

Forest Law Enforcement, Governance and Trade (FLEGT) in Cameroon: Private Sector Incentives for Successful VPA Implementation

Sophia Carodenuto¹ and Paolo Omar Cerutti²

¹ Center for International Forestry Research (CIFOR) and UNIQUE Forestry and Landuse

² Center for International Forestry Research (CIFOR)

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1. Introduction

Illegal forest activities (IFAs) in tropical countries exemplify the complexity and urgency of modern-day environmental governance (Brown et al. 2002). Broadly defined, IFAs include illegal timber harvesting, tax evasion along the supply chain, infringement on the rights of local forest communities, misclassification of ecologically threatened species and political and administrative corruption (Contreras-Hermosilla 2001; Tacconi 2007). IFAs also threaten global forest resources (Brack 2003), which play a critical role in the global economy and must be part of efforts to promote sustainable development and reduce poverty (UNEP 2011). Although activities classified as illegal may also provide livelihood staples to local forest communities (e.g. Wit *et al.* 2010), in general they carry a negative connotation with regards to their economic, social and ecological impacts. Therefore, the international community continues to fight IFAs with vigor and hefty donor funding.

Among the negative consequences of IFAs is a distortion of timber markets and the resulting reduction in forest legality compliance incentives for private timber operators (Contreras-Hermosilla 2001; Brack 2003; Ramcilovic-Suominen & Epstein 2012). Poor forest governance and deficient law enforcement in tropical timber-producing countries further skews the incentive structure towards non-compliance (Contreras-Hermosilla et al. 2007). The European Union's (EU) Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan seeks to rectify these market failures by enacting demand and supply side measures that encourage investment in legal and sustainable forest management. Since March 2013, the FLEGT Timber Regulation (EUTR) requires European timber operators to demonstrate due diligence in assessing the legality of their imports. On the supply side, Voluntary Partnership Agreements (VPAs) combat IFAs through a range of measures aimed at improving forest governance such as support to civil society for independent forest monitoring, capacity building for forest ministry officials and public awareness-raising regarding the importance of reducing IFAs. VPA countries also design and implement national timber legality assurance systems (LAS) that verify the legality of all pertinent wood products. Once operational, the LAS will allow forest enterprises exporting timber from VPA countries to receive FLEGT licenses, thereby granting them automatic access to EU markets. Assuming FLEGT, and the VPA specifically, incentivizes private, export-related, forest operators to comply with forest regulations, this paper questions how these incentives might also work on other, non-export oriented operators.

This paper builds on previous considerations that new regimes, including FLEGT, governing the forest sector in tropical timber producing countries may engender further power concentration of already dominant large concession groupings and potentially further marginalize smaller forestry enterprises, often operating informally (Karsenty 2007; Elson 2008; Brown 2009; Schreckenberg & Bird 2009). The high upfront investments required for forestry in most tropical forest contexts favors economies of scale. As a result, the forest sectors of many tropical timber-exporting VPA countries are characterized by large-scale industrial timber production, with small-scale logging becoming prevalent only in the past decades with the wide-spread availability of lower-cost timber

harvesting and transformation technologies, such as chain- and mobile-saws (Wit et al. 2010). The historical influence of external capital for forestry investments underpins the contemporary power dynamics inherent to the forestry sectors of many VPA countries, especially those in the Congo Basin (Karsenty 2007). In this context, it has been argued that increasingly stringent environmental norms, including the need to verify legality compliance, favors the long-standing, export-oriented, and vertically-integrated timber industry while pushing the already fragmented small and medium forestry sub-sector increasingly towards informality and resultantly more subject to administrative hassles (Karsenty 2007; Cerutti & Lescuyer 2011). This is because very large foreign-owned companies generally have relatively more disposable assets and political clout to better cope with new standards while national small-scale companies are more prone to avoid the costly changes that would be required under increased law enforcement (Eba'a Atyi 2009). The reasoning behind the choice to investigate these potential trends is because Cameroon's VPA, now signed and ratified, has the stated objective of creating and encouraging economic opportunities for resident local communities and local enterprises (ROC & EU 2010, p. 9). The question of whether legality verification through VPA implementation could benefit the business of small and medium nationally-owned forest enterprises thus is fundamental for the success of Cameroon's VPA in meeting its objectives, which go beyond ensuring that all imports to the EU are legal (EFI 2008).

Although VPAs are bilateral trade agreements between the EU and their timber supply countries, most VPA countries in Africa extended the applicability of their LAS to cover the entire national timber production, including timber harvested, traded and sold on the domestic market by thousands of individual or small-scale chainsaw logging enterprises. This should render the LAS more credible, as an increasing number of studies show that the majority of illegal timber produced in VPA countries is traded informally on domestic and regional markets (Lawson & MacFaul 2010; Hansen et al. 2012; Cerutti et al. 2013). In many VPA countries, including Cameroon, the amount of timber traded domestically roughly equals in volume to that which is exported (Wit et al. 2010; Cerutti & Lescuyer 2011; Hansen et al. 2012).

