

## Changing International Markets for Timber – What Can African Producers Do

### Producer Country Draft – Cameroon

Rupert Oliver & Emily Fripp



#### Introduction

1.1 Cameroon has considerable forest resources, with an estimated forest cover of 18 million hectares of tropical rainforest. The forest sector contribution to GDP (minus oil) increased from approximately 4% to 9% for the period 1996 to 2000. Due to a ban on exports of the most commercially valuable species considerable investment has been made into wood processing. Over 90% of timber production is exported. Wood product exports were the second largest source of revenue after oil, in 1998-1999, representing 27% of total export earnings.<sup>(1)</sup>

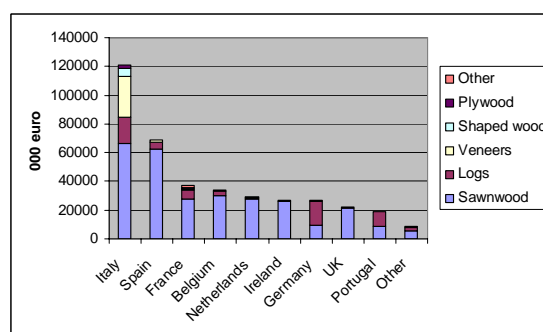
#### Overview of the Market & Trade

1.2 In summary, the key points of Cameroon's trade are:

- The total EU import value of Cameroon timber products was in the region of Euro 400 million (cif) in 2004.
- The vast majority of EU imports from Cameroon comprise sawn wood, with smaller volumes of logs, veneers and mouldings. In 2004, the EU imported from Cameroon sawn lumber valued at euro 286 million of, logs valued at euro 63 million, veneers valued at euro 31 million and mouldings valued at euro 7 million.
- In terms of Roundwood Equivalent Volume, the EU imported 1.4 million m<sup>3</sup> of Cameroon wood products exports in 2004, 77% of all Cameroon wood products exports (1.8 million m<sup>3</sup>).
- Italy is the leading EU buyer of sawn wood, logs, veneer and mouldings from Cameroon.

Spain is a major importer of sawn lumber. Other important importers are France, Belgium, the Netherlands, and Ireland, all mainly importing sawn lumber. Germany is a significant importer of Cameroon logs, mainly to supply the sliced veneer industry.

**Figure 1. Imports from Cameroon into the EU in 2004**

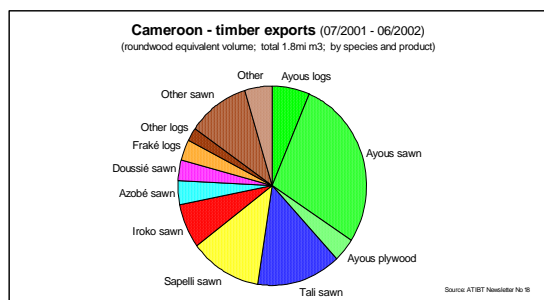


- China is a leading non-EU destination for Cameroon's log exports. Logs account for a much higher proportion of China's imports from Cameroon (60%) than they do for any other major destination.
- Log exports from Cameroon are declining as government policy to increase value added processing has been progressively introduced. Much of the log volume shipped out of Douala port in Cameroon is in transit from the Central African Republic and northern parts of Congo (Brazzaville).
- Ayous, Sapelli and Tali represent the largest proportion of Cameroon timber exports, with Ayous accounting for over one-third of exports as a species.

(1) World Bank Cameroon Country Report

- Italy is the leading importer of Ayous, the species that Cameroon exports in greatest quantity. Ayous and Sapelli account for around one third of sawn lumber exports in 2003.
- Cameroon was one of the first countries in the Congo Basin to be authorised by CITES to start exporting assamela/afrosmia once again. In 2003, exports of sawn assamela grew by 150%, to a volume of 13,000m<sup>3</sup>.

**Figure 2 Timber Exports by Species**



## Regulation and control

1.3 In recent years the Cameroon Government has improved its national forest management framework, including the formulation and adoption of a revised legal and regulatory framework for forest management. Cameroon's new forestry code was developed in 1994 and started to take effect from 1995. It sought inter alia to reduce the proportion of logs in the country's timber exports, including a ban on exports of certain species. The revised Forest Law also provided the legal basis for community involvement in forest management.

1.4 The 1994 Forest Law established procedures for the allocation of timber resources both for the Permanent Forest Domain and for areas outside this domain.

1.5 Long-term exploitation of the Permanent Forest Domain is to be carried out through Forest Management Units. An FMU is a timber extraction concession covering an area of not more than 200,000 ha, granted for a period of up to 30 years. The annual cut may not exceed the Annual Standing Volume which covers an area defined as 1/30th of the approved tree inventory of the entire FMU. Therefore, operations of this type demand extensive technical and administrative planning in order to meet these requirements. For example, ecological and socio-economic impact studies must be carried out, a sound management scheme with complete tree inventories undertaken, and reforestation activities organised. The regulations expect that strict implementation and enforcement of these management stipulations will lead to a significant reduction in fraudulent and illegal extraction activities in the long term.

1.6 The Law also allows for medium-scale exploitation of Permanent Forests, to be undertaken via Sales of Standing Volumes. An SSV is a permit granted to extract timber in a 2,500 ha area, in a three year period. This type of title is the most profitable since no expensive planning is required. In 2002, a quota system was imposed by the Cameroonian government whereby a specified number of permits must be allocated to Cameroonian operators.

1.7 Outside the Permanent Forest Domain, the Law entitles communities to utilise various forest resources in a range of economic activities in Community Forests (CF), including logging activities on a limited basis. Communities also have the "Right of Pre-emption", that is the right to have an area of permanent forest that has been designated Sale of Standing Volume converted to a Community Forest.

1.8 The 1994 Law also provided for various other permits to access limited volumes of timber in the Non Permanent Domain. But due to widespread abuse, these other types of permit were suspended in July 1999.

1.9 The first round of allocating FMUs began in 1997. A committee was formed in the Ministry of Environment and Forests to evaluate management plans submitted. Forest management plans should have been completed within three years under the new system, but there have been significant delays. Recent reports suggest that around 2 million hectares (33%) of the total area of FMUs (around 6 million hectares) are now managed under forest management plans. Delays in approval of these plans have meant that much exploitation continues to be undertaken through SSV procedures.

1.10 In order to improve monitoring and enforcement of forest activities, the Cameroon authorities have established the Computerised Forestry Information Management System (SIGIF). SIGIF records information on declared and authorised volumes and species of timber.

1.11 SGS are also running a programme to verify all log exports exiting all ports in Cameroon. Volume and species declarations made by exporters are checked against a sample of independent inspections. Tax payable is then adjusted accordingly based on taxable value determined by SGS and the logs can then be shipped. This system was designed to assist the Government of Cameroon in ensuring that the log export revenues were appropriate. However this is not a system of monitoring or tracking the timber to the source. Data collected by SGS is not compared with data collected by the SIGIF system.

