



# The formalization and integration of the domestic market into LAS: Cameroon



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# 1. Introduction

## 1.1. Objectives of the assignment

In May 2010, the government of Cameroon initialled a Voluntary Partnership Agreement (VPA) with the European Union under the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. It has pledged that by 2012 all timber harvested in the country will be of legal origin – both for export timber and for timber traded nationally (VPA 2010). Cameroon committed itself to trace the source of all timber produced in the country within the framework of a Legality Assurance System (LAS). The government is making technical efforts to fulfil this obligation—but to ensure the legal production of timber a new approach will be needed to fully integrate small-scale informal logging into the national economy and to improve the governance of the sector.

This document focuses on timber production for the domestic market in Cameroon which is largely supplied by informal chainsaw milled lumber. The objective of this assignment is (i) to document the state of the art on the domestic timber sector in Cameroon, including its governance, social, environmental and economic impacts; (ii) to identify the challenges of and make recommendations for bringing this subsector under a formal regime as agreed in the VPA. The study draws primarily on published papers and authors' experiences.

It is anticipated that this study document will form part-of, or be integrated into, a larger options paper being compiled by the European Forest Institute (EFI) on the formalization and integration of timber production for the domestic market into the LAS contemplated by the VPAs between the EU and VPA partner countries.

## 1.2. Scope and tasks

The scope of this assignment is to provide an analysis accompanied by recommendations on how informal sources such as chainsaw milling (CSM) can appropriately and effectively be regulated at a national level in Cameroon. The study document will inter alia consider, evaluate, and provide guidance on the following issues and/or components relevant to the informal sector:

- i. Provide an adequate and appropriate overview on the current status quo of the domestic market in Cameroon. Specific consideration should be given to aspects such as:
  - a. The background (history) of the domestic market in Cameroon (chapter 2.2);
  - b. Its size (quantification thereof) including its contribution and/or relationship with the export market (2.3);
  - c. Discussion on informal timber sources to the domestic market including the estimated supply quantities, drivers for such supply, and other relevant considerations (2.4);
  - d. Identifying key players, stakeholders and participants in the informal supply chain including an overview of their key contributions/ roles/ responsibilities (2.5).
  
- ii. Discuss and evaluate the current status of potential recognition and processes to regulate the informal sector as a legitimate source of timber in Cameroon. Specific consideration should be given to aspects such as:
  - a. Relevant historical considerations (i.e. past recognitions, successes and/or failures) (2.1);
  - b. Current recognition and regulation including movement towards such recognition or regulation (3.1);
  - c. Possible governance challenges related to the existence, acceptance and regulation of possible wide informal timber production sectors (3.2);
  - d. "Pros and cons" of integrating the current informal sector (entirely or partly) as a legitimate timber source (3.3).

Note: recognition and regulation should extend and cover both regulatory (law) and non-legislative measures.

- iii. Provide an analytical synopsis on the effectiveness and appropriateness of measures discussed above and recommend or suggest appropriate practical measures (legislative and non-legislative) that may be employed or should be adopted in Cameroon to ensure adequate recognition and regulation of the informal sector within the context of timber sales on the domestic market.

Such measures and/or recommendations should cover aspects such as:

- a. Recognition/ acceptance/ legitimizing (4.1);
- b. Governance and stakeholder engagement (4.2);
- c. Legal access to forest resources by CSMs (4.3);
- d. Management of resources in the context of the CSM operations and timber sales on the domestic market (4.4);
- e. Measures for adequate control of production by CSMs and the control of their supply chains (4.5);
- f. Appropriate measures for enforcement and ensuring legal compliance of the CSMs, including forest operations, timber processing and control of the supply chain (4.6);
- g. Any other recommendations that may be deemed necessary or relevant (4.7).

### **1.3. Methodology**

Tropenbos International (TBI) has worked with ONF International (ONFI) in implementing this assignment. The report is based on a desktop study of readily available information, supplemented with expert reflections on the situation in Cameroon. References of the literature used are provided in the text. The currencies of the presented figures follow the currencies from the original literature.

## 2. Overview of the domestic market in Cameroon

### 2.1. Legal framework for small scale logging in Cameroon

One of the main objectives of Cameroon’s 1993 forest policy was to encourage the local population to participate in the forestry sector and to ensure they received part of the revenue generated by the sector. The 1994 forestry law focussed mainly on the export-oriented, large-scale industrial forestry sector, but also reflects the 1993 policy by proposing a new framework for organising forest resources and their economic implications for Cameroonian people. The law divided the forest estate into permanent (77% of humid dense forest area) and non-permanent domains (23%) (table 1). The permanent forest domain (PFD) includes land which is allocated for permanent forest use, including sustainable timber harvesting and biodiversity conservation. The non-permanent forest domain (NPF) includes forests which can be used for other land-use purposes; this is where most of the small-scale chainsaw milling is taking place (Pye-Smith, 2010).

**Table 1: Legal framework for forestry operations**

	Permanent Forest Domain		Non-Permanent Forest Domain		
Legal status	Estate forests (Forest concession, protected areas etc.)	Council forest	Community forest	Private forest	Other forests in national estate
Application of customary rights	User rights (to satisfy strictly personal needs)				
Formal options for small-scale operations			Logging permits and personal logging permits		

Source: adapted from Cerutti and Lescuyer, 2011

In general the forest resources are the property of the State; however, forest exploitation is delegated to private individuals and industrial enterprises receiving timber harvesting titles from the government. (Eba’a Atyi, 2009)

The 1994 forest law introduced community forestry as a way to improve local livelihoods. Community forests can only be located in the NPF and must be managed according to an approved management plan based on a 25-year rotation period (see also Box 1). The “Ministerial Letter” of 2001 suspended the option provided by the 1994 law to exploit community forests with industrial means, i.e., machinery to haul logs out of the forest for processing in sawmills. Since then, only mobile saws and chainsaws may be used in community forests.

Chainsaw milling is permitted in Cameroon within the framework of the forestry law, but permits are difficult to acquire. The law offers several options for small-scale operators in the NPF (only the first option may be used for commercial purposes (Cerutti & Lescuyer 2011):

1. Logging permits<sup>1</sup> (“Permis d’exploitation” - PE), for up to one year and a volume of 500 m<sup>3</sup>;
2. Personal logging authorisations<sup>2</sup> (“Autorisation personnelle de coupe” - APC) for up to three months and a volume of 30 m<sup>3</sup>; and
3. User rights for people living in villages adjacent to forest zones (Republic of Cameroon 1994, 1995 in Cerutti & Lescuyer 2011).

<sup>1</sup> In the VPA between EU and Cameroon this is referred to as lumber permits

<sup>2</sup> In the VPA between EU and Cameroon this is referred to as personal timber licence. These are only given for self-consumption of the timber and cannot be sold or transferred.

Chainsaw milling has also increasingly benefited from the move by customary owners to take over the areas and resources generally located near villages. Although this move by customary owners is partly supported by the forestry law, which ratifies customary user rights, it does not comply with current regulations:

1. The state is still the legal manager of the forests and its resources; and
2. Products derived from the exercise of customary rights may not legally be sold.

Trees cannot legally be sold to chainsaw millers without permits, even though this activity seems legitimate for a community. In practice, customary owners are implementing their traditional land and resource ownership rights by selling their trees to the informal chainsaw millers, allowing informal standards and practices rather than official regulations govern the daily use of the forest resources. (Cerutti and Lescuyer 2011).

### **Box 1: Community forests as potential supplier to the local market**

The forest law of 1994 foresees in a favourable framework for decentralized forestry and the participation of local actors. Local communities can participate in forest management through community forestry (“forêt communautaire”) or council forest (“forêt communale”). A community forest (< 5,000 ha) is part of the non-permanent forest domain (NPDF) and a council forest (average surface: 20,000 ha) is part of the permanent forest domain (PFD). A community forest requires a management agreement between the rural community and the minister in charge of forests, a council forest requires classification on behalf of the concerned council. A simple management plan (SMP) is required for community forests where for council forests a full management plan needs to be developed. Community forests are supposed to produce mainly for the domestic timber market; council forests usually target the export market.

Community forestry (CF) is often presented as an interesting opportunity for attracting and recruiting chainsaw millers legally. It is often proposed as a strategy to ensure the long-term future of small-scale logging, with the production destined for the local markets and local populations as the direct beneficiaries. This strategy, however, has to overcome two major obstacles:

1. Much higher production costs for CF timber than for informal timber production, which explains the poor competitive position of CF products on the national market; and
2. The scarcity of CF timber on the market: few CFs are exploited and the production level and volume of commercially interesting trees is low. Since 1997, the number of community forests significantly increased and they now account for 21% of the NPDF (humid dense forest). If all the envisaged forests complete the process, this rate will pass 34%. In spite of this, only 43% of the community forests with SMP are operational and the average annual production of a community forest is about 200 m<sup>3</sup>. In 2009, the 73 community forests with logging rights have produced no more than 15,000 m<sup>3</sup> of sawnwood for the domestic market (2.1% of the total domestic timber demand). Furthermore, assuming that the number of operating community forests reaches 300 in the next 5 years, their production would level off at 60,000 m<sup>3</sup> of legally sawnwood per year, less than 10% of the current local demand.

Sources: Cuny, 2011, Paolo Omar Cerutti, 2011

In 1999, the ministry decided to suspend the use and allocation of all small-scale permits, including personal logging authorisations (APC) permits (PE), on the grounds that they had become a major source of corruption and illegal logging (table 2). The suspension was maintained until 2006, although chainsaw milling never stopped (Cerutti and Tacconi 2008). Instead of reducing illegal logging operations, however, the suspension forced the whole sector to become informal, because legal logging permits were not available. In 2006, when the suspension was lifted, the ministry tried to auction off nearly 50 permits and authorisations, but the chainsaw millers did not respond. Contrary to the law, the logging permits were centralised by an inter-ministerial commission in Yaoundé. As the informal sector had been operating satisfactorily for nearly 7 years, it was unrealistic to think that the operators would respect the administrative procedure and go to Yaoundé to participate in the call for tenders. (Cerutti and Lescuyer, 2011).



In 2006 the government also issued a “Ministerial Letter” banning all exports of timber harvested using small-scale logging titles including timber sourced from community forests that subcontract harvesting operations to external parties (table 2). However, areas granted to community forests can only provide max. 10% of the actual local timber demand (box 1). This has prompted small-scale loggers to continue logging without valid logging titles in the NPDF, after the suspension (MINEF 2004 in Cerutti & Tacconi, 2008). This export ban imposed on small-scale timber producers has potential negative impacts because timber attracts higher prices on the international market than on the domestic market.

