie with consumers and markets as much as with producers (Hoang 2021). Key messages from this analysis are summarized below.

1. **France has established an ambitious and innovative strategy (SNDI)** to reduce imports of goods associated with deforestation, forest degradation and conversion of natural ecosystems. It could provide guidance for replication at a greater scale (Europe) or in other countries.
2. This strategy is interesting in its coverage of many different angles from which to tackle the issue, which is recognized as being multi-dimensional and complex. It is also **framed to engage stakeholders** in a transparent manner and to provide a key role to scientific expertise for well-targeted action.

3. Proponents of the strategy have decided to apply a **soft approach** to the issue with dialog and incentives, as well as to assign a key role to the public sphere through information shared with stakeholders as a means of making informed decisions and a best-practice public procurement policy. In addition, note that the AFD is considered the financing wing of the SNDI and has committed € 60 million per year to be spent on projects in producing countries to improve the conditions of sustainable production and to stimulate dialog.
4. This soft approach contrasts with a would-be regulatory approach that bans certain products, probably because the latter would be **problematic to apply** and would be deterred by the rules of the WTO.
5. This strategy exhibits yet another type of **hybrid governance** (after the two previous case studies in this report) as it appears that only a combination of action and goodwill by private and public actors can lead to solid and sustainable outcomes. Indeed, public and private spheres and actors contribute to the effort (commitments, incentives, information sharing, etc.) and **only such an inclusive approach might yield substantial results in the long-term**.
6. Hybrid governance could also be conceived from the perspective of **using methodologies developed by private certification standards** and labels to identify no-go areas, such as HCS or HCV forests. Furthermore, the Gabon experiment discussed in the first case study could be another avenue with the use of such standards to provide incentives (if not bans) for certified imported goods.
7. Indirect impacts could also be considered if one argues that the SNDI is the tip of the iceberg and **matters more for the climate and environment it creates and the new norms it distils in society** (companies, consumers and the like). One example could be the delayed signature of the free trade agreement with Mercosur due (among other reasons) to the highly contested pro-deforestation policies in Brazil.

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ANNEX

A 1. Acknowledgments

We would like to express our gratefulness for the time spent on a careful review of case studies by Jacqueline Lardit-Van de Pol (ATIBT – Gabon case study), Claudia Romero (University of Florida – Gabon case study) and Raymond Nkongho (University of Bea – Cameroon case study).

Our thanks also go to all individuals who donated an hour or more of their time to be interviewed as listed in the recapitulative table below.

A 2. List of interviewees

Name		Date of interview	No response
Jingwei ZHANG	Global Environment Institute	28 Feb	
Peng REN	Global Environment Institute	28 Feb	
Ulrich Grauert	Interholco	2 Feb	
Ashkan Rahmati	Woodbois	1 Feb	
Jacqueline Lardit-Van de Pol	ATIBT	26 Jan + review	
Benoit Jobbe-Duval	ATIBT	26 Jan	
Erith Ngatchou	Earthworm	5 March	
Martin Bostroem	KfW	2 Feb	
George Akwah Neba	FSC	28 Jan	
Steve Ball	FSC	28 Jan	
Thomas Seyvet	PEFC	29 Jan	
Rémi Sournia	PEFC	29 Jan	
Giuseppe Topa	World Bank	1 Feb	
Stéphane Rivain	Oréade-Brèche		X
Susan Zou Qin	T.B.N.I.		X
Kevin Xu	ASI		X
Claudia Romero	University of Florida	19 Feb	
Emmanuel Ngom	DEAFC-MINADER	23 feb	
Raymond Nkongho	University of Bea, Cameroon	Review	
Elsa Ordway	University of Stanford		X
Christophe du Castel	AFD / SNDI	9 April	
Philippe Deletain	Ministry of Foreign and European Affairs / SNDI	29 April	
Benis Egoh	University of California	9 March	
Ludovic Miaro III	WWF Africa – Yaoundé Hub	11 & 17 March	
Oliver Cupit	ZSL Sustainable Business and Finance team		X
Armstrong Mba	ZSL Sustainable Forestry Specialist in Cameroon		X
Justine de Boisfleury	SNDI	29 April	
Julia Falconer	DfID		X

A 3. Gabon: A chain of events with an overall consistency and achievements to date

This section presents some elements that led to mandatory FSC certification and discusses their internal consistency.

The log export ban as a (impactful) starter and steps towards sustainable forest management

As mentioned earlier, a description of the series of events in terms of policies and measures is critical to conduct a meaningful analysis. The whole process, which is framed by the national plan *Gabon émergent*, might have its roots in the log export ban that entered into force²⁹ on the 15th of May 2010. Ever since, forest concessionaires have been forced to transform locally or sell their logs on the domestic market, and at least a first processing of the raw material is required before sales abroad.

The objectives and merits of this type of policy are well-known from development economists with the rationale that it stimulates more investments into domestic industries, creates more jobs, and increases the value that is generated in the country.

In the forest sector, at least one prominent example pre-existed with the case of Indonesia that established a similar ban in April 1980 (after a series of incentives programs that failed to reach their goals) only to become the number one exporter of plywood a decade later. Yet it is important to note that this policy has been poorly successful in the longer term. Not only did it induce a boost in the number of concessions and areas under production (up from 36 million hectares in 1978 to 62 million hectares in 1994 [Durand and Pirard 2008]) but it led to the collapse of the plywood sector because this policy was not accompanied with proper enforcement of rules, and forests were rather mined than managed sustainably. As a consequence, the resource had vanished when the second or third cuts were supposed to take over, and the plywood industry faced a severe downturn with reported production in 2019 at about a third of its peak in the 1990's. These aspects should serve as a lesson for the case of Gabon, and we will get back to these aspects later in the analysis when providing recommendations.

It happens that Gabon definitely stands as an (counter)example of the usually pointed links between timber production and deforestation due to the indirect effects of building roads and the settlements that follow, agriculture production and the like. Indeed, the country has the highest proportion of its forest estate under concession management (about 70%) in the region, yet it is one of the very few countries in the world (all the more so in the tropical world and developing countries) whose forest cover has increased over the period 2010-2015 due to the expansion of natural forests and not tree plantations (Karsenty 2020 – see Figure A 1).

This situation might be an indicator of the usually praised legal framework and requirements for concessionaires to design and apply forest management plans. These plans are a necessary condition of sustainable timber production as they are based on inventories that inform on the available resources and enable companies to anticipate the yearly volumes of production, the

²⁹ <https://www.jeuneafrique.com/155862/economie/l-interdiction-du-commerce-des-grumes-confirme-e-pour-le-15-mai/>

species to be exploited, and other critical parameters. With such plans, it is also possible to have optimal logistics infrastructures and, theoretically, to minimize impacts.

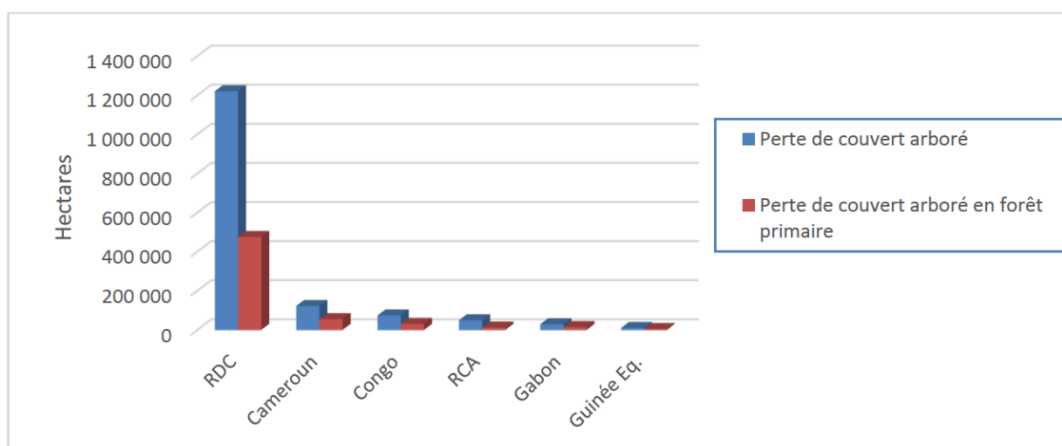


Figure A 1: Loss of forest cover in Central Africa in 2019 (negative values indicate expansion)

Source: Karsenty (2019), based on data from Global Forest Watch (WRI)

A breakthrough for both Gabon and the entire region was the decision to create a Special Economic Zone in Nkok (GSEZ), East of the capital city Libreville on the Coast. It consists in an industrial zone mostly for wood processing that provides advantages to the companies that operate in the zone, such as access to infrastructures but also fiscal exemptions. Overall, the GSEZ was praised for its capacity to be the engine of growth for the wood sector after the collapse experienced by the country after the log export ban. This efficiency might be due to the pragmatism of the agri-business giant Olam that has been in charge of operating the zone. This public-private partnership is an indication of the plans of the government towards an expansion of agricultural production, including palm oil and rubber; it was also criticized for its lack of transparency and competition as the deal was made behind doors (interviews).

The attention to sustainability by the government was illustrated by several parallel processes and initiatives in the field of conservation and in two ways at least: a large network of national parks initiated by former president Omar Bongo in 2002 and a leadership role in REDD+³⁰. With the new minister in charge of forests and the environment Lee White, who is a biologist / conservationist and was previously in charge of the National Parks Agency, the country could secure funding (from Norway in 2019) to make considerable progress in the design and implementation of policies to avoid carbon emissions and increase carbon stocks. Such initiatives have made Gabon a leader in the region in the prominent sphere of REDD+ (Karsenty 2020).

A consistent pathway leading to mandatory FSC certification?

Based on the above description of the context, we see that the spectacular announcement on mandatory FSC certification for forest concessionaires (without a legal text underpinning the objective to the best of our knowledge) is consistent with the directions taken by Gabon for about a decade and favoring a sustainable approach to the management of its forest estate. This

³⁰ REDD+ is an instrument created in the framework of the Climate Convention UNFCCC to remunerate countries that take effective action to reduce forest degradation and loss.

fact is of importance because it says something about the capacity of investors and practitioners to predict the evolution of the legal framework and conditions imposed on them to keep operating in-country.