1.12 In a positive step to address the problem of illegal logging Global Witness (an international NGO) was appointed as the official Independent Observer

(IO) of the Forest Sector in 2002. As IO, Global Witness supports the implementation of the Cameroonian 1994 forest law by the Ministry of Environment and Forests and the pursuit of cases of illegal logging to their conclusion. The official endorsement of the IO enables access to official documents where a company is legally and contractually allowed to log. Thus flaws and irregularities can be identified and recommendations can be made. Forest officials are obliged to provide this information. Field monitoring (using a Global Positioning System (GPS) and film equipment) is an essential part of the role. Technical support and training to forest officials and local NGOs in the use of modern monitoring technology is provided. Monitoring reports prepared by the IO are compared with Ministerial report and the results, are used by the international donors, the Minister and civil society. This system also provides key information to timber buyers.

### **The Forest Sector**

1.13 14 million ha of the densest forest is located in the south, of this 8.9 million ha is classified as PFA (Permanent Forest Area), 2.6 million ha of this is protected, 0.3 million ha is under the management of municipalities and 6 million ha is classified as FMU (Forest Management Unit) and managed for timber production. Concessions may cover one or two FMUs and each FMU must be exploited following a management plan on a 30 year felling cycle.

1.14 Forest resources in the heavily populated south have been excessively exploited and are no longer significant sources of log supply.

1.15 With 890,000 m<sup>3</sup> of sawn lumber exported in 2003, Cameroon has the greatest industrial capacity in forested Africa. However, harvesting levels are falling and many mills are now struggling to obtain adequate log supplies.

1.16 The area available for harvesting fell from around 1 million hectares in the 1995-96 financial year to around 350,000 hectares in 2001-02. This downward trend is likely to continue. Levels of officially sanctioned harvest declined dramatically from around 3.5 million m<sup>3</sup> in the years 1996-97 and 1997-98 to around 2 million m<sup>3</sup> in the years 2000-01 and 2001-02.

1.17 Current officially sanctioned harvests are close to the long-term sustainable harvest. However this is significantly less than the installed capacity of the processing sector. Industrial processing capacity increased rapidly from 1.2 million m<sup>3</sup> in 1994 to 2.7 million m<sup>3</sup> in 2003. Industry therefore suffers from a continual shortfall in log supply. This is exacerbated when small scale artisan producers are included, who consume around 1 million m<sup>3</sup> of logs per year.

1.18 Introduction of an industrial free zone scheme and tight controls on log exports both contributed to the big increase in wood processing capacity. Furthermore, to obtain a concession, logging operators are now required to draw up an industrialisation plan with the aim of promoting domestic wood processing.

1.19 Most investment has focused on sawn lumber and kiln drying, with only limited investment in further processed secondary products. Significant exceptions have been subsidiaries of large European companies relying on ex-pat staff. During the last 12 months, EC funding has been provided to support some (limited) development in kilning and flooring capacity.

### **Private sector initiatives**

1.20 The largest European-owned companies operating in Cameroon are members of the Dutch registered "European Foundation for the Preservation of the African Forest Resource", the funding organisation for the Interafrican Forest Industries Association (IFIA). These companies include FIP, Pasquet, Rougier, TTS, and Wijma. Established in 1996, the Foundation commits members: to contribute to the economic and social development of the African countries in which they operate; to implement improved management of the forest resource; to encourage local transformation of wood products; to encourage technology transfer; and to provide professional training programmes in African countries. These companies are actively engaged in a process to implement sustainable forest management plans in consultation with national and local administrations. They are developing plans in accordance the requirements of a "Practical Forest Development Plan for Natural African Tropical Production Forests" drawn up by the ATIBT. These companies have been involved in the process to develop FORTRANS, a system for the independent monitoring of conformance with sustainable forest management plans. Foundation members are also encouraged to apply Reduced Impact Logging techniques (RIL), and to promote development of a Pan African Certification system (PAFC).

1.21 In April 2004 GD-Group Decolvenaere, the Cameroon subsidiary of a Belgian company, announced that it will work with WWF Central African Regional Programme Office (CARPO) towards forest certification and timber labelling using FSC standards. Groupe Decolvenaere were encouraged to take this step by a major buyer VETEKA, a Dutch timber importing and processing enterprise that forms part of the FSC Forest and Trade Network of committed timber companies in the Netherlands.

1.22 In February 2005, Groupe Decolvenaere joined with two other Cameroon timber groups to apply for membership of the WWF Central African

Forest and Trade Network (CAFTN). The other groups were Transformation Reef Cameroon, a subsidiary of a Dutch company, and Pallisco S.A. Together the three groups manage 500,000 hectares of forest concession in Cameroon, and export around 120,000 m<sup>3</sup> of sawn timber, roughly 20% of Cameroon's total exports to European countries. The CAFTN is designed to support companies moving progressively to FSC certification.

1.23 Cameroon established a national certification working group in 1996 (see box).

The NWG in Cameroon was established in April 1996 to serve as a pilot initiative in the sub-region. A technical committee was elected and a first set of draft standards was produced. Two documents have been produced:

- A White Book on sustainable management and certification in Cameroon presented a comprehensive study of the main issues at stake in tropical forestry from a national point of view.
- The first ever set of Principles, Criteria and Indicators (PC&I) for the sustainable management of forests in Cameroon.

The NWG has also been actively involved in major events, including the training of certification assessors and key forest stakeholders. On March 17, 1999, the President of Cameroon underlined the importance of the NWG when he stressed the necessity to launch collaboration initiatives with the logging industry. The NWG has had a positive contribution to the development of SFM and certification in Cameroon, as officially acknowledged by the Ministry of Environment and Forestry in June 2000.

Despite the apparent positive success of the NWG, problems have arisen, including:

- The NWG was criticised for its lack of legitimacy, notably because of its weak relationships with several influential local NGOs and grassroots organisations. However, its legal status has since been resolved.
- Difficulties associated with defining Principles, Criteria and Indicators that conform to internationally agreed standards, especially with a continuing debate over which international standards should be used – FSC, Pan-African certification scheme, or the Dutch Keurhout scheme. The NWG was able to develop a set of standards that are suitable for the national context, and also met the ATO referential and the FSC standards.

Although problems continue to arise in the process of developing National Standard (a key aim of the NWG), certification is now a feasible and practical option.

