

Policy options for improved integration of domestic timber markets under the voluntary partnership agreement (VPA) regime in Cameroon

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Key points

- The Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, launched in 2003, is the European Union's (EU) response to the global fight against illegal logging. In particular, FLEGT aims at reducing trade in illegal timber between the EU and timber producer partner countries.
- FLEGT operates through two major instruments: bilateral trade agreements — known as voluntary partnership agreements (VPAs) — that are signed with willing producer countries, and the European Union Timber Regulation (EUTR), which came into force in March 2013. The EUTR mandates EU importers to exert due diligence in their sourcing of timber from abroad to exclude illegal supplies.
- To date, six countries have signed VPAs. Among them, five have committed to apply VPA provisions regarding legality verification not only to timber imported to Europe, but also to timber traded on the domestic market in signatory producer countries. This means that timber harvested and traded on the domestic market will be regulated by national VPA licensing schemes (the so-called Timber Legality Assurance System, [TLAS]).
- Pro-Formal results indicate that Cameroon is characterized by a large, vibrant and largely informal domestic timber sector, which supports the livelihoods of thousands of local forest users including small-scale farmers, indigenous communities, chain-saw millers, traders and service providers.
- The domestic timber sector is characterized by the activities of smallholders, chain-saw millers and traders who rarely own a legal harvesting permit and extract and process small quantities of trees with chain or mobile saws. The resulting low-quality timber is traded in domestic markets or across the borders of neighboring countries (e.g. Chad and Nigeria), with little formal taxation.
- Informal taxation, conversely, is pervasive along the production chain. Results indicate that informal operators pay about 9% of their profit margins, or about EUR 6 million per annum, in bribes to representatives of ministries, local police, the military and customs officials.
- By signing the VPA, Cameroon has committed to undertake broad governance reforms of the entire forestry sector. Existing laws are not geared to sustaining a healthy, small-scale, domestic timber market. Pro-Formal findings indicate a need to improve and simplify access to the resource; to develop and adopt specific fiscal regimes for the domestic timber sector (such as royalty rates, processing, transport and marketing levies); to improve access to credit on favorable terms for small-scale operators; to create incentives to comply with the law; and to improve flows of information to smaller operators.
- In Cameroon, as in other VPA countries, local forest users and traders have been largely absent from in-country VPA negotiations. This reflects their large numbers, distribution over a vast territory, poor organizational capacity, as well as the tensions that often exist between the central governments' stated willingness to formalize them, and the rent-seeking behavior of decentralized officials. Hence, before reforms are initiated, official and periodic discussions need to be set up for chain-saw millers and traders to discuss their specific needs, customary governance systems and the potential challenges and expectations of formalization.
- Similarly, the engagement of other ministries, in particular ministries of finance, agriculture and territorial administration, must be sustained as it is necessary for a meaningful national discussion of the implications (e.g. financial and tenurial) for operators, especially small-scale ones, of a functional VPA. Because of technically and politically induced delays, such discussion has not been systematic. This could engender implementation failures, if the advantages of the system are not evaluated against its disadvantages, from inception (e.g. its costs to operators).

Background

The forest sector in Cameroon is regulated by the 1994 Forest Law and its 1995 implementing decree, followed by dozens of rules, regulations, orders and official procedures. The 1994 law aimed at fostering sustainable forest management while improving the contribution of the forestry sector to the national economy. The sector represents about 4% of gross domestic product (CIFOR and MINFOF 2013), provides about EUR 62 million in annual revenues to the State's coffers and sustains about 13,000 formal and 45,000 informal jobs.

The 1994 law followed a 1993 forest policy that aimed at encouraging local populations to participate in the forestry sector and ensuring they received part of the revenue generated. The law thus introduced community forests — which could be created and harvested by rural communities following a simplified managed plan — and a benefit-sharing mechanism — through which 50% of the newly introduced area fees paid by industrial logging companies would be redistributed to councils and villages neighboring forest management units. Despite the stated aims, the law and implementing decrees remain very much focused on regulating the industrial large-scale export-oriented forestry sector.

