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Illegality in forest trade in West and Central Africa

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SUB REGIONAL WORKSHOP ON “STRENGTHENING FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE IN FOREST PRODUCTS IN WEST AFRICA”

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Nigeria**



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Objective

- » Give a general introduction to West/Central African timber production and trade
- » Define illegal logging and illegal trade
- » Identify drivers of illegal logging practices
- » Specify forms of illegal logging and trade in forest products
- » Highlight the magnitude and impacts of illegality
- » Reiterated the need for developing robust policy measures to address and/or curb illegal logging and trade.





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General introduction to West/Central African timber production and trade

- » West African countries considered in this presentation (Nigeria, Ghana, Mali, Cote d'Ivoire, Liberia, Benin, Togo)
- » Central African countries (Cameroon, Central African Republic, DRC, Rep. of Congo and Gabon)
- » Wood products of interest:
 - primary production (logs, NTFPs)
 - primary processed (swanwood, veneers, plywood)
 - secondary processed (furniture, builder, mouldings, cane and bamboo, others SPWP)
- » How well are they doing with respect to wood production and trade?

H1: Business environment is still inadequate in most West/Central African countries, despite government /international efforts to curb illegality

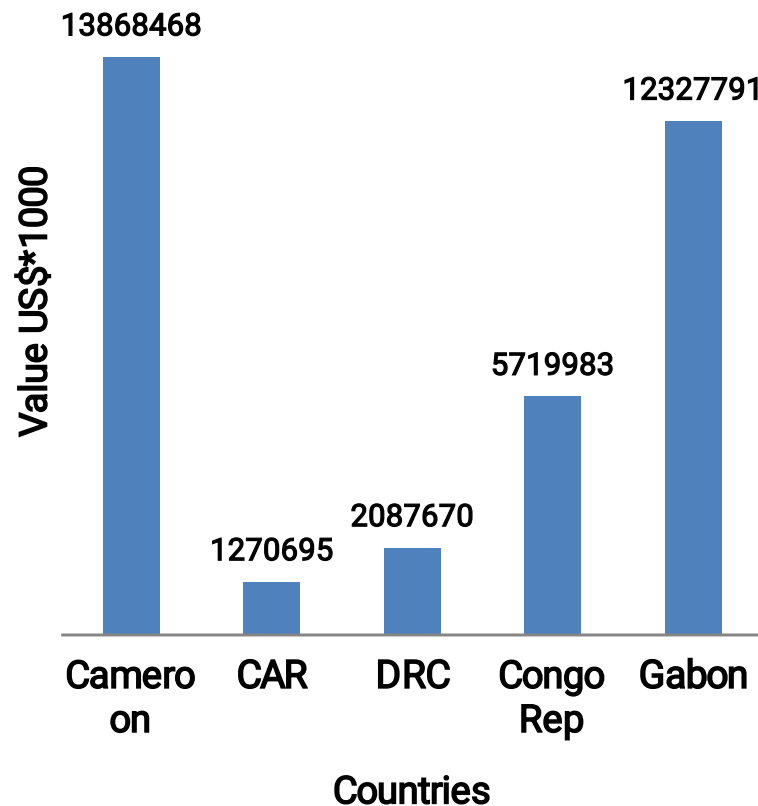




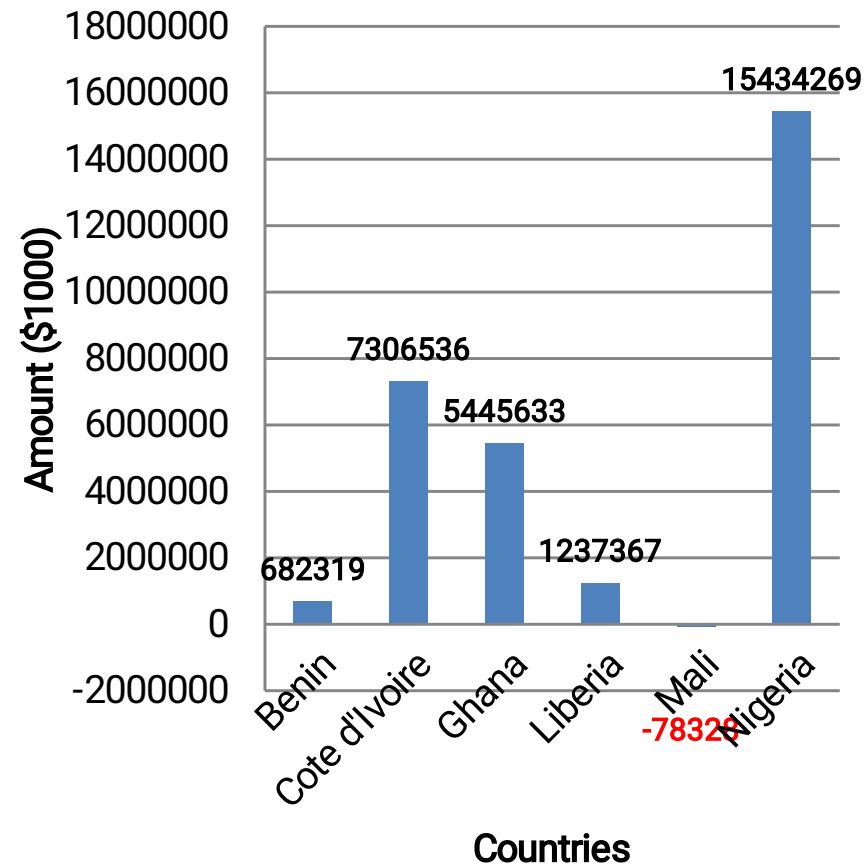
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Trade balance by country in primary and primary processed wood products (ITTO data 1990-2014)