While the announcement was generally welcome by stakeholders, as also reflected by our interviews overall and wording such as “*it puts Gabon on the map*” and make it the Costa Rica of Africa so to speak, it is also accompanied by some critics that challenge the probability that the policy be enforced as announced (one interviewee said that doubling the current certified area would be an achievement already). Indeed, some complained about the apparent neglect of issues as fundamental as (i) community forestry³¹, which is not given prominence and seems to remain at the bottom of the country’s priorities, (ii) the role of indigenous communities and the consideration of land tenure issues, also not clear in this spectacular policy announcement, (iii) the possible negative consequences for the development of the country because of the risks for lower levels of production and resulting revenues at both the forest and processing levels, and (iv) the risks of creating a monopoly for FSC vs. accepting all standards³² or another specific standard such as PEFC-PAFC. Another risk that was identified during interviews is the perverse effect that companies that will not seek certification follow a free-riding behaviour and produce beyond legal limits and sustainable yields before leaving.

After the announcement comes the time of implementation and enforcement. As stated by the latest assessment on the topic (Romero 2021): “FSC certified forest management in its first concession in Gabon in 1996 (Leroy Gabon), but that certificate was terminated soon after due to lack of a management plan and absence of consultation with local stakeholders given its overlap with local community territories. Since 2009, the area under FSC certification has remained relatively constant. To date, there are 2,061,190 ha certified with 6 forest management certificates, 7 under CW³³, and 32 CoC³⁴ certificates, of which all but one were granted after 2018”. It continues with the other main certification standard: “The first forest operation PAFC certified in Gabon was in 2018. To September 2020, there were 596,822 ha PAFC certified (in 2018) and two CoC certificates. The two CoC certificates were granted to Precious Wood CEB and Precious Woods TGI, both in 2019. Of note, this PAFC certified area is also FSC certified (*Precious Woods*)”. Certification is already a reality in Gabon even if it lags behind the official objectives with only about 15% of concessions under FSC certification. It must be noted that forest certification includes several standards, out of which FSC and PEFC stand as the dominant players with varying levels of domination depending on geographical areas. Their common feature is to promote sustainable forest management through recognition and certification of responsible practice with certificates that can be used to obtain product price premiums and improved market access, and the latter seems much more prevalent than the former. While it is not the purpose of this

³¹ It is beyond the scope of this analysis to discuss the relative merits of industrial vs community-based exploitation, and we just look at the feasibility of industrial forestry policies and their expected effectiveness.

³² Note that FSC has responded to this critic by saying that it makes more sense to focus on one standard with clear rules that all companies must follow equally, rather than accepting several standards, which would imply that the government has to come up first with a list and definition of criteria that eligible standards must be able to comply with. Alternatively companies would be able to pick different standards with varying degrees of sustainability, which does not level the playing field. Others view this choice of one particular standard as being politically-motivated as it sends a much more spectacular signal and one that is more easily identified in terms of communication.

³³ “Controlled Wood”

³⁴ “Chain of Custody”

report to compare the respective merits of standards, we can mention that FSC has traditionally been more active on the front of tropical forests management while PEFC has been widely adopted by timber producers in the Northern hemisphere (e.g. 170 M ha in North America which is more than half the total world certified area, and only 0,6 M ha in Africa as a whole), which makes it the number one standard in the world. FSC is more present in Asia + Central & South America + Africa with about 30 million hectares certified (FSC 2019) and this dominant position is all the more verified for Africa specifically with about 6 million ha compared to 0,5 million ha with PEFC (2020). This is probably one reason for the choice of Gabon as we will discuss below.

Key points

- *Gabon has put in place a log export ban a decade ago, which initiated a series of events and policies that culminated with mandatory FSC certification.*
- *Log export bans have been tried and tested in other contexts and have a clear objective, which is to stimulate investments in the downstream stages of the value chain to keep more added value within the country.*
- *Gabon has pursued on this path with other ambitious steps such as the wide application of forest management plans (which is also the case of neighboring countries), a leading role in the application of REDD+ in the region, or the enlargement of a network of national parks and eco-tourism to diversify revenues from forest resources.*
- *There is no doubt that Gabon is quite consistent in its rolling-out of various policies, which in itself should inspire some optimism about the long-term impacts on the sustainable use of its widespread forest estate.*
- *These directions have their critics, not only about some missing pieces of the jigsaw (e.g., community forestry in its infancy), overall economic impacts if the timber industry suffers a downturn with concessionaires not making it to certification in due time, the lack of preparation for what is seen as an extreme move, or the discretionary choice of one private standard.*

A 4. Legality verification standards

This section reports text extracted from Romero (2021) and provides information about existing candidates for legality verification in the Congo Basin.

Origine et Légalité des Bois (OLB) certification is a system created in 2004 by *Bureau Veritas* (www.bureauveritas.fr/besoin/certification-olb). It provides a system for forest firms and timber trading companies to trace the origins and prove the legality of forest products and to help forest operators demonstrate compliance with legal requirements for traceability, management, and logging. The system comprises 5 principles and criteria for legality and 3 for CoC. Compliance results in two certificates: one for producers and another one for manufacturers and traders. Conditions to be met relate to legal compliance (i.e., environmental issues, timber management, labor issues and worker safety), traceability, and chain of custody. Timber with these certificates alone cannot legally enter the EU for which a FLEGT license is also required. In this case, OLB certification fosters exports to non-EU countries that accept OLB due diligence procedures. *Bureau Veritas* also developed an OLB+ system, for companies that want to demonstrate that they

respect social and environmental requirements. As of August 2020, there were 15 OLB/OLB+ certificates, 2 in Republic of Congo, 3 in Côte d'Ivoire, and 10 in Cameroon.

Other similar legality certificates have been promoted by other certification bodies. These standards do not have accreditation systems but are owned by the certification bodies, which reduces their credibility and acceptance. Examples are the Verified Legal Origin (TLTV-VLO) launched in 2010 by *Société Générale de Surveillance (SGS)*, based on nine principles that specify that the timber was legally produced, acquired, and sold by forestry or timber companies. This system was accepted in 2011 by British procurement systems and *Kerhout*, a Dutch-supported initiative to evaluate forest management and legality certificates against minimum requirements. Likewise, in 2010 SmartWood developed labels for Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC). These standards were anticipatory to the European Union Timber Regulation (EUTR) process and helped in assessing compliance with the USA's Lacey Act, as amended in 2008 to include tropical timbers.

Control Union, another certification body, developed the *Timber Legality Verification* certificate (TLV) and one Gabonese concessionaire, also FSC CoC-certified in 2020, currently holds it (SOMIVAB). Finally, there is the *NEPConLegal Source Standard (LS)* for an organization to demonstrate having subscribed to a due diligence system against the requirements of LS. Interestingly, the certification does not guarantee legality of any materials covered by the LS seal, but rather the seal certifies the existence of a system for due diligence to manage the risk of illegality (i.e., production, transportation, trade). This standard can be used to evaluate due diligence systems for forest product supply chains (e.g., from forest sources to direct suppliers) and to assess legal compliance of forest operations or processing industries. The system is based on five principles and 18 criteria related to legal rights to harvest, taxes and fees payment, timber harvesting activities, third-parties rights, and trade and transport.

In 2020, the *Programme de Promotion de l'Exploitation Certifiée des Forêts (PPECF)* developed an assessment of the legality standards just described (PPECF 2020). OLB scored 90% based on the content of the standard (90%) and its operation (92%), with 87% for communication. TLV scored 85% for its Gabon-based standards. The average score for LS was 76%.

These legality standards are important insofar as both *UFIGA* and the *Union of Asian Industrial Foresters of Gabon (UFIAG)* signed a commitment in Shanghai to support the GoG in its efforts to improve forestry sector performance by backing implementation of China's *Global Green Forest Products Supply Chain Initiative (GGSC)*. The commitment implies adoption of at least one legality certification (i.e., OLB, LS) by 2022¹.

The GGSC initiative is supported by the Chinese government and resulted from a 2018 dialogue convened by ITTO with twelve major Chinese forest products firms to establish and promote global green timber supply chains for national and foreign materials (<http://www.itto-ggsc.org/>). The meeting resulted in the amendment in 2019 of Chinese law to prohibit purchase, transformation, and transportation of illegally-sourced materials. The dialogue established a committee tasked with driving a phased implementation of activities to consolidate the initiative. Activities are jointly identified by the Chinese government and companies through ITTO-facilitated processes; the example offered above is one of the envisioned actions to encourage best practices among timber producers, importers, and manufacturers in China.

The final legality verification system pertinent to Gabon is the due diligence *TraCer* standard (PPECF 2019). *TraCer* was launched in 2018 to guarantee legality of all timber entering the *GSEZ* in Nkok from national and foreign sources and provides training in due-diligence processes. It is granted after field inspection to concessions and corroboration of correspondence between numbers on tree stumps and logs with inventories and management plan documentation. The standard is managed by *Forêt Ressources Management Gabon* (FRM) and a Gabonese NGO – *Brainforest*.

A 5. History of oil palm development in Cameroon

In this section provide a succinct description of the expansion of the oil palm sector in Cameroon.

Africa hosts many plantations but lags behind for productivity

On a global level, and out of the main expanding oil crops (soybeans, rapeseed, sunflower, etc.), oil palm (*Elaeis guineensis*) is the second most significant driver of deforestation, accounting for 2 Mha of forest cleared in 2000–2010. In Africa, although contribution to global palm oil supplies shrank from 77% in 1961 to 4% in 2014, the continent still holds 24% (4.5 Mha) of the world’s total oil palm cultivated area due to its climatically suitable regions of West and Central Africa (Ordway et al. 2019a). This discrepancy between shares of production and of planted areas is caused by the relatively low yields achieved in this part of the world compared to the main Asian producing countries as we will discuss in length in this report for the implications are significant. The acceleration of the plantation expansion in Africa over the last two decades is led by Cameroon and this must be put in perspective with projections that edible oil consumption across the continent is projected to triple by 2050 for reasons such as higher consumption per capita with economic development coupled with spectacular growth projections (Byerlee et al. 2017). In Cameroon specifically, approximately 17.3 Mha (68%) of land suitable for agriculture is under dense tropical forest. In a major producing region like the Southwest, 86% of land is forested. In these conditions, the government targets to double palm oil production (and triple cocoa production) by 2035 from 2010 baselines can only pose more risk on the forest ecosystems.