**Table 2: Evolution of policy framework with regard to small-scale logging**

Year	Policy instrument	comments
1994	<p>Forest Law: governs all forestry activities in Cameroon</p> <p>Introduction of community forests as a way to improve local livelihoods. Community forests can only be located in the non-permanent forest domain and must be managed according to an approved simple management plan based on a 25-year rotation period.</p> <p>Introduction of council forests located in permanent forest domain.</p> <p>Provision of small-scale logging titles to be issued to Cameroonian nationals in the non-permanent forest domain:</p> <ul style="list-style-type: none"> <li>- Logging permits to last a maximum of one year for a harvest not exceeding 500 m<sup>3</sup> (commercial); and</li> <li>- Personal logging permits, not to exceed three months and a volume of 30 m<sup>3</sup> (private use).</li> </ul>	Focus on large scale, export-oriented production. Few chainsaw millers applied for exploitation permits
1999-2006	<p>To address widespread illegal logging and corrupt behaviour by industrial companies operating with Timber Recovery Permits (“autorisation de récupération de bois – ARB”), the use and allocation of all small-scale permits, including personal authorisations and logging permits, was suspended.</p> <p>Community forests remained the only legal harvesting areas available to small-scale loggers.</p>	Suspension forced the whole sector to become informal, because small-scale legal logging permits were not available
2001	‘Ministerial Letter’ suspending the option for community forests to be exploited with industrial means, i.e., machinery to haul logs out of the forest for processing in sawmills: only mobile saws and chainsaws, the tools used by small-scale loggers, may be used in community forests.	
2006	Lifting of 1999 suspension of small scale permits (PEs)	Continuation of informal practices: only 10% of chainsaw operations have a legal title
2006	‘Ministerial Letter’ banning all exports of timber harvested using small-scale logging titles in order to ensure that domestic demand is being met. This includes timber sourced from community forests that subcontract the harvesting operation to someone external to the community	Areas granted to community forests since their inception can provide max. less than 10% of the timber actually needed (and logged) by small-scale loggers.
2010	In April 2010, the Ministry of Forests (MINFOF) and the Ministry of Trade (MINCOMMERCE) published a decree stating that the role of the domestic timber market should	Lack of knowledge about how the informal sector operates hampers the design of an effective policy.

	be, amongst others, (1) to promote the use of secondary species, (2) to promote equitable market conditions and (3) to keep timber producers and the traders informed about timber supply and demand.	
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Sources: Cerutti and Lescuyer, 2011, Cerutti & Tacconi, 2008

## 2.2. The background of the domestic timber market in Cameroon

The timber sector in Cameroon has traditionally been dominated by large scale forest industries with access to large and long term concessions with a strong export orientation. Parallel to these large enterprises small-scale timber industries have developed targeting the national and regional market. These small-scale industries depend heavily on access to community and smallholder forest areas for the provision of timber (Benneker et al. 2010).

After independence (1960) and throughout the economic boom from 1970 to the end of the 1980s, national demand for timber for urban construction and infrastructure grew. The timber was produced by a small number of industrial forestry firms, mostly foreign owned (Eba'a Atyi 1998, Wunder 2003 in PyeSmith 2010). During the second half of the 1990s – just after the economic crisis in Cameroon - many rural Cameroonians, who had no other source of income, became chainsaw millers. Their timber, which was sold on hundreds of urban markets, replaced the timber from industrial companies (Pye-Smith, 2010) and was exported informally to neighbouring countries such as Chad and beyond (Koffi 2005). Since 1996, the amount of timber harvested in Cameroon to supply domestic and regional markets has increased by a factor of 10 (Pye-Smith, 2010).

Chainsaw milling can be traced back to the 1980s or earlier. Over time, this small-scale activity catering to the needs of rural households developed into an informal sector catering to growing urban demand. In some councils, the establishment of a forest logging company was a major factor in the rise and consolidation of a chainsaw milling sector, as such companies attracted and trained professional workers, facilitated access to chainsaws and other equipment, and produced sawmill scrap that could be reused and repacked on site. The sector has grown substantially since the beginning of the 1990s, with growing numbers of millers joining the profession in most years since 1995, particularly in Cameroon's Centre Region (Robiglio 2009 in Cerutti and Lescuyer 2011). The development of small-scale chainsaw milling received a strong boost from the rapid expansion of farmlands, with large volumes of profitable commercial tree species available for harvesting. Small-scale chainsaw milling operations are now deeply woven into Cameroon's rural economic landscape. However, intensity varies according to access to an urban market, forest resources availability and the presence (current or former) of a logging company (Paolo Omar Cerutti, 2011).

## 2.3. Domestic timber production and trade

Industrial logging operations export timber products to Europe, America and Asia, and informal chainsaw milling operations supply the domestic market and many other African countries. (Langbour et al. 2010). The whole domestic timber sector in Cameroon is marked by informal practices, from felling trees to selling timber. The activities of most of the chainsaw millers could be covered by a small scale logging permit but, for various reasons, the chainsaw millers do not ask for such permits and prefer to keep operating in the informal economy (Paolo Omar Cerutti, 2011). In table 3 an overview is given for the legal production in Cameroon.

The development of a dual sector, yet with connections, will further increase, as recent data on domestic consumption and the importance of the informal sector shows (Karsenty, 2010). The local demand for (cheap) timber is expected to further increase following the population growth of Cameroon (expected to increase from 19.3 million people in 2010 to 27.5 million in 2030) and the growing regional trade with neighbouring countries.

**Table 3: legal production in Cameroon**

Sources of timber		Duration	Max. size	Number allocated	Total area allocated (ha)	Volumes (m <sup>3</sup> )	Logging/pro processing method	Market orientation
PFD (16.5 M ha)	Large scale long term concession	15 years renewable	200,000 ha	103	6 M (max. potential =7.5 M)	1.7 M RWE (2007)	Industrial felling & milling	Primarily export. Scraps/ 2 <sup>nd</sup> quality: domestic
	Council/municipal forests	15 years renewable	Not defined (average: 20,000 ha)	60	970,000ha	210,000 RWE (2007)	Mainly industrial felling & milling	Primarily export
NPF (4.2 M ha)	Community forests	25 years renewable	5,000 ha	182	882,000 (max. potential=1.4 M ha)	15,000 (=45,000 RWE) (2009)	Only small scale logging permitted using mobile saws and chainsaws	Primarily national
	Sales of standing volumes	1-3 years	2,500 ha	77 (2011)	192,500 (2011)	275,000 RWE (2007)	Industrial	Export
	Wood recovery authorization	1 year	Not defined	n.a.	n.a.	155,000 RWE (2007)	Industrial	Export
	Personal logging authorisation (APC)	3 months	30 m <sup>3</sup>	n.a.	n.a.	n.a.	small-scale logging	National
	Logging permit (PE)	1 year	500 m <sup>3</sup>	n.a.	n.a.	n.a.	small-scale logging	Primarily national

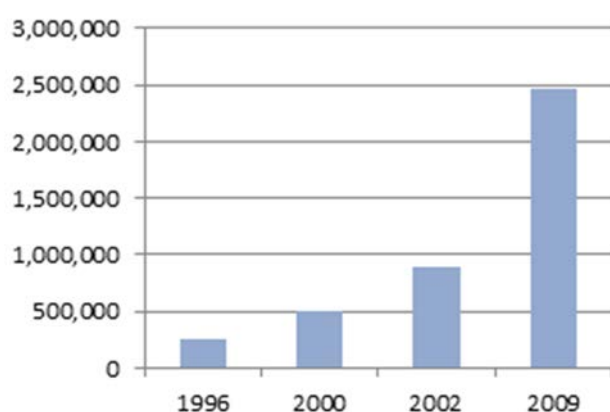
Sources: Cuny 2011, Cerutti and Lescuyer, 011, Ebaá Atyi 2009

Small-scale chainsaw operations are usually carried out near access routes, almost always in the NPF, that is, in the buffer zone of about several kilometres (provided for in the Zoning Plan) around the PFD (Cerutti and Lescuyer 2011). Products used in construction, such as planks, formwork and beams, account for more than 90% of local timber sales. Planks alone account for nearly 41% of all the products from chainsaw operations and about 56% of all products from industrial scrap (Cerutti and Lescuyer 2011).

About 70% of total sales are from the following five species: ayous (*Triplochiton scleroxylon*) (the most popular species, accounting for 35% of sales), movingui (*Distemonanthus benthamianus*), iroko (*Milicia excelsa*), sapelli (*Entandrophragma cylindricum*) and bilinga (*Nauclea diderrichii*) (Cerutti and Lescuyer 2011).

Estimates of local timber sales over time show that there has been a steep increase over time (figure 1).

**Figure 1: Estimates of local timber sales in Cameroon (m<sup>3</sup>/year)**



Source: Cerutti and Lescuyer 2011

Cerutti and Lescuyer (2011) estimated that the total domestic timber trade was 860,000 m<sup>3</sup> in 2009 (table 4). More than 75% of the timber harvested for domestic use is produced by chainsaw millers operating most of the time without title, i.e. informal. Total production of Cameroon's chainsaw milling reached 715,000 m<sup>3</sup> by 2009 (app. 2.1 M m<sup>3</sup> round wood equivalent - RWE) of which close to 8% is being exported to neighbouring countries. A quarter of the domestic and regional supply comes from industrial 'scraps': timber produced by large-scale concessions of insufficient quality for export (Pye-Smith 2010 and Cerutti and Lescuyer 2011).

**Table 4: Timber production volumes in Cameroon in 2009 (m<sup>3</sup>)**

Market / Production method	Chainsaw milling (mostly informal)	Industrial (mostly formal)	total
domestic	662,000	198,000	860,000
export	53,000 <i>Chad: 41,000 Nigeria: 12,000</i>	360,000* <i>Main destination: EU (80%)</i>	413,000
total	715,000	558,000	1,273,000

\* 2009 was a very bad production year after the 2008 crisis.

Sources: Cerutti and Lescuyer 2011, Eba'a Atyi 2009

## 2.4. Drivers and impacts of illegal timber production for the domestic market

### 2.4.1 Drivers of chainsaw milling

In rural areas, chainsaw milling exists because of long-standing local demand for timber to build houses and furniture, more recent demand from markets in nearby urban areas and markets in neighbouring countries, and the availability of trained chainsaw operators (Cerutti and Lescuyer 2011).

The following factors contributed to the extension of small-scale chainsaw milling in Cameroon:

- **Growing demand for inexpensive forest products.** The 50% reduction of civil servants' wages in 1993, the devaluation of the F CFA in 1994 and the economic crisis of the 1990s (drastically reducing the purchasing power) made industrial timber far too expensive for the majority of people in Cameroon. Moreover, this timber was very competitive on the export market (due to devaluation

and low local wages). Thus, numerous urban and rural people decided to fill the demand for cheap timber by becoming chainsaw millers in order to earn money and to satisfy the domestic timber market with cheap timber (including regional export to Chad and other countries).

