

Fiscal opportunities and obstacles in Congo's charcoal sector

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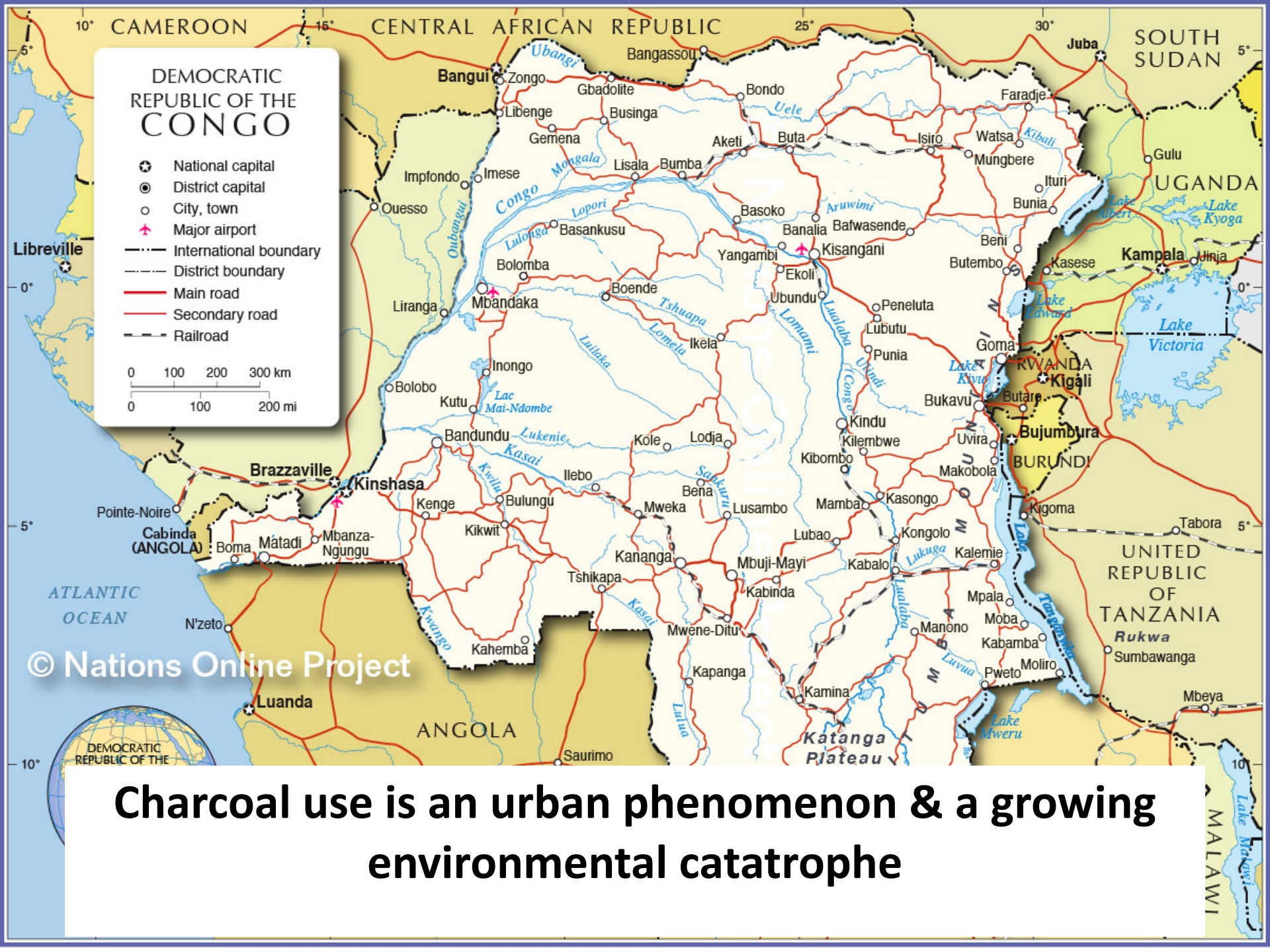




Presentation objectives

- General information about charcoal, urbanisation, culture, the commodity chain, charcoal as a driver of deforestation, etc.
- Direct and indirect pathways to linkages between the charcoal sector and fiscal policies.

While an initial reaction could be that the DRC Finance Ministry should tax charcoal production & trade, doing so could have unintended social and environmental consequences.



DEMOCRATIC REPUBLIC OF THE CONGO

- ★ National capital
- District capital
- City, town
- ✈ Major airport
- International boundary
- District boundary
- Main road
- Secondary road
- - - Railroad

0 100 200 300 km
0 100 200 mi

Charcoal use is an urban phenomenon & a growing environmental catastrophe





Urbanization without urban planning

Urban growth in the DRC

Urban/rural = 40%/60%

At least 2 cities with over 1 million inhabitants

At least 23 with between 100,000 and 1 million

'At least' because no one really knows

18 villes de plus d'un million d'habitants en 1990 en Afrique subsaharien - 70 villes sont prévues pour 2020

Less than 10% of the population has access to electricity

Domestic energy production is one of the main drivers of deforestation

Driven by need & urban poverty

Urban poverty & unemployment are incentives to work in the sector (low entry costs)

= a need to improve livelihoods by creating alternative income sources than charcoal

Implications on food security and public health

Plantations can't keep up

Reluctance to adopt improved cook stoves until resource scarcity is obvious (Goma)

Cultural attachment , cost & availability determine consumption

Considerations for fiscal policy support/design

At least 400K people work in the sector

= a taxable critical mass

This figure compares with 15,000 workers in the formal logging sector

Sector is paradoxically well-organized but informal & unregulated by State authorities

= opportunities to think how to formalize control

Considerations for fiscal policy support/design

Arbitrary & random taxes are collected but unreported along the entire chain from producer, transporter, wholesaler, retailer & market women...

= need to formalize in a socially appropriate way

Considerations for fiscal policy support/design

From forest to urban market, arbitrary informal taxes and bribes force traders to increase their trade volume to compensate for their out-of-pocket costs

= need to formalize

= need to make sure traders know their rights

The charcoal business demonstrates how people seize opportunities in the fend-for-yourself informal economy, turning constraints into a survival tactic. It reveals how people adapt to situations when public services are inadequate. Profits, however, are relatively modest: most charcoal producers earn less than \$50 a month (about equivalent to the salary of a civil servant).