Central African countries



West African countries

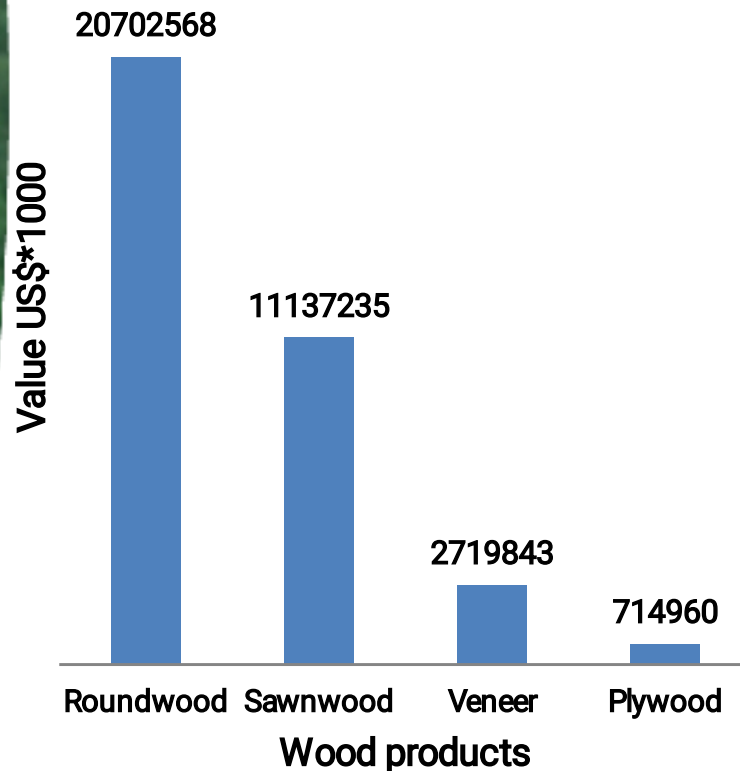




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Trade balance by primary and primary processed wood products (ITTO data 1990-2014)

Central African countries



West African countries



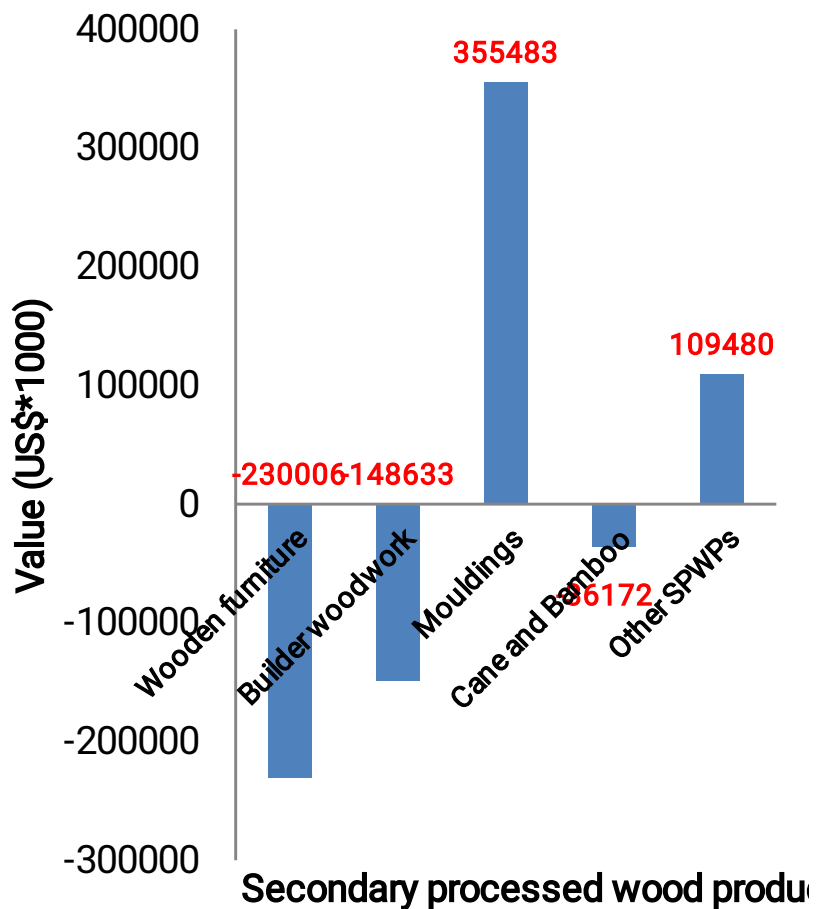


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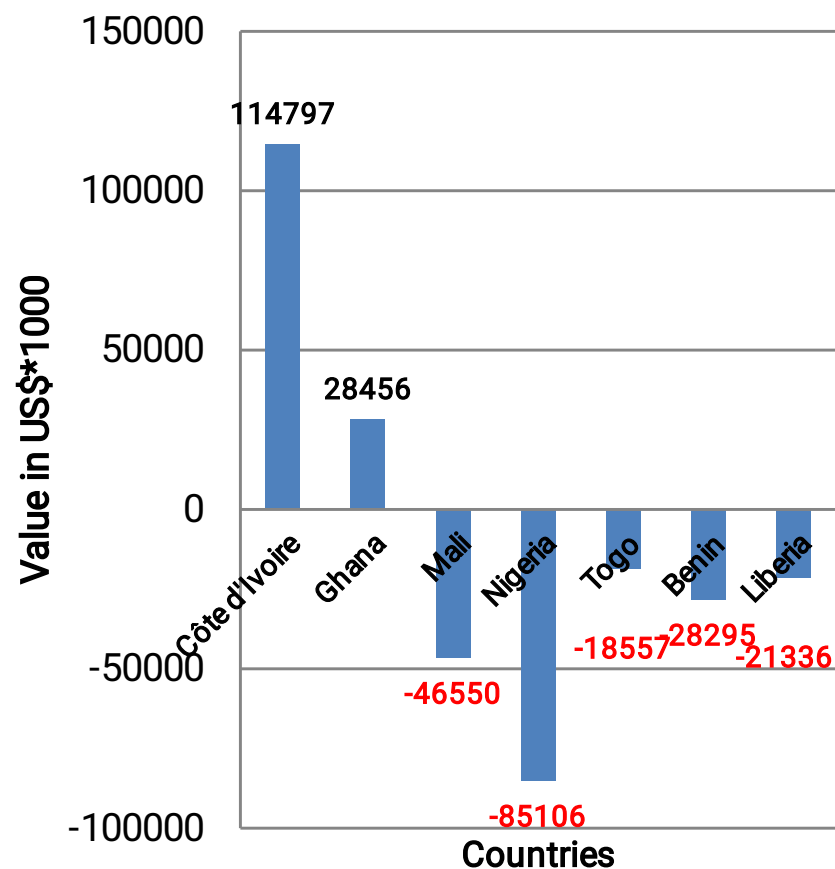
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Trade balance by products/countries in secondary processed wood products (ITTO data 2006-2013)