As VPAs are very recent, there is a dearth of detailed empirical research on the potential or actual impacts of their implementation. No VPA has been implemented thus far, and existing research regarding long-term impacts is speculative or relates to the processes preceding legality verification, e.g. multi-stakeholder consultations and bilateral negotiations. This paper falls under the former 'speculative' category and gives voice to the diversity of private timber operators representing different segments of the sector whose opinions and perspectives are not often compared. The research objective is to better understand how the private sector perceives the changes foreseen by VPA implementation, as well as the benefits and drawbacks of sector-wide legality verification and/or individual proof of compliance. Further, the information gathered during the interviews seeks to shed light on the concentration/fragmentation argument introduced above with regards to Cameroon's forest sector. We argue that such empirical research should

accompany the VPA implementation process in order to provide feedback to the FLEGT policy process regarding how the potential legality compliance incentives resulting from market, trade and governance reform are understood by forest users.

VPA discussions have been initiated with countries considered prone to low levels of forest law compliance (SCA and WRI 2004), and are currently being negotiated or implemented in several countries. As of March 2014 Ghana, Cameroon, Central African Republic, Republic of Congo and Indonesia had signed and ratified VPAs, although none of these countries had yet delivered a FLEGT license. Within Central Africa – the region with the highest number of initiated and ratified VPAs – Cameroon is a relevant case study due to its high rates of illegal logging (Indufor 2004; Lawson & McFaul 2010), its recognition as being Africa's largest exporter of tropical hardwoods to the EU (EFI 2014) and the large number of people involved in domestically-oriented timber harvesting (Cerutti & Lescuyer 2011).

Moreover, Cameroon was chosen as a country case study as its forestry sector is illustrative of many other countries currently implementing, or discussing, VPAs. First, Cameroon's legal framework has been used as a model for many countries of the Congo Basin, including the Republic of the Congo and the Central African Republic where VPAs are being implemented. Second, Cameroon has very developed and active formal and informal forestry sectors, in common with other countries in the Congo Basin but also in West Africa, such as Ghana, the first country to sign a VPA. Third, also in common with all other VPA countries, Cameroon's forestry sector has a broad socioeconomic spectrum, which ranges from multi-national companies operating in multiple forest concessions to individual or small-scale chainsaw logging enterprises operating haphazardly.

When operational, the Cameroonian LAS, as envisaged by the current VPA ratified in 2011, will be able to produce a FLEGT license for any product destined for the EU market at the point of export. However, according to the VPA, the LAS should be able to produce this license for all timber circulating in Cameroon, including timber circulating on the domestic sector (ROC & EU Annex III-A, pp. 65-81). Although the inclusion of the domestic market is considered fundamental for the integrity of the LAS (Lawson & MacFaul 2010), this has proven highly challenging and LAS implementation is currently focused on timber destined for export.

The next section provides further background to Cameroon's forest sector in order to give readers a better understanding of what is at stake with VPA implementation. In line with the research design, the private sector's structure is laid out in generalized actor groups. Section 3 describes the research methods applied and Section 4 reveals the results. The discussion gives further meaning to what was shared during the interviews. Finally, we conclude with how we hope this research can provide insights related to the concentration/fragmentation argument mentioned above and the implications of this for policy makers.

2 Cameroon's Forestry Sector

Cameroon has about 20 million hectares of dense forests, which covers roughly 40 percent total land cover (Ernst et al. 2010, p. 29). The densest and most expansive continuous rainforest zones are located in the sparsely populated lowland east and south regions, where the majority of timber exploitation takes place. Forests are governed by federal legislation and the law enforcement agency is the Ministry of Forests and Wildlife (hereafter the Ministry). The forest legal framework has undergone several externally driven reforms, exemplified by the law of 1994, which has a strong focus on forest management and a larger contribution to the national budget (ROC 1994; Topa et al. 2009). Both objectives, however, specifically targeted the large-scale, export-oriented industrial forestry sector, while the domestic sector, which includes smallholders, small-scale chainsaw loggers, and traders, has remained very much neglected by the new legal framework over the last two decades (Cerutti et al. 2013).

Although recent studies suggest the perceived rates of illegal logging have fallen considerably in the past decade due in part to the international response to illegal logging, much room for improvement remains. This includes monitoring forest management in large-scale industrial logging concessions, as well as tracking timber from both industrial and artisanal logging and tackling bad governance at the national level (Cerutti et al. 2013; Lawson & MacFaul 2010). Thus, VPA implementation should imply significant changes to the private forestry sector's business as usual.