The law lists several permits for small-scale operators: (1) lumber permits (*Permis de Bois d'Oeuvre*, PEBO), logging permits for up to 1 year and a volume of 500 m³; (2) personal logging permits for up to 3 months and a volume of 30 m³; and (3) user rights for people living in villages adjacent to forest zones. Options 2 and 3 may not be used for commercial purposes, and option 1 has been suspended for several years and never adapted to the needs of the intended users, i.e. small-scale operators, who in turn only rarely ask for it (Cerutti and Tacconi 2008; Cerutti and Lescuyer 2011).

The results of Pro-Formal research indicate that the vast majority of small-scale timber operators harvest timber and supply the domestic market without any valid harvesting document (Cerutti and Lescuyer 2011). Results also indicate that staff from the Ministry of Forestry and Wildlife (*Ministère des Forêts et de la Faune*, MINFOF) who are responsible for regulating the sector have developed an extensive informal system to extract payments from small-scale chain-saw millers (Cerutti et al. 2013).

Cameroon will face a number of challenges as it tries to implement the VPA, including: the increasing domestic and regional demand for timber; the sector's positive contribution to the local economy that will need to be sustained; the lack of suitable regulations, in terms of access to, and harvesting and trade of the resource; and the vested interests developed over the years.

Signed in 2010 with the EU, the VPA promises a legal framework that covers all national timber production, including for the domestic market. However, Annex II of the VPA, which lists the logging titles and authorizations for which legality matrices have been prepared, does not include the PEBO, the only legal authorization available to chain-saw loggers.

Annex II states that such missing matrices “will be produced during the system operationalization phase, whenever they are found to be relevant” (Republic of Cameroon and European Union 2010). The quantitative and qualitative findings of the

Table 1. Major quantitative findings — Cameroon.

	Sawn wood (annual, m ³)
Consumption — domestic market (2008–2012) ^a	850,000–950,000
Regional exports by small-scale traders to Chad and Nigeria ^a	80,000
Industrial sawmill scraps (sold on the domestic market) ^a	200,000
Informal chain-saw millers production (2008–2012) ^a	730,000–830,000
Average production — community forests ^b	30,000
Exports (industrial, official, sawn wood, 2008–2012) ^c	360,000–590,000
People employed by informal timber sector ^a	45,000
Contribution to local economies ^d (EUR million)	45.7
Chain-saw millers profit per m ³ harvested ^a (EUR)	15.2
Profit margin ^a	13%

a Based on Pro-Formal surveys (Profit margin expressed as percentage of selling price).

b Based on the assumption of an annual number of exploitation permits (or *Certificat Annuel d'Exploitation*, CAE) delivered to active community forests totaling 150, each producing on average 200 m³ per annum.

c Ministry of Forestry and Wildlife data.

d Aggregate value for local wages, fees and profits.

Pro-Formal project indicate that the sector is already highly relevant and would need immediate consideration in terms of updating Annex II (Table 1). This would help keep the domestic timber market on the VPA political and technical agenda. Also, the availability of legality matrices for all titles would allow future auditors of the timber legality assurance system to check the operations conducted to supply the domestic timber market.