Central African countries



West African countries

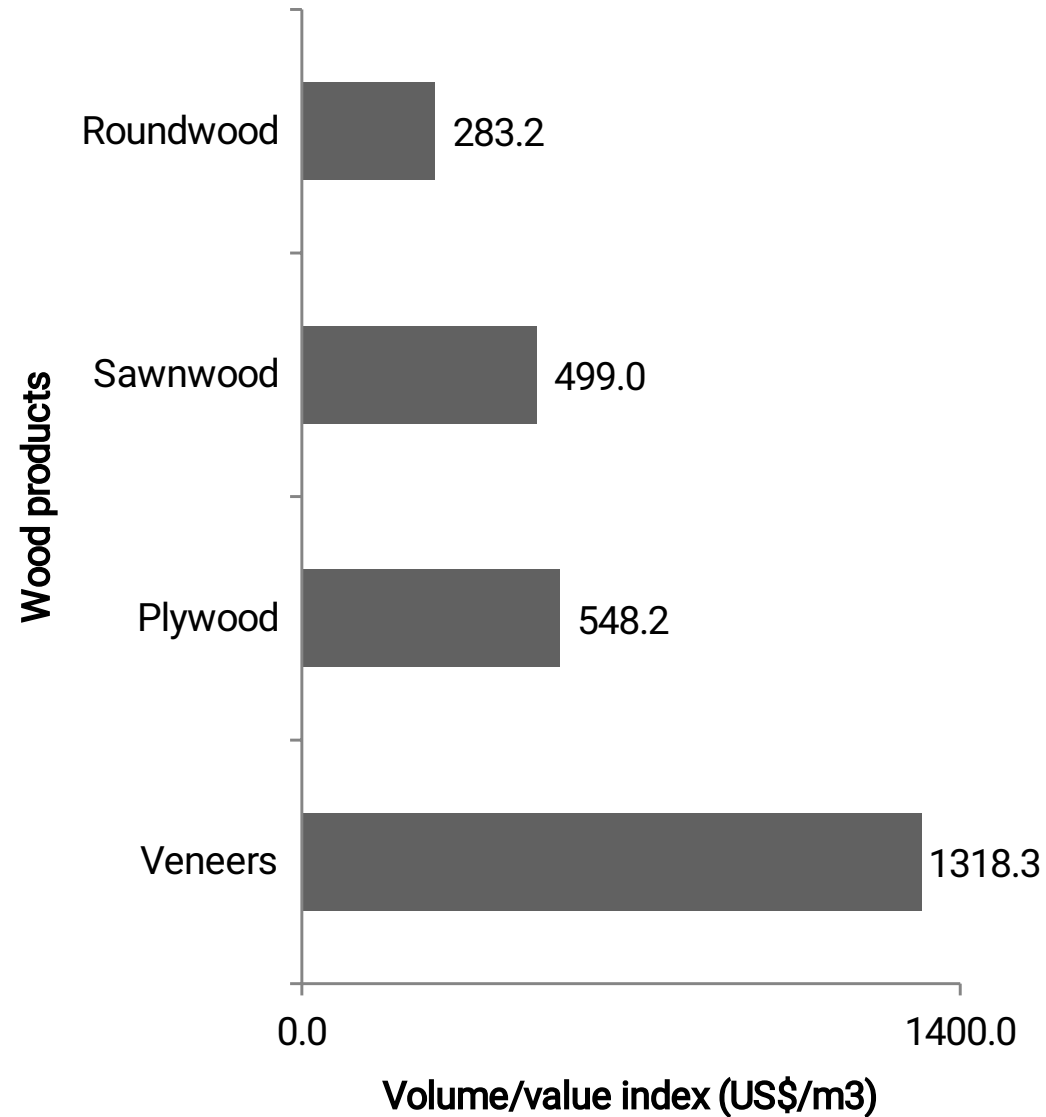




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The Dilemma of quickly filling God's cheque book

- Countries get less especially with great thoughts on additional efforts to earn more
- Value added products may bring up to 04 times more income than exporting in the raw form.
- This may help solve some the problems inherent in illegal activities - poverty





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Legal Issues governing the Forest sector

- **Concepts:** empowerment, equitability, **access and user rights, governance, corruption, illegality & transparency**
- At the World Forestry Congresses in 2003, 2009, and 2015, **good governance** was reiterated as a yardstick to SFM
- **Good governance** is a product of **good laws & transparency in their implementation; the opposite leads to stagnation** in the forestry sector.
- **Corruption:** the misuse of entrusted powers for private gain.
- » **Illegal logging:** “the felling and extraction of logs from forests that is not in conformity with an approved forest management plan or an official license issued by a forest authority in accordance with operations authorized by prevailing forestry laws” (Mir and Fraser, 2003).
- » The EU Timber Regulation defines illegal logging as the harvesting of timber in contravention of the laws and regulations of the country of harvest (Alemaji 2010).



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Drivers of illegal logging and trade

- » Limited awareness about the timber trade policies
- » Unclear or poorly enforced forest harvesting norms;
- » Cumbersome administrative procedures: loggers prefer to bribe authorities than taking right channels.
- » Poor law enforcement and implementation by government agents

- » Limited cooperation leading to weak political institutions;
- » Understaffing and limited technical support
- » Poverty
- » Inadequate natural resources planning and monitoring



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Forms of illegal logging - 1

- » (i) harvesting without title,
- » logging outside of concession perimeters;
- » (ii) harvesting within concession perimeters, but above the legally assigned timber volumes;
- » (iii) harvesting logs that have not reached the minimum exploitable diameters;
- » (iv) logging of tree species protected by (CITES) against the authorized annual quotas,
- » (v) disrespect of management plans with regards to both geographic scope and technical aspects
- » (vii) Harvesting below allowed Minimum Exploitable Diameter (MED (WRI, 2003; Contreras-Hermosilla, 2002).



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Forms of illegal trade in the forest sector -2

- » ((i) Discrepancies between forestry departments on statistics on export and import of wood products (Johnson, 2003).
- » (ii) unlawful transportation of wood and other forest products,
- » (iii) falsification of documents and false declaration of timber volumes , smuggling, transfer pricing,
- » (iv) tax evasion, corruption, wood laundering, illegal industrial processing,
- » (v) non-respect of the terms social responsibility contracts with communities (WRI, 2003; Contreras-Hermosilla, 2002).
- » (Vi) Exporting logs from trees species that have been banned from export in the raw form



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Magnitude of illegal activities 1

- » Global phenomenon with US\$10 -15 billion loss in the tropics and US\$1 billion in the United States alone (World Bank, 2002a; Mendoza, 2003; Johnson, 2003).
- » In Sub-Saharan Africa, about 50 to 90% of the wood is suspected to come from illegal sources.
- » In Ghana: the volumes of illegal timber harvested in 2005 from the formal and informal sectors was 640,000 m³ and 1.7 million m³ per year, respectively (Alemagi 2010).
- » In DR Congo, armed conflict and widespread corruption was noted to cause estimated losses of €3.6 million (Scotland 2003)
- » In DR Congo: estimated artisanal logging production = 1.5 and 2.4 million m³, 5-8 times the official industrial timber production (<http://globalforestatlas.yale.edu/congo/forests-and-logging/illegal-logging>).