Cameroon's private forestry sector encompasses a multitude of actors whose activities vary greatly in nature and scale of operation (Karsenty 2007; Cerutti et al. 2008). The large-scale, export-oriented industrial timber sector is highly concentrated in a handful of international corporate conglomerates that integrate timber harvesting, processing and transport in their activities (Hardin 2002; Mbatu 2009; Eba'a Atyi 2009). This sector works mainly through logging concessions, although sales of standing volume (SSV) and other small forest titles also supply industrial saw mills. Fewer than 20 companies generate more than 80 percent of national timber production (Fometé & Cerutti 2009), which over the last decade has been of about two millions cubic meters of timber (roundwood equivalent) annually. The formal sector employs about 13,000 workers (Topa et al. 2009). According to official figures, 85 percent of Cameroon's commercial timber (i.e. excluding the informal sector) comes from forest concessions operated by about 65 companies under officially approved management plans. Forestry Stewardship Council (FSC) is the sustainability certification most prevalent in Cameroon and the country currently holds five FSC certificates (FSC 2013).

Another dynamic and relatively unexplored part of Cameroon's forestry sector is comprised of individual or small forest enterprises largely working with chainsaws or mobile saws and serving domestic and regional markets (Cerutti & Lescuyer 2011). This so-called "informal" timber production has been growing rapidly over the last decade, in line with population growth, rising demand on urban markets, declining local purchasing power and low operation costs of

chainsaw milling (CSM). Local timber production, transport and trade function largely outside the law, partially due to inappropriate or nonexistent legal frameworks, and partially due to powerful vested interests of state and army officials (Cerutti et al. 2013). Recent estimates suggest the combined production of the informal sector roughly equals that of the industrial sector's annual production volume, with two million cubic meters round-wood equivalent produced in 2009-2010 (Cerutti & Lescuyer 2011). Compounded with the local timber trade, CSM and related activities contribute significantly to Cameroon's informal economy and provide jobs for some 45,000 people. Moreover, the sector contributes to the livelihood of many of the country's most disadvantaged demographic groups (Pye-Smith 2010; Lescuyer et al. 2010).

This research defines the private forestry sector as being comprised of any entity – individual or group – involved in a forestry-related profit-seeking business, whether it is timber extraction, processing or trade. This excludes those who exploit forest resources for personal consumption. As explained above, VPA implementation should affect forestry activities at all levels: from multi-national corporations supplying sensitive export markets to small-scale timber operators largely trading on local and regional markets.

3. Methods

The following analytical steps were employed during the research period spent in Cameroon from September 2011 to March 2012. After a literature review of the forestry sector and identification of the research question, and the finding that the former could be divided into interlinked but clearly separated 'categories' (e.g. *Ministère de l'Économie et des Finances* 2006), a typology of the private sector was developed according to the enterprise's ownership (national or international), market served (domestic or export) and existence of FSC certification. Based on three sets of criteria, we interviewed as broad a variety of operators as possible. The criteria were: (i) scope of timber market (domestic versus international sales); (ii) ownership of enterprise (having national versus international assets); (iii) FSC certification (FSC certified or non-FSC certified). Twenty-four private timber operators were selected for semi-structured interviews.

Respondents representing international companies were selected by calling or e-mailing companies in the *Groupement de la Filière Bois au Cameroun*, a private syndicate whose members represent 75% of the formal forestry sector. Small-scale respondents were initially selected from a list made available by one of the authors based on previous research on the small-scale sector in Cameroon (Cerutti & Lescuyer 2011). During data collection, snowball sampling was used to gain access to further small and medium scale operators.

The interviews examined perceptions and awareness levels of FLEGT, surveyed any initial changes induced by VPA implementation and gathered information regarding the expected benefits associated with VPA implementation. The interview guideline included four themes: (1) awareness and understanding of FLEGT; (2) motivation for existing or potential involvement with VPA or other legal timber harvesting and supply chain initiatives; (3) attitude toward

FLEGT/VPA objectives, i.e. optimism or skepticism regarding impact of VPA; and (4) reasons for beliefs/perceptions shared. Flexibility during the interviews allowed for additional topics to be covered if the interviewees felt strongly about certain issues. If interviewees were not aware of the FLEGT initiative, they were briefly informed about FLEGT in the most objective way possible by offering official Government informative brochures regarding the VPA so as to minimize influence on the respondent with regards to expected benefits.

Except for two instances where informants or the researcher were uncomfortable with audio recording, all interviews were fully recorded and transcribed; analysis was facilitated by MaxQDA qualitative data analysis software (Creswell 2007). Transcripts were read with the goal of identifying the perceived benefits of VPA implementation according to each informant, and thus their corresponding actor group. Phrases and sections conveying similar ideas were sorted together in order to create thematic groups of main benefits. Through an iterative process, the key benefits identified were refined and redefined until all main messages conveyed had been accounted for (Mason 2002).