A long history in Cameroon with the presence of both public and private investors

The role of Cameroon is thus critical with the growth of the sector that benefits from good biophysical conditions in the southern forest zone, availability of cheap land, political stability and the interest of the government (Hoyle and Levang 2012). Here we tell a brief history of the sector in this country that builds on the detailed article by Nkongho et al (2015). Cameroon was first annexed by the Germans with the development of large-scale plantations by private German firms before the first world war. Their industrialization took place under the British and French occupation from 1916 onwards, in particular in the western part of the country occupied by the British where several plantations were bought by a multinational that was to become one of today’s giants in the realm of consumer goods companies and sustainability front-runners, namely Unilever. This same group also acquired a concession area of 10,000 ha for the creation of “Pamol Plantations” in 1928 (Barbier et al. 1980).

Subsequently, another company was established right after the second world war with the Cameroon Development Corporation (CDC) around Mount Fako, and yet another former German

plantation “*La Plantation de Dizangué*” was bought in 1959 by the Rivaud group and is known today as the “*Société africaine forestière et agricole du Cameroun (SAFACAM)*”. Finally, the then state-owned “*la Société camerounaise de palmeraies (SOCAPALM)*” was created in 1968 and privatized in 2000. As of today, the industrial side of the sector is made of private companies with SOCAPALM, SAFACAM and the “*Société des Palmeraies de la Ferme Suisse*” (SFPS) controlled by the Bolloré group, while CDC and Pamol are state-owned. Their planted areas are as follows: SOCAPALM (28,027 ha), SAFACAM (4,870 ha), SFPS (3,793 ha), CDC (12,670 ha) and PAMOL (9,500 ha). Note that SFPS has since been purchased by the Bolloré Group so that there is only one private group operating in the sector.

During the period of acquisitions and development from the beginning of the 20th century and until the 1950's very little was done to develop the smallholders' oil palm sector. Pamol and CDC had mixed records in terms of involvement of local populations with smallholdings. Things changed with SOCAPALM in the 1960's, which included a Nucleus Estate Smallholder (NES) model quite similar to what was done in Southeast Asia. The company develops a nucleus estate for the company and plasma plantations for the smallholders within an economic radius to the industrial mill. The company then provides farmers in their plasma plantations with managerial and technical capacity, as well as various types of inputs. In return FFB from plasma plantations are supplied to industrial mill belonging to the company. But it is only in the late 1970s that the government took genuine action to promote oil palm smallholdings with the creation of the “*fonds national du développement rural*” (FONADER) with support from the World Bank. This strategic program benefited the three companies CDC, Socapalm and Pamol.

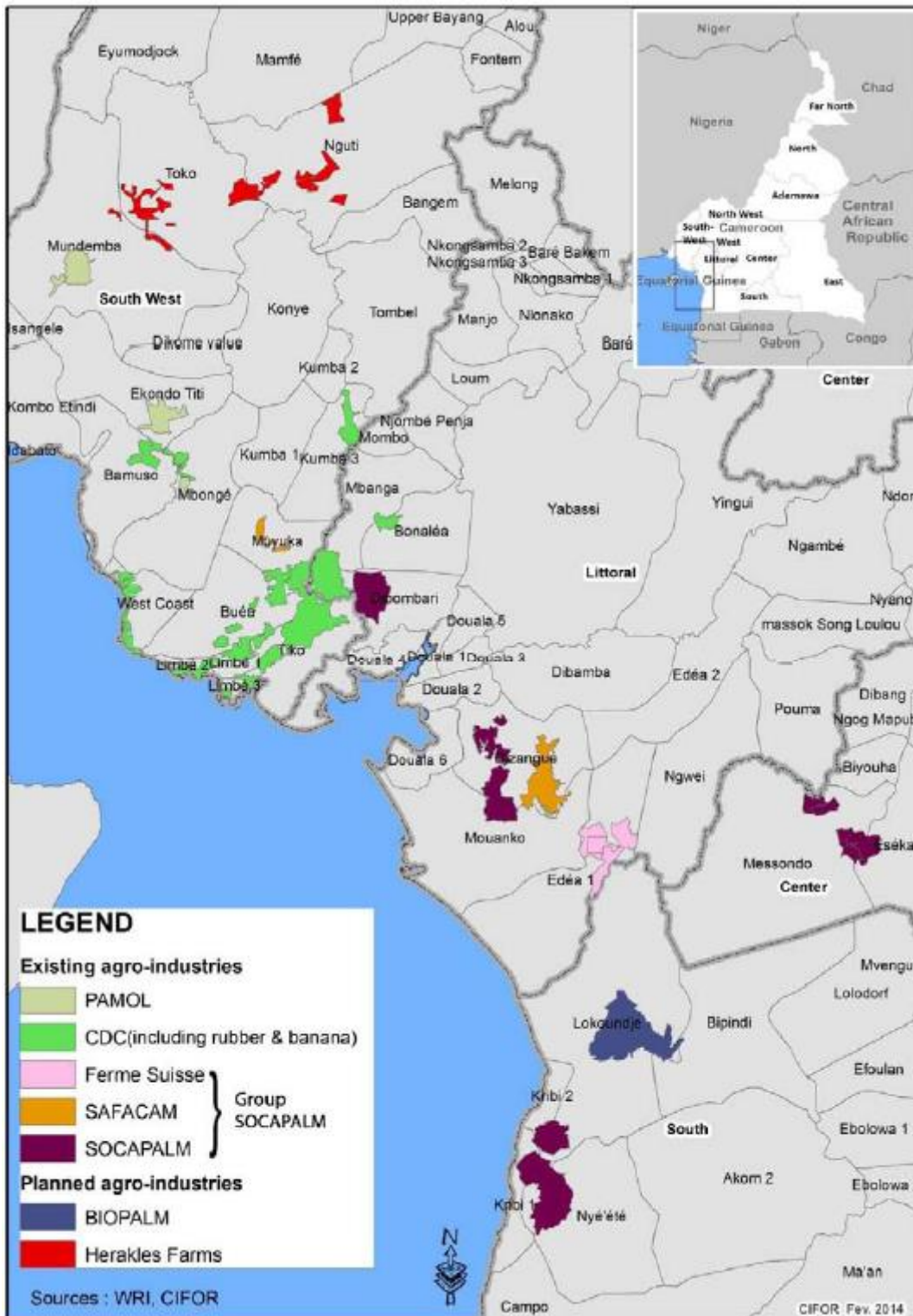


Figure A 2: Map of agri-industrial oil palm plantations in Cameroon

Source: Nkongho et al. (2015)

Support to smallholders with the public fund FONADER

This FONADER was essentially a rural development bank with missions such as the distribution of subsidized inputs, the delivery of loans, and the implementation of certain local development projects; it did not focus only on oil palm but contributed to this sector through cooperatives and other groups of smallholders but also through companies like Socapalm and CDC as intermediaries in the identification of beneficiaries and for the full inclusion of smallholders in the industrial supply and value chain. Indeed, among conditions for beneficiaries to receive assistance and loans, farmers needed to own land, at least under customary tenure and be located at proximity of industrial palm oil mills (within 25 km). As a matter of fact, this program thus had the objective to make sure smallholders would contribute to the supply needs of the industrial mills. Alas, the FONADER faced bankruptcy only 12 years later in 1990 for several reasons including elite capture, despite reckoning that the fund had been instrumental in developing the sector.

As will be revealed over the course of this analysis, the collapse of the fund resulted in many former FONADER farmers developing their own artisanal mills as a coping strategy, which was later also the case with the new generation of smallholders. Therefore, an artisanal sector has been thriving which, to a large extent, ran out of control of the main producers. This inaugurated a new wave of smallholders which also comprised of wealthier landowners and internal and external elites, who are current and former workers with the public /private sectors on retirement and making their business either in their village of origin or in other places (Nkongho et al. 2015). Note that some of these elites hold top positions in the public and private sectors and can undertake plantations greater than 50 hectares. Most of them single-handedly sponsored their oil palm plantations, with very little or no support from the government and some of them opened large estates of 50 ha and more (see Figure A 2).

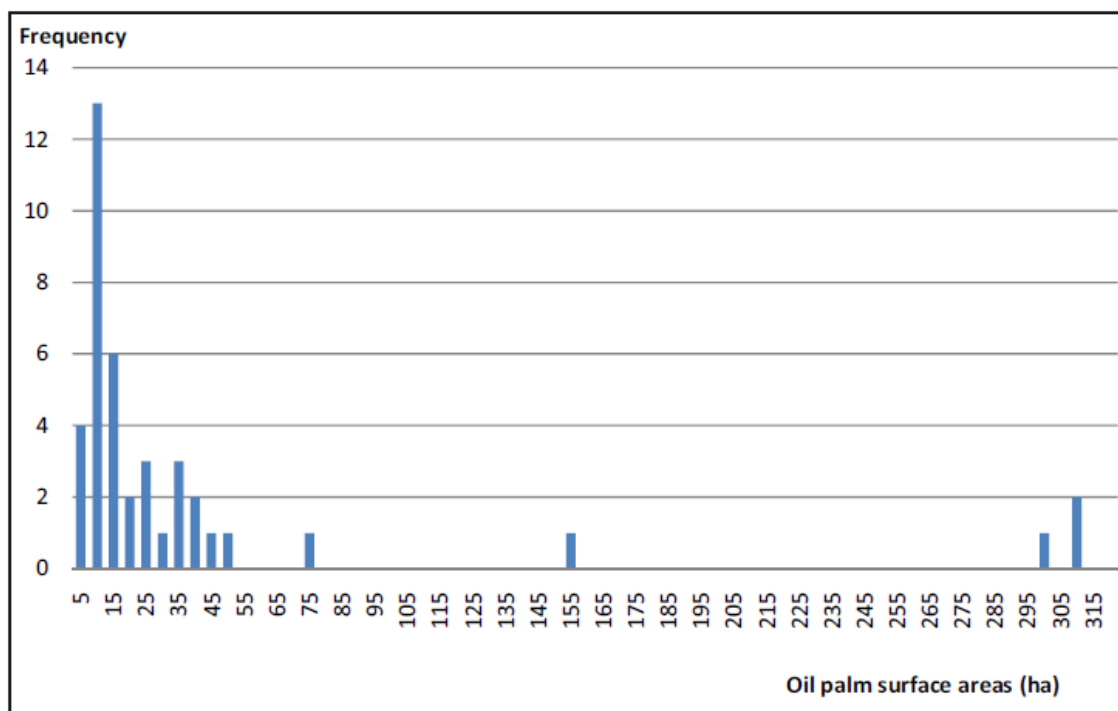


Figure A 3: Distribution of surface areas for elite planters based on sample survey

Source: Nkongho et al. (2015)

Myriads of small- and medium-scale plantations with limited availability of degraded lands

We will delve into the characteristics of the Cameroonian oil palm sector in following sections, and in particular we will address the key phenomenon of artisanal mills, the dominance of out-of-control and poorly efficient independent smallholders, the main markets for Crude Palm Oil (CPO) and refined products and the national strategy in-the-making. But this first description of its history and development should already alert the reader on its specificities with a limited number of industries, both private and public, and concentrated in the southern part of the country. Besides, the pace of expansion has been unabated after the closure of FONADER with the new powerful wave of independent smallholders and investors as shown by Figure A 3.

