



## Policy Brief

# Promoting sustainable value chains in the Congo Basin

### Key Messages

Some Congo Basin countries exhibit interesting options for sustainable supply chains. Replication of these in other countries would benefit from better coordination between public and private spheres and with the markets in which they operate.

We support hybrid governance to achieve best results with public and private actors complementing one another. We caution against making radical moves with insufficient preparation and discourage exclusive reliance on one type of policy tool only that would be perceived as a silver bullet.

Creativity would assist in crafting innovative solutions that tap into existing sources of funding such as for climate change mitigation and adaptation. This could help to make up for additional costs of production, for instance on land without forest cover that has limited suitability for crop cultivation.

Congo Basin countries are encouraged to develop their own credible systems, particularly for sustainability certification. This is considered feasible given that technologies are increasingly available free of charge and that markets (including China) are likely to be increasingly demanding.

### Author

Romain Pirard  
ONFI, France

**In a context where increasing attention is paid to the conservation of tropical forests – of which the Congo Basin represents the second largest area in the world – the Congo Basin Forest Partnership aims to promote promising avenues for making value chains more sustainable while minimizing impacts on remaining forests. This part of the world has not seen forest degradation or conversion comparable to that witnessed in the Amazon and Southeast Asia. This is partly due to a less conducive business climate with a lack of infrastructure and relatively low population densities on average. This situation is progressively changing under greater pressure from economic development driven by domestic and foreign 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 emerging and tangible threats to forest resources in the region and the means to abate their impacts.**

This policy brief reflects on the study that is presented in an associated report. Due to the number of Congo Basin countries and the diverse sectors and commodities involved – which in turn are associated with various extents of forest loss – our analysis is based on three case studies that are deemed critical, representative of the stakes in the region, and cover both producing and importing countries. Drawing on these case studies, we then derive more general lessons for the entire region.

The first case study concerns Gabon's unprecedented policy announcement that FSC timber certification would be mandatory from 2022 onwards for all concessionaires. Such certification is relatively advanced in Gabon and this

particular policy represents an intriguing and promising example in the region. Yet it is important to analyze this announcement in the context of a series of other policies and measures that have been developed over several years (starting with the log export ban in 2010). The evidence base for FSC certification impacts and the expected consequences for Gabon more broadly must also be examined.

The second case study relates to a prominent approach that has emerged and grown over the last decade, namely corporate sustainability commitments and, in our case, zero-deforestation commitments as a subset of these. This is complementary to the first case study as it relates to a process driven by the

private sector itself (rather than initiated by the government) that demonstrates varying levels of autonomy and independence from public policies depending on context. In exploring the development of zero-deforestation commitments (or lack thereof) in the oil palm sector in Cameroon, we aim to discuss their potential as well as their comple-

mentarity with – or reliance on – public governance.

For the third case study, we consider the importing perspective by examining the most advanced policy effort amongst consumer countries to take action against imported deforestation, namely the National Strategy against Imported

Deforestation (SNDI) initiated by France in 2018. We discuss the various directions and points of debate in the implementation of the Strategy and, in doing so, we hope to provide perspectives and lessons for other countries or regions that might want to follow suit.

## Status quo and major trends

### Case study 1: Mandatory FSC certification in Gabon

**Gabon's announcement that FSC certification would be mandatory for all concessionaires from 2022 onwards is remarkable in several ways:** (i) it demonstrates an unprecedented level of ambition, particularly for a developing country, (ii) it refers to a private standard as a means to attain public objectives such as sustainable forest management, and (iii) it is one element in a larger series of measures that the country has implemented over several years to improve its reputation and rationalize the utilization of its forest resources (e.g. REDD+, log export ban, vast network of protected areas).

**While FSC certification is generally considered to provide positive social and environmental benefits, evidence for this remains scarce and disputed** if only high-quality evaluations (applying experimental methods) are considered for impact assessment. The capacity for FSC (and other private standards) to make a real difference on the ground remains disputed.

**Fiscal measures** that were recently introduced to incentivize legality and sustainability certification respectively have been lauded by most observers who encourage pursuing and extending

this approach, either through greater distinctions between tax rates or using harvest and/or export taxes instead of the relatively small area tax.

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, possible disruption if mandatory certification is enforced as stated, and reputational risks if the desire to reach stated objectives prevails over rigor in monitoring.

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

**Cameroon provides a good example of the dynamics of oil palm expansion in the Congo Basin:** the sector is developing rapidly but contrasts starkly with Southeast Asia as the leading producing region. Indeed, the oil palm sector has a long history in Cameroon but remains disorganized and non-industrial in many ways.