- **Profitability of chainsaw milling.** Small-scale timber production appears to be a highly profitable business showing essentially positive impacts on rural livelihoods (Plouvier et al. 2002 in Cerutti and Tacconi 2008). In Cameroon, the profit margin is about 26%, about US\$15.5 per m<sup>3</sup>. Given the total volume of sawnwood sold on the domestic market, the financial gain generated by the informal sector — aggregating local wages, fees and profits — is estimated around US\$51.1 million per year for Cameroon (Lescuyer et al. 2010).
- **Greater availability of chainsaws,** with many more being used during the past few years. Many households bought chainsaws to clear land for farming and to fell and cut trees either for domestic use or for sale (Cerutti and Lescuyer 2011).
- **Availability of forest resources.** The 1994 Zoning Plan for Southern Cameroon leaves ample room for the Non-permanent Forest Estate (NPFE), in which customary rights to clear forestland are recognised, but only to meet personal needs. Even in areas near the cities where the remaining forests are degraded, trees of more or less high sales value can be found in the farm and agroforestry lands such as cocoa plantations. Most farmers have trees in their farm areas or family forests that they can easily sell on local markets (Cerutti and Lescuyer 2011).
- **Absence of enforced regulations.** The 1994 forest law provides for small logging permits to meet national demand for sawn products, but in reality, millers earn good money from their work without the permit. Small-scale chainsaw operators very seldom apply for official permits for two reasons, one historical and the other structural. The first reason dates to 1999 when the Ministry of Forests (MINFOF) suspended the small logging titles and many legal operators entered the informal sector overnight. Their operating costs and profit margins remained basically unaffected. The end of the suspension period, in 2006, did not stunt the growth of this informal sector. The second reason is that the logging permits (PE) provided for in the forest law did not meet the chainsaw millers' needs and involved expensive and burdensome procedures. In brief, chainsaw millers with permits faced stricter operating conditions and higher operating costs without enjoying any real economic benefit in return. Only 8% of the chainsaw millers of the 261 in the CIFOR survey had ever had a legal logging permit. Not having a legal logging permit was experienced as a problem for only 10% of its sample group (Cerutti and Lescuyer 2011).
- **Social acceptance.** A favourable aspect in the growth of the small-scale chainsaw milling sector in Cameroon during the past decade is its social acceptance at village and individual levels, as well, to a certain extent, at the Cameroonian government level, because of the opportunity for informal payments (Cerutti and Lescuyer 2011) and access to cheap timber.
- **No clear tenure.** The different rights of local actors, including tenure rights are not clearly defined. Insecure tree tenure is a main factor preventing customary owners from protecting, replanting or regenerating trees (Wit et. al, 2010).
- **Corruption in the timber trade chain is a driver of illegal activities.** CIFOR's research suggests that corruption is now so deeply entrenched within MINFOF that any attempts to reform the law are likely to be vigorously contested by officials who supplement their income with bribes (Pye-Smith, 2010).

## 2.4.2 Impacts of chainsaw milling

### *Socio-economic impact*

Informal chainsaw milling generates considerable income, especially for rural populations, and considerable profits in both rural and urban areas. The majority of industrial workers receive relatively low wages (ONFI et al. 2002 in Cerutti and Lescuyer 2011), whereas small-scale timber production appears to be a highly profitable business showing essentially positive impacts on rural livelihoods (Cerutti and Lescuyer 2011). The activity is very lucrative and attracts more and more people. Chainsaw milling provides 4,000 direct, often permanent jobs in the cities, and close to 40,000 more or less permanent jobs in rural areas (Cerutti and Lescuyer, 2011). Assuming that each job supports five people, it can be estimated that this sector supports about 250,000 individuals (Cerutti and Lescuyer 2011). The total number of people employed by chainsaw milling is about four times the number of direct jobs provided by the industrial timber sector (Karsenty, 2010).

Given the total volume of sawnwood sold on the domestic market, the financial gain generated by the informal sector — aggregating local wages, fees and profits — is estimated around US\$51.1 million per year for Cameroon (Lescuyer et al. 2010).

Local people who sell their trees according to customary law or who work in this sector make a good living. Nearly half the expenditure for logging in rural areas (about US\$ 65/m<sup>3</sup>) is income for rural populations. Contrary to common belief, this activity contributes to poverty reduction in rural areas, at least in the short and medium term. Most of the payments are for the salaries of the local workforce (sawyers and their assistants and carriers) and for the customary owners who give permission to fell the trees. By extrapolating this average figure this activity is contributing about 21.1 billion F CFA to rural economies (by comparison, the Annual Forest Area Fee generated 6 billion F CFA to the councils and communities in 2008, and much less in 2009) (Cerutti and Lescuyer 2011).

Chainsaw milling operations are also a major source of personal income for many government officials, who have created a huge, obligatory payment system to 'launder' the timber sold on local markets (box 4) (Cerutti and Lescuyer 2011). These 'informal payments' represent about 9% of harvesting costs, including payments to officials from MINFOF and other government bodies, as well as payments demanded by local administrations. These informal payments to local bodies amount to approximately half of a municipality's income (Pye-Smith, 2010). This is an important source of revenue for many of the civil servants working in this field, who undoubtedly would not be enthusiastic about any attempts to regularise and legalise the sector (Cerutti and Lescuyer 2011). Although the informal payments are largely made to individuals working in the forests, at road barriers and in the markets, much of the money percolates upward in 'brown envelopes,' from the chef de poste and his officers to MINFOF's higher officials (Pye-Smith, 2010). Little of the revenue generated by chainsaw milling reaches state coffers (Cerutti and Lescuyer 2011). If extrapolated to the overall volume of informal production, informal payments total about €11 million in Cameroon (Lescuyer et al. 2010).

Insecure tenure rights generate conflicts about access to trees (conflicts between villagers or between customary owners and chainsaw millers).

### *Ecological impact*

Chainsaw milling is often criticised for its negative impact on the environment. However, small-scale loggers mainly harvest in the non-permanent forest domain (less than 2 km from an access road and very often in sites with major anthropic activity: secondary forest, cocoa plantations, fallows, fields), which can be legally converted to non-forest uses, while industrial logging takes place in the permanent forest domain (Cerutti and Lescuyer 2011). Furthermore, small-scale chainsaw millers look for only a few commercial species - the same ones as the industrial logging companies - and, wherever possible, target large trees to maximise their

output. Currently, this activity does not greatly threaten Cameroon's permanent forest domain (Cerutti and Lescuyer 2011). However, in the South West standing stock of timber and respective species in the forest are on a sharp decline (Fuashi and Mosua 2008). Fuashi and Mosua (2008) claim that this is not unconnected to excessive exploitation, caused by a steady rise in timber demand, both for the local and export market.

The estimated 33.7% processing rate recorded in CIFOR's survey indicates that chainsaw processing is at least as efficient as industrial sawmills during the first processing stage (ONFI et al. 2002 in Cerutti and Lescuyer 2011).

Cerutti and Lescuyer (2011) indicate that the environmental impacts of informal chainsaw milling may become more pronounced in the next few years, because of two main factors:

1. Local populations have practically no management principles for commercial wood resources. By simplifying and decreasing the cost of the procedure to obtain land rights and establish private forests, the government could convince some customary landowners to become legal owners of wood resources and to manage them sustainably following e.g. a simple management plan.
2. Total amount of (chainsaw) timber required to meet the medium- and long-term urban demand. Eventually, to meet demand, the chainsaw millers will have to penetrate deeper into the forest and use more effective tools such as portable saws, which currently are used mainly to supply the legal export market.

#### **2.4.3 The key players, stakeholders and participants in the domestic timber supply chain**

The actors involved in the domestic timber supply chain are diverse:

- **Customary owners of the trees:** in theory the state is the owner of the land and the trees, but in practice customary owners are implementing their traditional land and resource ownership rights by selling their trees to the informal chainsaw millers. Payments go to the customary owners, who negotiate the sale of 'their' trees (Cerutti and Lescuyer, 2011).
- **Local communities:** Communities can gain formal access to the forest and exploitation rights through the application for a community or council forest (the latter being mainly used for export production), see also box 1.
- **Sawing teams:** Most of the sawing teams are composed of four or five people and a chainsaw. They consist of a sawyer handling the chainsaw and –usually- one assistant and two-three (or at most four) carriers, who are usually hired on site (Cerutti & Lescuyer 2011).

There exist two identifiable sawyers:

1. **'Professional' chainsaw millers:** The professional chainsaw millers have regular, structured relationships with the markets; they start sawing when they receive an order and know to whom and at what price they will sell their products. Their equipment is usually of high quality. Their clients or employers often provide protection against administrative hassles. Professional chainsaw millers carried out 65% of the sawnwood operations that CIFOR monitored (Cerutti & Lescuyer 2011)
2. **'Village' chainsaw millers:** Village chainsaw millers have little contact with the market. They have trees in their home area, ready to be sold, and do not wait to receive purchase orders. Their system is to fell and process trees when they need money, and then take their sawnwood products to the market. They seldom have any external protection to limit their risks. Of the sawnwood operations monitored by CIFOR, 35% were carried out under this system (Cerutti and Lescuyer 2011).

The professional millers, with better equipment, financial backing and political sponsors, have a profit margin of about US\$18.2 per m<sup>3</sup>, while that of freelance rural sawyers tends to be zero. The latter are frequently subjected to external pressures, including the seizure of all their wood (Lescuyer et al. 2010).

- **Wholesalers.** They buy timber from the exploiters and transport the timber to the market where they are supplied to the retailers (Fuashi and Mosua 2008).
- **Traders / Retailers.** The timber market can be characterised by two groups of retailers. The first group is made up of those who own mechanised carpentry mills and buy timber of various sizes and stock for their mechanised carpentry mills for retail to various end users. The second category of retailers is made up of those who have individual market sheds where they trade timber (Fuashi and Mosua 2008).
- **Buyers.** Apart from individual purchasers, buyers can be grouped into four main categories: big processors, individual carpenters, builders and road construction companies. Majority of the timber is sold to carpenters (Fuashi and Mosua, 2008).
- **Government officials.** MINFOF, MINFI, the police, the gendarmerie, head of the local forest office and other forms of public authority (sub-prefecture, city hall, local councils, judiciary). Formally they are supposed to control the chain, but they also benefit from informal payments. There are three levels of informal payments in the chainsaw milling chain: in the council, on the road and at the urban markets. Urban market controls are carried out by MINFOF, MINFI and council services, but upstream in the sector, various government services are involved, each taking 'their share'. In 1998, MINFOF's powers to collect taxes from forestry operations were passed to the Ministry of Finance (MINFI) (Pye-Smith 2010, Cerutti and Lescuyer 2011).

Langbour et al. (2010) report about very effective **ethnic business networks** that operate a "northern trail", an informal timber supply chain that supplies Northern Cameroon and other African markets as far as Nigeria, Niger, Chad, Sudan, Egypt, Libya and Algeria.