Before moving on to the next section on the emergence of zero-deforestation commitments worldwide and in the oil palm sector particularly, we need to make the point that Cameroon definitely has limited land available for new plantations. Gazull et al (2015), has estimated the areas that would be (i) theoretically suitable from a biophysical perspective with climatic and soil fertility criteria (with varying degrees from unsuitable to very suitable), and (ii) available to plantation operations depending on the establishment of large-scale or smallholder plantations and considering the RSPO criteria at the time – which were revised since that period with High Carbon Stock (HCS) methods replacing High Conservation Value (HCV). Results are not encouraging as they point to almost non-existent land that would be both highly suitable and without forest cover on a scale large enough to allow for industrial expansion. Only scattered plots would meet these conditions and would only be adapted to small-scale planting in various places. This brings to limelight the usefulness of out-grower systems of production both at present and in the future.

This study is telling and provides little room for optimism because it suggests either no further expansion or expansion to the detriment of standing forests. It is usefully completed by Wich et al. (2016) who studied the overlaps between the areas of great conservation interest for the great apes in Africa and the oil palm industry. Their findings suggest that current great ape distribution in Africa substantially overlaps with current oil palm concessions (by 58.7%) and areas suitable for oil palm production (by 42.3%). Even more important, 39.9% of the distribution of great ape species on unprotected lands overlaps with suitable oil palm areas. Overall, only a small percentage of great ape distribution is covered by protected areas. The assessment is a cause to worry, also because protected areas with adjacent oil palm plantations often suffer additional threats, such as illegal incursions of oil palm plantations into the protected areas and killing of apes.

A 6. Zero-deforestation commitments: concept, emergence, role of hybrid governance

In this section we step aside to present and cover zero-deforestation commitments as one relatively new yet increasingly dominant approach to mitigated environmental impacts from agricultural commodity production. We thus explain the concept, describe its emergence and application to the oil palm sector, and point to the implications of its potential application to Cameroon in terms of hybrid governance, i.e., the interactions between public and private action and ways to govern decisions. It is inspired from previous work by the author of this report (Pirard et al. 2017).

NGO campaigns increasingly target brands, not governments

It all came from the observation that while deforestation had remained high on the agenda as a major environmental problem, the many attempts to address the issue (e.g., in relation to climate change) have had disappointing impacts on the ground (Hansen et al. 2013). The loss of forest cover is mainly caused by the production of agricultural commodities, produced by corporations or smallholders. Developing and emerging countries are a matter of concern because they often exhibit high rates of deforestation (FAO 2020), and because tropical ecosystems are of critical importance in terms of climate change mitigation, erosion of biodiversity and provision of ecosystem services (Reid et al. 2005).

Meanwhile global economic integration and deregulation have diminished state control or containment of corporations, which contributed to the push by many civil society groups for alternative “self” and “multi-stakeholder” regulatory approaches to managing corporate conduct (Doh and Guay 2004). As branding, reputation, financing and alliances have become increasingly tied to corporate values, nongovernmental organizations (NGOs) and advocacy groups have begun to use consumer awareness campaigns and activism to tackle environmental and human rights issues (Hobbes 2015). These strategies were meant to push companies to acknowledge their responsibility for social and environmental impacts, and not only economic performance. It is supported by the rise of new technologies that help produce information (e.g., cheap satellite imagery) and transmit it rapidly or even instantly (e.g., social media) (e.g., ZSL 2015).

This phenomenon might be seen as a manifestation of “market sovereignty” as NGOs – whose capacity to represent consumers may admittedly be debated – try to impose their views on how goods should be produced in order to ensure a sufficient level of sustainability, while this is not necessarily a shared concept among all stakeholders. We summarize in Figure A 4 the process by which markets, consumers and NGOs have progressively and increasingly aimed at changing investors' and producers' decisions and practices to reflect society's expectations. This process relies on the assumption that businesses understand the risk they face with “dirty” practices with potential disruption of activities, e.g., when conflicts or fires spread on the ground, or reduced access to markets, e.g., when effective boycott campaigns are launched (The Munden Project 2012).

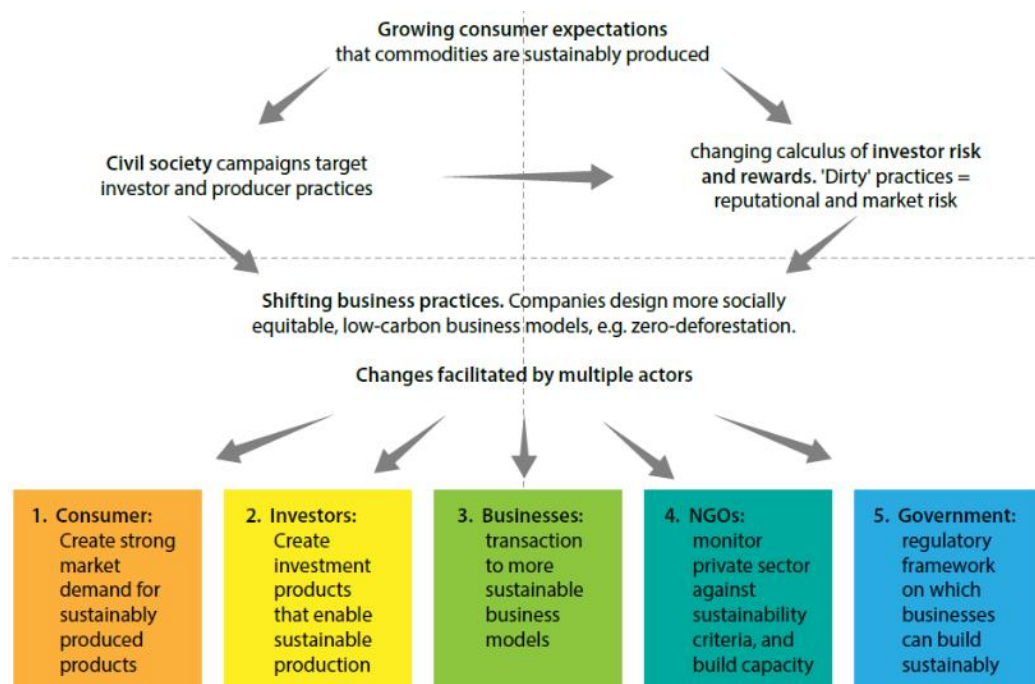


Figure A 4: Consumer and financial market drivers of corporate sustainability commitments: a hypothesis

Source: Pirard et al. (2017)

NGOs have understood that pressuring brands might hold more potential than pressuring governments, mostly for accountability reasons and the capacity to affect profitability through market campaigns. This is perfectly summarized in Burgos (2013): “NGOs have come to realize that anti-corporate demonstrations, organized boycotts, and protests can be far more effective and powerful than anti-government campaigns, particularly when targeting established, reputable global brands. In response, corporations have attempted to identify and select the available areas and opportunities to cooperate with NGOs in order to cement fruitful and self-reinforcing relationships”.

Corporate sustainability commitments have peaked with the NY Declaration on Forests

Corporate sustainability commitments have multiplied over the last few years and include burgeoning deforestation-free pledges, not least because companies could hardly afford to take the risk of reputational damage. These pledges were made by growers and processors of agricultural commodities but also by other actors further down the supply chain, such as traders or consumer goods manufacturers. They are often labelled as “zero-deforestation commitments”, but also often include no peat and no exploitation principles. Although commonly presented as pragmatic as companies are expected to take appropriate measures to stop unsustainable practices presumably with third-party verification, it is fair to recognize that these commitments are not necessarily concrete, and ambiguity might remain with respect to both targets and deadlines (Bregman et al. 2016). Not meeting these public commitments could have severely negative consequences for their image and access to markets, notably in Europe and North America.

In 2010, Nestlé became the first company to make such a pledge, in the wake of the “deforestation resolution” by the Consumer Goods Forum – a network of CEOs and senior management of over 400 retailers, manufacturers, service providers and others – to achieve zero net deforestation among its members (<http://www.theconsumergoodsforum.com/>). It has been followed by over 50 other commercial giants, including Asia Pulp & Paper (APP), L’Oréal, McDonalds, Proctor & Gamble and Walmart (Beckham et al. 2014) as well as other international companies and traders comprising 96% of the global trade in palm oil.³⁵ Companies that have announced commitments to date include those that produce agricultural commodities such as palm oil, beef and forest products; commodity processors and traders; food companies; consumer goods manufacturers; retailers and financiers.³⁶

Beside corporate commitments, it has been very meaningful and certainly a landmark that all prominent stakeholders convened in New York in September 2014 in order to agree on and sign the so-called NY Declaration on Forests³⁷. This document is remarkable in its capacity to gather around the table a diversity of stakeholders with different views, interests and activities who eventually agreed on a common vision. It was endorsed by national and sub-national governments, private companies, indigenous peoples’ representatives, and local and international NGOs. This vision translates into at least halving the rate of loss of natural forests globally by 2020 and ending it by 2030. It also makes special reference to the private sector and agricultural commodities producers, whose already existing sustainability commitments are acknowledged and should be supported.

This Declaration can be seen with a critical eye because it is collective and does not clearly assign responsibilities to specific actors in case of not delivering properly, which in turn means that signatories do not legally commit to implementation³⁸. Yet it remains an important step in the process of negotiation of desirable collective ambitions because of the diversity of stakeholders involved and recognition of the critical role to be played by corporations; besides it is assessed annually, which results in regular updated assessments of both the share of committing companies for the main forest-risk commodities and the relevance and rigor of their commitments.