Magnitude of illegal activities 2

- » In Cameroon: Rate of illegal logging = 50% (Amariei, 2005), leading to annual loss of about US\$ 5.3million. More than 73,000 m³ of timber was logged in excess of the volume allotted to concessionaires in the 2002/2003 fiscal year (Global Witness, 2004).
- » In Cameroon, 12 traders of *Gnetum* spp. (*eru*), made a total of 18,368 financial transactions during the transportation and trade in 2010
- » 82% of the transactions were illegal or associated with corrupt practices and only 18% legal. The illegal amount was 33.5% of the total US\$ 682 502 spent on all transactions.
- » In Nigeria, 60% of community logging is illegal (Popoola, 2015)
- » In Gabon: US\$ 10.1 million
- » In Republic of Congo: US\$ 4.2 million (<http://globalforestatlas.yale.edu/congo/forests-and-logging/illegal-logging>)

- » Logging without a legal title and the widespread abuse of logging permits are the principal types of illegal logging occurring in Cameroon (Mitchell, 2002; Pandya, 2002; Global Witness, 2004).



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Examples of illegal activities

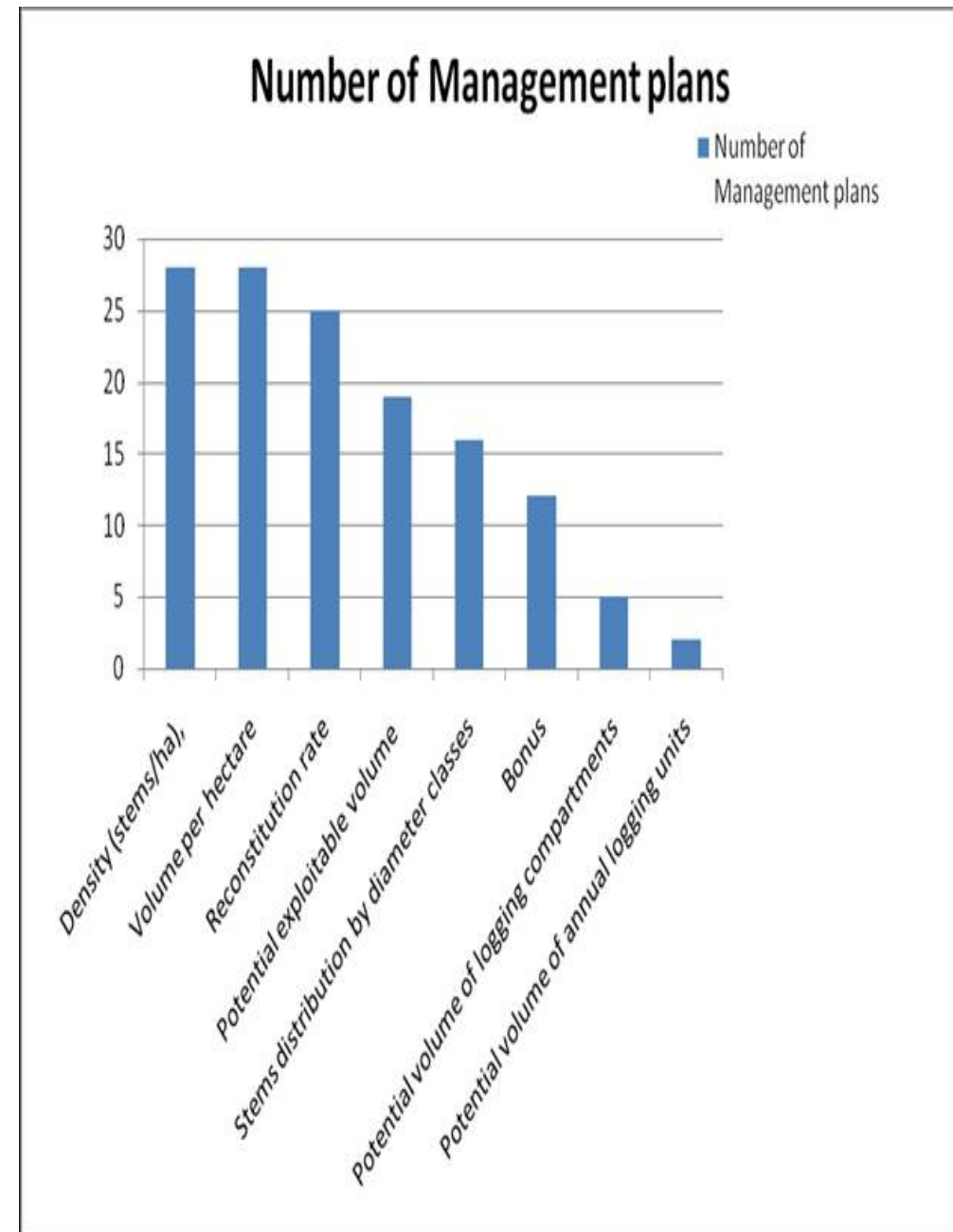
- » Establishment of management plans
- » Production of protected species without authorisation
- » Permit/quota allocation system for NTFPs
- » Discrepancies in data reporting among government agencies
- » Exporting logs from trees species that have been banned from export in the raw form



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Example 1: Poor establishment of management plans

- 28 mgt plans analyzed
- 20 of 28 mgt plans showed authors
- Two companies authored 4 mgt plans each
- 08 management variables were supposed to be analysed in each management plan.
- No mgt had all the variables
- Only 2 variables = Density (stems/ha) & volume/ha – 100%
- Least considered = potential volume of logging compartments & Vol. annual logging units
- **Conclusion:** authors don't scrupulously follow guidelines