Source: WWF, June 2002, *Promotion of Sustainable Forest Management and Certification in Timber Producing Countries of the Congo Basin, Phase II. Final Report.*

## Opportunities and limitations

1.24 Recent institutional changes, the revision of the forest policy and legislation, the presence of SGS' export control project, and the presence of Global Witness as Independent Observer, have all contributed to an improvement in detection of fraud and improved law enforcement. In 2004, the MINEF Minister stated that recent efforts to combat illegal logging and tighten controls on concessions have ensured a continuous increase in government tax receipts from forest operations, which have been at around CFA 144.5 billion per year since 2002. He suggested that companies winning contracts to exploit the forest are now "80% in accordance with the law".<sup>1</sup> An April 2005 report by Global Witness concluded that "A trend can be detected towards

increasing regularity of control and decreasing infractions in the forest sector."<sup>2</sup>

1.25 However, Global Witness also noted that there seems to be a tendency for illegal activities to be shifting towards the logging of trees below permitted diameter, the logging of volumes in excess of those authorised, and the logging of species for which no felling permission has been granted. At the same time illegal industrial logging is increasing in Community Forests, which, as a management system, is still fragile in Cameroon, and currently with little Government support to put sustainable administrative and economic systems in place.

1.26 Corruption and a lack of transparency and governance tend to undermine the government efforts to improve enforcement and this therefore limits the possibility for improvements in forest management standards. Prosecutions are not automatic and follow a very slow procedure, with petty criminals being the focus of prosecution, rather than the larger operations.

1.27 Other problems include: a general lack of resources, mainly financial due to poor auditing and budgeting mechanisms; civil society has limited involvement in the forest reform process; a limited chain of custody system does not allow for effective control and monitoring across the supply chain; and national accreditation procedures for independent certification are not developed.

1.28 On the other hand, some of the key building blocks for sustainable forestry and certification are in place. A new forest policy has been adopted; a National Working Group on certification is operational; some of the largest concessionaires have made far-reaching voluntary commitments to sustainable forest management; and framework certification standards have been developed.

1.29 The Government also appreciates the need for institutional change in order to improve the regulation of the forest sector. This is indicated by the hiring of Global Witness and now REM as Independent Observer and by the establishment a Forest Crime Monitoring Unit. There is a considerable level of donor and private sector interest in the development of certification, for example the work now being undertaken by the UK Timber Trade Federation (see Overview Factsheet).

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**Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at [emily.fripp@btinternet.com](mailto:emily.fripp@btinternet.com)**

(1) Quoted from Hardwood Markets article

(2) From Global Witness' "Forestry Law Enforcement in Cameroon – 3<sup>rd</sup> Summary Report"

## Changing International Markets for Timber – What Can African Producers Do

### Producer Country Draft – Congo Brazzaville

Rupert Oliver & Emily Fripp



#### Introduction

1.1 Congo-Brazzaville has significant forest resources (22 million ha), with forest products the second largest export after oil, contributing approximately 7% to GNP in the late 1990s, an increase from 1% in 1982 <sup>(1)</sup>. In addition, forestry provides work for 10% of the workforce and a substantial proportion of the population depend on the forest resource for subsistence.

1.2 Congo Brazzaville is now the only major African supplying country exporting higher value redwood logs.

1.3 National policy is to allocate large concessions to facilitate local vertical integration. While national policy is to eventually reduce log exports to a maximum of 15% of production, in 2003 logs comprised over 80% of tropical timber exports. China is the leading market for Congo-Brazzaville logs, but there are also significant exports to several EU countries.

1.4 Several donors are active in the forestry sector including ITTO, the EU and USAID. Projects have included the Regional Programme for Environmental Management (PRGIE), the Management of Central African Forest Ecosystems (ECOFAC) and the management of adjacent areas to the Nouabale- Ndoki National Park Project (PROGEPP).

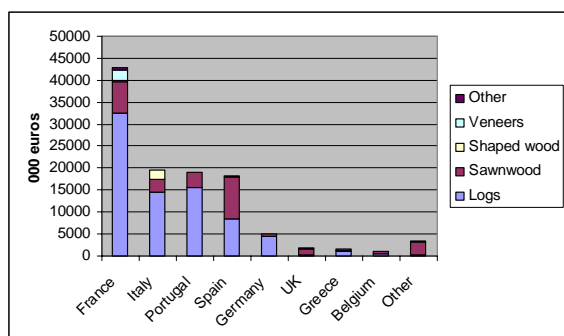
(1) Source: World Bank/WWF Alliance, Forest Law Assessment in Selected African Countries, Final Draft, SGS Trade Assurance Services, October 2002.

#### Overview of the Market & Trade

1.5 Key trade points of Congo Brazzaville's exports are:

- Logs dominate the trade in forest products from Congo-Brazzaville. In 2003 the total volume of wood product exports was approximately 860,000 m<sup>3</sup> (70% increase from 2001) of which logs accounted for 712,000m<sup>3</sup>, sawn wood 133,000 m<sup>3</sup> and veneer 15,000m<sup>3</sup>.
- The main export destination for logs is China, accounting for approximately 40% of the volume of logs exported in 2002. China's log imports from Congo-Brazzaville rose by 50% in 2003. China mainly buys logs of okoume from the south of the country. These logs are destined mainly for the Chinese plywood industry. In total, China accounted for roughly 50% of the total volume of exports and 40% of the total value in 2003.
- Although China is the largest log market, Europe remains an important market for wood products from Congo Brazzaville (see Figure 1). In 2004, the EU-25 group of countries imported wood products with total value of 113 million euros from Congo-Brazzaville. EU-25 imports were dominated by logs, most destined for France, Italy, Portugal and Spain.

**Figure 1 Imports of wood products into the EU-25 from Congo-Brazzaville**



- There was an 11% increase in log exports from Congo-Brazzaville in 2003-04 due to the expansion of operations by the Malaysian company Taman in the south of the country. The government is confidently predicting that log production in the country will increase from 890,000 m<sup>3</sup> in 2002 to over 2 million m<sup>3</sup> in the next few years.

## Regulation and Control

1.6 The Congo Republic has a long history of engagement in efforts to promote sustainable forestry operations. In 1973, the country adopted a Forestry Code which stipulated sustainable forest management by means of: establishment of Forest Management Units (FMU); determination of a maximum Annual Allowable Cut; and promotion of local wood processing. The National Forest Estate was divided into FMUs from 1980 with the support of FAO in various inventory and development projects. Large FMUs were established in the north of the country, operated mainly by large European investors. In the south, the policy was to involve national operators that were allocated smaller-scale Forest Logging Units (FLU).

1.7 From 1990 onwards, the Congo initiated a Tropical Forest Action Plan (PAFT), taking into account new economic and environmental circumstances. The plan was completed in 1997 recommending reformulation of the Forestry Code in line with sustainability principles. This Action Plan served as a reference for the drafting of the new Forestry Code introduced in November 2000.

1.8 The 2000 Law and policies resulting from it are in line with ITTO Objective 2000, founded on the sustainable management of forests for a sustained production of timber and non-timber

products and a greater contribution of the forest sector to socio-economic development. The law established the principle that 60% of wood production should be processed locally. In practice this has not been fully enforced due to the difficulty of encouraging investment in wood processing in the country. Most companies have chosen to pay the financial penalties associated with exporting a larger proportion of their log production.

