

The costs in Cameroon

VPA and other TPP impacts will be particularly large for informal operators

By Richard Eba'a Atyi

ITTO Consultant
rebaa@foraf.eu



Ready for market: Sawnwood being transported to Douala. *Photo: N. Jervais*

In Cameroon, forest resources are generally the property of the state, and forest exploitation is conducted in the field by private individuals and industrial enterprises who have received timber harvesting titles from the government. There are nine types of harvesting title in Cameroon, three of which—forest concessions, community forests and municipal forests—may be considered to be designed for sustainable timber production. Cameroon's formal timber sector produces 2.3–2.5 million m³ of logs annually. More than 90% of this log production is processed in 51 sawmills and nine veneer/plywood factories.

As part of a larger ITTO study (Simula 2010), the author reviewed the potential costs and impacts of compliance with timber-procurement policies (TPPs) in Cameroon. Some of the main findings are reported below.

[The VPA] is also intended to be completely transparent by putting information in the public domain that in the past has been considered strictly confidential.

Status of the FLEGT process

A Forest Law Enforcement, Governance and Trade (FLEGT) process started in Cameroon in 2004. Negotiations between the Government of Cameroon and the European Union (EU) on a voluntary partnership agreement (VPA) started in November 2007 with the aim that it would be ready for signing by the end of 2008. The lengthy negotiations have recently been completed and the agreement is now signed (see *Tropical and Topical*, p. 27). The negotiations focused on the following:

- the scope of implementation—that is, the coverage of relevant legislation and the forest products to be included
- the legality verification system, which includes the national forest law enforcement system, monitoring, traceability and the issuance of FLEGT licences (as proof of legality)

- the establishment of an independent auditor
- procedures for the verification and acceptance of FLEGT licences
- modalities for the monitoring of VPA implementation
- institutional arrangements
- financial mechanisms and supporting measures.

The proposed VPA is ambitious in scope; it is intended to cover all products destined for all markets (EU markets, other international markets and the domestic market). It is also intended to be completely transparent by putting information in the public domain that in the past has been considered strictly confidential. Before the VPA can be implemented, however, the forest administration—the Ministry of Forests and Wildlife (MINFOF)—must meet several challenges (Vandenhaute 2009).

Some of the most important of these are to:

- adopt and implement a national forest law enforcement strategy
- record all data of the forest sector in a centralized database
- assure the monitoring of all cases of disputes
- computerize all forest inventory results for all types of forest titles
- monitor the bestowing of officially secured documents
- build the capacity of MINFOF staff in charge of forest law enforcement and monitoring.

Some of the questions that need to be addressed before the issuance of FLEGT/VPA licences in Cameroon becomes possible include:

- What should be done with illegal forest products seized by MINFOF?

- How can the legality of wood products imported from neighbouring countries that have not signed a VPA be verified? For example, Cameroon imports small quantities of okoumé plywood each year from Gabon, which is not progressing towards a VPA with the EU at the same pace as Cameroon.
- How can private initiatives in voluntary forest certification be taken into account in licensing?
- How can the transparency of all government departments involved in the trade of timber products be improved?
- How can civil-society organizations be involved in the implementation of the VPA?

Market impacts of TPPs

Cameroon's timber industry is highly dependent on the EU, which accounts for about 74% of the total value of export wood products. The link between Cameroonian production and EU markets has been strengthened by a 2003 regulation banning log exports of several timber species, which has led to an increase in local processing. Contrary to the Asian markets, EU countries now prefer primary-processed products (mainly sawnwood) to logs. In 2006 about 95% of total log production from concession forests was processed in Cameroon.

Despite the introduction of TPPs in Europe that favour timber products of legal origin, logging and timber-processing companies in Cameroon have not diverted to other markets that do not require such proof of legality (or sustainability). On the contrary, the private sector has taken various initiatives to meet the requirements of the EU markets. Nevertheless, a possible trade diversion to Asian markets could happen now, at least temporarily, if, because of the effects of the global economic crisis, export quantities to Europe continue at their present low level and if ready demand in the Asian markets (where logs are preferred over processed wood) can be tapped.