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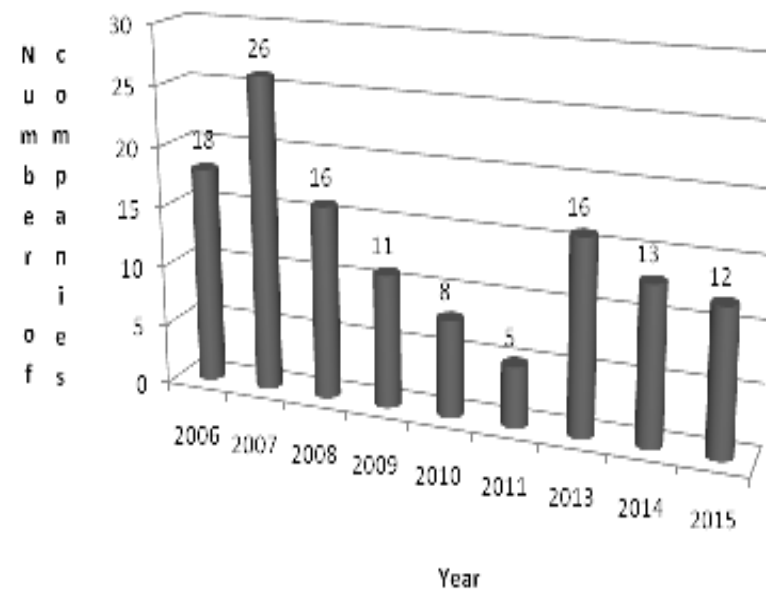
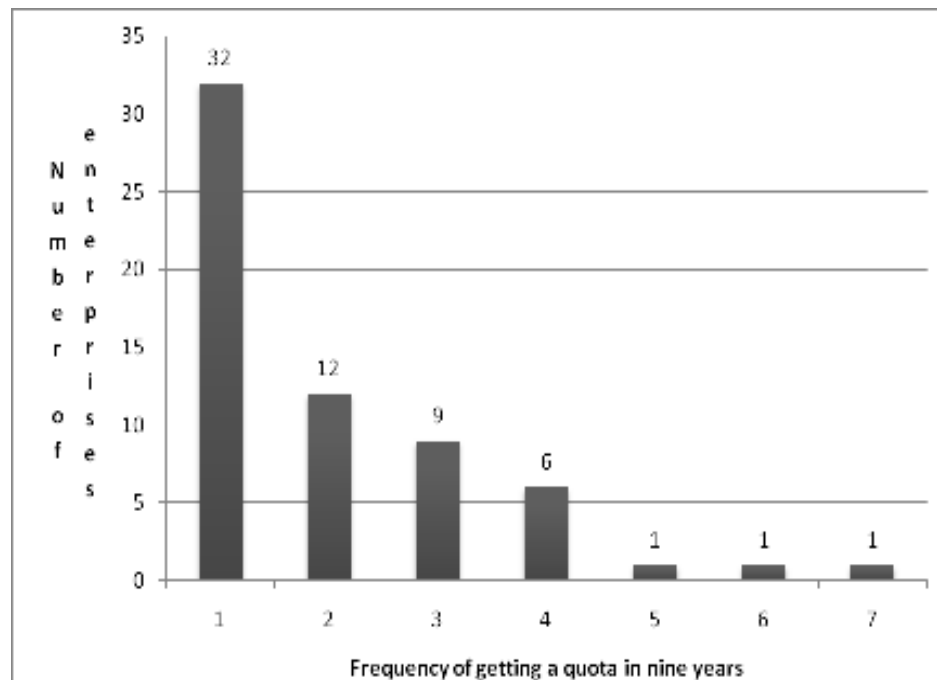
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Example 3: Poor permit/quota allocation system for NTFPs (2006-2015)

Regularity of allocations and number of enterprises matters

- Not all enterprises get a quota every year. Out of the 62 enterprises 32 had a quota only once in nine years.
- One enterprise each got a quota in five, six and seven of the nine years.
- Out of the 62 enterprises, it is only in 2007 that up to 26 companies got a quota and only five enterprises in 2011.

Conclusion: The permit system does not allow continuous business activities





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that have been banned from export in the raw form

Log exports to China by Species (Tieguhong et al. 2015)

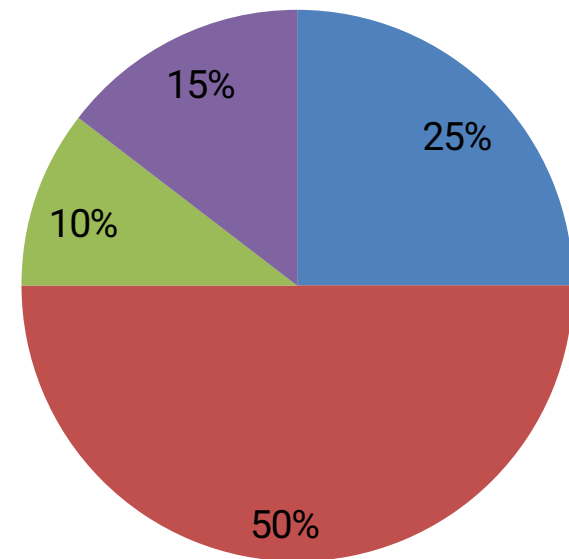
•Over a period of six years, a total of 2562577 m³ of logs exported to China with about 2% from five principal timber tree species that are not by law supposed to be exported in raw forms.

These species: Bete, movingui, mukulungu, padouk rouge & sapelli

Conclusion: Export of these species in the form of logs is in complete contravention to the law

Logs exported to China per category of species

- Promotion species category 1
- Promotion species category 2





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Example 5: Discrepancies in data reporting among government agencies

At the Douala Port of export data from customs and foresters vary

- Data collection and entry at the two government controlled offices were the same for only 25% of the variables

Conclusion: Obvious variations in the two systems of data management, render monitoring difficult

Variables	Douala Port II	COMCAM
Total volume exported in 2007 (m ³)	6719.99	7037
Total volume exported in 2008 (m ³)	4084.96	4122
Total volume imported in 2007 (m ³)	6719.99	7037
Total volume imported in 2008 (m ³)	4084.96	4121
Total number of exporting companies in 2007	13	12
Total number of exporting companies in 2008	12	13
Total number of importing countries in 2007	15	14
Total number of importing countries in 2008	09	09
Highest exporting company (%) in 2007	STBK (34%)	STBK (34%)
Highest exporting company (%) in 2008	STBK (19%)	STBK (21%)
Highest importing country (%) in 2007	Belgium (62%)	Belgium (60%)



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Are illegal activities in the forest sector
homogenous accross actors and
locations?