1.9 The 2000 Law described the role and duties of the Government. It led to a process of institutional reform. The Department of Forestry became the Ministry of Forest Economy, Fishing and Fish Resources (MEF), reflecting the greater policy focus on the forest sector as a means of generating sustainable economic development. The Forestry Law provides for the setting up of a Forestry Fund into which is paid a proportion of the taxes levied in the sector, to be placed at the disposal of the MEF in order to facilitate its operation and consolidate its investments. Various units have been established including: a General Forest Economy Inspectorate responsible for internal audit, inspection and control unit; a National Forest Product Export Control Service; a National Timber Trade Information and Statistics Centre; and a National Inventory and Forest Management Centre (CNI AF). CNI AF is an independent body responsible for all aspects related to forest management plans, supporting the Government and the private sector.

1.10 As part of the restructuring process, the government has sought to increase the rate of taxation on timber companies. In early 2003, the government imposed new surface area taxes on concessions, together with new duties on felling, log exports and conversions. The objectives were to: reduce national debt; increase the inherent value of logs; and assist with state investment in forests. The taxes were pushed through in the face of stiff industry opposition. Industry complained that the increases, which amounted to an effective tripling of previous tax rates, were introduced too rapidly and in breach of existing concession agreements.

1.11 To support the development of the National Forest Product Export Control Service, the government appointed SGS to create and run this service during its start-up. The project physically verifies all exports of forest products (e.g: logs, sawnwood, non-timber products) and

calculates the taxes due. It also provides an analysis of activity in the sector, especially of percentage of local processing of logs into primary wood products, which are subject to quota regulations. Teams of inspectors work throughout the country, mainly at land borders and ports. SGS inspectors do not themselves audit the full chain of custody to forest of origin. However, SGS will inspect relevant transport documents, marking timber products with a coded label which identifies their origin and enables forest production to be estimated. The products are physically inspected for identification purposes and for the verification of quantity and quality, and export and transport documents are systematically checked and analysed. An inspection report, which is used to calculate export taxes, is generated for each export consignment. Statistics of forest product exports are supplied to the government administration on a regular basis.

### **The Forest Sector**

1.12 The forest sector has been transformed since 1998. Five state controlled companies have been taken over by private firms with investments amounting to over FF80 million.

1.13 Productive forest is approximately 50% of the forest resource. The annual sustainable yield is 1.5 million cubic metres in the north and 0.5 million cubic metres in the south west – the two main regions. Sustainable yield exceeds current harvesting rates. By 2000, 8.8 million ha of concessions had been allocated to 40 firms. Expatriate companies accounted for most production. In 2002, WWF/World Bank alliance reported that 3.6 million hectares had inventories completed and 1.7 million hectares had forest management plans. In 2003, ATIBT reported that concessionaires managing around 50% of the surface area of concessions are now involved in sustainable forest management planning.

1.14 There is a clear distinction between the forestry operations in the northern and southern parts of the country. In the north, large areas of mainly undisturbed forest are allocated as FMUs on the basis of strategic inventories. Because concessions can concurrently hold several FMUs, the size of concessions may reach or exceed a million hectares for durations of around fifteen years. There are 11 companies installed in this region (CIB, IFO, SOCALIB, SIAS, TBI, Mokabi, Cristal, ITBL, Likoula

Timber, Thanry, Thanry Congo, Bois et Placages de Lopola). Many of these are European owned and focus on sales to the European market. This region is also the principle source of sawn lumber exported from Congo-Brazzaville.

1.15 The higher rates of tax introduced in early 2003 hit the industry in northern parts of the country particularly hard. Transport conditions from this region are very poor. There is no road linking the northern concessions with the main port at Pointe Noire. These companies rely on the expensive overland route to Douala in Cameroon and on river transportation which is only possibly during eight months of the year. The remote location of the concessions means that transportation cost is estimated to be as high as \$120 per m<sup>3</sup> of wood. One consequence of this has been to focus harvesting (more than 70% by volume) on the two most valuable redwood species in the region: *Entandrophragma cylindricum* (sapelli) and *E. utile* (sipo).

1.16 In contrast, in the south-western part of the country, large areas of forest previously earmarked for development by national companies have now been allocated by direct Presidential decree to larger Asian concerns. In this region, plywood species of okoume and limba predominate. The Malaysian company Taman has made some investments in processing capacity in the region, exporting around 16,000m<sup>3</sup> of veneer per year in 2002 and 2003. In 2002 Taman took over the Congo's veneering company (BOPLAC), the last public forestry firm to be privatised and with it obtained a permit for 413,000 hectares in the southwest of the country. The government has talked of a "major revolution" in the industry that will lead to rapid industrialisation in the south western part of the country.

### **NGO and Private sector initiatives**

1.17 In June 2003, the NGO Global Forest Watch signed an agreement with the MEF to collaborate on a project that will help the government control illegal logging and enforce its forest laws. This project uses satellite images to map all Congo's logging roads, forest titles (forest concessions, community forests, etc.) and protected areas, and compares this data with existing forest legislation. The government is participating in data development and is responsible for building the institutional capacity

to generate and use this data to more efficiently direct enforcement resources on problem areas. The work is being undertaken in collaboration with CNIAF and a local NGO, Club des Amis de l'Environnement (CAE).

1.18 Some large European-owned companies operating in Congo-Brazzaville are members of the Dutch registered "European Foundation for the Preservation of the African Forest Resource", the funding base for the Interafrican Forest Industries Association (IFIA). These companies include Danzer, Trabec, tt Timber International, and Rougier. Established in 1996, the Foundation commits members: to contribute to the economic and social development of the African countries in which they operate; to implement improved management of the forest resource; to encourage local transformation of wood products; to encourage technology transfer; and to provide professional training programmes in African countries. These companies are actively engaged in a process to implement sustainable forest management plans in consultation with national and local administrations. They are developing plans in accordance the requirements of a "Practical Forest Development Plan for Natural African Tropical Production Forests" drawn up by the ATIBT. These companies have been involved in the process to develop FORTRANS, a system for the independent monitoring of conformance with sustainable forest management plans. Foundation members are also encouraged to apply Reduced Impact Logging techniques (RIL), and to promote development of a Pan African Certification system (PAFC).

1.19 No multi-stakeholder national working group on certification has yet been established in Congo Brazzaville. FSC has held discussions on such an initiative, but so far this has not come to fruition due to political and logistical difficulties. However, Congo-Brazzaville has been involved in the process to test national sustainability standards led by the African Timber Organisation and the Centre for International Forestry Research.

1.20 Congolaise Industrielle des Bois (CIB), the largest industrial forest operator in the northern part of the country, announced in March 2004, that it will work with the Tropical Forest Trust (TFT), towards the goal of achieving forest certification according to the FSC standards. CIB officials stated that they are committed to working towards the highest

standards of environmental and social performance in their 1.3 million hectare forest concession (2).

### Opportunities and constraints

1.21 Through the work of the Congo-Brazzaville Government, ITTO, CIFOR, ATIBT, IFIA, Global Forest Watch, SGS and others, the ability of producers to supply legal and sustainable products is improving significantly. However some major obstacles continue to exist.