The methods chosen have certain inherent limits. This paper is based largely on the attitudes and views of Cameroon's private forestry sector and the validity of all statements was not checked in a systematic way. Thus, it is outside the scope of the paper to have an in-depth discussion of perceived versus actual benefits accompanying the VPA. However, the results and ensuing discussion were triangulated with existing topical literature when possible and discussed with sector experts for comprehension and plausibility. The choice to record all interviews entails an accepted degree of risk that the authenticity or comprehensiveness of responses is lacking due to the sensitivity of the subject of inquiry (i.e. illegal logging, corruption, etc.). It was especially difficult to access domestic sector actors in a non-imposing way that would allow for audio recording of the interviews. Furthermore, for nearly all interviews it was the first meeting between researcher and informant, possibly resulting in low trust levels. Given the research subject of illegal logging, an important drawback of the research design is that it left out private timber operators blatantly carrying out IFAs without any intention of becoming compliant, beyond artisanal loggers who consider their activities licit. Finally, the methodological steps of typologizing the private sector in order to shed light on a pre-defined argument inevitably influenced the results of the study.

4. Results

Respondents communicated several benefits they expect to result from the changes accompanying VPA implementation. To convey the results in a way that facilitates comparison between actor groups, the main benefits have been abridged into five categories: (1) elimination of illegal players, (2) reduced corruption, (3) reduced poverty, (4) business opportunities, and (5) valorization of investments. Benefits of VPA implementation may be relevant to individuals or businesses, private sector sub-groups, or to the sector or country as a whole. Some respondents refer explicitly to benefits linked to VPA implementation in the country, while others refer to FLEGT more generally. The results table below

shows the types of respondents and main findings of each actor group. This section derives its content only from words exchanged during the interviews and some important issues or potential subjects of concern regarding FLEGT or the VPA are dealt with subsequently in the discussion.

Table 1: Results Summary of Private Sector Perceived Impacts of VPA implementation in Cameroon

Actor group (number of interviews)	Respondents	Type of Benefits				
		Elimination of illegal players	Reduced corruption	Reduced poverty	Business opportunities	Valorization of investments
Domestic market serving, nationally owned, non-FSC certified (7)	Carpenters Timber traders on local informal markets, chainsaw loggers	More resources available for Cameroonian nationals	Hope administrative hassles will be removed through VPA	Generally positive attitude about poverty impacts, without clear arguments for why	Assume VPA implementation will facilitate export	Not relevant
Export market serving, nationally owned, non-FSC certified (9)	Concession and industrial sawmill owners; SSV owners and portable sawmill operators	Believe domestic informal market will be most affected	Hope bribery and graft will be removed through VPA	Difficult to make generalized remarks about how this group expects VPA to impact poverty	Some associate VPA with EU market access while others are skeptical of improved business	Not relevant
Export market serving, internationally owned, non-FSC certified (3)	Voluntary legality verification managers, e.g. OLB or TLTV	More level playing field with legal timber more competitive	Uncertain about VPA's impact on corruption; mention risk of corruption increasing	Cite more forestry area tax redistributed among rural communities and councils	Provide access to EU markets without the need to invest in SFM certification	Existing voluntary legal certification systems are sufficient to meet VPA requirements

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Export market serving, internationally owned, FSC certified (5)	FSC certification managers	Believe domestic informal market will be most affected	Uncertainty about VPA's impact on corruption; mention risk of corruption increasing	Believe FSC certification is better placed to reduce poverty	No changes to business as usual	FSC goes above and beyond VPA and thus no changes to business as usual

This table has been constructed by summarizing the main underlying argument each actor group has given for the respective benefit associated with VPA implementation.

4.1 Domestic market serving, nationally-owned, non-FSC certified

Many domestic sector timber operators are generally unfamiliar with the official agenda of FLEGT or the VPA such as the EUTR and LAS, but they have clear ideas about why a reduction in IFAs would benefit them as well as the sector in general. When asked to elaborate further, some respondents quote illegal players as being “outsiders,” e.g. “Chinese” or “Nigerian.” However, most respondents in this group corroborate other research findings in that the majority of IFAs stems from state officials, who exploit their law enforcement mandate for private gain (Cerutti et al. 2013). Many hope the fiscal and institutional reforms brought through FELGT will reduce administrative petty corruption and significantly improve their daily business.

Due to the significant differences in this group's *modus operandi* as compared to the industrial sector, some perceived benefits are unique to this group and are thus not included in the results table. For example, this group cites better organization of the domestic timber market as a key benefit of VPA implementation. One respondent explained the domestic market currently works “without any formula; nobody can tell you exactly where their wood comes from; it's from wherever you can find it.” Some informants mention better market organization resulting from VPA implementation would also reinforce local-level actor networks or “federations,” creating or reinforcing domestic sector interest groups to make them more powerful politically.