Progress in implementation across the board and for oil palm specifically

The assessment of zero-deforestation commitments published by Haupt et al. (2018) is very instructive in several ways, including its attention paid to new analyses and data to conduct an assessment of their implementation and effects with several tracking initiatives such as CDP (formerly Carbon Disclosure Project), the Sustainability Policy Transparency Toolkit (SPOTT) and the Forest 500 (by Global Canopy).

After a rapid increase in commitments by the hundreds, it has begun to plateau as the 2020 deadline is approaching. The principal commodities covered by these commitments are soy, beef and oil palm, and pulp and paper to a lesser extent. In fact, there is a large discrepancy between the flagship commodities in flagship producing regions (beef and soy in Brazil, oil palm in Indonesia and Malaysia, pulp and paper in tropical regions) – with a majority of the big

³⁵ <http://news.mongabay.com/2015/0203-ioi-group-palm-oil.html>

³⁶ <http://supply-change.org/>

³⁷ <http://forestdeclaration.org/>

³⁸ The reader may refer to Billé et al. (2010) for a similar analysis applied to the global biodiversity targets.

companies with greatest exposure to deforestation that have at least one commitment – and other commodities such as coffee or cocoa and other regions including most parts of Africa.

Looking at oil palm more closely, about 65% of global production was covered by 2018. But two comments are to be made to put things into perspective. First, smallholders are much less covered by these corporate commitments, and this is a potential problem due to the prevalence of these small-scale plantations in many parts of the world in terms of planted areas (their much lower yields than industries explain why the absence of coverage results in significant areas even in relative terms). As we will discuss below, this is also a problem for Cameroon and the Congo Basin more generally where smallholders are an essential part of the sector development. Second, the focus is clearly on Southeast Asia where the giant producers are located and impacts on natural forests have been spotted and tracked for a long time and to the point that oil palm has become a symbol of anti-deforestation campaigns for years.

A bigger problem still is definitely the lack of transparency and implementation of these commitments as found out by Haupt et al. (2018). With a relatively limited share of global production certified by the main standard for palm oil (RSPO), there are indeed signs that companies are not up to their commitments, otherwise they would try harder to get certified in order to have a third-party verification and a label to promote among their consumers and the markets where they operate. Moreover, the vagueness and lack of precise and concrete plans to implement and enforce commitments suggests that companies use them more as communication tools than as toolkits to seriously clean up their supply chains. Beside anecdotal (yet plenty) evidence of companies violating their own public announcements, the structural problem lies with the lack of details and firm deadlines for their implementation and to measure achievements. As long as there will not be a unified and widely adopted framework for these commitments, at least for each sector, then it is all too obvious that companies will take full advantage of loopholes, for instance neither providing clear indications about the extent of coverage (e.g., suppliers), means of verification, traceability systems in place, nor sanctions and measures in case of evidence that commitments are not fully respected.

The following figure illustrates these aspects for the cases of Indonesia and Malaysia, which are much more advanced than Africa and the Congo Basin countries.

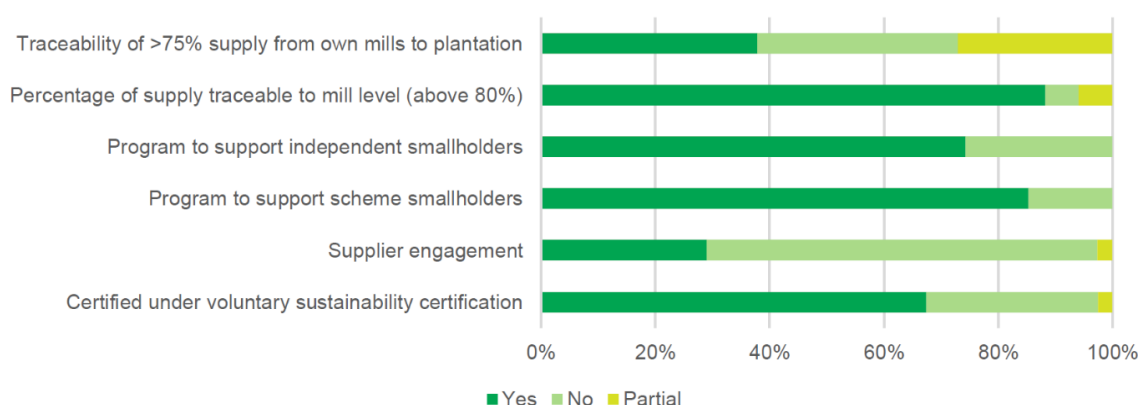


Figure A 5: Implementation of oil palm commitments in Indonesia and Malaysia

Source: Haupt et al. (2018)

Let us conclude this section and the mixed results of the wave of commitments with the statements made by ZSL as part of its SPOTT global assessment for the palm oil sector³⁹. It is said that “The analysis of 100 producers, processors and traders of palm oil [...] has found that while 71 percent (56 out of 79) of the companies assessed have made a clear and robust commitment to zero deforestation, just 42 percent (33 out of 79) provide detailed information on how they are actually monitoring deforestation in their own operations.” This reinforces what was said earlier about the vagueness of many commitments and the many uncertainties around the concrete means of their implementation, if ever implemented for real. The statement continues with: “Palm oil producers are also encouraged to enforce these pledges throughout their supply chains, and while 54 percent (53 out of 98) apply clear zero-deforestation commitments to their suppliers, only 10 percent (10 out of 98) are able to comprehensively report on how they are monitoring this.”. Here again, it corroborates our earlier finding that transparency remains perfectible.

Role of hybrid governance

The case of oil palm commitments and the challenges of their implementation have been well-studied by the author of this report in Indonesia and can be a source of inspiration to anticipate the kinds of arrangements and policies that might be necessary for their satisfactory implementation in Cameroon and other countries in the region. As these commitments are made by the corporate sector and as such differ absolutely from public policies as a traditional approach to sustainable management (be reminded that companies usually operate on public land and must abide by the specifications enclosed in the concession-type licenses to operate), they might be perceived as either in line with the laws and regulations (neutral and reinforcing), complementary (best-case scenario), or contradictory (worst-case scenario).

As a matter of fact, zero-deforestation commitments have created new forms of governance relationships, and most notably a shift in the types of functions that were once the sole domain of the state. This situation is captured in the notion of ‘hybrid governance’ where there are interactions of different spheres of NGOs and private sector actors with the state. In other words, commitments tend to shift the boundary between actions considered to be within the state’s remit and those for which non-state actors are in charge. A tension may thus exist between the bright side of hybrid institutions bringing new opportunities for policy and service delivery with enhanced sustainability, and the darker side of private sectors infringing on public territory and serving certain interests in a nondemocratic manner.

Luttrell et al. (2018) have undertaken research on the case of oil palm in Indonesia and come up with interesting findings. Complementarity between corporate commitments and public policies is observed where the former fills gaps (e.g., stakeholder involvement or smallholder registration) or private standards are reinforced by public ones (e.g., RSPO supported by a national sustainability standard and having triggered its development). Substitution is also observed in other cases where a private initiative has become a source of inspiration for the public sector to the point that some of its concepts are ultimately adopted in laws and regulations (e.g., High

³⁹ <https://www.zsl.org/conservation/news/zsl-report-finds-many-palm-oil-companies-failing-to-meet-2020-zero-deforestation>

Conservation Value toolkit as a basis for the delineation of protected areas). Last, antagonism is also a reality where corporate commitments result in decisions and developments that are in contradiction with either public objectives and policies or the legal framework. This antagonism was illustrated by a spectacular outcome in Indonesia where a coalition of ambitious front-runner palm oil producers and traders to gather resources and success in the implementation of zero-deforestation commitments, was torpedoed by the government as it was perceived as putting some of its business interests and economic developments in danger (Pirard et al. 2017).

Some lessons were drawn from this research (Luttrell et al. 2018) and can be mentioned here; indeed, they could be useful to understand better what can be expected in the Cameroonian context, and what would be the most decisive steps to take in order to increase the chances of zero-deforestation commitments to materialize and contribute to more sustainable palm oil production. First, multistakeholder processes are fundamental in the realm of hybrid governance as they gather around the table a diversity of views and interests that must be fully understood and (as much as possible) reconciled if one wishes to achieve long-lasting impacts. They also introduce an ingredient of independence by bringing in the game NGOs (ideally local ones) as watchdogs and facilitators of implementation on the ground. Moreover, they could operate as a bridge with the government in order to spread the word and work out conditions of good implementation with public authorities. Yet capacity varies a great deal, and it remains to be seen whether it exists in Cameroon or should be developed with these objectives in mind.

Second, commitments by individual companies are good, but adoption on a greater level is better such as with jurisdictional approaches. These mix willingness by the private sector to improve practices, willingness by local governments and public institutions to stand up as front-runners in sustainability and reap the benefits with greater visibility and attractiveness to investors, and lower costs of implementation as transaction costs are limited for certification if done at the landscape level and costs are shared among all actors. This jurisdictional approach thus constitutes a perfect example of hybrid governance for sustainability as it must gather all forces from private and public sectors as well as civil society and reach consensus on the objectives and how to achieve these. Ideally, the champions embodied by ambitious and engaged local or regional politicians would serve as good examples to follow among their peers when they benefit from international exposure and receive acknowledgments from the international community. Yet political cycles and manipulations, when statements prevail over efforts and achievements because of trade-offs perceived as insurmountable, pose a tangible risk of disappointment that must be managed to survive the failures that can be expected at the first stages.

A 7. Main features of oil palm in Cameroon at present

In this section we turn to the description of the situation of the sector in Cameroon nowadays and the analysis of the implications from the perspective of sustainability and the potential of zero-deforestation commitments to play a key role and make a difference. This situation can be looked at from several angles, namely the distribution of producers between industrial and small-scale / artisanal scales and quality, the markets served by production in Cameroon, the alignment or misalignment of capacities at plantation / mill / refinery levels, large-scale acquisitions.

One interesting table is displayed first as it contains a number of elements that shine a light on the various angles of our below analysis with the relative areas developed by the variety of investors and their yields.