The position of Cameroonian producers in the EU markets will be jeopardized if they are unable to meet the requirements for legality verification and sustainability certification. On the other hand, implementation of a VPA and expanding the area of certified forests can give producers a market advantage over other tropical timber exporters without VPAs. The prices of timber products exported from Cameroon have been little affected by EU procurement policies, but there are reports that FSC-certified timber products have received price premiums in the Netherlands and the UK; for example, the price of certified azobe sawnwood is reported to have increased by about 5% in the Dutch market for public works.

Costs

In addition to the financial support provided by the EU, the Government of Cameroon will have to spend about US\$1.5 million to facilitate the implementation of the VPA, mainly in the purchase of equipment. The government is not expected to hire new personnel exclusively for the VPA, but current staff in different government departments will receive training to upgrade their ability to deal with the new technological environment and the new procedures.

It will cost Cameroon's timber producers about US\$35.6 million per year to meet the legality requirements of the VPA and US\$52.5 million per year to satisfy the requirements for sustainability included in TPPs of some international markets in Europe and North America. About 80% of these costs will need to be borne by the industrial enterprises managing concessions. Given their weak financial capacities and high levels of poverty it is unlikely that local communities and municipal councils will be able to meet the costs required of them (US\$9.3 million and US\$1.3 million, respectively). Donors and international organizations will need to support these producers if they are to stay in the timber business.

Forest-sector impacts

Considerable progress has been made in recent years to move forest concessions in Cameroon towards sustainable forest management. In 2003, no forest concession was managed according to an approved forest management plan; by 2008, 65 concessions had approved forest management plans covering a total forest area of 4.2 million hectares. In addition, a number of logging companies selling their products to EU markets have applied either for forest certification under the Forest Stewardship Council (FSC) or for independent legality verification. Interviews with government officials suggest that there has been a sharp decrease in registered forest infractions, a trend confirmed in a recent study (Cerutti and Fomete, 2008).

The government has engaged in a number of initiatives to improve governance in the forest sector, including the appointment of international non-governmental organizations (Global Witness, later replaced by Resource Extraction Monitoring) as independent observers to monitor forest law enforcement operations. An atlas that provides information on Cameroon's logging concessions has also been published by the Government of Cameroon (in collaboration with Global Forest Watch). The signature of the VPA is another indication of the political will to improve forest governance.

Forest enterprises engaged in certification have improved the efficiency of their field operations and established internal auditing systems that monitor the entire production process. Nevertheless, by shifting towards legality verification or forest certification, forest enterprises in Cameroon are facing increases in production costs, the most important of which are associated with the changes in management practices needed to comply with Cameroonian law and to meet forest certification requirements.

Impacts on community forests

International TPPs are yet to have an impact on community forestry because most products produced in community forests are sold into local markets. In the long run, however, the number of community forests, and their production capacity, is expected to increase, and community-based forest enterprises are expected to become significant participants in the international timber trade. If TPPs are widely applied it is feared that most such enterprises will struggle to be viable because of the high costs of legality verification and sustainability certification.

In 2008 there were 177 community forests covering a total area of 632 330 hectares. If all 177 community forests are active, about 25 000 hectares of community forests will be harvested each year (given a cutting cycle of 25 years). With an average harvest intensity in community forests of 7 m³ per hectare, the annual aggregated timber production would be about 177 000 m³ per year. Lescuyer et al. (2009) estimated that, under the artisanal logging and processing techniques used in community forests, the entire business chain from timber harvesting to the delivery of sawnwood to the final consumer generates 0.15 jobs per m³. The harvest of community forests, therefore, could generate about 27 000 jobs for rural people (sawnwood production) and the urban poor (distribution and sales).

Currently, timber production in community forests is not monitored by MINFOF and is part of the informal sector. Therefore, if community forests are excluded from the market because it is too expensive for communities to meet the costs related to legality verification, more than 25 000 poor people will go jobless, and even those urban middle-class Cameroonians who depend on community forests and the informal sector for construction timber products would face significant problems caused by a reduced supply of timber and higher prices.