VPA implementation is accompanying a forest law reform process, which informants hope will result in more secured access to forest resources for nationally-owned small-scaled forest enterprises. Respondents in this group

reiterate the inequitable distribution of their country's forest resources. As stated by one local furniture maker: "we hope, us artisans, to manage our forests, and demand a way to put a partial stop to exports... instead of logs they would have finished furniture that would allow a local industry to develop." Domestic sector actors explain the currently inequitable distribution of timber harvesting titles between international and domestic companies: the *bois du premier choix*, the first choice wood, leaves the country and those working on the domestic market are often left with the *déchets* or scraps from sawmills. Actors in this group expect proper application and reform of the law to result in more timber harvesting titles for Cameroonians.

Finally, actors in this group expect that efforts to meet legality requirements will result in higher quality and prices for their products and thus facilitate access to the more lucrative export market. Domestic sector operators hope the VPA's accompanying or supporting measures from development partners will spark improvements in technology and competence. This will increase productivity and some hope this may possibly bring about industrial-grade production on the domestic market, as it was available prior to the economic downturn of the 1980-90s. Many associate legality compliance with technical improvements, stating current CSM practices are inefficient and wasteful and the industrially produced wood for the domestic market is preferable from both a legal and economic standpoint. Respondents explain how VPA implementation on the domestic sector should increase the domestic timber sector's professionalism, which would raise the quality of locally-produced timber and wood products, allowing these products to be sold at a higher price, both locally and internationally.

4.2 Export market serving, nationally owned, non-FSC certified

Generally, nationally owned and export market serving economic operators have a more adverse view of FLEGT. Many respondents in this group are more skeptical regarding the benefits of VPA implementation as compared to the domestic market serving group. However, this group's knowledge and awareness of FLEGT ranges significantly as informants comprise a diversity of actors: from concession and industrial sawmill owners to those exploiting with Sales of Standing Volume (*Ventes de Coupe*) with portable sawmills (e.g. Lucas Mills). Some respondents in this group participated in the VPA negotiations in Yaoundé and Brussels as representatives of the national private sector and thus are highly knowledgeable of Cameroon's forest legislation and the VPA proceedings. At the same time, some are entirely unfamiliar with the VPA/LAS and mistake FLEGT with FSC certification.

Many informants have strong attitudes for how the current legal and institutional framework disfavors national actors in the sector and some explain that VPA implementation without law reform will result in the failure to meet certain development objectives of the VPA. Some openly stated that FLEGT is not in their interests and are more prone to discuss the significant barriers to VPA implementation. Nonetheless, some respondents are hopeful that VPA implementation will result in reduced corruption in the Ministry, raise timber prices and facilitate access to sensitive export markets.

Similar to the domestic market serving group, this group calls attention to the systemic problems of corruption in the state administration. Many hope that the VPA can introduce more checks and balances in the how timber harvesting titles are distributed and forest controls are carried out. Especially those most familiar with the VPA think the heightened controls of the LAS should mean less room for unlawful practices.

This group generally believes the VPA will increase operating costs. When asked whether the VPA will in turn raise timber prices, the responses are divided. Some are hopeful the VPA will trigger higher prices and profit margins, but many feel the heavier upfront investments combined with Cameroon's underdeveloped banking system will squeeze national actors (without international backing) out of the sector. One interviewee affirms "either the EU [financially] commits and follows through with its thinking or the state of Cameroon engages itself to support nationals by giving them access to credit, otherwise smaller-scale nationally owned companies will disappear from the sector in the near future." At the same time however, some informants in this group expect VPA implementation will facilitate their access to lucrative European timber markets. One interviewee thinks a future FLEGT license will allow his company to compete with public calls for tender on European markets presently open only to sustainably certified timber. This corroborates similar findings in Ghana that "the VPA initiative could discourage certification uptake among timber producers due to the fewer requirements associated with legality verification as compared with FSC" (Carlsen et al. 2012, p. 89).

4.3 Export market serving, internationally owned, non-FSC certified

This group's forestry activities comprise the largest share of production forest in terms of surface area. Although concessions owned by this group do not have FSC Forest Management certification, most have other chain-of-custody voluntary certifications that trace timber and offer proof of legality, such as Bureau Veritas' *Origine et Légalité des Bois*. Compared to nationally owned respondents, this group was generally more optimistic about the potential benefits of VPA implementation, especially in that it should provide more business opportunities, both internationally and on local markets, and would further valorize existing investments.

Respondents expect VPA implementation to result in an elimination of illegal players. One informant explained "illegal means *sans soucis*," or no worries. In other words, illegal loggers do not support local forest communities by implementing legally required *cahiers de charge*, or development projects. This significantly reduces their operating costs, allowing them to sell their timber for less. Eliminating these profiteers will level the playing field, making the prices of legal timber more competitive. Whether timber prices will rise as a result of VPA implementation remains disputed as some informants explain voluntary certification schemes and legality verifications have not usually triggered consumers to pay more in the past and they do not expect this to change with FLEGT.