### 3. Regulating the domestic timber supply

#### 3.1. Current developments in recognition and regulation of the informal timber sector

Since 2003 at the time of the inter-ministerial conference AFLEG<sup>3</sup> organized by Cameroon, the Government of Cameroon (GoC) has been in dialogue with EU member states on forest governance and legal timber trade. Only in November 2007, the European Commission (EU) and GoC officially started negotiations about a **Voluntary Partnership Agreement (VPA)**, which was initialled on May 6<sup>th</sup>, 2010, signed on October 10<sup>th</sup>, 2010 and ratified on August 9<sup>th</sup>, 2011. This agreement expresses a strong mutual commitment to respond to the problem of illegal logging, by linking good forest governance in Cameroon with a trade agreement, a leverage offered by the EU's internal market.

This agreement contains several arrangements about domestic timber trade:

- Improvement of the legal framework relating to the domestic timber market;
- Monitoring the domestic timber market (DTM);
- Establishment of a statistics-gathering system.

Part of the VPA is the development of a **Legality Assurance System (LAS)** that will ensure that only legal products are produced, sold and exported. The system is based on:

- Verification of legal compliance following defined indicators and criteria;
- National forest monitoring;
- National regulation and control of forest activities;
- Verification of legal compliance along the supply chain from forest to port;
- Issuance of FLEGT licenses; and
- Independent Audit of the LAS system.

The LAS system applies to all sources of timber and timber products produced, acquired and/or in circulation in Cameroon. The system involves legality matrices developed for the various timber supply methods stipulated in the Cameroonian forest legislation (table 2). MINFOF will oversee the entire control and verification operations at Headquarters, working closely with regional and departmental forestry offices and logging company operators.

Although the 1994 forest law provided space for local people to participate in forest management, the timber production legislation has continued to focus on large scale forest industries with a strong export orientation. Now that CIFOR's research has revealed that the local timber consumption is higher than the industrial export production, regulation and monitoring of the domestic timber market has become urgent. The GoC has to start controlling the internal flow of timber to reduce illegal logging and enhance the contribution of the domestic timber sector to the national economy. For reaching these aims, it will be necessary to review the legislative framework for domestic timber supply and to establish a suitable traceability system including a proper control system.

The government has developed several initiatives:

- Since 2008, the GoC is organising the **revision of the 1994 Forest and Wildlife Act**. The aim is to adapt the forest policy and legal framework to current realities and current objectives of Cameroon, including its international commitments. Headed by the ministry of Forest and Wildlife (MINFOF), this process involves all stakeholders. Thematic commissions are working on 19 issues; forest management and logging, NTFPs<sup>4</sup>, community forestry, council forestry, private forestry, management of wildlife, biodiversity and protected areas, control of forest activities/FLEGT implications, forest governance, mining sector implications, population rights, certification, climate change, international conventions / treaties, fiscal system, small permits, lumber (PE)/personal (APC) permit, gender and indigenous people,

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<sup>3</sup> Application des Législations et de Gouvernance dans le Domaine Forestier en Afrique

<sup>4</sup> Non Timber Forest Products

COMIFAC<sup>5</sup> convergence plan and firewood. There is no specific attention for domestic timber trade, although some issues are addressed in the following three commissions: forest governance, small permits and lumber/personal permit. Some commissions have not reached their aims, i.e. provide recommendations for law reform, and MINFOF is now planning to recruit an international consultant to support the process. At present, the main propositions relevant to the domestic timber trade are:

- Provide access to "official" private forest for customary owners through the application of a simple management plan (under technical control of MINFOF). The customary owner can then log and process the trees himself or contract a third party;
  - Professionalization of the sector. Only professionals can obtain logging and transport permits and can sub-contract to workers with the similar capacities. It is considered to be necessary to fix minimum thresholds to be considered in assessment of the technical or professional and financial capacities of the applicant to these permits;
  - Licences for logging and/or transportation will be supplied by an independent (decentralised) committee in a transparent way;
  - Selling at auction of wood will be better controlled to avoid timber laundering. Seized wood is almost always automatically auctioned with the illegal logger benefiting in return of an informal payment to the responsible officer;
  - The calculation of fines for illegally logged timber will consider the total cost of damages, in particular the economic, ecological and social damage inflicted to the resource owner and the bordering populations of the concerned forest;
  - Allow customary owners to log and trade some products (but also payment of relevant taxes) in forests allocated as community forests.
- MINFOF implements a **traceability project** with support of SGS, Helveta and the EU. This project aims (i) to develop a System of traceability of wood (SIGIF II)<sup>6</sup> (ii) to verify the legal origin of wood (iii) to check the conformity of the lawful declarations for taxation and sustainable forest management. This project is experiencing challenges due to an overambitious initial plan, insufficient interaction with industrial loggers and expected functional adaptation problems of the system, problems of extending the system to all types of permits, etc. After a 20 months period, the system is still not operational.
  - On 5th January 2010, MINFOF established a **task force** to propose recommendations for improving the domestic timber market in Cameroon (consideration of future development of this sector, monitoring of the study implemented by CIFOR). The high level of MINFOF representation (the chairman and the two vice-chairmen are respectively a general inspector and two national directors) indicate the importance MINFOF attaches to this task force. The members are from central services of MINFOF (6), decentralized services of MINFOF (2), an international organization (1) and CIFOR (5). The task force has not yet produced many results because of few meetings.
  - Since 2010, the MINEPAT<sup>7</sup>, with the support of the World Bank and the MINFOF, implements a **Competitiveness of Growth Sectors Project** (PCFC<sup>8</sup> in French) in charge of setting up wood clusters. These wood clusters concentrate the actors of the domestic wood value chain (companies and individuals involved in industrial or chainsaw logging and woodworking) in the same place. Two sites, of 50 ha each, have already been identified in Yaoundé and Bertoua where these clusters can be established. Sheds and workshops will be constructed. The workers will have the possibility of joining forces, in particular for buying tools or supplying raw material (they can buy from official providers, i.e. Community Forests). Two modes of supplying these clusters have been identified: (i) direct delivery by

<sup>5</sup> Commission des Forêts d'Afrique centrale

<sup>6</sup> SIGIF (Système Informatique de Gestion de l'Information Forestière) s a department of MINFOF

<sup>7</sup> Ministère de l'Economie, de la Planification et de l'Aménagement du Territoire

<sup>8</sup> Projet Compétitivité des Filières de Croissance

lumber companies on site, (ii) recovery/purchase of wood from outsiders (vertical integration). The World Bank requires that wood entering the clusters has to be legal (only suppliers with legal documents can supply the clusters). The expected results are the following:

- 3,000 workers trained during the duration of the project (five years);
- 50 ha of established market area;
- 20,000 m<sup>2</sup> of buildings for rent at the start (potential to expand to 100,000 m<sup>2</sup> if necessary);
- Lumber storage with a capacity of 1,000 to 3,000 m<sup>3</sup>;
- 5 to 10 driers installed;
- A mechanics and sharpening workshop established;
- An assembly hall established;
- A functional training centre;
- Related services (hardware, transit agents, etc.).

The cluster of Yaoundé should organise 150 companies which will be able to consume approximately 10,000 m<sup>3</sup> of wood per year. It should generate 3,000 direct jobs and bring a strong added value to the timber product chain. Although the amount of lumber traded is not yet significant (10,000 m<sup>3</sup> on a total domestic demand of 860,000 m<sup>3</sup>), these wood clusters will serve as pilot operations to demonstrate the possibility of supplying the local market with legal lumber. This will reduce informal practices and promote legal domestic timber trade.

- The Forest Environment Sectoral Programme (FESP), developed by the GoC in 2003 aims to support the MINFOF in sustainable forest management (industrial logging, community and council forests), protected areas management, environment conservation and reinforcement of technical and institutional capacities. During the **joint assessment mission of the FESP** (GoC and partners like WB, EC, UN organizations, France, Germany, etc.) in 2011, task groups were established, including one addressing the domestic timber market, processing and VPA/FLEGT. This task group aims to reduce the numerous trading sites of illegal wood and concentrate actors and timber sales in wood markets and clusters which is a first step in promoting legal practices in the domestic timber trade. The task group described the domestic timber market as follows:
  - The domestic timber market has as main objective: “to supply the local market of timber with the best ratio between price and quality”;
  - At the end of a broad dialogue, the decree n°0378/MINFOF/MINCOMMERCE on organisation and operation of the domestic timber market was signed on April 26<sup>th</sup>, 2010. According to this decree<sup>9</sup>, the domestic timber market is defined as a virtual and/or physical platform of all the commercial transactions of wood between the producers, the consumers and the other actors in the whole country;
  - The supply of this market will be ensured by all wood logged with legal permits ;
  - There will be a test phase in three pilot areas: East, Centre and Littoral (probably in connection with the clusters developed under the WB-project).

In 2012, the DTM task group has to achieve the following results:

- Extending the pilot phase with legal DTM to the ten regions of Cameroon;
- Organising the physical sites for the markets and clusters;
- Setting up the procedures allowing the traceability of the wood entering and leaving the markets and clusters;
- Identify incentives for discouraging illegal logging and timber trade practices, along with all actors concerned.

The task group produced the following recommendations:

- Reconsider the conditions and the procedures of access to small titles/permits by taking into account the technical and financial capacities of small loggers (taxation, simplified procedures of titles/permits approval, etc.);

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<sup>9</sup> This decree foresees to (i) frame, follow and promote the DTM, (ii) support healthy competition on the DTM, (iii) train the operators on the supply and the demand of local wood

- Integrating, in the ongoing law revision, new measures allowing to recover logging rejects and to process logging residues and tree species not logged by the original title owner;
  - Propose the fast validation of timber exploitation permits (PE: authorization of harvesting < 500 m<sup>3</sup>) to the VPA Implementation Council and inclusion in the system of traceability to the traceability project. These permits are not yet foreseen in the legality matrices of the VPA, while the VPA refers to all the wood produced in Cameroon;
  - Finalize the Web platform for the domestic timber market and supply it with market information (from the regions);
  - Encourage private sector operators (both small and large scale) to become more involved in the operationalization of decree n°0378 with respect to the domestic timber market ("MIB"<sup>10</sup>);
  - Integrate the domestic timber market in SIGIF2<sup>11</sup> to ensure the traceability of all wood (collect and process data on domestic timber trade in SIGIF2).
- The **Consultation Circle of Partners of MINFOF<sup>12</sup>/MINEP<sup>13</sup>** (CCPM) is a platform that brings funding agencies together with international technical partners and bilateral development cooperation partners active in Cameroon. In 2006, the CCPM partners signed a Code of Conduct for the FESP, which includes plans for a joint funding-evaluation mechanism. CCPM is funded from budgets directly allocated to MINFOF and MINEP. It meets monthly and it is now considered as the privileged interlocutor by MINFOF and MINEP. CCPM has been organising thematic meetings and supporting specific processes (training in forestry, Community forestry, Council forestry, Clean Development Mechanism, governance, afforestation, etc.).
  - MINFOF is preparing a **forest national strategy** in the framework of the SDGE<sup>14</sup>. This strategy does not take sufficiently domestic timber issues into account. It proposes to strengthen forest control and the fight against illegal logging but not e.g. to organize informal loggers. Some technical propositions could help the forest sector (more commercial species, improved efficiency of processing, improvement of value chains, reinforcement of capacities of actors, a functional domestic timber market, etc.). This strategy is not finished and, at present, looks more like a "check-list of actions" than an actual strategy with priorities and synergies and an action plan.
  - In 2005, MINFOF produced a **national strategy of forest control** with the following aims: (i) to increase the incomes of the State and the local communities, (ii) to guarantee the respect of the rights of the local communities, (iii) to create jobs, (iv) to prevent economic distortions, (v) to guarantee the sustainability of forest production and (vi) to preserve the biodiversity and the ecosystems, through four axes (strengthening of state monitoring and control capacities, involvement of all stakeholders, information/education/communication, promotion of the good governance).
  - In 2012, MINFOF and MINEP, with AFD support (remittal of debt by France) has launched a C2D project including the establishment of an **Economic Observatory of the Wood Chain Value**. This could become the national body monitoring the DTM.