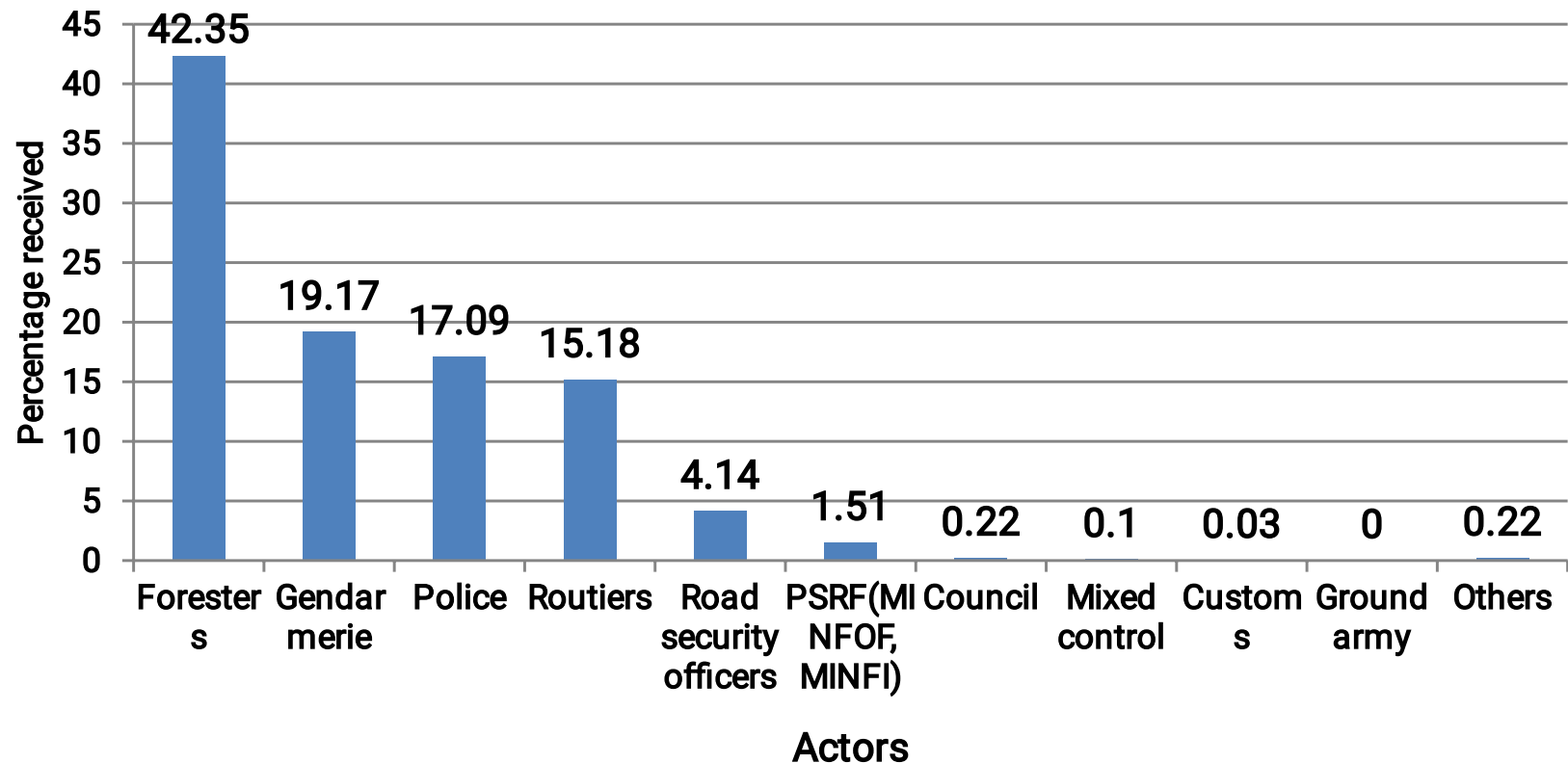
NO!



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Type of actor matters (case of eru transportation and trade in Cameroon)

- » 13 types of actors conducted controls and requested bribes.
- » Control agents extort money from traders in varying proportions and frequencies.
- » Five actors (foresters, gendarmerie, police, routiers, road security officers) are responsible for 98% of corruption costs; foresters leading at 42%