When asked about the domestic sector, actors in this group consider all domestic market-serving artisanal loggers to be operating illegally. Since only wood from legally certified processes will be available on domestic markets, some say artisanal loggers should be eliminated. As this group currently has voluntary legality verification systems in place, their wood will be amongst the limited supply allowed on the domestic market, once the VPA has been fully implemented. One actor even pointed out the growing potential of local market demand: “before, in the previous forester’s mentality who only exported, local markets were not interesting. Today local markets are becoming interesting...” When asked about the VPA’s objective to reduce poverty, most interviewees automatically refer to the forestry area tax earmarked for redistribution among rural communities and councils. These actors think increased tax collection resulting from VPA implementation will raise the amount of money redistributed through this poverty reduction mechanism.

The ‘valorize investments’ incentive is only pertinent to the internationally owned groups, i.e. this group and the next. Informants in this group recognize the growing importance of FSC certification in the Congo Basin and some were making plans to invest in FSC. They now hope that VPA implementation will allow them to access markets similar to their FSC-certified competitors without the burdensome SFM certifications. All informants believe their existing internal legality verification systems will be sufficient for receiving a FLEGT license and the LAS as foreseen will not be more stringent compared to these systems. One actor explains his company might consider dropping its voluntary legality verification because meeting the national LAS requirements is less burdensome but still offers access to European markets. Actors explain how FLEGT now counters the need to invest in expensive SFM certifications. One interviewee pointed out that no companies in Cameroon are actively seeking FSC Forest Management certification now that the country has signed the VPA.

4.4 Export market serving, internationally owned, FSC certified

All actors in this group hold SFM certified concessions and/or sawmills whose supply chains have been certified Controlled Wood and/or Chain of Custody by FSC. Most have firmly established business partnerships with export markets, some serving high quality EU market niches. This group was generally positive about the impacts of VPA implementation as they expect their investments in FSC to have considerable pay-offs and do not foresee many (or any) changes to business as usual. Many benefits are shared with those of the previous group; key differences include the relatively higher certainty of VPA implementation not requiring changes to current practices.

As do all other actor groups, this group stresses the unfairness of illegal players not being subject to the same fees and taxes yet being able to sell on the same markets without penalty. Again, they explain illegal logging deflates international timber prices because illegal players can afford to sell for less. However, respondents in this group point out the risk of FLEGT being undermined if all illegalities cannot be fully eliminated from the sector- and numerous interviewees in this group emphasize the challenges in doing so. In other words, they lack confidence in the VPA’s teeth.

Certain actors in this group and the previous one express their worry that VPA implementation risks increasing administrative corruption because it will require more legal “papers,” the most important of which being the FLEGT license to export. Respondents think the increased controls resulting from VPA implementation will increase the already burdensome legal procedures and provide state officials with even more opportunities to collect bribes. They are worried that VPA implementation will remain a *revue documentaire* or document review, unable to remove the true illegal players as mentioned above.

When asked about the ability of VPA implementation to reduce poverty, actors in this group were hesitant to say that VPA implementation would lead to poverty reduction, saying that FSC certification was better placed to do so. One actor listed all the social projects his company was undertaking as part of FSC certification. According to these actors, FSC initiatives go far beyond legal requirements and provide much more tangible poverty alleviation than the law ever can.

The most important benefit for this group is the further valorization of the considerable investments they have made in SFM certification. All respondents from this group firmly believe they have already met FLEGT requirements and once the VPA becomes functional, they should have minimal to no changes to business as usual. As one actor quotes: “if everything happens like they’re saying, the day that FLEGT arrives, FSC certified companies will obtain FLEGT certificates more easily, possibly even automatically.” The difference between this group and the previous one is that no FSC certified companies are considering dropping their certifications while the previous group sees FLEGT as a replacement for current voluntary initiatives.

5. Discussion: Potential implications of VPA on further fragmentation/concentration of Cameroon’s forest sector

The discussion seeks to interpret the results through the lens of the concentration/fragmentation argument by laying out certain potential implications of VPA implementation. First, we return to some general theoretical considerations underpinning the research question. Numerous scholars explain incentives – or the total benefits minus costs associated with compliance – are needed for forest law compliance (Contreras-Hermosilla 2002; Brack 2003; Contreras-Hermosilla et al. 2007; Hansen 2011; Ramcilovic-Suominen & Epstein 2012). Cashore & Stone (2012) argue legality verification accompanying VPAs arose in part due to the inability of previous efforts, e.g. regional Forest Law Enforcement and Governance (FLEG) dialogues and forest certification, to provide market incentives. They further explain that the thinking behind the addition of ‘T,’ i.e. market and trade incentives, to FLEG initiatives would help foster “meaningful changes in ‘on the ground’ behavior” (ibid., p. 15). In addition to market-related economic benefits, the FLEGT Action Plan seeks to improve VPA countries’ forest governance through direct support measures for VPAs provided by the EU and a range of other partners (Bernstein & Cashore 2010). The combination of market tools and direct support for domestic forest policy

and governance in VPA countries should result in a range of potential benefits for forest sector stakeholders.