There are also non-governmental initiatives targeting and supporting the formalisation of the domestic timber trade. CIFOR is operating a large research programme which has generated a lot of information on the extent of the domestic timber market and how it is operating. SNV has a long history in supporting Community forestry in Cameroon which started in 1998 with the testing of the Manual of Procedures in the region of Lomié. SNV is now providing support to Community forests in the whole south of Cameroon in the form of capacity building of communities, support to NGOs working with communities, strengthening negotiation skills for participation in the CCPM, etc. The EU/FAO ACP/FLEGT Facility is financing several initiatives supporting the implementation of the VPA with some of them directly or indirectly targeting the DTM, e.g. supporting FLEGT implementation in community forestry, capacity building of stakeholders, traceability system, etc. CIFRAD, a national NGO, has submitted a project proposal for funding by EU/FAO

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<sup>10</sup> Marché intérieur du bois

<sup>11</sup> Second phase of project on traceability

<sup>12</sup> Ministry of Forestry and Wildlife

<sup>13</sup> Ministry of Environment and Protection of Nature

<sup>14</sup> Strategic Document for Growth and Employment (DSCE in French)

(ACP/FLEGT) to provide support to the implementation of a web information system with regard to the domestic timber market (SIIBUD – FLEGT) in three pilot regions (Center, West, Littoral). This SIIBUD-FLEGT pilot project would contribute in a direct way to the structuring of the domestic timber market, with the sensitisation of stakeholder, and the implementation of a tool allowing the progressive establishment of a domestic timber database in the pilot sites of the project. French cooperation has led in 2005 a study<sup>15</sup> about wood 2<sup>nd</sup> transformation (whose informal used lumber) and SNV has deepened this issue through another study in 2008<sup>16</sup>.

### **3.2. Governance challenges related to the existence, acceptance and regulation of informal timber production**

The most important and direct issues related to the informal domestic timber forest sector are:

- i. Major informal practices on the domestic timber market (non-application of rules and bribery);
- ii. The strong demand for cheap lumber: People cannot afford to buy expensive industrial or formal sawnwood;
- iii. The general corruption in Cameroon: Civil servants in the forest sector (but also outside the sector) do not exercise their official role (support, monitoring, control) but are part of the corrupt system;
- iv. Lack of professionalism of the chainsaw millers;
- v. MINFOF's and other ministries' weak effectiveness (little quality support provided to stakeholders);
- vi. The inadequacy of the laws/rules addressing the domestic timber trade, e.g. professional licences and allocation rights are difficult to acquire and very often not delivered;
- vii. GoC (and international/national organizations) are not realizing the extent of the domestic timber trade which is estimated at 2.1 M m<sup>3</sup>per year and growing. Consequently they are not giving the sector the proper priority
- viii. Lack of transparency and few lobbying/advocacy of NGO on DTM.

The main underlying problems are (i) (ii) and (iii)

This situation fosters corruption because it provides an opportunity for civil servants to enrich themselves in a relatively low-risk way (generating €11 M per year). It generates local conflicts about access to trees (conflicts between villagers or between customary owners and chainsaw millers) because of unclear land and tree tenure. It does not lead to immediate environmental degradation yet because it is mainly executed in the non-permanent forest domain (logging near roads, in agricultural areas) and it targets big trees. However it can be expected that with the growing local and regional demand for cheap timber, chainsaw millers start moving towards the permanent forest domain.

To analyse the governance challenges in relation to formalising artisanal milling, we have used the KK (Kaufmann-Kraay, see annex 1) approach which is based on six aggregate governance cluster criteria:

- Voice and accountability;
- Political stability and absence of violence;
- Government effectiveness;
- Regulatory quality;
- Rule of law;
- Corruption.

The above criteria include

- The process by which the government is selected, monitored and replaced;
- The capacity of the government to effectively formulate and implement sound policies;
- The respect of citizens and the State for the institutions that govern economic and social interactions among them.

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<sup>15</sup> MINFOF/JMN, 2005

<sup>16</sup> SNV, 2008

It is important to qualify the perception of “(bad) governance” and “corruption”: the first is relative to the way in which the representatives and institutions of State acquire and manage the power to lay down policies and to provide goods and public services; the second is part of bad governance, which gives place to corrupt practices for private aims; corruption can also be found among other actors (private companies, association of villagers, NGO, etc.).

Considering the KK-indicators of good governance, the main challenges related to the regulation of the informal timber sector have been identified, based on literature and expert’s assessment (table 5).

**Table 5: Governance issues in Cameroon**

Criteria	Issue	Report	What can be done
<b>Voice and accountability</b>	Participation of the actors in DTM	There are a lot of people involved in the informal timber value chain (almost 50,000) but the customary owners are not always in a good position for proper decision-making	Improve the role of the local and national NGOs in supporting local processes of negotiation of wood to be logged
	Transparency	Flow of information is limited and not structural / continuous. The public, even professionals, are not informed about forest issues, including the informal timber trade	MINFOF and Civil society have to publish results of this value chain and its problems. For instance, bad behaviour and sentences, good practices, DTM data and statistics, etc. could be published
	Autonomy and independence of the customary owners	The local owners' timber property rights are not clear	Local dialogue has to be organized to initiate a reform of the rules (joined with reform of land tenure rules)
	Influence of chainsaw millers	Associations of artisanal millers are not numerous <sup>17</sup> and weak	Promoting logging associations or other representative bodies representing the interests of small loggers/community forest owners  Organization and structuring the professional practices.  Lobbying and advocacy to influence policy development processes.
	Role of media	The media report on illegal logging but mainly with regard to industrial logging operations (related to lobbying of international NGOs) and they are overlooking the domestic timber sector	Support of media (and especially local and community radio) in order to organize debates about DTM issues
	Regional and national consultative process	VPA consultations have only been held at national level. Few discussions at regional and local level about informal timber trade.  Revision of forest and land tenure laws are ongoing but insufficiently participative	Bottom-up process involving all stakeholders to exchange experience, to negotiate and to participate in the evolution of the framework (multi-stakeholder dialogue)
<b>Political stability and</b>	Government	Changes difficult to achieve because of the	Necessity for ministries to enforce local decisions, to make

<sup>17</sup> There exist some associations : Association des Transformateurs Artisanaux de Bois de Lom et Djerem (ASTRABOLD), associations of wood traders, Les Verts (association of chainsaw millers), etc.

Criteria	Issue	Report	What can be done
<b>absence of violence</b>	continuity/predictability	political unwillingness (see box 6 for example).	them official, to inform the hierarchy (disseminate good experiences), to improve transfer of power between heads of department.
	Civil servants' pressure	Chainsaw millers are always harassed by civil servants (who receive informal payments of €11 M per year): loss of time, increase of costs, etc.	Internal reform of the ministries (institutional, organizational) and improved control of agents.  Pilot operation of organizing local/regional committees (involving several ministries) <sup>18</sup> in order to receive official taxes from millers and to initiate/ follow / control the chain (and simultaneously reduce the bribery)
<b>Government effectiveness</b>	Decisions contrasting to rational management of forest resources	From 1999 to 2006, the ministry of Forest removed the "small" permits opening the way to informal logging. Instead of reducing the informal (and illegal) logging, the governmental measure promoted this sector	Encourage MINFOF not to take one-sided decisions but consult stakeholders in deciding on the best option to address DTM issues (multi-stakeholder dialogue).
	Quality of governmental services	Free technical assistance of MINFOF to the actors is foreseen in the law but not effective  Competence of civil servants is limited because it consists of document control rather than actual technical work	Provide financial resources to MINFOF so that agents can provide support to the chainsaw millers.  Capacity building of all civil servants (MINFOF, MINEPD <sup>19</sup> , MINFI <sup>20</sup> )
	Credibility of the government's commitment to policies	Often, civil servants have only partial knowledge of forest policy and the law. This, combined with the acceptance of informal payments for circumventing the law, does not make them very credible	Improve communication (internal, external)  Capacity building of all civil servants (MINFOF, MINEPD, MINFI)
	Independence of public service/political interference in the public service	Civil servants of MINFOF are not free in their control activities and undergo some political pressures ("informal" or "illegal" logging titles, illegal logging not prosecuted, etc.)	Permanent independent monitoring by (inter)national organizations working in Cameroon to reduce this pressure and to stimulate judicial processes

<sup>18</sup> The committee could play a role in delivering allocation rights. The process could be overseen by itself, made up of representatives of MINFOF, MINEFI, MINATD and rural councils and with a premium out of the taxes raised. But, contrary to this last event, apply strong sanctions when the members of the committee take part in illegal activities

<sup>19</sup> Ministère de l'Environnement, de la Protection de la Nature et du Développement durable

<sup>20</sup> Ministère des Finances



Criteria	Issue	Report	What can be done
	Support from donors to address DTM issues	At the moment only a few activities are funded addressing the informal wood sector	Within the framework of FESP, it is necessary to implement some activities to achieve a better regulation of the domestic wood sector (information, training, organization of the millers, etc.)
<b>Regulatory quality</b>	Price monitoring	MINFOF/MINFI does not follow variation of prices (only information by researchers)	INS (National Statistics Institute) has to implement specific studies about informal sector
	Tax burden	Most activities in the domestic timber sector are informal, so almost no formal taxes are being paid, but the system requires millers to pay informal taxes (9% of their total costs). Informal taxes are a burden to chainsaw millers	Officials are benefitting so much from the corrupt system that it will be difficult to change it. Only when effective measures are taken to reduce corruption, formal taxation, without additional informal payments to corrupt officers, will be possible.
	Economic role of DTM in forest sector is undervalued	Limited information of DTM importance for local development though annual turnover is M€83 in rural areas and annual profit is M€14	MINFOF should publish economic information produced by INS and research institutes  Potential important role for the forthcoming Economic Observatory of the Wood Chain Value (which is a forthcoming AFD-project funded by remittal of debt by France and implemented by MINFOF, foreseen to be implemented end of 2012)
	Monitoring of production for DTM	DTM is not integrated in forest sector though it represents 2.1 M m <sup>3</sup> of raw wood per year and, consequently, doubles the national production (officially 2.2 M m <sup>3</sup> per year). Uncertain if total logged volume stays within sustainability criteria (annual allowable cut)	Monitoring of the production by government and civil society  Potential important role of the forthcoming Economic Observatory of the Wood Chain Value (MINFOF)
<b>Rule of law</b>	Legal framework	Laws and regulations do not respond to the needs of the domestic timber trade and its actors (chainsaw millers, carpenters, etc.)	The current process of revision of law must take into account DTM in order to provide a new legal framework for DTM which has to be adapted both to people's needs in rural areas and to the availability of forest resources.  The aim is to establish a system that benefits all the stakeholders (harvesters, traders, State, etc.) and reduces the opportunities for illegal/unacceptable practices (through multi-stakeholder dialogue)