While a rural development fund contributed significantly to the Nucleus Estate Smallholder model whereby farmers are associated with companies, it later collapsed and **independent smallholders have multiplied and now supply their own artisanal mills** or local mills and markets.

Due to their low productivity and erratic expansion, they **are associated with forest conversion** on a significant scale. In parallel, new industrial plantations are in planning and pose serious threats to remaining natural forests of high ecological value because **suitable land without forest cover seems to be practically non-existent for large-scale projects.**

Zero-deforestation commitments have been made by private industrial plantations and seem to be enforced, which is encouraging. Yet an inconvenient truth

seems to be that the bulk of deforestation is happening outside of concessions and is thus beyond the responsibility of industrial actors, with the implication

that **the corporate zero-deforestation commitments lack teeth.**

### Case study 3: The French National Strategy against Imported Deforestation (SNDI)

The last case study adopts a very different perspective in exploring France's **initiative to address (tropical) deforestation** that is embedded in its imports, particularly those of agricultural commodities.

This initiative demonstrates concerns that are shared at the European Union level and could become a **source of learnings and inspiration.**

With measures that are unfolding on many fronts and in various ways – from

the dissemination of information among stakeholders to the application of labels or dialog and coordination with producing countries – the SNDI is an **experience in-the-making** that will yield critical knowledge for replication and improvement.

## Policy Options and Recommendations

### Case study 1: Mandatory FSC certification in Gabon

There are alternative paths to mandatory sustainability certification and we propose that **legality verification** be considered in the first instance, as well as even **more ambitious fiscal measures** to incentivize legal and sustainable operations.

**development of its own sustainability standard** with substantial and immediate investments in its own human resources and capacity. Moreover, it could make use of monitoring technologies that are free of charge and performing to increasingly high standards.

**Complementary measures and policies** shall be contemplated with a view to minimizing the adverse impacts and risks of a globally positive and consistent set of policies: e.g., national inventories of forest resources; HCV assessments to attract companies that might be hesitant about FSC certification requirements; incentives to exploit second-grade and lesser-known timber species; a level playing field for remote concessionaires that struggle to compete with special economic zones; or a certain level of flexibility for exports of unprocessed wood when domestic processing capacities do not match.

If Gabon really wishes to pursue sustainability certification, we would recommend that further consideration be given to the **benefits and risks of relying on a third party standard**, which will effectively have (independent) decision-making power over forest management rules. Instead, Gabon could invest in the

The plan for Gabon to rely on FSC certification is an example of **hybrid governance** whereby a state delegates responsibility to private actors, in this case a private standard. This also applies to the creation of the Special Economic Zone, which is operated by Olam as part of a public-private partnership.

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

**Zero-deforestation commitments have strengths:** they 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. They also have **weaknesses:** lack of monitoring and transparency, risks of

having a two-tiered system with double standards in relation to quality and obligations, or greenwashing.

Their **expected impacts for oil palm in Cameroon are limited** because of the dynamics of the sector (also presumably in other neighboring countries) with the proliferation of informal actors and artisanal mills.

Regarding hybrid governance and the role that the government can (or should)

play to clean up the value chain, an obvious low-hanging fruit is **to align the corporate commitments with the National Strategy in-the-making** for the sake of consolidation and expanded coverage of sustainable growth in the sector.

At this stage, the latest draft of the National Strategy **lacks teeth**. While it ad-

dresses relevant and necessary aspects such as better agricultural practices for higher yields and replanting with more productive and higher quality seeds, it is not sufficient to meet the forest conservation challenge that lies ahead.

### Case study 3: The French National Strategy against Imported Deforestation (SNDI)

While still nascent, the **SNDI experiment is a good source of information** on the articulation of various initiatives in producing as well as importing countries, which is required to achieve sustainable value chains. The best approaches for distinguishing between sustainably and unsustainably produced commodities are being discussed.

Note that Gabon seems one step ahead with its proposed requirement for FSC

certification that could be used with the aim of guaranteeing that imports are sustainable. Yet **there are discussions about the (il)legality of banning “unsustainable” imports** as illustrated by the long-standing conflict between the European Union / France and the main producers of palm oil, Indonesia and Malaysia, with the latter invoking the World Trade Organization (WTO) and the right to competition.

If a country were to develop its own sustainability standard, as we tend to advocate for reasons outlined in the report, the extent to which it is likely to be **recognized by importing countries** must be considered as well as the possibility that it will be rewarded with some level of preferences either fiscal or others.