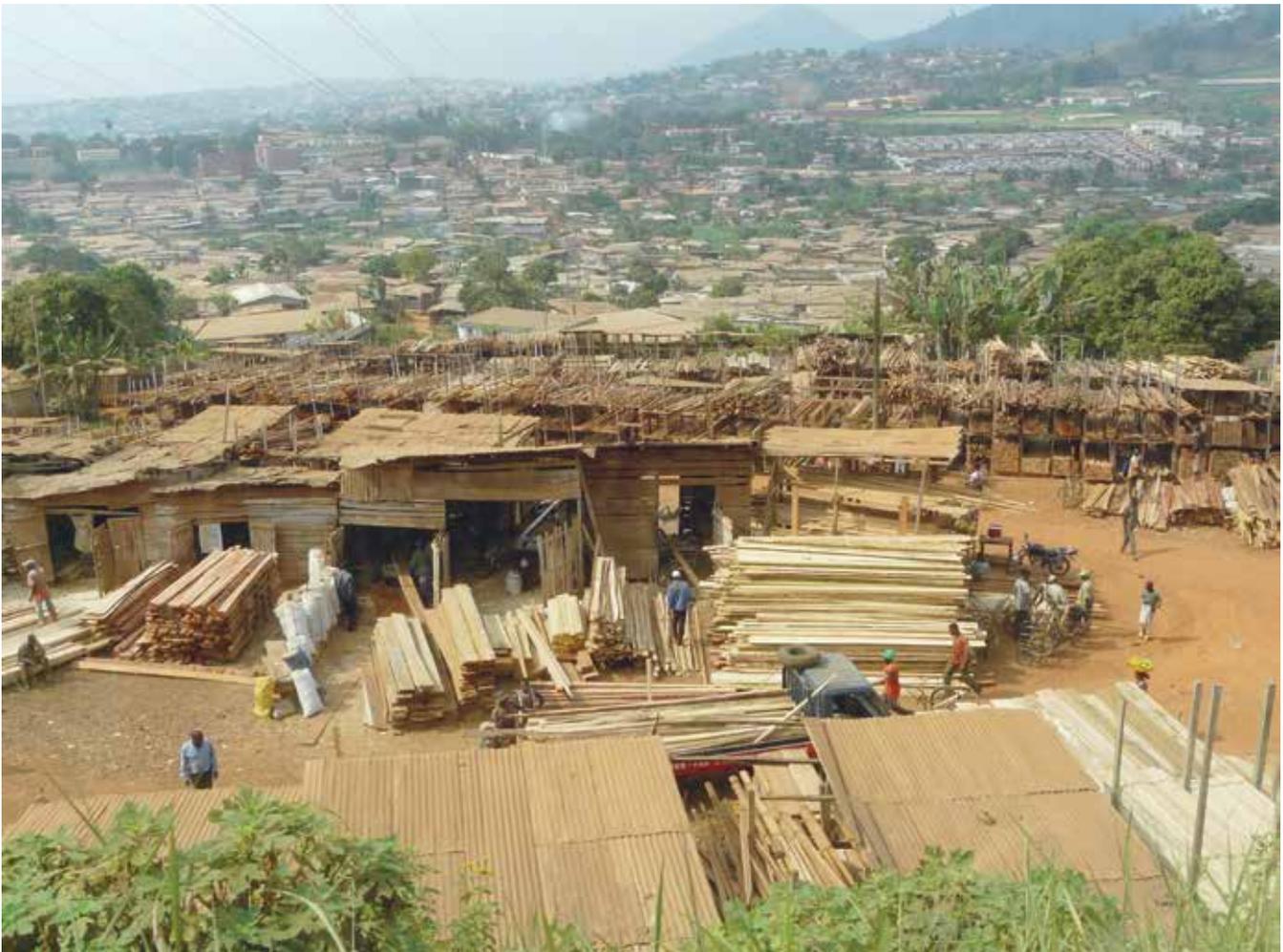
The political and technical factors that result in the great majority of production remaining informal were discussed in a series of national workshops with relevant stakeholders (the Government of Cameroon, civil society, formal and informal operators, and the donor community). The product of these meetings is a series of policy options listed below.

Policy options

Problem. The great majority of chain-saw loggers do not ask for the only currently available legal authorization (i.e. the PEBO).

Recommendations

- The Directorate of Forestry at MINFOF should start registering current operators in each decentralized territorial unit (e.g. *arrondissements*), grant them simplified (and possibly free of charge) professional agreements, and give



Timber market, Cameroon.

Photo by Charlie Pye-Smith, CIFOR

them legal harvesting authorization (e.g. easy-to-obtain PEBOs). The main objective of this process would be to deliver at least some titles immediately to registered operators (e.g. in a pilot area to be identified among the major suppliers of timber), while integrating more operators over time by and as knowledge about the demand and the available resources increases.

- Extend the validity of the authorizations (e.g. for 3 years) or maintain the amount of timber and the area of harvesting as the only two limitations for small-scale authorizations. In this way, small-scale operators could harvest the authorized amounts over the period of their convenience. Due checks on the waybills delivered by MINFOF and used by each authorization owner will monitor that authorized volumes are respected.
- A 'grace period' should be agreed on, during which auctions and harvesting are tested without sanctions. It must be long enough to make MINFOF confident about the effectiveness of the scheme, but not so long as to create the sense that it is 'business as usual'. Given the current dynamics of the sector, we think a period of 6 months to 1 year should suffice to test and implement the system in a pilot area.