1.22 In 2001, in their report of a mission to Congo-Brazzaville, ITTO concluded "The political will of the MEF and the Government to retake control of the forest economy and management is unquestionable", and furthermore that "the conditions required to achieve sustainable forest management could be fulfilled." ITTO particularly praised the activities of CIB for initiating social dialogue, for establishing internal rules of conduct and partnerships with government and with an international NGO. Other large operators in the region have subsequently followed this lead.

1.23 ITTO identified key constraints to the achievement of sustainable forest management as: lack of a reliable national land use plan and regional planning systems (including lack of procedures for community consultation); inadequate information on the forest resource; over-complexity of the 2000 Forestry Act; and the fragility of the forest industry.

1.24 The last factor – fragility of the forest industry – was highlighted as a key issue of concern following the recent rises in taxation. Industry groups claim that the scale of the tax rises was such that it led to a reduction in the level of resources that may be devoted to implementation of sustainable forest management plans.

1.25 Other reports suggest that moves to delegate the collection of forest taxes to the provinces (that lack capacity and resources) have tended to undermine supervision and monitoring of operations in the forest.

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***Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at [emily.fripp@btinternet.com](mailto:emily.fripp@btinternet.com)***

(2) Source: Tropical Forest Trust/CIB News Release March 2004.



## Changing International Markets for Timber – What Can African Producers Do

### Producer Country Draft – Gabon

Rupert Oliver & Emily Fripp

#### Introduction

1.1 Timber is Gabon's second largest export (after oil) contributing 15% to foreign exchange earnings. The forest products sector is the second largest employer after the State.

1.2 The total area of tropical forest amounts to around 21.3 million hectares, of which less than 2 million hectares is classed as secondary forest or fallows. A large part of forest area is unexploited and relatively inaccessible. Around 16 million hectares is classified by the environmental group Global Forest Watch as "large areas in low access tracts" defined as forest areas at least 2 kilometers (km) from public roads and in contiguous blocks of at least 1,000 km<sup>2</sup>.

1.3 With a per capita forest area of over 18 hectares, the pressure of population on the forest resource is significantly less in Gabon than in most other African timber supplying countries. This is particularly true, given that Gabon is relatively wealthy and has a higher proportion of population in urban areas than in other countries in the region.

#### Overview of the Market & Trade

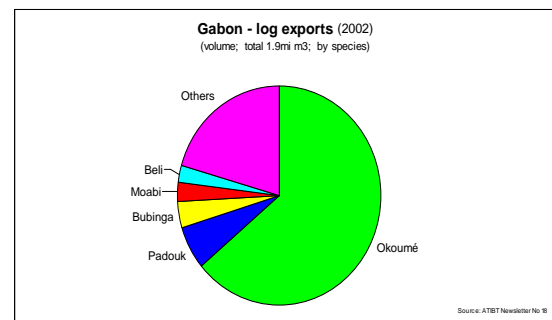
1.4 Major trends in the Gabon wood products trade are summarised as follows:

- The industry is heavily focused on okoume (Figure 1), used mainly for the manufacture of plywood. In 2003, Gabon exported 1.72 million 3 of logs,



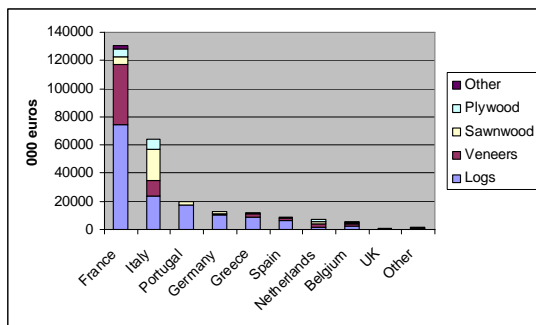
or which 1.10 million m<sup>3</sup> comprised okoume. China accounted for 0.73 million m<sup>3</sup> (66%) of Gabon's okoume log exports in 2003.

**Figure 1: Gabon's log exports by Species**



- In recent years, log exports from Gabon have been falling by around 10-15% annually. Indications are that the decline in log exports accelerated during 2004.
- One reason for the decline is the development of the domestic wood-processing industry, which is consuming ever-increasing volumes of logs. Gabon's exports of sawn timber and rotary veneers have tended to rise in recent years, although not to such an extent that they compensate in volume terms for the decline in log exports. In 2003, Gabon exported 92,000 m<sup>3</sup> of sawn lumber, 195,000 m<sup>3</sup> of veneer and 30,000 m<sup>3</sup> of plywood.

**Figure 2: Imports of wood products by the EU-25 from Gabon**



- More significant reasons for the decline in log exports are: long term contraction in the EU market for okoume logs; volatility in the Chinese market; the opening up of new concessions in the southern part of Congo-Brazzaville providing a cheaper source of okoume; and exchange rate factors.
- While Gabon exports to China increased dramatically at the end of the 1990s, peaking at over 1 million m<sup>3</sup> in 2000, they have tended to decline since then. In 2004, China's imports of Gabon logs reached 632,000 m<sup>3</sup>. A combination of factors, including the strong euro, EU restrictions on imports of Chinese okoume plywood, declining log availability and freight problems, have encouraged Chinese importers to switch away from Gabon in recent years.
- Despite the increase in trade with China, the EU remains a key export market for Gabon wood products (figure 2) absorbing product with a total (cif) value of 262 million euro in 2004. France, Italy and Portugal accounted for 50%, 25% and 7% of this value respectively, with most the remainder destined for Germany, Greece and Spain.
- EU imports of logs from Gabon are gradually declining, a trend partly compensated by rising imports of veneer and sawn lumber. Most veneers are destined for the French plywood sector. Italy has become by far the largest market for Gabon sawn lumber.

## Regulation and Control

1.5 Of Gabon's 21 million hectares of rainforest, around 10 million hectares are allocated as concessions for commercial timber production. Concessions are currently issued by negotiated contract, but this system is now subject to reform.

1.6 A new Forest Code, elaborated in consultation with the forest sector was adopted in December 2001. It is intended to be fully implemented from 2005 onwards. Under the Code, logging permits will be granted for between 20 and 40 years through a public auction system linked to assessment of the financial and technical capacity of the company. The maximum size of permits will be for 600,000 hectares, which is considered more appropriate to meet technical sustainable forest management objectives than the previous 200,000 hectare limit.

1.7 In August 2004, the Gabon government announced a moratorium on the issue of forestry permits under the previous system and the launch of a pilot test for the allocation of forestry concessions by auction. In the interests of transparency, the government also announced that the list of existing forestry permit holders and basic information about them, already available to the public, will be made more accessible for easy consultation

1.8 Under the new concession allocation system, management plans must be submitted and approved within three years for all logging operations. Other measures provided for under the 2001 Forest Code include: the establishment of a National Forest Fund to maintain sustainable management practices; classification of most of the forest area into distinct production forests and protected areas; the demarcation of certain forest areas as rural forests, reserved for rural communities who can obtain revenues either by logging themselves or by renting out to logging companies.