Criteria	Issue	Report	What can be done
	Access to logging titles ("agrément à la profession d'exploitant forestier", art 35 (1) of Decree 1995)	Only trained workers can obtain a logging title, but workers are not sufficiently trained  Chainsaw millers are not recognized by other professional forestry bodies	Skills of workers have to be improved towards professionalization and to have the right to obtain a logging title.  Propose and apply legal right to harvest timber for the domestic market (in order that millers do not feel to act illegally and reducing of wasting time and energy negotiating payments with officials). MINFOF regional delegates could issue a certain number of small-scale logging titles (licences) each year, depending on the local availability of timber resources, using simple procedures with minimal requirements.  Technical adaptation and training to increase the productiveness (i.e. with use of Lucas Mill)
	Right to harvest trees	Allocation rights are not clear or do not exist	Allocation of harvesting rights: specific permits for DTM within a defined area delivered by decentralized department of MINFOF with soft procedures  Allocation of small-scale permits (100 to 200 m <sup>3</sup> per year and permit) to ensure sustainable harvesting with annual quotas per region  Monitoring of all the specific DTM permits by central department of MINFOF (system of traceability)  Linking willingness of workers with official allocation rights (and licences) and duty to micro-credits (only the legal actors can get access to micro-credit facilities).
	Effectiveness and predictability of the judiciary	Citizens are not treated equally under the law  Access to an independent, non-discriminatory judiciary is uncommon  The controlling agencies (MINFOF, police) do	Training of judiciary in DTM and on possibility of objective appeal  Salaries of judiciary officers are low and money from bribery is very lucrative. It would be better to adopt a process in which the provision of information about law/rules to the general public is accompanied by decent

Criteria	Issue	Report	What can be done
		not always respect the workers	salaries for judicial officers. However, this will be difficult to implement in Cameroon because of the lack of political willingness
	Taxation of DTM	DTM is not in the formal national taxation system (significant annual loss of financial revenue for the State)	The fiscal argument is often the best if it is adapted to local circumstances: for instance, a modest tax (€5 per m <sup>3</sup> ) would yield significant revenues for the state. But, at the same time corruption needs to be addressed (bribery payments must also decrease) to the system to succeed
	Just implementation of the rules	Rights of the people not always guaranteed: Appeal proceedings are rare	Independent watch (international / national civil society and judiciary) on application of the rules and regulations in the domestic timber sector  Education of stakeholders and esp. actors in the timber value chain about laws and regulations
	Rights are not protected including tenure land rights	Land tenure rights are not clear: they depend on the leaders/chiefs of villages	Reform of the forest law should include revision of land tenure
	REDD+	DTM could be a significant driver of deforestation and degradation of forests. If regulated and applied efficiently chainsaw milling could be carbon neutral, but if not, it could lead to forest degradation.	The domestic timber trade needs to be taken into account in the REDD-process.  Property or benefit-sharing of carbon rights has to be part of new law
<b>Corruption</b>	Perception by the actors	Public power is used for private gain  Some chainsaw millers would rather pay tax within a secure legal framework to the government than bribes to officials for the right to harvest timber	Information and communication by international / national NGO  Concrete examples of fight against bribery to be described in media
	Effects of corruption on the business environment	Each year, chainsaw millers “give” M€11 to civil servants and lose time with administrative worries  Chainsaw millers are insufficiently organised to represent their rights to resist bribery  Civil servants often misuse their authority which makes people afraid of them	Much stronger sanctions are necessary, including custodial sentences, if the government wishes to successfully tackle corruption in the forestry sector  Stimulus from the high level of State could be the best way to improve the behaviour of civil servants

### **3.3. “Pros and cons” of integrating the current informal sector as a legitimate timber source**

The domestic timber market is supplied with 75% informal chainsaw milled timber (2.1 M m<sup>3</sup> RWE per year, see table 4), a very alarming situation. Each participant in this timber value chain takes advantage of this informal system, especially the civil servants (forestry officers, but also customs, constabulary, police, army, territorial administration, etc.). A change to a more formal system will consequently experience resistance. This transition will therefore require a lot of time, political will and the acceptance that there will be losers.

A very important factor supporting change towards formalisation, is the economic one: If legal chainsaw milling would remain profitable, changes in the system would be more acceptable. This also counts for civil servants, whose wages are relatively low. If they would be adequately rewarded for their work, they could accept changes in the system and have a more positive attitude towards the stakeholders. Rural communities would also support changes if new policies and regulations would give them security of land tenure and resource ownership.

Before implementing any change in policies, laws and rules, it is very important to assess the economic, social and environmental advantages and disadvantages of new measures for each stakeholder group. In the table 6, an assessment of the pros and cons of integrating the current informal sector as a legitimate timber source is presented.

**Table 6: Pros and cons of integrating the current informal sector as a legitimate timber source**

Key factors	Pros	Cons
<b>Economic / Financial</b>		
<b>Taxation for allocation rights</b>	<p><b>State and rural councils</b> can significantly increase their income from the forest sector. Assuming a minimal tax of €5 per m<sup>3</sup> revenues for the State could be up to M€ 4 per year</p> <p><b>Local/regional committee (civil servants)</b> delivering allocation rights receive a premium out of the taxes raised.</p>	<p><b>Chainsaw millers</b> might very well have to pay both formal and informal taxes, so are not likely to support the formal system</p> <p><b>Civil servants</b> might decline in income levels because of loss of informal payments)</p>
<b>Specific means to formalize chainsaw milling</b>	<p>Changing the law/rules and applying them requires some financial, material and human resources: within the framework of FESP, <b>donors</b> could provide these funds</p> <p>It is necessary to train <b>managers and agents of MINFOF</b> (and other administration) on new rules (especially on reporting of illegal activities) : within the framework of FESP, <b>donors</b> could provide these funds</p>	<p>Part of <b>civil servants</b> is not in favour of formalisation of the sector because of loss of “privileges” (informal payments)</p> <p>Unwillingness of <b>MINFOF</b> to invite donors to invest more in fighting illegal logging</p> <p>A good control needs a substantially increased number of <b>civil servants</b>: very difficult process because of costs and external pressure of <b>Bretton Woods institutions</b></p>
<b>Higher prices of domestic wood</b>		Formal DTM could increase prices because of reduced production, higher charges for the millers and new costs for MINFOF controls. Higher prices will lead to more illegal logging since <b>local people</b> ask for cheap lumber on the market.
<b>Concentration of trade in central markets (“clusters”)</b>	<p><b>State</b> can monitor and control formal production</p> <p><b>Chainsaw millers</b> and <b>cluster carpenters</b> are trained</p> <p><b>Community forests</b> can sell their wood under good conditions without unfair competition</p> <p>Availability of legal lumber for <b>consumers</b>.</p>	Potential higher prices at cluster: <b>Urban carpenters</b> not ready to pay more even when better quality and dried wood
<b>Social</b>		
<b>Land access and tree allocation rights</b>	<p>If legal review will clarify <b>rural population’s</b> rights, they will be in favour of formalising DTM</p> <p>Clarification of tenure rights will decrease conflicts between <b>local owners and millers</b></p>	<b>Administration and local technical public services</b> do not have the capacity, equipment and human resources to apply new rules and play the role of facilitator

Key factors	Pros	Cons
<b>Attitude towards DTM-formalisation of civil servants and chainsaw millers</b>	<p>Formalizing milling can only be achieved through reducing corruption. <b>GoC</b> seems to have the will to fight against corruption, through the Change Habits, Oppose Corruption (CHOC) Project. This CHOC project started in 2007 and is implemented under the umbrella of the Presidency, but has had few results until now.</p> <p>Organising chainsaw millers into <b>associations</b> will stimulate them to become formal (group effect)</p>	<p>Without <b>international organizations and NGO</b> pressure (which is fluctuating and not often coherent), it will be difficult to reduce corruption</p> <p>Political willingness of the <b>managers</b> and higher wages are necessary</p> <p>Not all the <b>chainsaw millers</b> may be ready to work in a formal system because they are afraid of the behaviour of <b>civil servants</b> which can stay bad even when they pay taxes</p>
<b>Capacities of chainsaw millers and civil servants</b>	<p><b>Workers</b> accepting to operate in a formal system can follow training and have access to micro-credit facilities for investments</p>	<p>Availability of financial means to support the transfer to a formal system is limited. <b>Donor</b>-funded pilots will possibly deliver results, but up scaling will be difficult</p> <p>Incapability of <b>MINFOF agents</b> to provide free technical assistance to the actors in the chain. Capacity building needed</p> <p>Only trained operators will have access to the forest under the "Agrément à la profession d'exploitant forestier": <b>untrained millers</b> will have to stop operating</p>
<b>Environmental</b>		
<b>Sustainability of forest resources management</b>	<p>An adequately regulated domestic timber trade will take into account the sustainability of the forest resources (for the future generation)</p>	<p>At present, informal logging does not represent a threat in the non-permanent forest domain (near roads, in agricultural areas) and it targets big trees. But in future, looking at the increasing local and regional timber trade, logging for local timber consumption might shift towards the permanent forest domain.</p>

## 4. Reflection on the effectiveness and appropriateness of measures

Long-term strategies as well as public policies concerned with the domestic timber sector should aim at improving the environment of chainsaw millers. A necessary first step would be the development of ad hoc legal frameworks adapted better to the needs of local actors than those of the central administration. Second, reform should aim at professionalizing chainsaw millers, while concurrently providing workable incentive schemes for civil servants, in order to decrease current corrupt practices. Coupled with incentive schemes, though, an effort is also urgently required by the concerned governments to issue and implement effective sanctions for civil servants that participate in corrupt practices, in order for the overall governance of the sector to be improved (Cerutti and Lescuyer 2011).