Other social and development impacts

The Government of Cameroon collects about US\$52 million of forest taxes each year. Tax recovery has improved substantially since 2004 (World Bank 2008) as illegal activities have declined. Meeting the legality and sustainability requirements of TPPs would consolidate and secure these tax revenues. On the other hand, failing to satisfy the requirements of EU TPPs (as well as those in the United States and Japan) would make tax revenues uncertain.

The contribution of the forest sector to tax revenues has improved since legality verification was introduced. This has also benefited local communities. For example, in 2007 the central government transferred the equivalent of US\$13.3 million (50% of the total area-based forest tax) to local councils in the forested zone to be used directly for local development and poverty alleviation. When all the identified production forest is allocated, the value of area-based tax revenues transferred to local councils will amount to US\$14 million. If Cameroon is unable to meet the requirements of TPPs, at least half of this amount would become uncertain.

It is estimated that the formal forest sector employs 13 000 people in Cameroon, about 8000 of whom are located in the remotest parts of the country where the government is unable to open and maintain roads. In such areas the wages and salaries of the forest sector constitute the main resource for local economies. At the same time the contribution of forest enterprises to the maintenance of public roads is essential. If Cameroon does not implement the VPA and other TPP requirements effectively, production would fall and local development in the country's remote interior will experience an important setback.

The problematic informal sector

The most problematic aspect of timber production in Cameroon relates to the informal sector, which produces about 1 million m³ of sawnwood per year for consumption in national markets and employs an estimated 150 000 people (Lescuyer et al. 2009). About 20% of the total timber production of the informal sector comes from community forests, which in the medium term could potentially be brought into the formal sector. The remaining 80%, however, is derived either from other forest titles that cannot be monitored effectively by the administration or from unregulated/illegal sources. If the VPA is implemented (as it is intended) to also cover the timber supply to domestic markets, the housing and furniture industries in Cameroon are likely to experience a major shortfall in supply, and a large number of self-employed people in the informal sector could lose their jobs and sources of income.

The VPA, therefore, could have the perverse impact of increasing poverty instead of reducing it. It appears desirable to postpone the implementation of the VPA for the domestic market until MINFOF can put in place affordable and feasible regulations for operators in the informal sector. It is almost impossible to eradicate the informal sector overnight without major negative social and political consequences.

Recommendations

The government/MINFOF should:

- harmonize the forest sector's information base in order to establish a reliable, centralized database and it should set up an institutional arrangement to run it.
- review forest-related legislation to detect and eliminate contradictions and to include new provisions for a computerized information system.
- provide incentives to promote community forestry in the timber production business because of its important social role. Forest communities should be supported in bearing the additional costs associated with legality verification and sustainability certification.
- provide technical assistance to forest communities to achieve legality and sustainability while maintaining profitability.

In addition to these government led initiatives, ITTO and other development partners should support the Government of Cameroon in building the institutional capacity to implement new approaches to forest law enforcement and legality verification, including support to communities and other informal operators to meet the costs of compliance with TPPs.

References

- Cerutti, P.O. and Fomete, T. 2008. The forest verification system in Cameroon. In Brown, D., Schreckenberg, K., Bird, N., Cerutti, P.O., Gatto, F.D., Diaw, C., Fomete, T., Luttrell, C., Navarro, G., Oberndorf, R., Thiel, H. and Wells, A. (eds). *Legal Timber: Verification and Governance in the Forest Sector*. Overseas Development Institute, London, UK.
- Lescuyer, G., Eba'a Atyi, R. and Cerutti, P.O. 2009. *Consommations nationales de bois d'œuvre en Afrique Centrale: un enjeu majeur pour la gestion forestière durable*. Paper submitted for presentation at the 2009 World Forestry Congress.
- Simula, M. 2010. *The Pros and Cons of Procurement: Developments and Progress in Timber-procurement Policies as Tools for Promoting the Sustainable Management of Tropical Forests*. ITTO Technical Series #34. ITTO, Yokohama, Japan.
- World Bank. 2008. *The Rainforests of Cameroon: Experience and Evidence from a Decade of Reform*. The World Bank, Washington, DC, USA.