1.9 To date, sustainable forest management plans have been prepared for around 3 million hectares (30%) of the concession area. Plans covering 1.8 million hectares have been approved by the Gabon forestry authorities.

1.10 Introduction of the Forest Code coincided with the introduction of major fiscal changes in November 2001 with the aim of

generating greater tax income from the forest sector. A new surface area tax of 1000 FCFA per hectare was introduced to be applied to all forest holdings. The export tax on sawn lumber was increased from 15% to 20%. There was also a change in the method of calculating the felling tax so that it now depends on exploitable forest area rather than the actual harvestable volume.

1.11 The 2001 Forest Code also obliges concessionaires to progressively increase the proportion of logs processed domestically. Concessionaires that develop processing capacity in Gabon now benefit from a reduction in the level of tax imposed per hectare of concession. Gabon intends to introduce a log export quota system, similar to that in Cameroon, from January 2006 after an introductory period starting in mid 2005.

1.12 To ensure effective enforcement, the Gabon authorities will withdraw logging permits from concessionaires that do not comply with the tax obligations

1.13 In December 2004, the Government announced that SNBG, the state controlled organisation that holds a monopoly in the nation's okoume and ozigo log trade, would lose this monopoly from 1 January 2006. SNBG is to be restructured during a transitional period in 2005 with the aim of significantly reducing costs. After January 2006, exporters will be free to sell okoume and ozigo directly into overseas markets. SNBG will be transformed into a private company trading timber and processed wood. SNBG technical department which is responsible for control log of measurement and quality will be transferred to government.

1.14 Between 1993 and 2002, Gabon benefited from a Forestry and Environment Project funded by the World Bank which aimed to strengthen the forestry sector, specifically to enable it to play a greater role in promoting national economic development. The project involved pilot development of sustainable management plans, building of monitoring and enforcement capacity, and Ministries of Waters and Forestry (MEF) and of Environment, Tourism and National Parks (METPN). More recently, a multi-donor Forestry Environment Sectoral Programme (PSFE) has been established with an estimated cost of sixty two million US\$ to improve coordination in

implementing the National Forestry Plan. The programme provides support to local industry, improvements in management planning, and promotion of certification. In addition, the EU's ECOFAC project continues to operate in the Lopé Reserve.

## **The Forest Sector**

1.15 Current commercial harvesting levels – believed to be around 2.5 million m<sup>3</sup> per annum during the last 4 years - are generally considered to be below the forests long term sustainable potential. However harvesting is concentrated on a limited range of commercially valuable species – particularly okoume. Therefore, maintenance of current production levels into the future is likely to depend on utilisation of a wider range of species.

1.16 Log extraction in the country has tended to fall in recent years in response to tightening enforcement, greatly increased tax levels, and financial problems at SNBG. Short-term log harvesting and export levels are strongly influenced by market conditions for plywood and rotary veneer.

1.17 Production of sawn timber, rotary veneers and plywood in Gabon is now estimated to be in the region of 500,000m<sup>3</sup> per annum, roughly equal to one quarter of total production. This is a significant increase on capacity levels prevailing at the end of the 1990s. However as in other tropical African countries, inward investment has focused almost exclusively on primary wood processing, particularly peeling facilities, with very limited development of secondary processing. Secondary processed products are estimated to account for less than 1% of all wood products exports.

1.18 Despite the ready availability of appropriate wood raw material, even the plywood sector is not well developed. In 2003, Gabon exported only 30,000 m<sup>3</sup> of plywood, compared to 195,000 m<sup>3</sup> of veneer. Plywood manufactured in tropical Africa has always struggled to compete against Asian and Brazilian alternatives.

1.19 However, okoume lumber sawn in Gabon has been gradually gaining market share in parts of southern Europe. Gabon now exports around 100,000 m<sup>3</sup> of sawn lumber annually.

1.20 Rougier reports that they are opening a new processing facility in Franceville Gabon in early 2005.

### Private sector initiatives

1.21 Moves towards forest certification have probably progressed further in Gabon than in any other country in Central Africa. A final set of sustainable forestry principles, criteria and indicators have been evolved from the ATO/ITTO criteria by a multi-stakeholder National Working Group. Concessionaries in Gabon are already implementing forest management plans in accordance with these national principles.

1.22 Around 1.5 million hectares (50%) of areas covered by sustainable forest management plans in Gabon are already independently certified to ISO14001 and, following an audit by DNV-France, are recognised by the Dutch Keurhout Scheme. This area includes 615,000 hectares managed by Thanry-CIB, 577,000 hectares managed by LeRoy, and 788,000 hectares managed by Rougier. The first two of these areas are currently the subject of reassessment by Keurhout.

1.23 A meeting was convened in Gabon on 1 October 2004 to launch a Pan African Forest Certification (PAFC) association for Gabon, which would eventually be in a position to receive endorsement by the PEFC. PAFC national associations would develop forest certification standards in conformance with the African Timber Organisation/International Tropical Timber Organisation (ATO/ITTO) criteria for sustainable forest management. Development of a national PAFC-Gabon certification framework in accordance with the PEFC principles is now widely seen in Gabon as the best way of achieving international recognition of these efforts.

### Opportunities and Limitations

1.24 There remain some significant obstacles to the development of independent legality verification procedures and forest certification in Gabon. These include:

- China is a significant buyer of Gabon's exports of logs. This has two implications: it hinders the processing opportunities for Gabon and while

there is a large buyer which does not require SFM or certification, it limits the incentive to adopt such sustainable management practices.

- to date, the government has failed to maximise potential returns from the forest sector, mainly through lack of development of value-adding industries. This has acted as an obstacle to improved financing of sustainable forest sector development.
- difficulties exist in ensuring adequate community involvement in developing national standards and in managing the bush meat trade.
- as in many other African countries, national technical and institutional capacity to implement independent legality verification and forest certification is still insufficient.

1.25 On the other hand, various factors indicate that good prospects for development of credible systems of independent legality verification and certification. These factors include:

- evidence of strong government commitment to the forest reform process. An IMF report published in December 2004 noted that "The reforms in the forestry sector are progressing well".
- the development of a national standard for sustainability.
- implementation of this standard by forest concessionaires.
- ISO14001 and Keurhout recognition for a number of forest concessionaires.
- the early emergence of institutions in Gabon promoting development of a PAFC scheme

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***Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at [emily.fripp@btinternet.com](mailto:emily.fripp@btinternet.com)***

## Changing International Markets for Timber – What Can African Producers Do

### Producer Country Draft – Ghana

Rupert Oliver, Emily Fripp and Gene Birikorang



#### Introduction

1.1 Ghana has a land area of 22.7 million hectares and a forest cover of 28 percent with a deforestation rate of 1.72 percent (FAO 1999).

