Conditions and perspectives for a sustainable wood economy

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1- Reminder of commitments from the Declaration of the Central African States at COP 26 in Glasgow

- Improve forest governance
- Pursue the necessary efforts to protect our tropical forests and conserve biodiversity
- Put in place a fiscal incentive system to promote sustainable management of exploited forests, the development of sustainable value-added chains and the further processing of timber and NTFPs
- Establish verification and traceability systems for forest products for both export and domestic markets
- Further promote green economy by adopting public strategies that contribute to the sustainable management of natural resources
- Control CO2 emissions
- Promote payment for ecosystem services (PES) and/or Payment for the Preservation of Ecosystem Services (PPES) schemes or mechanisms

2 - Development of wood economy and trends

Evolution of global and African timber markets (source: OFAC – Forests state 2021 in press)

In a world market estimated at USD 178 billion and 440 million tonnes, the market share of Central African states is only USD 2.2 billion for a volume of 4.2 million tonnes (i.e., 1%). The total value of exports has changed only slightly over the past 10 years, despite a 35% increase in volume, which has led to a fall in the average price per tonne for all products.

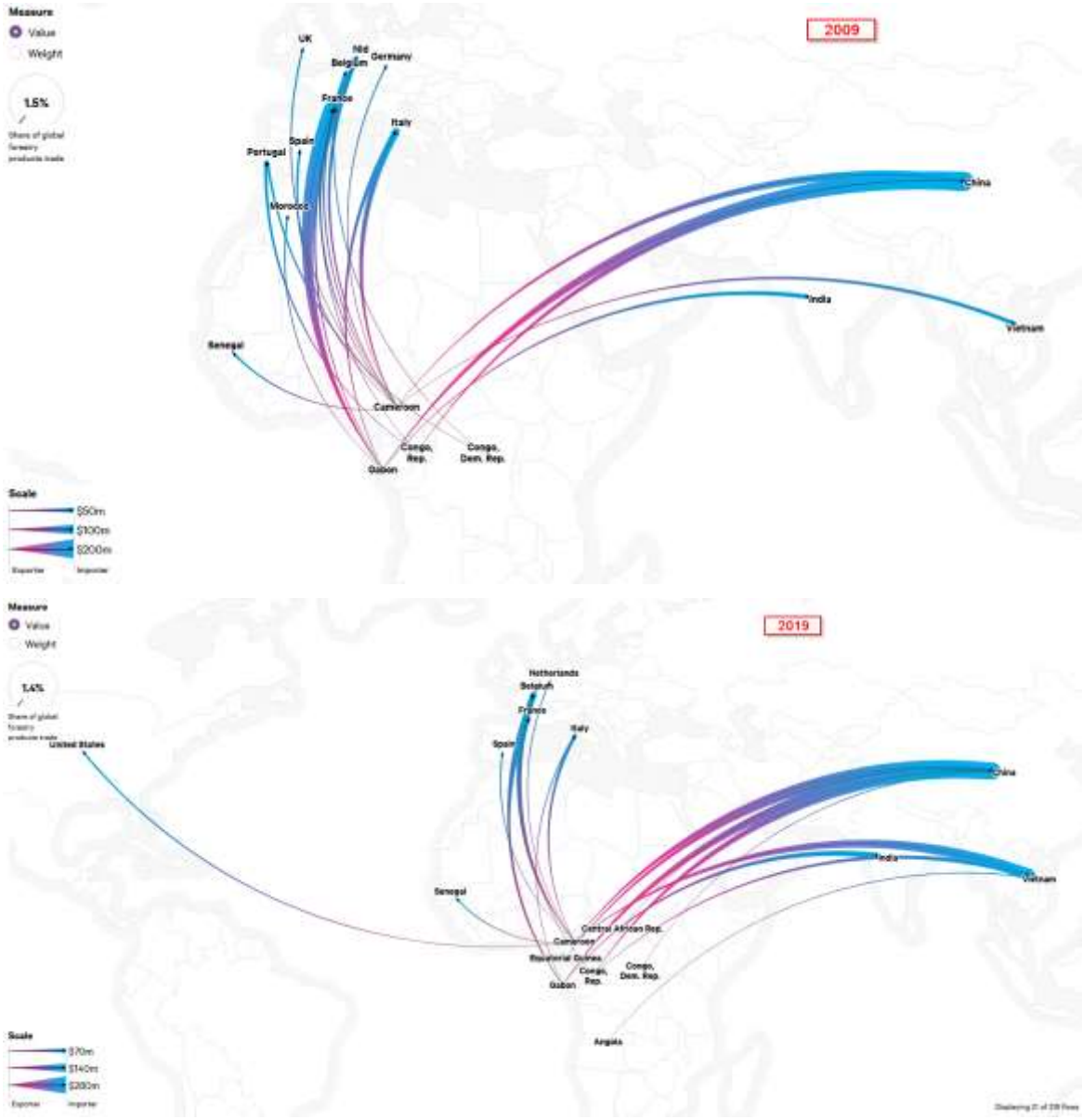

Figure 1: Representation of trade flows from Central African countries in 2009 and 2019 (source: https://resourcetrade.earth/)

Timber production in the Congo Basin forests

Currently 21% of the Congo Basin forests are reserved for industrial logging concessions. A smaller percentage is allocated to small logging permits (timber sales, communal forests, community forests, etc.).

The following table shows the current situation of industrial and community forestry activity in each country. The data comes from OFAC-COMIFAC (in consultation with ministries in charge of forests) and ATIBT (certification data).

	CMR	CAR	COG	EQG	ATM	DRC
Million ha of concessions share of national forest area	7,5 37%	3,7 17%	14,8 67%	0,7 44%	16 68%	15,4 12%
Million ha under development	6,4	3,4	8,8	0	13,2	6,4
Million ha of certified forests	3,6	0	4,9	0	2,7	0,7
Million ha of community forests	2,3	?	?	?	x	2,1
Million m^3 of formal log production (in concessions and other logging permits)	2,5	0,6	1,7	?	3,6	0,3
Million m^3 exported as logs	0,6	0,2	0,5	?	0	0,1

3 - Forest governance

31 - Fighting illegal logging

Following the Lacey Act in the US (2008), the European Wood Regulation (2010), the Illegal Logging Ban Act in Australia (2012) and the Clean Wood Act in Japan (2016), China amended its forestry law in 2019 to include a national ban on the purchase, transport and processing of illegal timber.