The main measures could be the following (further explained in the following chapters):

- A broad multi-stakeholder dialogue (MSD) on formalisation of the DTM (an “Etats-Généraux” on DTM):
  - Support by the Consultation Circle of Partners of MINFOF/MINEP (CCPM) in initialising an MSD on DTM and improving DTM practices;
  - Continuation and support of the forest platform established during FLEGT/VPA negotiations, evolving to a broad multi-stakeholder dialogue addressing DTM issues.
- Policy reform, including land tenure reform with legal recognition of individual land rights coupled with control of harvesting by issuance of log permits and monitoring;
- Decentralised committee of civil servants, issuing and monitoring official allocation of harvesting rights;
- Incentives for the professional chainsaw millers in the form of training and/or access to micro-credit facilities;
- Organisation of villagers in associations to support the monitoring the domestic timber trade;
- Demonstration and communication of good practices;
- Establish an effective Legality Assurance System (LAS), including a traceability system;
- Organisation of small scale loggers in associations for a better representation in decision-making bodies and processes and monitoring of the sector;
- Capacity building of actors in the chain on laws and regulations, in logging and milling technics, independent monitoring, etc.

### 4.1. Recognition/ acceptance/ legitimization

Sensitization, communication and training are the three pillars of a proper process to allow the stakeholders to understand the initial situation, to adhere to new principles and approaches and to implement a strategy ensuring the formalisation of the DTM.

Before the domestic timber trade can operate within a formal system, a lot of changes need to be implemented which need a lot of time. Few actors are ready to integrate in a formalised system. The different rights – tenure, allocation, and logging – are not clearly defined. This vagueness allows certain actors to benefit (informal payments) and to marginalize some less powerful actors. Even when these rights become clearer, e.g. through small permits, they are not suitable for small scale loggers because of the administrative burden and costs which forces them to go into informality. Moreover, we are very far from a consensus on this issue because a lot of stakeholders, including chainsaw millers and civil servants, are resistant to change because of their desire of keeping their ‘prerogatives’. Even when this informal sector would be ready to become formalised, the problem would be its monitoring and control: a significant change in mentality is needed supported by extra financial, material and human resources.

There is no vision on how to adequately address and regulate the domestic timber trade because of the lack of knowledge and consequences of this trade. A first step to reach a broad understanding of the DTM issues

and discuss options is starting a broad multi-stakeholder dialogue. This could be approached through a “États-Généraux” on DTM, involving all stakeholders. This approach would allow to broadly discuss the issues, constraints and stakeholder perceptions/opportunities in order to understand the underlying causes (or drivers) of informal / illegal activities and to propose a strategy to begin the process of recognition, acceptance and legitimisation.

Key stakeholders to be involved in this dialogue to express their daily constraints and propose solutions, are the civil servants of all the concerned administrations (forest, environment, agriculture, finances, police, and customs) at all levels (national, regional, local) small scale loggers, customary owners and carpenters. Representatives of the large scale industry and the rural upstream and urban downstream population (potentially involved in the production of rough or sawn wood under new regulations) and consumers of final products should be involved. Finally, international and national civil society organisations and research institutes should be participating.

## **4.2. Governance and stakeholder engagement**

### *Governance*

«*There is no fight against poverty without fight against corruption* » Eva Joly<sup>21</sup>.

“Informal logging” is not automatically “illegal logging”; it is true that informal practices are not developed in the strict framework of the law but they are not always in opposition to the law. The suspension of “small” permits” in the period 1999 to 2006 by MINFOF opened the way to informal logging and illegal activities. This has marked the start of large unofficial earnings from informal practices, especially civil servants who earn more than €11M per year: How to stop these lucrative activities, benefitting also officials that should be monitoring and controlling the system? How to formalize the DTM without discouraging the actors by decreasing their income? In other terms, how to create a legal framework for DTM that provides a decent income to all actors involved and does not create incentives for corrupt practices?

CIFOR’s research (Cerutti and Lescuyer 2011) has shown that the domestic timber sector is controlled by an extensive network of corruption in which many MINFOF officials play an active role. On condition that the fight against corruption is fought throughout the whole timber value chain, the main recommendations are the following:

- Decentralization and adjustment of the procedures for the decentralized and simplified allocation of harvesting rights;
- Allocation of specific permits for small scale millers;
- Increase and reward the accountability of the administration (i.e. provide an incentive to a committee of civil servants for following official procedures for the allocation of harvesting rights) and, consequently, reduce the informal revenue of the civil servants.
- Provide workable incentive schemes for civil servants, in order to decrease corrupt practices and effective sanctions for civil servants who participate in corrupt practices, in order to improve the overall governance of the sector.

High-level political messages and action in support of positive and honest behaviour of the civil servants are necessary. GoC is already involved in a fight against corruption through the CHOC programme. But it is under Presidential supervision and therefore not perceived as independent and is not considered to be efficient enough. Specific messages about the extent and consequences of DTM have to be produced and broadcast because of the effects on the population (both rural and urban).

The access to logging titles, and thus to the resource, should be decentralised, as foreseen by the 1994 law. A decentralised committee of civil servants should be established to deliver and monitor the official allocation

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<sup>21</sup> Instruction lawyer, specialised in “monetary crimes” in France, and candidate to the presidential election in 2012



of annual small scale harvesting rights depending on the available forest resources and receive specified premiums for effective controls (see also box 2). It is important that the position of these civil servants is being made visible so that they prefer a proper control to a bribe. This approach can only be a success if officials understand that they have professionally more to win with operating formally than continuing corrupt behaviour which causes them to be marginalized by society. These incentives for good behaviour should be coincided with disincentives for bad behaviour; i.e. make the cost of doing 'bad' so high that it is better to follow the law. This would imply that working conditions need to be changed (such as remuneration, monitoring and supervision of staff; effective penalties if the need arises) and to create administrative conditions which are perceived as fair, simple and easily enforceable. However in Cameroon changes have to be made step by step to find the best solution in order to reach full application of the law.

Chainsaw millers should also be provided with incentives when operating within the legal framework, e.g in the form of training or access to micro-credit facilities. Favourable media exposure of good practices could be a way of encouraging other small-scale loggers to adopt formal practices.

#### **Box 2: Decentralised multi-partite council commissions to address corruption**

With several ministries represented in a council area, it may be possible to set up multipartite council commissions to deliver and control logging permits. If the small-scale timber production permits were delivered and auctioned by MINFOF agents operating locally, it may be possible to set up a council commission composed of the head of the local forest office and other forms of public authority (sub-prefecture, MINFI, gendarmerie, police, city hall), who may potentially be opposed to legalising the small-scale timber production sector. This type of commission already exists for the allocation of revenue from forest and wildlife resources. To recognise members' participation in awarding the permits, a premium could be paid to the commission each year on the basis of the number of permits delivered and their on-site use. The purpose of the premium would be to enable all the public officials involved to benefit from the formalisation of the sector. If the incentive mechanism fails—in other words, if the informal payments continue—the chainsaw millers would be unlikely to apply for logging permits, which in turn would mean a lower premium for the council commissions at the end of the year. The challenge lies in replacing informal personal gains with official payments to the local government representatives so that, over time, they will come to support the formalisation of the small scale timber production sector. This approach is not free of risk, so should first be tested. A risk could be that, permits become concentrated in the hands of a few operators who have connections with the local administrative services, or other agents may find their way into the informal payments circuit to solicit this 'bonus' in exchange for support of the formalisation process. However, it seems logical that the members of the council commission would try to protect their own premium by preventing outsiders from interfering with the newly established mechanism. The central government must also be involved in supporting the local mechanism for good governance.

Source: Cerutti and Lescuyer 2011

At present, the type of professional accreditation ("agrément à la profession") required is the same as for industrial activities. The necessary permits and the procedures for issuing these permits require a lengthy bureaucratic procedure and are major obstacles for nearly all chainsaw millers. These administrative procedures must be simplified and decentralized (box 3).

### **Box 3: The ideal permit according to chainsaw millers**

Interviews with chainsaw millers within the framework of CIFOR's research have revealed three elements that characterise chainsaw millers' idea of 'an ideal permit':

1. Geographical scope limited to the council or even the canton level because most chainsaw millers work in their area of residence. Within this zone, it would no longer, *a priori*, be necessary to identify which trees can be cut down, but all trees felled must be located within the NPFZ.
2. A large enough annual volume of wood to ensure a regular year-round income. For most chainsaw millers, the target volume is more than 30 m<sup>3</sup> but much less than the 500 m<sup>3</sup> provided for in the small-scale timber production permits. An average volume might be between 100 and 200 m<sup>3</sup> per year, depending on the size of the NPFZ and the density of commercial species growing in the zone.
3. One annual, flat-rate payment calculated according to the felling volume. Even if small permits are adapted to small-scale chainsaw millers' needs, the millers will only apply for them if the costs are not significantly higher than the benefits. It will probably be difficult to convince chainsaw millers to regularise their situation if they gain limited economic advantage. In tangible terms, this means that the price that the chainsaw millers are willing to pay for a legal logging permit has to be at least partly offset by lower informal payments—which chainsaw millers now have to pay throughout the entire production process. If a legal logging permit does not ensure lower informal charges, most chainsaw millers will probably choose to stay in the informal sector.

Source: Cerutti and Lescuyer 2011

### *Stakeholder engagement*

CIFOR studies on DTM have provided baseline information which allows reflecting on the situation and for comparison with other countries in Central Africa. Based on the analysis of these data, the GoC can now propose first action addressing DTM issues.

The CCPM - Consultation Circle of Partners of MINFOF /MINEP, see also chapter 3.1- could initiate the start of a multi-stakeholder dialogue by organising some initial meetings inviting key stakeholders (chainsaw millers, timber traders, administration, etc.) and continue to provide detailed reflection on DTM in order to "strengthen propositions" to the GoC. On top of that they could prioritise DTM issues, place it on the agenda and allocate budget in FESP annual plans of action for activities related to effectively regulating the DTM in an acceptable and practical way.

The FLEGT/VPA process has also provided a platform of exchange of experiences and ideas. During the negotiation phase, a successful consultative, participatory process resulted in a full preliminary assent of the Parties on the agreement (legitimacy of FLEGT/VPA). For instance, the establishment of a "forest platform" in the negotiations phase included about thirty civil society organisations with a strong involvement in the forest sector and an active network. Integration of civil society in structures in charge of the monitoring of FLEGT/VPA (joint committee of monitoring, national committee of monitoring) and funding of FLEGT projects would allow civil society to also play a role in monitoring of legality and, especially, in improving processes on the DTM leading to more formal activities. One of civil society's tasks could be to support the chainsaw millers and domestic timber traders to organize themselves (institutional development, organizational reinforcement, training, etc.) and federate these associations in order to become a legitimate speaker vis-à-vis the GoC and international organizations.

### 4.3. Legal access to forest resources by chainsaw millers

Revision of the forest law is ongoing. A few elements can help the process of further formalising small-scale logging:

- Land tenure reform: Clarification of the ownership of private forests and its products for the customary owners of the land. This would allow them to benefit from the forest directly.;
- Allocation of lumber rights and transport permits to trained professionals with improved technology only (see 4.2);
- Logging and transport licences issued by a decentralised, transparent and independent committee (see 4.2);
- Better control of auction sales of confiscated lumber (Box 4).