1.2 Despite the rich endowment with natural resources, Ghana continues to rely largely on international financial assistance. The country depends mainly on gold, timber and cocoa as major foreign exchange earners.

1.3 Official figures suggest that forestry contributes 4% to national tax revenue. However this figure underestimates the wider contribution of forestry to the national economy, including the provision of livelihoods in rural areas, and environmental services.

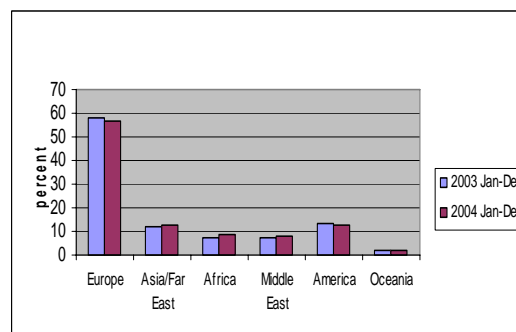
#### Overview of the Market & Trade

1.4 Ghana earned Euro 170.5 million from the export of 455,000 m<sup>3</sup> of wood products during 2004 compared to Euro 163 million from 444,000 m<sup>3</sup> of wood exports in 2003, thus registering increases of 4.6% and 2.4% in value and volume respectively during 2004.

1.5 Having banned the export of logs, and benefiting from relatively good transport links and a politically stable environment, Ghana has progressed further than many other African nations to develop value-added industries. Of the total value for 2004, tertiary products accounted for euro 27

million in 2004 (up from Euro 23 million in 2003). Tertiary products include mouldings, flooring, furniture parts, profile boards, dowels, broomsticks, and sleepers. Secondary products fetched a total of Euro 143 million in 2004 (compared to Euro 140 million in 2003). Secondary products are taken to include sawn lumber, plywood and veneers.

**Figure 1: % value of Ghana exports by region**



1.6 Wawa is now Ghana's dominant export species, earning Euro 29.6 million in 2004 (down 6% from Euro 31.5 in 2003). Ceiba is the second largest export species accounting for 124,600 m<sup>3</sup> in 2004. Asanfina, Koto/Kyere, Ofram, Teak, Mahogany, Niangon, Papao/Apa and Odum head a pack of around 50 other species exported on a regular basis.

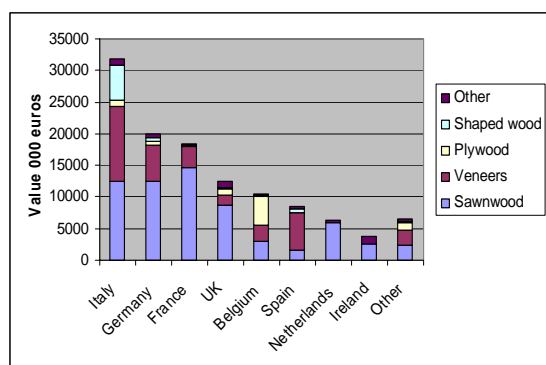
1.7 Plantation timber species such as teak, Cedrella, Gmelina and Rose Wood (Kpatro) have

become more important to the export trade in recent years, supplementing timber from natural forest.

1.8 Countries in the EU continue to be Ghana's major wood trading partners (see Figure 1). Europe accounted for 53% and 56% in volume and value respectively of total wood exports during 2004. Key markets include Italy, Germany, the United Kingdom, France, Belgium and Spain.

1.9 EU-25 import data (see Figure 2) indicates that European trade with Ghana is dominated by sawn lumber and veneer. In value terms Italy was the leading market for Ghanaian wood products in Europe during 2004, mainly due to its role as the largest importer of veneer and mouldings from Ghana. France, Germany and the UK are the leading EU importers of sawn lumber from Ghana. Belgium is by far the largest EU market for Ghanaian plywood.

**Figure 2: Imports of wood products into the EU-25 from Ghana**



## Regulation and Control

1.10 Ghana has 266 permanent forest reserves, 216 of which occupy 1,634,100 hectares in the high forest zone (Hawthorne and Abu-Juam 1995). The forest reserves were originally established to promote ecological stability while seeking to guarantee the flow of goods and services for socio-economic development. In 1993, it was estimated that there were 400,000 hectares of forest outside the reserves. These "off-reserve" forest areas have provided a significant source of timber in the past, but are now under intense deforestation pressure.

1.11 Based on the national forest inventory, undertaken since 1986, forest reserves have been classified into distinct areas depending on forest condition. (Ghartey, 1989; Wong, 1989). Around 32% of the area is in a degraded state and is subject to rehabilitation measures, either re-establishment through natural regeneration, or conversion to timber plantations.

1.12 Harvest levels in Ghana are regulated through an Annual Allowable Cut. This is set each year by the Forest Services Division of the Forestry Commission as a target for national harvesting. It had a nominal value of 1,000,000m<sup>3</sup> until 2002 when it was raised to 1,400,000 m<sup>3</sup>. The increase - which is entirely focused on the off-reserve areas - was in response to rising demand for logs from domestic processing facilities, particularly for conversion to lumber and plywood.

1.13 In 1996, the Government of Ghana launched a Forestry Development Master Plan (FDMP) spanning a period of fourteen years (1996 - 2020). The FDMP was to guide the implementation of an earlier launched (1994) document, the National Forest and Wildlife Policy. The Policy had the following key objectives: management and enhancement of Ghana's permanent estate of forest and wildlife resources; promotion of viable and efficient forest-based industries, particularly value-added processing; promotion of public awareness and involvement of rural people in forestry and wildlife conservation; promotion of research-based and technology-led forestry and wildlife management; and development of effective capacity for sustainable management of forest and wildlife resources.

1.14 Government efforts to implement the FDMP have been supported by a multi-donor programme called the Natural Resources Management Programme (NRMP). The second phase of this programme began in May 2000 and was scheduled to finish in April 2005. The major focus has been on institutional strengthening and capacity building.

1.15 The Ministry of Lands and Forestry is responsible for policy development, while the executive agency is the Forestry Commission (FC). The FC is mandated to regulate and manage the utilisation of forestry and wildlife resources. The Divisions of the Forestry Commission are funded largely by royalty payments and a 2% levy on the value of exports.

1.16 A major outcome of the FDMP was the 1998 Timber Resources Management Act (Act 547), now the main piece of legislation governing the use of forest resources. Act 547 provided for the introduction of "Timber Utilisation Contracts" (TUCs), a new auction process for concession allocation. It also provided for an amended stumpage fee system, the annual Timber Rights Fee (TRF). The new system ensures transparent allocation and increased payment of fees. Competitive bidding has replaced the old discretionary and administrative system of allocation.

1.17 Technical and political problems led to a delay in the introduction of TUCs. Public bidding for timber rights in plantations began in late 2003 and natural forests in 2004. In September 2004, FC reported that 28 concessions, thirteen in Forest Reserves and fifteen outside forest reserves had so far been assigned under TUCs. Another 41 concessions have yet to be allocated under the system.