At the same time, various countries in the Congo Basin are strengthening their controls on the legality of timber through or without a FLEGT VPA implementation process. They are placing particular emphasis on the implementation of national traceability systems, coupled with certain legality checks. Forest and industrial companies that are certified, or in the process of certification, have also implemented their own traceability systems, which contribute to improved internal management.

Ambitions to combat illegal logging are high in both tropical timber exporting and importing countries. Progress has been made, leading to timber seizures and sanctions, both in Africa and in Europe. However, the process of eradicating illegal timber trade remains long, difficult and challenging.

32 - Third party certification of forest management

Third-party forest certification allows for independent monitoring of forest management. In the Congo Basin, there are: i) 3 certificates of legality and traceability: *Origine Légale du Bois* (OLB) by Bureau Veritas, Legal Source (LS) by Preferred by Nature and Timber Legally Verified (TLV) by Control Union, and ii) 2 certificates attesting to sustainable forest management: FSC and PAFC, the latter being linked to PEFC. Certification bodies are subject to an accreditation process. Gabon, by providing for an obligation to certify, has put in place a tax incentive, thus reducing unfair competition between certified and non-certified companies.

KfW Entwicklungsbank is funding a multi-year programme to promote the eco-certification of forests in CA. One of the activities is coaching companies in the certification process from their written commitment to the certification audit. This long process is gradually bearing fruit and at the same time demonstrates the need for support to encourage new companies to commit themselves.

AC's FSC-certified timber continues to suffer from the global bad image of tropical logging. Campaigns by organisations such as Greenpeace and Friends of the Earth against illegal logging and against the conversion of forests for agribusiness have imprinted images of clear-cutting of tropical forests on the world's collective memory. Similarly, this reputation of a high and widespread level of corruption in producer countries affects the image of certified forests. In the end, it is as if there are two levels of FSC certification: one for western forests and one for tropical forests. Conditions for tropical forests are increasing. However, the quality level of FSC and PEFC-PAFC certificates in the Congo Basin is already high, and is in no way inferior to that of Western countries, thanks in particular to the certification systems (accreditation and controls), and to the audit teams, which are often multi-national; this makes them less vulnerable to blackmail or corruption. It

must be possible to maintain the quality of these certificates because the areas to be certified are expected to increase.