Table A 1: Cultivated area and productivity in agro-industries and smallholders in Cameroon based on sample survey

Year 2012	Surface area (ha)	Mature area (ha)	Immature area (ha)	Production tons CPO	Yield tons CPO/ha
CDC	14 352	10 250	4102	18 309	1.79
Pamol	9526	9133	393	12 878	1.41
Safacam	4792	3936	856	11 742	2.5
Ferme Suisse (SPFS)	3683	–	–	11 000	2.99
Socapalm	32 000	–	–	86 000	2.69
Smallholder plantations	40 000–100 000	–	–	90 000	2.25–0.9
Total	100 670–160 670			229 929	

Source: Nkongho et al. (2015)

Artisanal mills and their scattered supply base as a defining feature

Oil palm has been associated in the minds of most observers to Southeast Asia where a disproportionate share of global palm oil is produced. Leaving aside the irony of the situation for a crop that originates from the African tropics (Gulf of Guinea), it matters because the structure of the value chain is contrasted in these two parts of the world. In Southeast Asia, the sector is structured around industrial mills that usually control at least one large-scale plantation, and complementary supplies from smallholders either associated to the mill (and captive) or independent and selling their FFBs to the best offer and through agents / intermediaries. Medium-scale plantations also exist which either supply integrated (and relatively small) mills or contribute to filling the supply gap for the bigger ones.

In Cameroon, but also in other neighboring countries, the situation is different in at least one very important way: small-scale producers can process the fruits into crude palm oil by themselves using artisanal mills. This defining feature has outstanding implications because it allows smallholders and medium-scale plantations developed by wealthy entrepreneurs over dozens or hundreds of hectares, to expand independently of industrial projects in remote areas and without coordination (and oversight). Besides, the processed oil is either used as such for cooking purposes, or processed into soap for domestic consumption mainly, or sold to refineries for further processing and possibly exports. But if the bulk of this crude palm oil is not aimed at crossing the border and even less likely to reach demanding markets such as Europe or the USA, then the chances that producers will seek more sustainable standards appear to be rather flimsy.

We have previously presented the history of the sector in Cameroon and explained that the public program FONADER aimed at supporting smallholders in coordination with industrial actors, with the view to constitute the classical (and usually successful) Nucleus Estate Smallholder (NES) model, of smallholders supplying industrial mills, had to stop in 1990 after merely 12 years of activity. This led to the liberalization of the palm oil sector. One immediate consequence was the sharp increase in the number of artisanal palm oil mills scattered all over the oil palm production basins of Cameroon, but also of a mix of very small plantations by peasants and larger ones driven by investments from wealthier entrepreneurs.

Nkongho et al. (2015) make a critical observation in this regard: “After the collapse of FONADER the companies had to merge the management of the Smallholder Department with that of the Nucleus Estate in order to reduce running costs. Some of the top executives saw this merging as a unique opportunity to divert resources that were previously dedicated to smallholders for their personal use. Such dishonest behaviors were made possible by very poor tracking records in the companies. Priority was also given to the milling of fruits from the Estate and to the payment of salaries of the company’s workers. Smallholders also complained about the purchase price for fresh fruit bunches which – at 25 to 40 FCFA (0.04 to 0.06 e) per kg – was not covering their production costs. [...] Facing such challenges, most of the new generation of oil palm smallholders started searching for independent ways of processing their fresh fruit bunches and this led to an upsurge in the number of artisanal mills both within the periphery of the agro-industries and in far-off areas”. In other words, smallholders were encouraged to stop dealing with industrial actors because of unbalanced powers of negotiation and to establish their own processing units.

A reinforcing yet complementary description of this wave is provided by Ordway et al. (2019a) who explain that contrary to what one would expect from production-related internal economies of scale (and the situation observed in the top producing countries), over two-thirds of all expansion occurred outside industrial concessions. This expansion coincided with a boom in new mills, almost all of which were informal, low-efficiency, and non-industrial facilities. Of the 53% of mills that reported their year of establishment, 95% were built in the year 2000 or later.

This led to a situation where Nkongho et al. (2014 b) report that 95% of artisanal mill owners / managers also own plantations that partly provide supplies of FFBs. These artisanal mills are at least of 6 types according to these authors: (i) manual vertical press, (ii) digester with separate manual metallic cage press (hand-operated screw press), (iii) motorized horizontal screw press, (iv) digester with separate hydraulic press, (v) combined motorized digester/hydraulic press system (digester screw press), and (vi) semi-automated press.

Based on the above description, we realize that there is a diversity of situations under the terminology of artisanal mills and that various levels of efficiency and various levels of technology discriminate among these situations. On one end of the spectrum there are almost home-made mills that are operated manually and quite dangerous for the health of the labor force. On the other end of the spectrum there are mills that use power (possibly generators or car engines) and can produce higher-quality oil with greater efficiency and safety. Yet all of these artisanal mills pose serious pollution problems with lack of recycling of some by-products and effluents.

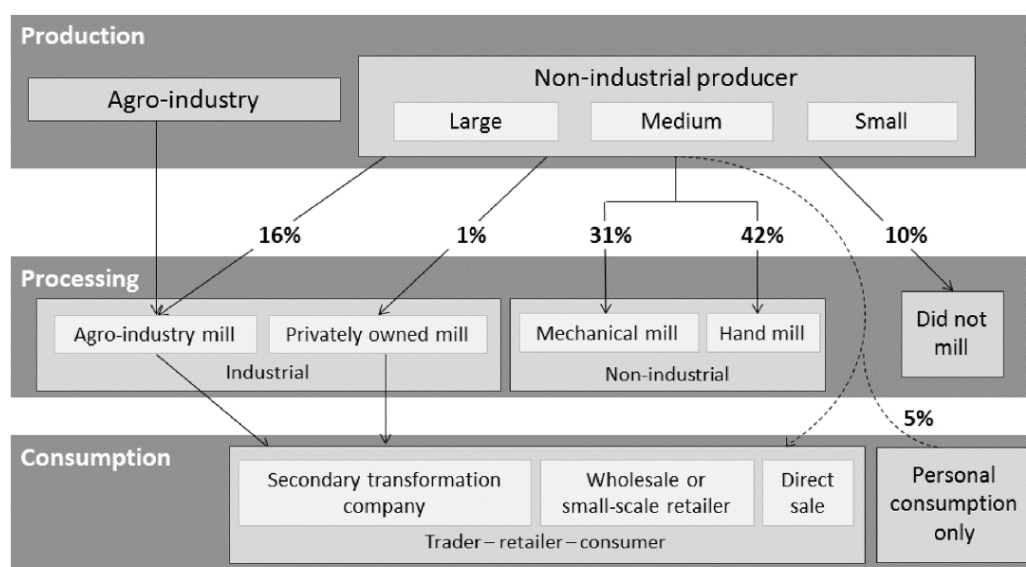
An important finding is that smallholders can make more profits self-processing or processing FFBs in commercial artisanal mills, compared to dealing with the industry (see following table). Indeed, the price of artisanal palm oil is not fixed by regulation contrary to industrial CPO which is subject to a price ceiling with the justification that it prevents the closure of downstream industries.

Table A 2: Comparative net income of a smallholder from the sale of red palm oil or FFB

For 1 ton of FFB	Eseka		Dibombari		Muyuka		Lobe	
	Peak	Low	Peak	Low	Peak	Low	Peak	Low
Sold to an intermediary	40,000	45,000	42,000	50,000	41,310	47,405	36,875	40,800
Sold to an agro-industry	48,000	48,000	48,000	48,000	50,000	50,000	42,000	42,000
Processed in an artisanal mill	30,819	50,200	59,367	79,295	74,807	87,068	42,394	53,844
Processed in own mill	37,958	57,339	64,743	84,671	80,399	92,660	46,120	57,570

Source: Nkongho et al. (2014 b)

While second transformation companies can at times purchase CPO from artisanal mills to make up for supply shortages, most of the oil produced is mostly either consumed locally (possibly self-consumed) without further refining (here again a situation that does not occur in the South-east Asian context) and labelled “red palm oil” due to its defining color or processed into soap. This structure can be summarized as in the following figure.


Figure A 6: Schematic of palm oil supply chain in Cameroon

Oil palm producers use different milling strategies at the processing stage that are linked to their role in the supply chain. Percentages indicate the fraction of survey respondents that follow a given milling path in the supply chain. Dotted lines indicate the direct relationship between producers who process at non-industrial mills and consumers. Source: Nkongho et al. (2014 b)

A disorganized supply base and the key role of smallholders with low productivity and high deforestation

We have already pointed to the key role of smallholders and artisanal mills as a defining feature of the palm oil sector in Cameroon with their spectacular and disorganized expansion; indeed, their characteristics allow them to develop in isolation from industrial capacities. There is no updated and exhaustive assessment of the distribution of plantations between smallholders and concessions to our knowledge, but a few references help get a sense of the situation on the ground. In particular, there have been attempts to classify non-industrial plantations for a better assessment of their dynamics and needs. We report information from two important publications in this regard to provide as detailed a description as possible.

First, Ordway et al (2017b) conducted surveys with farmers in the Southwest region of Cameroon (n=546) from 50 representative villages and towns. In order to come up with a typology of farmers, data were processed and resulted in 6 clusters based on variables such as planted area, FFB production and yields, holding of land titles, farm distance to processing mills and others. While results are rich, we focus here on the size of plantations. Three of the six groups are made of small-scale farmers that differ on dimensions such as diversification of income and household and hired labor. All together they manage plantations of an average area of 5-6 hectares. A fourth group is made of medium-scale farmers with more than 10 hectares on average, greater yields and not much self-consumption. The two other groups are made of large-scale outgrowers and entrepreneurs who sell most of their FFBs to industrial mills but are either formally associated or independent. Their plantations are much bigger than previous groups and span over dozens of hectares, which requires very significant levels of investment out of reach of villagers.