Problem. The current mode of access to trees is illegal.

Recommendation

- Customary, individual 'ownership' of trees should be recognized in the non-permanent forest domain (NPF), excluding cases where other logging titles or permits are granted, such as community forests, sales of standing volume and timber recovery permits. This is to guarantee that, where there is no formal logging title or permit granted by the state, trees in the NPF have an officially recognized customary 'owner' who can sell them.

Problem. The current legal framework does not authorize customary commercial use (*droit d'usage a but lucratif*). In practice, however, trees are sold by customary 'owners' to timber merchants or chain-saw loggers on a daily basis, to be later sold on the domestic market.

Recommendation

- The legal framework should be modified to authorize customary commercial use. This will not change current practice, but in conjunction with customary ownership



Timber heading towards the northern border with Chad

Photo by Emmanuel Damboya, CIFOR

suggested above, it will at least formalize the trade and the timber that is eventually sold on the domestic market. This measure will have to be coupled with those suggested above on the delivery and control of adapted logging permits.

Problem. The domestic market lacks a specific niche for PEBO authorizations.

Recommendation

- Access to PEBOs (or their future improved counterparts) should be linked to the existence of a partnership agreement with a registered trader in the domestic timber market. Such agreements already exist between traders and chain-saw millers, but they are not official, and they are often verbal and subject to dispute. If made compulsory in order to bid for annual available logging permits, they could help the administration to follow and control harvesting and trading operations, without increasing transaction costs for operators.

Problem. Chain-saw loggers have been largely excluded from the VPA negotiations. This is partly the result of their distribution over a vast territory and poor organizational capacity, as well as the tensions that often exist between the central governments' stated willingness to formalize them, and the rent-seeking behavior of decentralized officials.

Recommendation

- Build on the already existing structures (e.g. internal unions in each market, as documented by Pro-Formal) but push for their federation and growth into regional or national entities.

Problem. There is a lack of demand for legal timber on the domestic (or regional) market.

Recommendation

- MINFOF should put pressure on the government to adopt a public policy requiring all public procurement tenders (including, and notably, those funded through aid or development projects for infrastructure, health or education) to use only legal timber sources.

Problem. The industrial sector only uses a small percentage of annual allowable cuts in concessions but small-scale operators cannot access that timber, thus requiring them to harvest almost exclusively in agroforestry areas.

Recommendations

- Initiate official discussions within MINFOF on the best way to bridge a potential offer of timber (officially sustainably logged in concessions) with a secure demand for it, i.e. the domestic timber market.



Timber used as construction material, Cameroon

Photo by Paolo Omar Cerutti, CIFOR

- If technical solutions are difficult to implement (e.g. authorizing chain-saw loggers to enter timber concessions), financial incentives could be used for industrial companies that volunteer to transport such timber outside the concession, or for chain-saw loggers establishing registered partnerships with industrial operators.

Problem. The lack of information on timber prices in most rural areas causes unequal power relations between buyers and sellers.

Recommendation

- A combination of communication tools (e.g. local radios or text messaging services) should be used to regularly update rural communities about timber prices, per species, in urban markets.

Problem. No specific fiscal policy exists for the domestic timber sector.

Recommendations

- Adopt a specific fiscal policy for the sector that addresses all nodes of the chain, from harvesting to consumption. Such a policy should be (at least in the short-term) 'incentivizing' in nature, to avoid being perceived by operators as a new burden imposed by the VPA.

- In addition, clear sanctions must be introduced for State officials engaged in illegal extortion of operators. MINFOF should establish a clear public document detailing sanctions for each type of misdemeanor by its agents.
- The introduction of sanctions should be coupled with positive incentives for provincial officials to refrain from old habits. An example of a positive incentive could be the establishment of performance premiums to be funded with money collected from illegal operations prosecuted.

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Additional reading

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