4 - Forest management

41 - Continuous improvement of forest management

Forestry, according to current management standards, is the only economic activity that allows the functions of the forest (climate mitigation, protection of biodiversity, preservation of the water cycle and rivers, production of LFN and food, preservation of cultural sites, etc.) to be maintained in the long term and to increase the carbon stock.) and to increase the carbon stock. When wood is transformed into marketable products (e.g., in the construction industry), the carbon remains stored in the long term while the forest continues to fix carbon, and the sector continues to contribute to social and economic development.

The International Tropical Timber Technical Association (ATIBT) has coordinated two research projects on the dynamics of forest stands under exploitation (DYNAFOR and P3FAC). These projects were implemented by research institutions (CIRAD and the University of Gembloux) in collaboration with the forestry administration of several CA countries and their forestry companies. These projects have shown that, for some species, volume recovery is difficult in a system based on selective harvesting and a 25-year rotation, and that this varies according to forest type.

In Gabon, for example, the first management plans for the forest management units (FMUs) implemented since the 2000s (Precious Woods - CEB / Rougier Gabon and *Compagnie des Bois du Gabon*) will soon reach the end of their 1st rotation; in Cameroon, some FMUs are already in 2nd, or even in 3rd. To ensure the sustainability of logging, it is necessary to take stock and find solutions to the poor recovery of certain species.

42 - Communal forestry in Cameroon

The forestry law in Cameroon has provided since 1994 that communes can have their own forestry heritage, managed by themselves, and that the income is paid annually into the communal budget. The Association of Forest Communes (ACFCAM) now includes nearly one hundred communes throughout the country and therefore all ecosystems, with nearly 2 million ha of forest under communal status, classified as permanent forest land, with the obligation to develop and implement an environmental and social management plan. ACFCAM has a technical centre for communal forestry which supervises the forestry communes on a national scale, each of which has its own communal forestry unit. Communal forests now represent almost 10% of the national forest estate, and almost 25% of the permanent forest estate in use.

In other Central African countries where decentralisation processes are less advanced, the communal forest model is not yet known. However, it appears to be an opportunity to secure areas in their permanent domain in the long term, with management rules equivalent to those of concessions, but under the management of local authorities and in the interest of the local population.

43 - Social forestry

Social forestry includes all activities that contribute to the economic development and well-being of local populations, particularly in agroforestry, common land and non-permanent forest areas, including: community forests (CFs), contractual specifications (CCCs), series for the use of populations (known as agricultural series) and actions relating to corporate social responsibility (CSR). These tools for local development and the fight against social inequalities are implemented by communities and by forestry companies. Social achievements may include the construction of buildings, the development of agricultural and agroforestry activities, the development of PNFL, the opening and/or rehabilitation of roads, etc. Their

implementation can be done with the support of private sector partners such as forestry, industrial, cocoa companies, etc. and civil society actors, supervised and monitored by the Administration.

For Community Forests, the vision and activities of communities are very diverse. While some are committed to the preservation and restoration of degraded forests, others focus exclusively on the exploitation of timber, or even looting, to the detriment of the other functions assigned to their forests. This diversity is reflected in the level of development of villages, which is in principle financed by the income from the exploitation of these forests. Real investment capacity is often very low in conservation communities, while social and other infrastructure is more common in villages engaged in logging. In most community forests, social conflicts are numerous and group cohesion is threatened by several factors, the main one being poor governance.

The implementation of CCCs faces several obstacles, such as poor compliance with legal obligations relating to the external social component, or the poor definition of projects financed by the local development fund provided by the concessionaire for the benefit of the populations affected by its activities. The greatest challenges for social forestry partnerships are the community management of economic activity and the long-term maintenance of natural resources.