1.18 Introduction of TUCs has had a number of positive consequences. Bidding prices offered by the industry for TUCs have been well above prices elicited from the industry under previous arrangements. TUCs also provide a mechanism to impose a strict forest management regime on concessionaires. TUCs require professional forestry plans to be created for official approval. There are requirements for minimising impacts on forests and the environment, covering such aspects as conservation of wildlife, water courses and soils on steep slopes, and recognition of local community rights. To help ensure that forest operations contribute to poverty alleviation, TUCs require concessionaires to formalise their social responsibilities through Social Responsibility Agreements (SRA).

1.19 Another outcome of the FDMP has been a major revision of stumpage fees. Stumpage fees are being gradually revised from US\$3 per m<sup>3</sup> in 2002 back to their 1997 level of US\$12 per m<sup>3</sup>. The rise in fees is designed to ensure long-term sustainable financing of the FC and more revenue for forest owners.

1.20 In recent years, the FC has implemented various measures with the aim of improving stakeholder participation in forest policy formulation and planning. In District offices, it has appointed Customer Service Officers responsible for coordinating and facilitating service delivery. It has established community forest committees (CFCs) and a Forest Fora Network at district and national level to strengthen civil society participation. A Civil Society Strengthening Facility (CSSF) was established in late 2003 to strengthen further this broad engagement.

1.21 FC is embarking on a comprehensive review of its timber flow audit systems – currently paper based. A “Validation Of Legal Timber Programme” (VLTP) programme has been developed to strengthen FC capacity to monitor logging and wood processing industries. The Government of Ghana is investing US\$4 million to develop the new system. The work programme recognises the need to involve independent third parties. It includes development of a definition of legality; preparation of a set of principles for verification of origin and

legality; and a full review of the existing regulatory framework.

1.22 Work on this programme is already underway. The DFID funded GLFPSF (Ghana Land and Forestry Project Support Facility) commissioned CARE International in Ghana to study the feasibility of a new “definition of legality”. A Final Draft Report titled “Moving Ghana to Legal Timber” was published in December 2004. It proposes Principles, Criteria and Indicators of Timber Legality. It also recommends legislative reform to be conducted as a parallel process to implementation of legality verification procedures.

1.23 Ghana is expected to volunteer (alongside Cameroon, Indonesia, Malaysia etc) to be one of the first countries to partner the EU in a Voluntary Partnership Agreement (VPA). Negotiations are set to begin in 2005.

### **The Forest Sector**

1.24 Over-capacity is a daunting problem in the wood processing industry. A 2003 DFID report stated that “It is very clear that the resource base is insufficient to meet the present capacity in the wood sector. In fact, current exploitation is estimated at being four to five times the level of sustainable supply.” The government faces a difficult political challenge to balance the economic needs of mainly rural populations that rely on the wood processing industry, with the need to reduce capacity so that it better reflects long term sustainable supply.

1.25 Timber Utilization Contracts are a key tool in efforts to overcome the problem of over-capacity. Competitive bidding is providing an objective and politically less costly means of gradually rightsizing the industry. Competitive bidding means that the most efficient and competitive firms have the best of chance of surviving. The industry is responding to signs of tightening log supply and more stringent allocation of resources through introduction of measures to improve processing efficiency.

1.26 The wood industry is largely made up of sawmills whose numbers are presently consolidating from some 100 to about 70. There are 23 veneer and plywood producers, and around 150 tertiary manufacturers. The informal sector is thought to account for some 6,000 tertiary enterprises.

1.27 Wood processing companies that have integrated wood processing with logging activities now account for around 95% of the logs harvested in Ghana. Around 30% of wood processing companies also harvest logs. There are some 70 small-scale harvesters without processing facilities that now control only 5% of the domestic log market.

1.28 The wood trade is heavily concentrated in around 20 leading companies which account for about 60% of total export earnings. Their average export earnings amount to some US\$6,000,000 compared with the average of another 200 exporters of US\$680,000.

1.29 The size of tertiary producers varies from under US\$100,000 turnover to US\$12,000,000 in the case of one leading exporter.

### **Private sector initiatives**

1.30 Ghana was an early mover in efforts to develop forest certification. A set of draft certification standards were field tested as early as 1996 with support from the UK's Natural Resources Institute. The work culminated in a "Draft of a field standard and checklist for forest certification in Ghana" containing over a hundred indicators of good forest practices (Ghana Gazette 2000a, b). Discussions in Ghana on the further development of certification have become closely tied to implementation of TUCs and the Validation of Legal Timber Programme.

1.31 In a separate initiative during early 2005, the WWF and Friends of the Earth (FoE) signed an agreement with Samartex Timber and Plywood Co. Ltd. to promote work towards eventual FSC certification of forest concessions managed by the company. Samartex has agreed to implement a moratorium on logging in primary forests; develop plans for providing benefits to the communities that own Samartex-managed concessions; and achieve certification to FSC standards in 2007. Samartex is a vertically-integrated company with timber harvesting and sawmill operations and which manages 159,000 hectares in western Ghana.

1.32 The agreement makes Samartex the inaugural participant of the Ghana Forest & Trade Network, a part of WWF's Global Forest & Trade Network (GFTN). The Ghana Network is managed by FoE in partnership with WWF and was established with, and receives support from DFID and US Agency for International Development (USAID). A number of other Ghanaian companies in addition to Samartex have applied to join.

### **Constraints and opportunities**

1.33 Major institutional innovations have significantly improved Ghana's capacity to enforce regulations and implement sustainable forestry practices in the last three years. These include: introduction of competitive bidding for timber utilisation; increase in stumpage prices to improve funding for sustainable forestry; work to develop a new log-tracking system; improvement of benefit sharing mechanisms; and the establishment of

forestry Customer Service Centres and Forest Fora in many districts.

1.34 There are now good structures to enable dialogue and debate between stakeholders at many levels. Many of the gaps in the system are well known and being addressed.

1.35 However, there are continuing constraints to implementation of legality verification and certification including:

- At present TUCs still only apply to a proportion of the national forest area. It is anticipated that the government's commitment to convert timber leases to TUCs – recently announced in the 2005 Annual Budget - will overcome this constraint.
- Policy and institutional development are well catered for in Ghana. However, implementation of policy and the enforcement of regulations in the forest is problematic due in part to insufficient capacity and incentives of staff.
- Population pressure combined with over-capacity in the industry continues to drive deforestation and illegal logging activity. The latter may be in the form of: logs that are supplied illegally to industrial sawmills; or logs cut in the forest with chainsaws (contrary to the ban on chainsaw operations) and supplied directly to the domestic market for tertiary processing.
- Reports of widespread job losses in the wood industry raise questions over the financial capacity of large sections of the industry to participate in legality verification and certification.

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***Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at [emily.fripp@btinternet.com](mailto:emily.fripp@btinternet.com)***