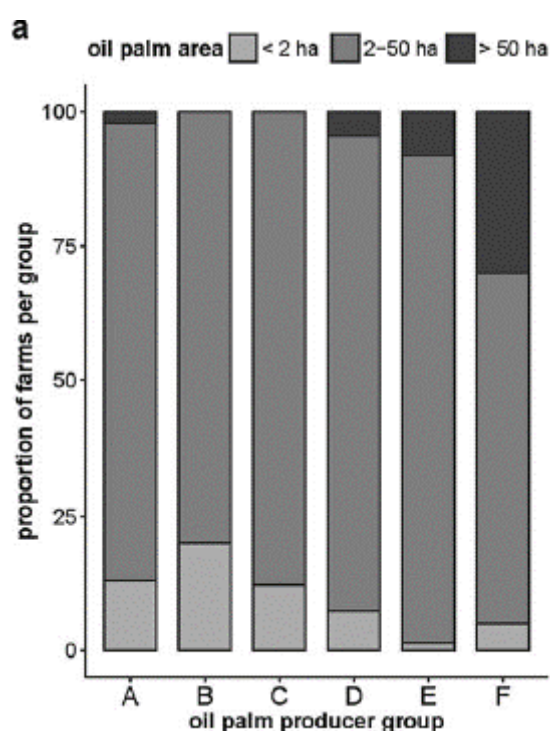


Figure A 7: The distribution of planted areas across clusters of farmers

Source: Ordway et al. (2017b)

Second, Ngom et al. (2014) have based their analysis on field data collected over the years at the beginning of the 2010's and created a smallholders' typology based mainly on four variables: localization, planted areas, agricultural practices, relationship with industrial mills and off-farm activities. The authors propose three distinct categories: small-scale household-based farmers with up to 5 hectares planted, rural investors with 5-10 ha, and town-based investors with more than 10 hectares planted. Their distribution and total area planted are summarized in the following figure. Note also that the same authors provide a rough typology of all plantations in Cameroon that include respectively plantations with less than 500 ha (and artisanal mills), "medium-scale" farmers with 500-1000 ha planted and their own mills, and agro-industries.

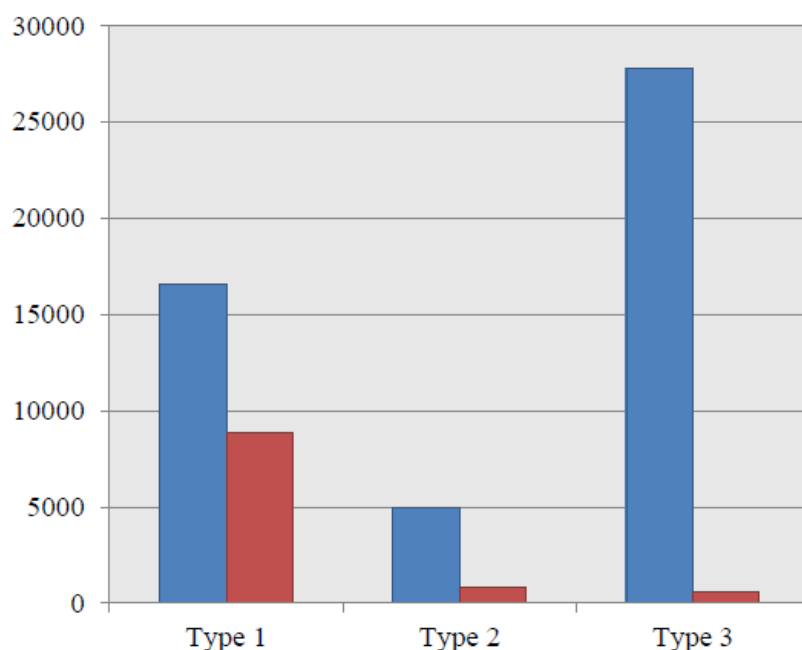


Figure A 8: Area planted (hectares - in blue) and number of farmers (in red) for each category

Source: Ngom et al. (2014)

Turning to the relationship between the expansion of plantations and deforestation, a couple of references also provide fairly recent and meaningful information that should be considered very closely for the lessons they tell are absolutely critical for the future of the sector and the role that zero-deforestation commitments might, or might not, play. Ordway et al. (2019a) mapped all mills in the Southwest Region of Cameroon, which the authors argue encompasses 40% of national palm oil production and found 498 mills (out of which 5 industrial mills). Starting with the conclusions of this study: “Results from the spatial analyses indicate a large, significant relationship between informal mills and recent expansion and deforestation.”

Indeed, as the authors explain: “the odds of deforestation due to oil palm expansion inside company concessions (i.e., concessions actively clearing new land for oil palm) was 4% greater for every km decrease in distance to an informal mill. Given that agro-industries do not process FFBs from their concessions at informal mills, and we would not expect their presence to influence a company’s decision to expand, this suggests that non-industrial producers may be drawn to locations where companies are actively expanding, and informal mills are being established there”.

Note that this statement downplays the suggestion that smallholders and artisanal mills expand regardless of the dynamics of the industry because they would serve their own markets (local and self-consumption mainly). But here again, caution is key as the authors continue with “findings from this study also demonstrate that oil palm is expanding at the expense of forests throughout the region, unconstrained by the location of company-owned industrial mills. The increased odds of expansion near informal mills and deforestation near the lowest yielding informal mills highlight the key role of a booming informal economic sector in driving rapid land use change”. In other words, the inconvenient truth seems to be that the bulk of deforestation is happening outside concessions and thus outside of the responsibility of industrial actors (see following figure).

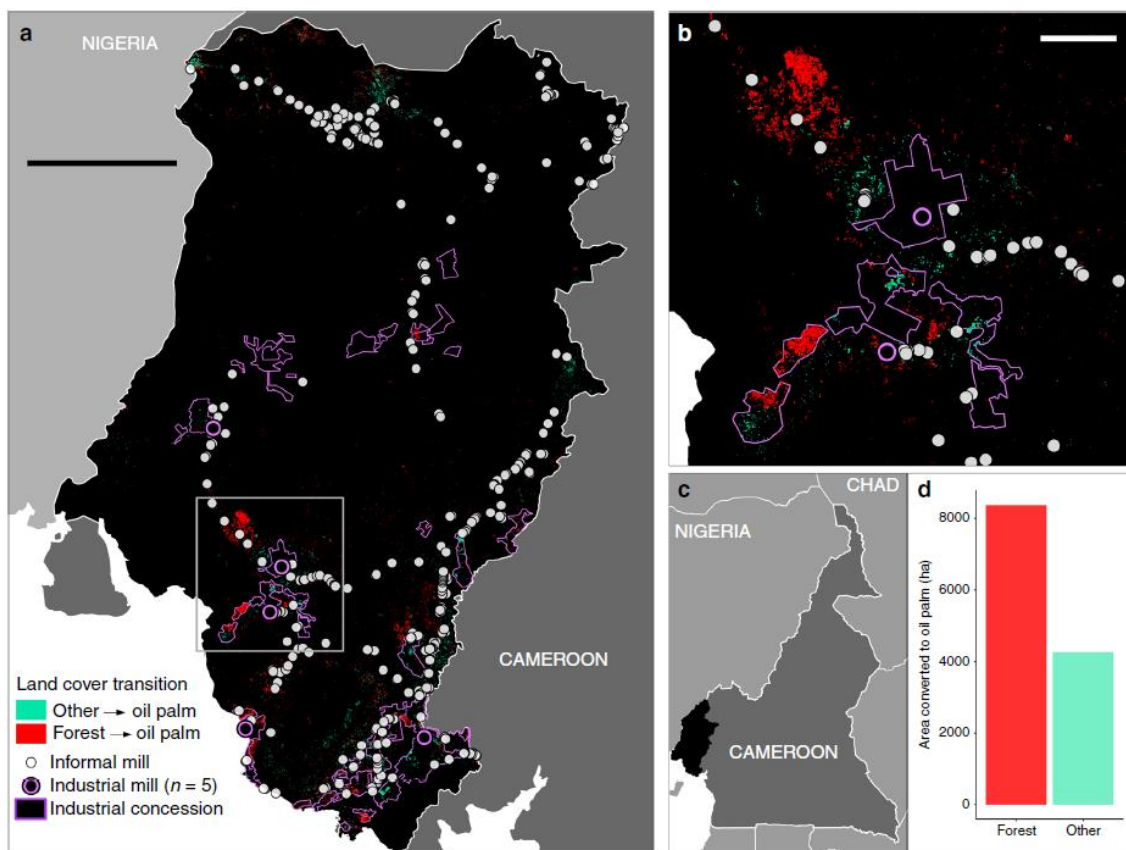


Figure A 9: Oil palm expansion across Southwest Cameroon from 2000 to 2015

Source: Ordway et al. (2019a)

Legend: **a)** Oil palm expansion across Southwest Cameroon from 2000–2015, with areas of forest conversion to oil palm highlighted in red. Conversion of other land cover types to oil palm are shown in turquoise. Scale bar: 40 km. **b)** Most oil palm expansion occurred outside industrial concessions, outlined in purple. Scale bar: 6 km. **c)** The Southwest Region of Cameroon. **d)** Total land area converted for oil palm expansion coming from forest (red) and other land cover types (turquoise). The area converted for oil palm expansion was double the total area of conversion across other land cover types.

Another study (Ordway et al. 2017b) clarifies the message for the Southwest region of Cameroon, again. Reckoning that most attention was focused on the role of international corporate investment, it is however undeniable that the active, non-industrial oil palm production sector underpinned by domestic investment has been a major cause of deforestation. This is illustrated by figure 12 (see above for the description of the 6 groups of producers).

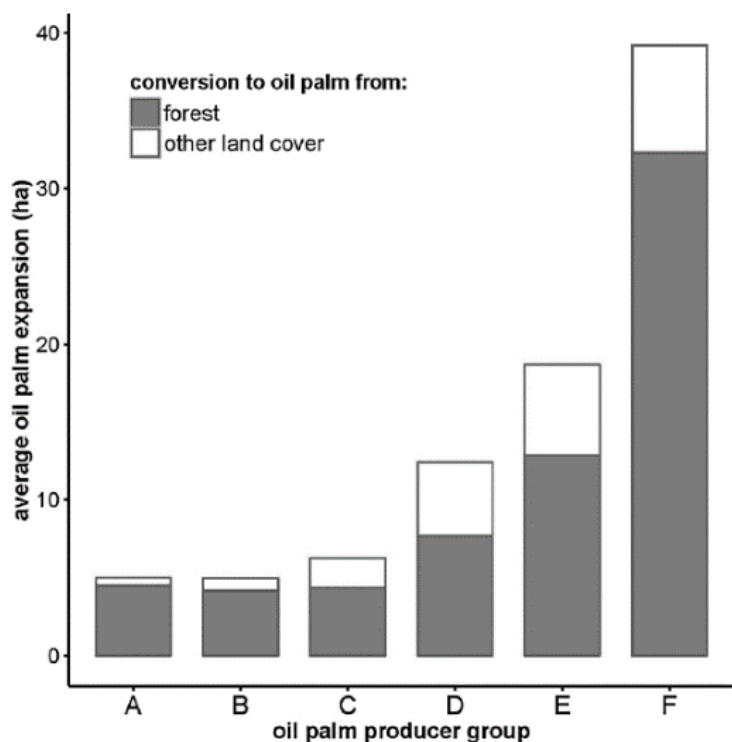


Figure A 10: Average oil palm area expansion and type of land conversion per farm for each producer group

Source: Ordway et al. (2017b)

Domestic or regional markets

There is a lack of reliable data on the production of palm oil and refined products as well as markets served by the various blocks of the value chain, and this is partly due to the prevalence of independent smallholders and artisanal mills as previously described in length. According to Ngom (2021), Cameroon produced about 350 k tons of CPO in 2018 and 30% of which was consumed by households with the rest either processed into soap or further refined. Sixteen industrial CPO processing units are registered in the country with a total capacity of slightly more than one million tons. Such figures, when coupled with declared annual imports of CPO around 50 k tons on average (quotas are fixed by the government), tend to suggest that either processing units / refineries operate at very low capacity or the numbers do not reflect reality. Interviews conducted for this study suggest the former with downstream processing units / refineries operating at about half capacity due to the shortages of CPO.