5 - Wood processing and industry development

51 - Policy instruments to support local wood processing

Log export ban

The countries of the Congo Basin have a strong desire to develop the timber industry and increase the local processing rate; this desire is reflected in measures that demonstrate a real investment by the States, such as the cessation of log exports (*which are a source of tax revenue*). The decision of the CEMAC countries + the Democratic Republic of Congo to stop exporting logs from 1 January 2023 is confirmed, especially since the Decisions and Directives for the implementation of this decision have just been validated by the Ministers of the countries concerned at their Ministerial meeting on 10 June 2022. These decisions and directives concern the framework and accompaniment of the log export ban (fiscal measures including exemption from import duties on wood processing equipment, harmonisation of products/by level of processing, certification and incentive measures, etc.). The decisions of 10 June 2022 will allow countries to include fiscal measures in financial/budget laws.

Creation of Special Economy Zones (SEZ)

Gabon was the first country to ban the export of logs and to set up a special economy zone in 2010. SEZs (e.g., Nkok) are set up to facilitate the installation of companies: water, electricity, roads, railways, one-stop shop, tax benefits, export facilities for processed products.

Ten years after the launch of the Nkok GSEZ, other challenges are emerging to improve the business climate and make the zone attractive for sustainable investment in wood processing: improving logistics (quality of roads, diesel, electricity, internet, etc.), developing vocational training adapted to the needs of industrialists, professionalising SMEs, developing regional markets, and reducing the price of wood intended for the growing domestic markets

The CEMAC decision on the log export ban also provides for the creation of SEZs in CEMAC countries and the Democratic Republic of Congo on the basis of PPPs (Public Private Partnerships).

Tax benefits for trade in timber products in the ECCAS region (2015 Decisions)

The ECCAS decisions taken at the Heads of State Conference in 2015 impose on all member countries total exemption from customs duties and VAT on all intra-community timber flows, and make provisions for the promotion of SMEs and VSEs in timber processing in order to make this economic sector emerge and make

it capable of supplying the domestic market and exporting quality timber products. To date, no member country has implemented these decisions.

52 - Wood industry supply guarantees

Logistics

Developing the timber economy requires good logistics, which are often lacking in Central Africa. Solutions are needed for rapid transport of inputs, equipment and wood products, for energy and the availability of reliable electricity, for a good telephone network and internet, etc.

The production sharing scheme

The production-sharing model was introduced into Congolese law by Law No. 33-2020 of 8 July 2020 on the Forestry Code. The adoption of this regime is motivated by the objective of increasing the sector's contribution to the economy and increasing state revenues, and by the desire to increase local processing. There is no clear definition of the concept of "production sharing", which comes from the oil sector and is intended to be adapted to the much more complex forestry sector, so the draft law is still under discussion.

The sustainable balance between the available wood resource and the capacity of 1ère processing

The development of the timber industry should not lead to deforestation. There is a need for a balance between the long-term available resource and the installed (or future) capacity of the 1ère processing industry according to the targeted species, allowing for a guaranteed supply of logs to current and future industries. A 2018 study by the FRMi for the AfDB presents estimates of available wood in the lower grades or in species that are little or not known: "LKTS". But the mere availability of volumes does not allow one to decide on their valuation. To do this, it is necessary to start by creating a need, a demand and move up the production chain towards the possibility of using a lesser-known species. The CEMAC decisions should also allow the use of LTKS species. In order to improve knowledge of certain species, it would be very useful to equip one or two CEMAC countries with a laboratory and test centre as part of the standardisation of products.

Increasing wood resource for processing

The rate of growth in demand for timber in sub-regional markets suggests that some countries will not be able to export timber or even meet their domestic demand within a few years or decades. It is therefore imperative to anticipate this future shortage of wood from low-productivity primary forests by establishing tree plantations of all the species most in demand on the markets in all areas where this is possible, particularly in degraded areas with secure land tenure.

53 - The development of further processing of wood

6 - Summary of some issues to be discussed

The governance of the forestry sector is problematic, regardless of the target market, and particularly in relation to the supply chains of the Asian and domestic markets. In a globalised approach to the timber market, it is important that exporting and importing countries share a common vision of defining the legality and traceability of products from the stump to the final destination market. In countries with a large population and strong demographic growth, such as Cameroon and the DRC, the formalisation of the informal sector is urgent.