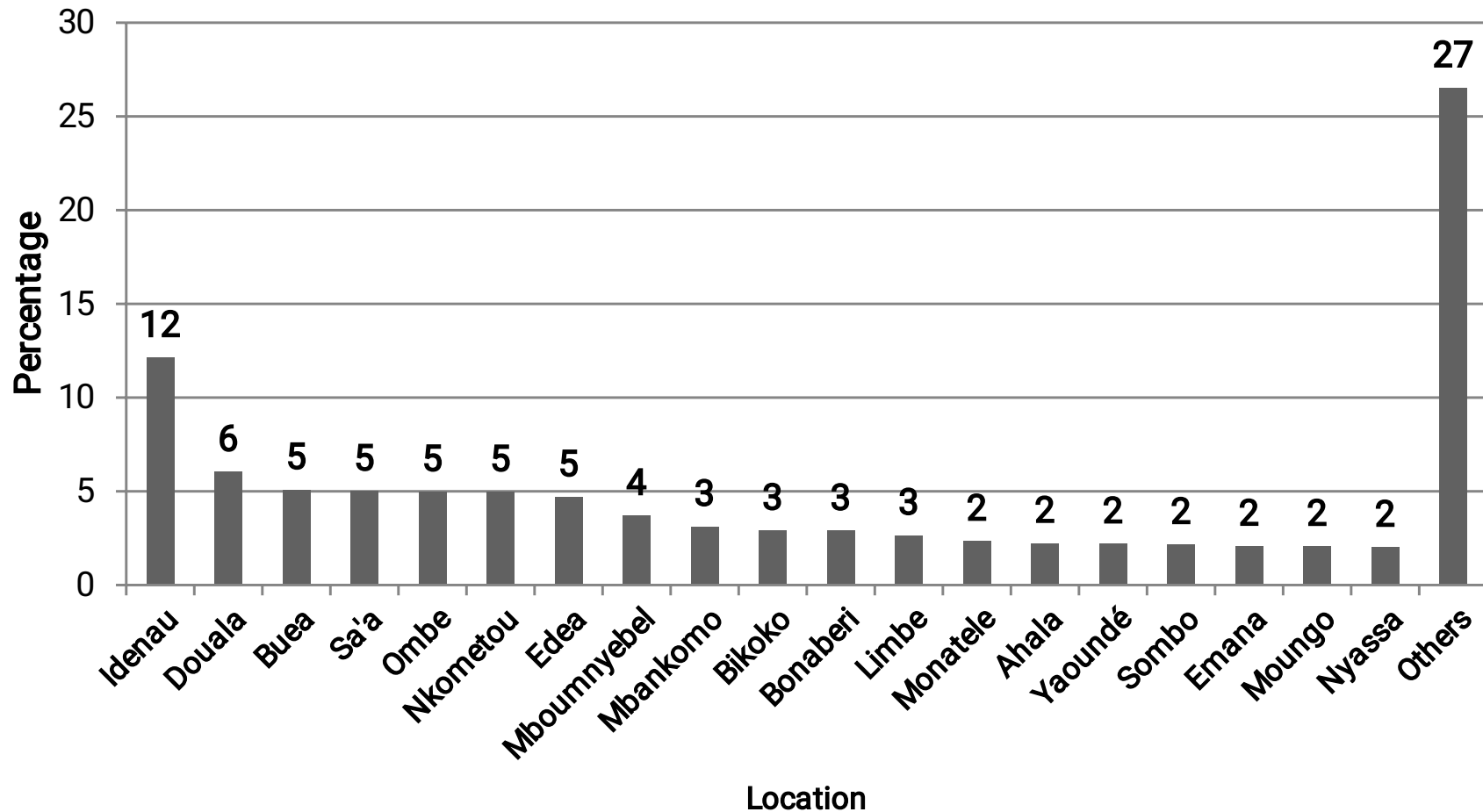




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Location of illegal extortions matters (case of eru transportation and trade in Cameroon)

- » Agents at different locations (check points) extort different sum of money from traders with the predominant 19 locations representing 73% of the illegal expenses through route 1.
- » 12% is spent at the port of Idenau alone





Laws and regulations are complex e. g. NTFPs in Cameroon

- » **Regulations governing production**
- » In Cameroon, trade in specific NTFPs is regulated by the 1994 Law on Forestry and Wildlife n° 94/01 and a 1995 decree N° 95/53.
- » To obtain approval involves twelve separate steps and documents, highly hierarchical and costly at around 2.5 to 3 million CFA (US\$ 5,000 to 6,000) and time consuming (6-10 months)
- » **Regulations governing transportation of NTFPs**
- » A waybill (*lettre de voiture*) is required for the permit holder to transport NTFPs (Decret 95 article 127(2))
- » To export forest products, article 66 (2) of the 1994 Law additionally requires that traders possess an export authorization, a certificate of origin, a specification sheet, a phytosanitary certificate and proof of payment of a graduated surtax depending on the volume to be exported and the level of processing ([MINFOE, 2006](#)).



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Implications of illegal practices on forest production and trade - 1

- » **Illegal logging** adversely affects society with devastating economic, ecologic and social consequences (Achanyi-Fontem, 2010).
- » **High economic costs:** Corruption costs = 20-34% of traders' gross costs and 37% of exporters' costs (Tieguhong et al. 2015). Reduced net incomes of producers/traders and higher prices paid by consumers;
 - Based on an economic simulation the world prices for wood are depressed by illegal timber by 7-16%
 - SMFEs are usually hardest hit by the price distortions and loose out against more competitive bigger rivals
 - When illegal timber is smuggled through international borders it affects the economies of various countries, driving up operational costs for legal producers
 - At national level, lost revenues in taxes not paid as well as for the forestry sector since it will be perceived as worthless = low official investments and protection efforts (Achanyi-Fontem, 2010) as policy makers perceive the sector as being of low economic importance.



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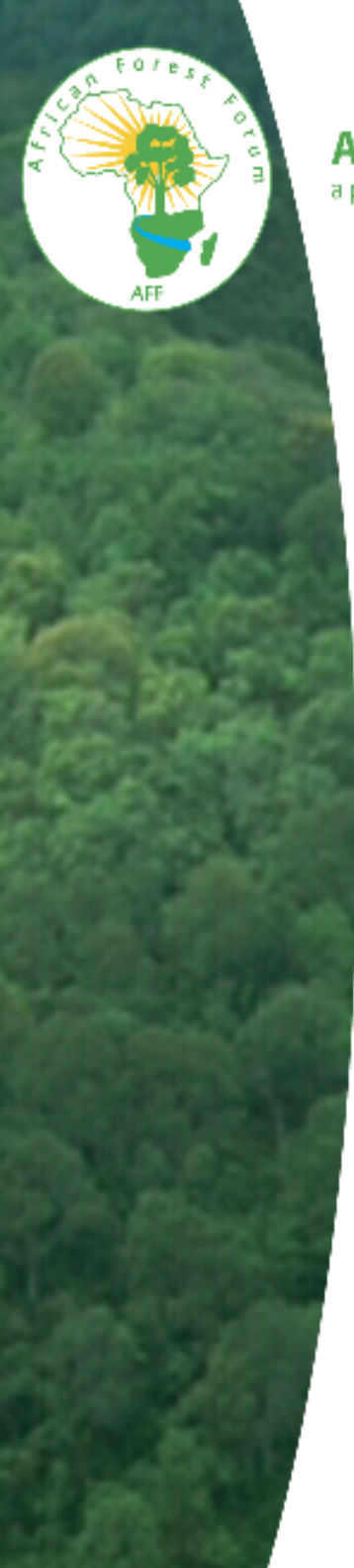
Implications of illegal practices on forest production and trade - 2

» Environmental costs:

- » Attribution of **annual quotas** for harvesting is not linked to knowledge on the abundance and ecological requirements of the species. Issues of sustainable management, regeneration and scarcity.

Increased **transit time** (5 hours) associated with illegal check points , bad for a **perishable products** like eru. E.g. on average 428 packets (STD=278) were damaged per trip (5.3% of the quantity transported on a trip).

- » Forest degradation adversely affects forests and thus biodiversity. It leads to the **depletion of forest ecosystems**, which is especially grave given that forests (especially tropical ones) harbour two thirds of all terrestrial eco-regions and a large part of the world's species.
- » Illegally logged forests may no longer entirely fulfill their **environmental functions** (soil stabilisation, water filter, CO2 sequestration & storage, shelter etc.), affecting people who directly depend on them for their survival(Achanyi-Fontem, 2010).