### Connecting case studies and aiming for more general lessons

It is not advisable to make **significant announcements** aimed at triggering changes without due preparation, not least because this can be a **double-edged sword**. Gabon was able to take this game-changing stance (whatever its ultimate consequences) because it had prepared for years through a suite of strong decisions and policies that all pursued a common goal of increasing sustainability in the use of the country's large forest resources.

**Consistency is vital** for at least two reasons: to ensure effectiveness with cross-

fertilization and mutually supporting policies, and to provide predictability to investors and entrepreneurs. Consistency can also be observed on a higher level with increased cooperation among Congo Basin countries in the design and implementation of their respective policies.

We contend that other Congo Basin countries could **draw learnings from the three case studies** as outlined in the full report, maintaining the better aspects (e.g., national strategy, ambitious industrial players, innovative moves) while leaving aside the worst ones (e.g., limited

sectoral scope, public companies not leading by example, announcements prevailing over preparation).

We also argue that **innovative solutions** could be explored such as the possibility of tapping into climate finance (or other sustainability-related funds) to make up for additional costs (e.g., irrigation systems) of developing productive land uses in less suitable areas (e.g., forest-savanna transition zone in Cameroon) as an alternative to cultivating the most suitable areas where natural forests would need to be cleared.

## Conclusion and outlook

### Case study 1: Mandatory FSC certification in Gabon

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. Their departure en masse would create a vacuum in the sector with significant negative impacts.

A (**pessimistic**) analyst might be tempted to read the story from a different angle and anticipate that ambitious policy objectives will de facto reduce the number of concessions in operation and pro-

vide 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 be an additional reason to evaluate how the situation evolves before celebrating Gabon as a sustainability front-runner.

An (**optimistic**) analyst might argue that top-down certification as proposed by

Gabon will **lead to enhanced positive impacts of forest certification** as it might solve the common loophole of self-selection for companies who become certified on the basis of their already sustainable operations with little additivity (and impact). This is a further reason to evaluate this policy experiment: certification could be a game-changer if companies are obliged to go down that road.

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

A National Strategy is still being drafted and there is room for revisions until it is validated; the **text would gain from being more precise** as to the means of guaranteeing positive outcomes.

**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.

Cameroon, and sub-Saharan Africa more broadly have significantly lower

productivity and yields than Southeast Asia. In this context, **a critical leverage point could be to invest in and support replanting** with better seed quality and improved agricultural practices (e.g., use of inputs such as fertilisers).

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**. 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.

There is room for more **creativity in the optimal use of land for expansion** of the sector, which would 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.

### Case study 3: The French National Strategy against Imported Deforestation (SNDI)

This strategy is interesting in its coverage of many different angles from which to tackle the issue of imported deforestation, which is recognized as being multi-dimensional and complex. The SNDI is also **framed to engage stakeholders** in a transparent manner and to

provide a key role to scientific expertise for well-targeted action.

Proponents of the strategy have decided to apply a **soft approach** in tackling the issue. This involves dialog and incentives as well as a key role for the public

sphere, information shared with stakeholders to make informed decisions and a best-practice public procurement policy.

This soft approach contrasts with a would-be regulatory approach that



bans products deemed unsustainable, probably because the latter would be problematic to apply and would be deterred by the rules of the World Trade Organization.

Indirect impacts could also be considered if one argues that the SNDI is the tip of the iceberg and **matters more for the context it creates and the new norms it distills 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.

## Connecting case studies and aiming for more general conclusions

**Things are moving positively** and progress is under way 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 with complementarity (or even coordination) between producers and buyers.

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 to create sufficiently comprehensive sustainable value chains while also maintaining healthy and dynamic economic activity. Change is progressive and abrupt **decisions entail risks of disruption** or of a tiered system where leakage might outweigh progress.

While **hybrid governance is a promising avenue** with the complementarity of pu-

blic and private tools and actors towards a common objective, it must be pursued with care, and full reliance of a public policy on a private-led tool or approach (or the reverse: reliance of the private sector on public impetus) entails risks.

As a common thread, we believe that **countries and value chains might always find benefits in participating actively in the design and implementation of solutions**, which can translate into creating their own certification systems with sufficient credibility, or supporting front-runners in sustainability with national policies / strategies and tailored incentives (e.g., differentiated tax rates or priority access to procurement policies).

Lastly, **creativity should also be encouraged** to craft solutions in a context where there are many available funding sources for sustainability and appetite by markets to engage with producing

regions under increasing pressure by civil society. What remains to be done is connecting the dots, which the Congo Basin countries increasingly have the capacity to do.

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