Legality and traceability certification facilitates the import of timber into countries that have regulations in place against the illegal timber trade. However, sustainable forest management certification, despite the high quality of certificates in Central Africa, suffers from the international public image of weak forest governance in tropical countries. As a result, the markets for FSC and/or PEFC-PAFC certified wood products in the Congo Basin are not growing very much, nor are the areas of certified concessions.

Sustainable management, according to the standards of the management plans, makes it possible to preserve the essential functions of the forests (climate mitigation, animal protection, protection of watercourses, collection of PNFL, preservation of cultural sites, etc.) and to increase the carbon stock. However, research activities have shown that in a system of low removals per hectare for certain species there are difficulties in restoring their volumes over the duration of the rotation. Actions are needed for continuous improvement of forest management.

Social forestry activities suffer from poor compliance with legal obligations and poor project definition. These weaknesses often result in conflicts between actors and unsustainable resource management. The community-based approach requires long-term capacity building, especially in terms of communication and joint management.

After Gabon's decision to ban the export of logs and set up a SEZ about ten years ago, this provision has now been extended by CEMAC to other countries and will take effect on 1er January 2023, implying systematic processing of timber before it is put on the market. This must therefore be translated into investments in terms of processing tools without leading to the rarefaction of wood resources. The poor logistical situation, the lack of skilled workers, the lack of knowledge of the installed primary processing capacity (industrial and artisanal) are all factors that limit the development of processing.

The exploitation of dry forests, mainly for energy wood, is poorly supervised and often goes unchecked, especially outside of concessions under management. Reforestation and, more generally, forest and agroforestry planting should be systematised everywhere.

With regard to new financing opportunities, particularly those linked to carbon valuation, forest planting or other environmental services (water, biodiversity), the issue of the distribution of potential income clearly arises between the owner and the manager.

61 - Some challenges

1. Several countries and companies have developed computerised traceability systems to better control timber flows. Tracking timber flows is a major step forward for forest governance. While the systems are operational in the companies that have invested in them, at the national level governments lack the resources to operationalise these systems, particularly in terms of equipment and training of actors (decentralised governments and companies not familiar with traceability).
2. Requiring certification of legality and traceability will add to forest governance. Given the strong influence of Asian markets, solutions will need to be found to train Asian companies in understanding forest management and to accompany Asian markets towards more legal conditions. Good selection and training of auditors are also key factors for successful and reliable certification of legality and traceability of timber.
3. Making the link between FSC and/or PEFC-PAFC forest management and the UN Sustainable Development Goals (SDGs) visible can help to improve the image of certified forests in the Congo Basin. This link can also support the process of valuing ecosystem services.
4. Developing a "green" economy could enable us to move away from a model based solely on logging (especially logs) towards other uses of the forest (and savannahs) with agriculture (cocoa, oil palm, rubber, food and fruit crops, etc.) in a sustainable way, livestock farming (mobile and sedentary), exploitation of timber (firewood and service wood) and non-timber products, but also tourism, etc., all within the framework of a sustainable development strategy. This development is not only interesting for the local population, but also for the local economy. This development is not only interesting at the national level, but also at the local level for community forests and agricultural series of forest concessions. Both cases require an intensive programme of capacity building of stakeholders and coaching in communication and management.

5. Further (scientific) analyses are needed to assess the effectiveness of management plans and the methods for their development, as well as to determine the actual available wood resources, taking into account the sustainable economic and ecological profitability of the exploitation of the various species.
6. The 2015 decision of the ECCAS Heads of State Conference on the circulation and marketing of timber free of customs duties and VAT within the community is one of the key solutions for formalising domestic markets and curbing deforestation in densely populated countries, but it has still not been applied. Understanding the reasons for this non-application may help to unblock the situation.
7. The development of the processing industry cannot be done without taking into account an improvement of logistics, the establishment of a vocational training system, the assurance of a balance between the potential of the forest resource and the capacity.