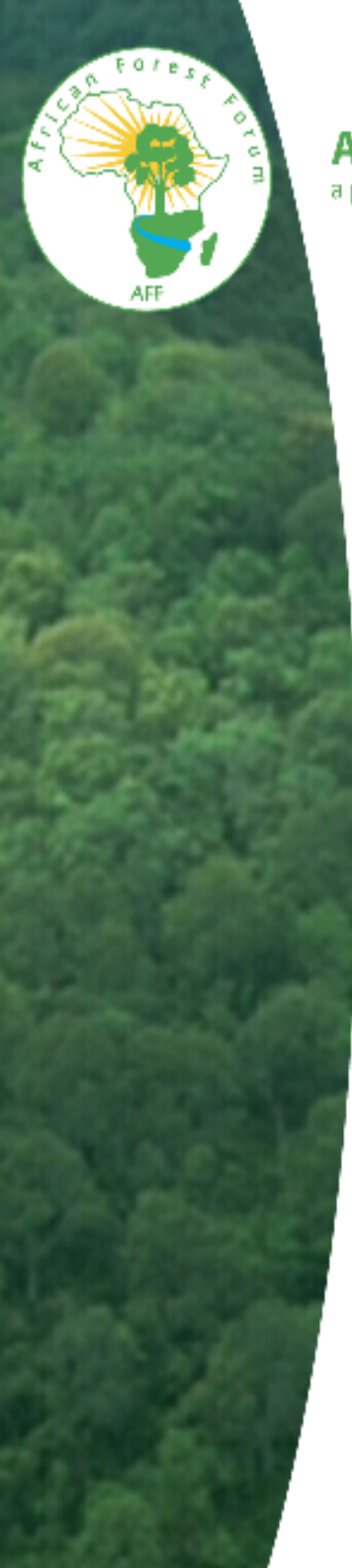
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Implications of illegal practices on forest production and trade - 3

Social costs:

- » Extensive forest areas are often known as lawless areas where the **state is absent** (tragedy of the commons). Deterioration of respect for the law as society becomes corroded by **distrust in the state and its representatives** (police, judges, officials, politicians).
- » Social disruption due to the destruction of the living space of people and the ensuing deterioration of rural living conditions. Out-spoken locals are bought off, thus **creating greed and envy** with the potential to sustainably **threaten social peace in the community** (Achanyi-Fontem, 2010).



Opportunities

Implementing due diligence” to curb the illegal timber trade in key markets

- » A new global norm emerging for tackling the trade in illegal wood, and it’s centered around **due diligence**
- » Due diligence in the context of the global timber trade = a principle that says companies must have valid paperwork for the wood they are buying, going all the way back to the point of harvest, and be able to show that they are assessing and mitigating the risk of illegal wood entering their supply chains.
- » According to Washington, D.C.-based NGO **Forest Trends**, this principle is being implemented in key markets such as the EU, Australia, and the US via a variety of laws that aim to prohibit the trade in illegal timber, including the EU Timber Regulation (EUTR), the US Lacey Act, and Australia’s Illegal Logging Prohibition Act (ILPA) (Gaworecki, 2016)
- » Importing countries are increasingly saying NO to illegal wood, good move for others to follow.

Implementing FLEGT and Certification



Challenges

» Hidden drivers of illegal logging and trade:

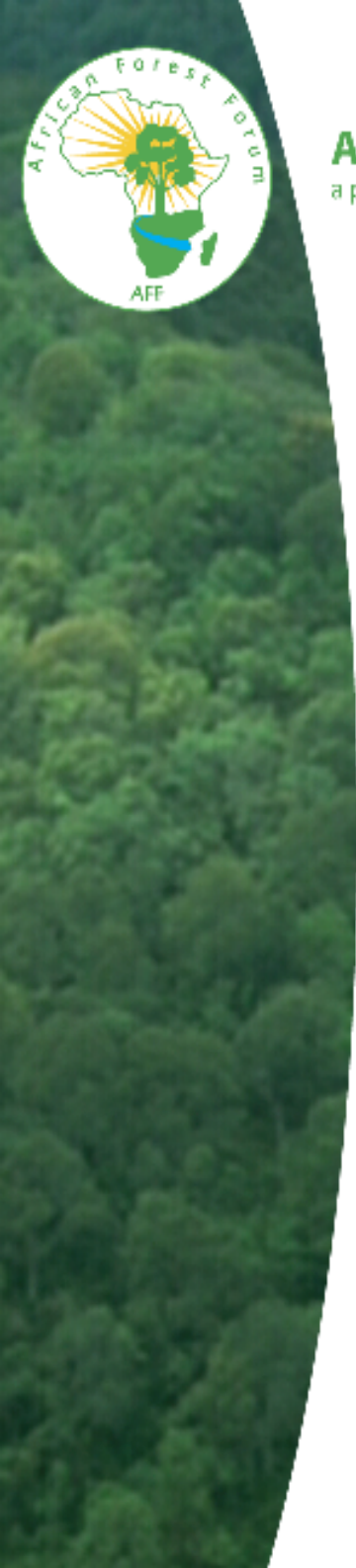
- Tax havens (tax avoidance by multinational corporations, illicit financial flows, clever accounting tricks,
- Political money in political market places, round tripping, monetisation of politics,
- Mercenarised violence
- Corruption is defined by the rich and powerful, base erosion
- Nation's political dynasties ([Alex de Waal](#) , 2016: How to steal from Africa, all perfectly legally)



Recomendations

At the national policy level

- » Need to overhaul and redress the weaknesses in the existing regulations as one way of creating an enabling business environment for producers/traders of forest products. **Removing bureaucratic red-tapes**
- » Creation of universal data entry matrix using standard software at all nodes of government agencies in charge of forest production and trade statistics (Database (logging, transport, processing and trade-domestic/export). = **promote transparency**
- » Provision of adequate computer and other logistics supports
- » Short technical training (three months) of forest officers and customs on statistical data collection and analysis, wood identification at the level of checkpoints
- » Putting in place higher and deterrent punitive measures for corrupt officials.



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Recomendations 2

- » **Greater involvement of civil society** in overseeing capacity development in good governance tools such as:
 - FLEGT,
 - implementation of due diligence,
 - third party certification and audits.
- » Civil society should be adequately engaged in:
 - policy formulation (stakeholder consultation),
 - forest monitoring,
 - forest management and
 - corruption prevention.
- » **Global increase in transboundary view of forests**
 - Illegal logging is not a problem of one local area, country or region. Forest is a global good (for climate change, desertification and loss of biodiversity) = treated as a nationwide and worldwide problem.
 - Need for increasing national and international investments in protecting forests from illegal activities.



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