The results have shown that these benefits are already felt by the majority of Cameroon's private forest sector, but it is difficult to differentiate between what will unfold in reality and what is hopeful expectation. The forest governance reforms brought about by VPA implementation should benefit all timber operators, regardless of whether they serve local or international markets. This holds true for most private enterprises interviewed. However, results reveal that there is a perceived risk that bribery by forest law enforcement officials may increase as a result of VPA implementation, as more and higher value papers, i.e. FLEGT licenses, are associated with VPA legality. The perception that FLEGT / VPA provides facilitated access to "lucrative EU markets as an incentive to promote responsible governance in exporting countries" (ibid. p. 117) is shared by all actor groups interviewed. However, whether such market incentives are relevant for informal operators unrelated to the export market is highly debatable and the results have shown that there is a lack of clarity about what the VPA could, or could not, deliver. Operators currently using small-scale logging permits mostly trading on the domestic or regional market believe they will be able to export their timber or wood products to the EU or larger international market once the VPA is implemented. This belief, however, runs contrary to the current forest policy as well as the prescriptions of the law, and it highlights what we believe is a lack of congruence between the FLEGT/VPA agenda and the perceptions of some respondents about what the essence of the VPA is, i.e. the application of the legal framework, albeit an updated and possibly improved one. Some of the most important economic or market incentives stated by domestic market serving respondents will most likely not materialize, meaning the thinking behind the addition of 'T,' i.e. market and trade incentives, to FLEG initiatives does not help foster "meaningful changes in 'on the ground' behavior'" for all private sector actors (Cashore & Stone 2012). Indeed, the issue of whether timber sourced using small-scale logging permits will be allowed to be exported has never been on the table of discussions concerning the new legal framework, and the forest law under revision will most likely maintain the prohibition for such timber to be exported.

One may think that such assumptions on the nature of the VPA by one group or another will be clarified once implementation begins to impact the daily activities of timber operators. However, we found that this confusion has already created very high, albeit diverging, expectations coming from different groups of actors. While national and regional operators believe they will be able to directly supply international markets with sawn timber, already-exporting actors think the informal sector will be eliminated with VPA implementation and thus are expecting to gain new markets, expanding their sales to include local clientele.

On a similar note, the results show how different perceptions of the law and the legitimacy of certain forestry activities can have profound implications on whether increased law enforcement through VPA implementation will cause further fragmentation of the domestic sector. Similar to other countries, those serving informal domestic, regional or local markets believe their activities are

fully legitimate (Ramcilovic-Suominen & Hansen 2012). At the same time, our results show that many timber enterprises serving export markets consider the entire domestic market and its timber sources to be illegal, as many seem to equate informal with illegal. They expect VPA implementation to operate a clamp down on such activities, with the consequent marginalization if not full elimination of the informal timber sector. This is quite alarming given most domestic market serving informants think VPA implementation should benefit them as local customary forest owners. If, however, the VPA were to be implemented without a radical improvement in the legal framework – one that would not only revisit the way small-scale timber harvesting permits are allocated, but also the way people can exert their rights of access to and ownership of trees – this group would greatly risk being put out of business by the enforcement measures required by the VPA (Hansen et al. 2012).

The level of awareness or knowledge of FLEGT and VPA can also serve as a proxy indication of the degree of marginalization from forest policy dialogues and thus, the power and influence of different actors. Although informants in all groups are fast to admit a lack of knowledge regarding certain aspects FLEGT, unfamiliarity with VPA implementation appears significantly greater for nationally owned enterprises. For example, those serving the domestic market as well as nationally-owned enterprises serving the export market interchange the term ‘forest certification’ (on the FSC model), with ‘legality verification’ of the FLEGT regime. For such actors, implementing the VPA means ‘certifying’ all timber, which they say will significantly increase operating costs. Some interviewees think the implementation process will increase their operating costs up to a level that could render business impossible, marginalizing and possibly ‘squeezing’ them out of the sector. Conversely, others think FLEGT ‘certified’ timber would provide significant benefits, including higher prices for their products.