In the forestry sector, FSC (Forest Stewardship Council) certification has developed significantly in Central Africa, but seems to have reached a levelling off over the last ten years with the reorientation of timber export flows towards Asia at the expense of European markets. The idea of encouraging the adoption of certification through a reduction in taxation (compensated to the States by international transfers) appeared in the early 2010s. A variant of this idea is the principle of modulating taxation according to the sustainability of production methods. Among the mechanisms under consideration, the "bonus-malus" principle seems promising to the extent that, all other things being equal, it does not reduce budget revenues (budget neutrality) and therefore does not require compensatory international transfers.

This principle will find favour with some governments, such as in Gabon, where a revised finance law (7/2020) introduces three different rates for the area tax (one of the main fees that forest concessions must pay) depending on the type of certification obtained (sustainable management certification, legal certification, no certification).

Previous system	**FCFA 400/ha/year**
New system	
Non-certified	FCFA 800/ha/year
Legal certification	FCFA 600/ha/year
Forest management certification (FSC or PAFC)	FCFA 300/ha/year

This inclusion of a private instrument (certification) in a public policy mechanism is a premiere in the forestry sector in Africa, but the principle still meets with resistance in some countries. This forestry tax incentive and the Gabonese example are the subject of debate in other countries, particularly in the CEMAC.

8. Preserving permanent forests from agricultural intrusion and developing forest plantations can only be done through rural land tenure regulation and land use planning defined and applied in all CA countries.

63 - Some issues for discussion?

- Is the timber economy in Central Africa currently sustainable?
    - *What does "sustainable" mean? What is the definition of "sustainable" "Meeting our present needs without compromising those of future generations"?*
    - *What are the main drivers of unsustainability? i) poor government governance vs. demand from Asian markets; ii) growing global demand for all types of timber; iii) agricultural systems vs. high population growth and land conditions.*
- What is the green economy, who is it, how is it?
- How to anticipate and what changes to make in forest governance?
- How will foresters fit into a more diversified and sustainable green economy?
- How can we consolidate the income of industrial foresters in exchange for further efforts towards ecological sustainability and social equity?
- How can taxation be used to encourage change and make it more effective?
- Why is it so difficult to put in place reliable systems for verifying the legality and traceability of timber destined for export markets and especially for growing domestic markets?
- How can we clean up the timber marketing chain from the stump to the final Asian market, by integrating the new CEMAC regulation on the ban on logs on 1er January 2023?
- How can certification be promoted?
- Is the issue of CO2 the responsibility of the forestry company? Why should it be a concern?
- How can tax policies be harmonised across the CA?
- Why are PES interesting for forest managers?
- Why should the farmer make more effort in the sustainable management of the forest area if the financial proceeds (PES) should eventually go in whole or in part to the owner?
- How can the Cameroonian experience of communal forests be developed and extended to other countries?
- How can the management of the wood energy sector be improved, particularly in dry areas? Can a concession approach be envisaged?
- How can clusters and special economic zones be assessed, in particular their links with upstream and territorial approaches?
- Etc.

7 - Some proposed recommendations for discussion

To effectively combat illegal logging, it will be necessary to take one step at a time:

1- National traceability obligation for all logs transported from the forest production site to the processing or export site.

2- Requirement by Central African governments for third party audited legality verification according to standards approved by them with standards based on existing laws - e.g., VPA grids.

3- Establishment of a tax incentive for any investor in processing, and an adapted tax system to support the formalisation of domestic markets

4- Support countries to set up economic intelligence units to analyse data on forest tax incentives, anticipate developments and plan for them. Also help companies, especially SMEs in wood processing, through training and adequate supervision.
5- Supporting the evolution of Asian markets towards legal conditions.
6- To really tackle the problem of land and land use planning.
7- Involve the municipalities in the management of forest areas, especially in the non-permanent forest area, and promote municipal forests in the permanent forest area.
8- Fund research to assess forest management and to develop methods for continuous improvement of sustainable forest management.
9- Guarantee a long-term balance between the wood resource available in the forest for processing and the industrial and artisanal capacity for primary processing.
10- Encourage investment in forest plantations, including bamboo, in degraded or overexploited areas
11- To supply local and regional markets with legal and quality wood products at reasonable prices.
12- Decentralise the management of non-permanent and permanent forest areas.
13- Support the establishment of a functional vocational training system in Central African countries.
14- Fund a consultation and negotiation process to agree on the distribution of revenues from carbon credits and payments for environmental services among forest management stakeholders.