This overcapacity at the refining stage of the value chain is cause to worry not only from an investor perspective and waste of previous financial capital for the development of Cameroon, but also because it represents a very tangible threat for remaining forests as there is a strong incentive to expand plantations much further to meet the domestic CPO needs. While the adjustment could theoretically be made with an increase in prices paid for CPO by the refiners, this would not solve the problem permanently because the local consumption of oil will remain a strong driver of expansion.

With all CPO processed in-country to satisfy demand of second-stage processors, export markets only concern refined products. The markets served in priority are regional such as Nigeria, Tchad, the Central African Republic or Angola to a lesser extent. Such a situation does not suggest intensified pressure from consumers and civil society to make practices more sustainable as they are not particularly demanding. This observation does not create lots of room for optimism and is critical for the future of sustainability commitments in a context where not a single producer in Cameroon has pursued RSPO certification. Yet as noted by an interviewee, the solution might be found at the financing level. Indeed, as foreign banks and other donors support investments by the industry due to challenging access to loans in Cameroon, such needs might arise as these lenders tighten their conditions.

A 8. Oil palm in Cameroon: projects in the pipe, National Strategy and the Africa Palm Oil Initiative

This section aims at recapitulating information about future or initiated projects to have a sense of the trends that can be expected for the years to come. It will also be put in perspective with the official documents and strategies that are adopted by the government of Cameroon and supported by the private sector as part of the Tropical Forest Alliance.

Projects in the making

Previous sections and a description of the recent dynamics of the oil palm sector in Cameroon all tend to suggest that expansion is on the table and more projects for plantations and mills are expected to take place in the coming years. The issue of zero-deforestation commitments will be addressed in the following section, but we start here by providing more information on both projects in the pipe and the policies that are currently debated for the future. These involve both the National Strategy that Cameroon is releasing at the time this report is written, and the Africa Palm Oil Initiative supported by the Tropical Forest Alliance.

Start with a project that has been stirring controversy for a few years and drew attention to Cameroon, namely the US-based Herakles Farms through its subsidiary Sithe Global Sustainable Oils Cameroon. Information is rather scarce, and we based this brief presentation on articles posted on the Mongabay website which reported on the case over the years as well as an old Greenpeace report (2013). A 99-year lease of more than 73,000 hectares of land was first awarded in 2009, and the case was quickly criticized particularly for its negative impacts on what was presented as “dense natural forest”. But while Greenpeace asserted that as much as 89% of the concession consisted of natural forest, the company claimed these were degraded lands. This heated conflict between conservationists and industry helped underline the critical importance of the upfront establishment of clearly defined and mutually agreed upon terminology and standards in order to avoid the significant loss of biodiverse tropical forests. Yet, it was clear that RSPO certification was not part of the plan.

One problem associated to this project is that the concession abuts the Korup National Park, which is home to rare apes, monkeys and elephants, hence the stakes are high in terms of biodiversity. Besides, the company seems to have done things particularly badly whether in terms of planning, local consultations or impact assessments. In the end, the strong reaction to the investment showed how effectively the local population and NGOs could take action and stand

in the way. It had tangible results with the presidential decree for the establishment of the concession finally signed in 2013 over about 20,000 hectares hence a significant reduction in size compared to the original plan. Since 2016-17 there has been no reported activity on the site, apparently for financial reasons. Only a couple of hundreds of hectares were planted at the beginning, but it is likely that the project is now over.

A Cameroonian company called Azur has begun in 2016 preparations for an oil palm plantation west of a proposed park (Ebo Forest) on such a large area, with 123,000 hectares, that it would dwarf even Herakles' original holdings. The plan is to secure CPO supplies for its soap processing factory. No additional information could be gathered on this project during our research.

A new project was reported⁴⁰ to be in the pipe near Kribi on the South coast (Campo and Niété municipalities) with about 60,000 ha of plantations (largest oil palm plantation in Central Africa) and involving the company Camvert. The company announces setting aside 10,000 ha of forests but the rest would be cut down although the concession borders the Campo Ma'an National Park. There remain uncertainties regarding the origin of the investors whether they are nationals or bringing foreign capital. So far there is no official decision to issue the license for the concession yet, but the area was removed from the permanent forest estate, which paves the way for the establishment of the plantation. According to our interviews, about 2,500 ha were approved by the government through a letter from the Minister in charge, and a nursery was established but only for about 100 ha of plantations. So far only about 800 ha of forest conversion were reported, and it is probable that campaigns against the project may have played a decisive role.

The National Strategy

We will not delve too much into the National Strategy because it was still in the making at the time of writing, and changes might as well be made to the draft that we could get hold of for the analysis. Therefore, we will only mention the broad orientations that are stated in the draft document and infer some recommendations in view of our overall assessment of the sector dynamics and the remaining steps to go over. Indeed, one overarching comment is that this draft might not address properly the main risks of the sector in environmental terms despite the repeated use of keywords such as certification, reduced pressure on natural ecosystems or the proper consideration of the rights of local communities. The whole strategy is unveiled under the assumption that CPO production should reach 600 k tons CPO by 2025 and 800 k tons CPO by 2035; at the same time, it admits that current production is unknown with official figures from either the government or associations of producers that range from about 230-464 k tons of CPO in 2017. Reasons for such a lack of accurate data are to be found in the widely artisanal nature of the sector as explained in the present report.

It is fair to state that most of the Strategy addresses fundamental issues about its development from a technical and logistics points of view and thus deals with the questions of seed production, their quality, supply means, labor and the like, but also institutional aspects, the structure of the value chain and tenure issues. Much of this is of a descriptive nature for what constitutes a long and rich document that tends to show how seriously does the government handle the

⁴⁰ <https://www.afrik21.africa/cameroun-le-projet-de-palmeraie-%E2%80%89camvert%E2%80%89offre-des-garanties-environnementales/>

future of the oil palm industry while acknowledging the gaps with front-running Asian countries in terms of productivity both with smallholders and industrial plantations (yet better for private companies).

Regarding sustainability, it is important to notice that the three overarching objectives of the Strategy only address the following ones: self-sufficiency / food security, trade balance with more exports of palm oil products and fewer imports of CPO, and contribution to employment and economic development (with a mention of ecosystem preservation). Yet, the Strategy also exposes the risk of environmental degradations and recommends⁴¹ to aim for 20% of sustainable palm oil in 2025 and 25% in 2030; this objective would be fulfilled through the non-conversion of forest ecosystems with the issuance of concessions licenses outside of HCS/HCV areas only, and the (still vague) plan to carve regulations in line with RSPO criteria. Besides, it is interesting to see that the text envisages that concessionaires set aside up to 10% of their concessions for rehabilitation through tree plantations.

The three strategic axes address the above-mentioned aspects, and we only report here on the third one about the “Optimal management of natural resources and the preservation of biodiversity and local populations”. After a mention of the Accountability Framework⁴² as an interesting lead to guide practices by the private sector, the Strategy acknowledges the importance of having detailed studies of go and no-go areas for use in the design of local plans for land use planning (PLADDT). It also mentions the possibility to think about compensation schemes for either companies or local communes or villages that must forego the development of plantations in some areas. Monitoring and control mechanisms must be strengthened and RSPO principles and criteria must be adapted to the Cameroonian context for its wide adoption.

Africa Palm Oil Initiative

In the wake of the signature of the Marrakesh Declaration in 2016 during the COP22 of the UN-FCCC, the Tropical Forest Alliance (TFA) launched the Africa Palm Oil Initiative (APOI) to support a sustainable sector with coordinated action between the industry, government and civil society in 10 producing countries: Cameroon, Central African Republic, Côte d’Ivoire, Democratic Republic of the Congo, Gabon, Ghana, Liberia, Edo State in Nigeria, Republic of the Congo, and Sierra Leone.

The APOI went through the phases of engagement, development and implementation based on the National principles and Action Plans that were developed as well as the multistakeholder platforms that were created to coordinate their implementation. In Cameroon specifically, the stakeholders have worked to better align existing initiatives and programmes with the national action plan, such as the REDD+ programme and the stakeholders participating in the development of the Accountability Framework Initiative, who were invited to be members of APOI.

⁴¹ The very fact that the document makes recommendations may question its status; a strategy might be expected to display actions and targets rather than recommendations.

⁴² <https://accountability-framework.org/>

Several workshops were organized to make a series of decisions including the setting of eight principles in 2018 as follows (freely translated from French):

- The oil palm value chain must be economically sustainable to support economic growth and meet domestic demand;
- Attention must be given to provide the sector with appropriate mechanisms to finance its development;
- Participation and consultation of stakeholders, and particularly the most vulnerable, must be guaranteed also using the Free and Prior Informed Consent (FPIC) method;
- Land tenure rights of local populations must be respected, as well as the rights of smallholders and gender considerations;
- Labor rights must be respected including avoidance of child labor;
- Special attention will be paid to the processes of issuance of licenses and other rights to establish oil palm plantations in order to make them fair and transparent;
- The development of the oil palm sector must contribute to reduced deforestation and aligned to the REDD+ national strategy;
- The development of the oil palm sector must respect the environment.