When asked about the overall impacts that the VPA implementation could have on poverty, interviewees expressed a range of attitudes and provided different arguments to support their respective beliefs. FSC certified companies are not convinced about the VPA’s ability to reduce poverty, touting that their voluntary initiatives undertaken through FSC certification, such as *ad-hoc* local committees funded by the company in order to manage local development funds, are much better placed to do so. Non-FSC certified companies, instead, almost always refer to the positive impacts that the implementation of the VPA will have on poverty through the redistribution mechanism of the forest area fee. They argue the increase in tax collection will in turn result in more benefits being distributed to councils and communities neighboring logging concessions. We argue, however, that this is a weak argument in support of the potential positive impacts of the VPA on poverty, on at least two counts. First, in terms of efficiency of tax collection, the area fee has been highly successful with collection rates close to hundred percent since the implementation of the 1994 law (e.g. Nzoyem et al. 2003; PSRF 2010). Being based on the surface of the concession multiplied by the amount of the winning bid, it has always been very easy to calculate and to collect. Thus, the implementation of the VPA could only marginally impact the amount collected. Second, there exists a vast literature evidencing that since

implementation, the redistribution mechanism has not been effective in reducing poverty (Nzoyem *et al.* 2003; Ndjanyou & Majerowicz 2004; Morrison *et al.* 2009; Oyono *et al.* 2009; Cerutti *et al.* 2010). This is for reasons more linked to bad governance at the council or regional levels than with the role played by the Ministry, which has responsibilities neither in the redistribution nor the eventual administration of the money. Thus, it is difficult to argue that VPA implementation would have positive impacts on poverty as a result of more forest area taxes being redistributed through this forest benefits-sharing mechanism.

Domestic market actors hold a different argument about the potential impacts the VPA could have on poverty. They often linked poverty reduction with the full implementation the log export ban, as previewed by the letter of the law. As their argument goes, the ban could contribute to the more equitable distribution of forest resources between national and international companies. This would foster development, notably in terms of furthering national timber processing and creating value-added products that could then be exported. This is certainly a long-term perspective, as national value-adding needs not only more good quality timber, but also a Government-oriented industrial development strategy, and related investments that are currently still missing. However, the full implementation of the law, possibly fostered by the VPA, is an important first step in that direction.

On another note, the results suggest the interaction between FLEGT and FSC may not be mutually reinforcing as many non-FSC certified enterprises believe the FLEGT 'certificate' will allow access to the same market niches that are the current prerogative of FSC-certified timber. Whether this belief will be proved true is a matter of speculation and, as in other countries, many companies are "waiting to see" what will happen with FLEGT instead of pursuing FSC certification (Carlsen *et al.* 2012). Companies have been, and still are, choosing not to immediately invest in regimes or certifications other than FLEGT, betting on a substitution effect. In other words, results suggest VPA implementation could undermine the advancement of voluntary certification schemes, such as the one promoted by the FSC, in the Congo Basin.

6. Conclusion

This paper broadly defined the private forestry sector to include timber operators and enterprises ranging from small-scale chainsaw loggers to industrial timber producers, all of which are directly affected by VPA implementation in Cameroon. The research design applied a typology of the private sector according to enterprise ownership (national or international), market served (domestic or export) and existence of FSC certification. This allowed for analyzing data amongst a wide spectrum of private enterprises that are not often compared.

Given the clear objective of Cameroon's VPA to not only produce legal timber for the EU but also to provide a range of benefits, including economic opportunities to local timber enterprises, this paper explores how the benefits provided by VPA implementation are understood by private forestry enterprises. The

qualitative research allowed selected interviewees to communicate any experiences with VPA implementation so far and share their expectations of future benefits accruing from FLEGT. The main expected benefits include the elimination of illegal players, the reduction of corruption and poverty, the promotion of business opportunities, and the valorization of investments. These perceived benefits, however, are not shared by all and certain statements suggest that VPA implementation may significantly harm different segments of the sector. Some private sector interviewees believe there is a risk that VPA implementation may increase corruption in the forest sector and others argue informally operating small-scale enterprises will be completely eliminated as a result of VPA implementation. Differences in private sector motivation to engage in FLEGT / VPA reflect the differences in understanding of what is on the FLEGT / VPA agenda. This may become problematic if the private sector's expectations run contrary to currently available policy options. For instance, findings suggest domestic market operators are expecting VPA implementation to significantly benefit their business, through improved access to forest resources and facilitated access to international markets for their timber products. These hopes may be legitimate given that the VPA's objectives include the provision of economic opportunities to local enterprises. However, the current forest policy clearly states that domestic operators are mandated to sell their produce only on the domestic market.

At the same time, many international, large-scale operators expect the informal sector to be negatively affected by VPA implementation and some hope to soon be better placed to sell their industrially produced and legality verified timber to local markets. Whether this detracts small and medium forest enterprises remains to be seen, but given the historically powerful lobbying capacity and well-established connections with policy makers of international forestry enterprises, such expectations imply there may be a risk that small-scale actors will be increasingly marginalized through VPA implementation. In a context where international forest policies such as FLEGT have been criticized for the potential benefits that may accrue to the already advantaged operators in the sector, we argue emphasis should be placed on giving voice to smaller-scale actors. This will reinforce the integrity of the proposed legality assurance system and ensure small and medium forest enterprises will be able to reap significant benefits from VPA implementation.

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