The necessity of land tenure reform is dominant. Indeed, in customary systems, the land ownership of families is organised through “wood cutting” rights<sup>22</sup>- the visible transformation of the environment through activities such as land clearing for agricultural purposes. In modern tenure systems, the constitution of private property also passes through environmental enhancement – clearing as an initial condition of development (Karsenty et al, 2012). Official recognition of the family land rights within the formal system is necessary which does not automatically result in sustainable forest management: improvement of the livelihood sometimes leads sometimes to the development of cultures like oil palm, cocoa, and coffee, often at the expense of the forest. Chainsaw milling applies selective logging, which could lead to degradation but not directly to deforestation. Degradation could be limited through allocation of log quotas to customary owners and the application of monitoring at the local level. In all cases, clarification of land tenure has to be accompanied by principles of natural resources management in order to be able to control land use changes.

In conclusion, land tenure reform need to include legal recognition of individual land rights coupled with control of harvesting by issuance of log and transportation permits and monitoring of the practices.

#### **Box 4: The practice of timber laundering**

During the period when small logging permits were suspended (1999 to 2006), small-scale operators developed strategies and expanded informal networks throughout the country to ensure their continued access to forest resources; they still apply these strategies today.

The most common procedure for legalising illegally cut timber is confiscation followed by auctioning. At auction, seized timber is officially hammer-marked and the buyer receives the official documents needed to transport and sell the products. Although auction procedures are detailed in official regulations (e.g. Decree no. 2001/1034/ PM of 27 November 2001), these regulations are rarely followed. After being confiscated by government officials, the timber is nearly always automatically auctioned off to the operator who illegally cut and processed it, and who pays an informal ‘felling fee’ to the same officials (Akoa Akoa 2003, Koffi 2005). No receipt is issued, as required in an official auction transaction, and the money seldom reaches state coffers. Ministry of Finance data on application of the informal confiscate-and-auction process since 2000 are instructive: in 2000, shortly after suspending all small-scale felling permits (1999), the ministry registered about 15 auctions of seized timber with payments totaling almost 1.2 billion F CFA.

By 2008, the number of auction sales had soared to about 275 whilst the total payments from these sales had dropped to about 120 million F CFA. It is worth noting that during that same period, the Ministry of Finance frequently complained that there were insufficient numbers of ministry staff at auction sites, in contravention of the regulations (PSRF 2008), which indicated that fewer auctions were registered than actually held. This seize-and-sell method for informal auctions may be employed at the felling or timber loading site or along the road during transport, with price variations depending on the government department (technical or law enforcement) and the final market.

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<sup>22</sup> Droit de hache

In urban markets, the outlet owners make the informal payments. In fact, ministry representatives confiscate the timber on its arrival at the market, regardless of whether informal payments have already been made. It is not unusual for truckloads of sawnwood to be seized during transport on the road and then again upon arrival at the market. The timber is not physically confiscated at the market, but is very often left in the outlet. A ministry official hammer-marks the timber with the 'wrong' side of the official hammer, indicating the territorial authority of the ministry representative, who thus displays his or her 'entitlement' to unofficial payments for the marked timber. When the unofficial payment has been made, the wood is hammer-marked with the 'right' side of the official hammer. Through this sequence, the timber is officially seized and auctioned off, in accordance with the law, after which the outlet owner is free to sell his or her 'legally laundered' timber.

Source: Cerutti and Lescuyer 2011

#### **4.4. Management of resources in the context of the CSM operations and timber sales on the domestic market**

The formalisation of chainsaw milling needs to include formal allocation rights and specific logging and transportation permits. Loggers can already work in different frameworks: private, community and council forests (which have different management principles), but also in "open" access forest ("open" is relative because of customary rights). Chainsaw millers active in private forests or "open" access forests are not operating within the legal framework at this moment, giving unfair competition to timber from legal sources (e.g. community forests). If these millers come under a legal framework and start paying small taxes, this legal timber could become competitive (see box 5). The Clusters-project (MINEPAT/BM – see chapter 3.1) is financing piloting of a model of operation to supply so called wood clusters with legal timber from community forests. A supply agreement of 1,000m<sup>3</sup> from a few tree species constitute the stock of timber of a cluster: restocking is granted to a private company selected by a competitive bidding with the obligation to provide technical assistance, training and equipment.

Each situation (private, Community, council, or "open" access) of forest demarcation has to be considered specifically in the legal framework for small logging titles. The first three options – already addressed in the legality matrices of the VPA- are subject to sustainable management principles.

##### **Box 5: Example of an attempt to formalise chainsaw milling in Cameroon**

In 2006, a scheme which involved timber traders paying volume-based taxes was launched in Bertoua. The *Association des Transformateurs Artisanaux de Bois de Lom et Djerem* (ASTRABOLD) entered into a formal agreement with MINFOF's regional delegate that its members would pay taxes to both MINFOF and MINFI in return for legal recognition of their trade. 'We identified the timber we wanted to harvest – say, 100 m<sup>3</sup> of iroko,' recalls Aboubakar Goni, the current president of ASTRABOLD, 'and told the regional delegate where it was, who it belonged to and so forth. We then agreed how much tax we would pay per cubic meter and the sum was deposited in the local Treasury. When we provided the evidence of payment to the regional delegate, he issued paperwork saying that we had paid the agreed taxes and had a legal right to proceed with the work.' During an eight-month period, the timber traders paid taxes amounting to 36 million CFA (€55,000), divided between MINFI and MINFOF. 'We were subject to much less harassment from the chef de poste and other government officials, precisely because we had the paperwork to prove that we were acting legally,' says Aboubakar. This all came to an end when MINFOF's regional delegate, who had done so much to initiate the scheme, was transferred to the north of the country. When the new delegate arrived, Aboubakar and his colleagues visited him in the hope that the system would continue. The delegate said it was of no interest to him: the old way of doing things was swiftly reinstated. 'At least the experience showed that it's possible to establish a transparent system which benefits timber harvesters and traders, as well as the state,' Aboubakar says.

Source: Pye-Smith 2010

#### **4.5. Measures for adequate control of production by CSMs and the control of their supply chains**

During VPA negotiations, certain legislative insufficiencies came to light and Cameroon responded by outlining a reform process including the regulation of the domestic timber and processing market. GoC has planned to develop a robust Legality Assurance System (LAS) including an efficient tracking system, subject to regularly third party auditing, in order to ensure efficient implementation. SIGIF II<sup>23</sup> is the IT tool with a central database located at MINFOF, where all the data relating to the forest industry are stored. Verification of conformity of the supply chain covers the entire national territory and all the production and acquisition methods (forest concession, cut timber sale<sup>24</sup>, community forests, council forests, salvage licences and public auctions). DTM will be partly integrated in the system (traceability, control) because, for instance, logging permits ("small permits" for less than 500 m<sup>3</sup> per year) does not yet belong in short term to the VPA legality matrices. Nevertheless, the VPA states: "In order to cover all the different means of access to the timber resource that are available under existing legislation and are listed below, other legality matrices will be produced during the system implementation phase, whenever they are found to be relevant. These are:

- Legality matrix for private forests;
- Legality matrix for lumber permits."

That means that in the future all DTM timber will be included in the LAS.

Meanwhile the domestic timber sector will already benefit of the LAS because a lot of effort will be made to monitor the domestic timber market and to establish a statistics-gathering system (support to SIGIF II). In this framework, it could be relevant to support MINFOF and other stakeholders (i.e. CIFRAD with SIIBUD project, see chapter 3.1) to train and control chainsaw millers and other actors in the chain in the requirements for log tracking.

An important factor stimulating formalisation of the sector is the organisation and structuring of small scale loggers into associations. There already exist some associations, but a lot of them need reinforcement. Organising these associations under one umbrella organisation, a federation representing all the small scale loggers of Cameroon, could be a way to involve the loggers themselves in the monitoring and assessment of their activities. This federation would also allow a better representation of the small scale logging interests in decision-making bodies.

Monitoring and control of the DTM can be supported by rural councils and villagers organized in associations. The village associations, which have a stake in reducing illegal activities in their forest resources should be given the responsibility to inform the authorities (mayor or agents of MINFOF) about illegal activities (internal and external to the community like logging without a permit, or logging in unauthorised areas). . This local collaboration has some constraints, because denouncing your rural neighbours (sometimes part of the same family) can lead to deep conflicts. This could be addressed through a proper organisation and structuring of the village associations. If their interest in reducing illegal logging in their village is perceived as big enough, the problem of denouncing others can be overcome. However, these effects need to be properly monitored: the Independent Observatory (project funded by EU) could monitor the effects of formalising the DTM.

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<sup>23</sup> Système informatique de gestion des informations forestières

<sup>24</sup> Vente de coupe

#### **4.6. Appropriate measures for enforcement and ensuring legal compliance of the CSMs, including forest operations, timber processing and control of the supply chain**

Progressively, artisanal forest operations ought to become legal through new approaches in forest management concerning private, Community and council forests. But this will need some time and, based on an annual estimated informal production of 2.1 M m<sup>3</sup> of raw timber, it will probably be insufficient to satisfy the local timber demand. This would lead to a continued informal logging in “open” access or “customary” forests.

Economic incentives rewarding millers for operating within the legal framework might prove to be very important in convincing operators to stop illegal activities. The main attraction of informal timber production is the revenue it generates for those working in the sector. The financial variables are therefore critical in changing these actors’ behaviour. This situation suggests two approaches for the government:

- Try to increase the costs of producing timber informally, thereby decreasing profits, which would persuade some chainsaw millers to shift to the legal sector where margins are protected, as well as improving the quality of the final product.
- Give chainsaw millers who commit to legality guarantees that their level of profitability will be at least equal to what they would have gained in the informal sector.

Producing sawnwood legally should be financially as attractive as supplying the urban markets with sawnwood from the informal sector. This requires, first and foremost, easy access to forests and to logging permits, which would mean lower informal payments. Furthermore, this would also require the creation of urban markets that specialise in the sale of legal timber. After at least 10 years of informal production characterised by ongoing hassle from government services, the sector has little interest in the notion of ‘legal timber’, especially if it means higher prices. End-consumers probably share this attitude, as they are anxious to buy sawnwood at a low price, even if the quality is lower. The state can give the sector new impetus by requiring all public markets to buy timber only from legal sources, as it has done indirectly by signing the VPA. Other initiatives, such as the creation of ‘wood clusters’ could also create a demand for legal timber. Product standardisation, which MINFOF has already started to work on, will help define products better and make this market more fluid (Cerutti and Lescuyer 2011).

Consultation of all stakeholders, structuring / organization of small scale millers, etc., on the basis of a participatory approach, will promote responsible behaviour among all actors supporting a common approach in addressing the DTM. In all cases, it would be good to create a sector which helps monitor and assess itself, including official authorities (MINFOF, but also customs, constabulary, police, army, territorial administration), within a positive framework.

#### **4.7. Any other recommendations that may be deemed necessary or relevant**

*Articulation with the REDD+<sup>25</sup> mechanism*

MINEPD<sup>26</sup> is preparing a REDD+ RPP<sup>27</sup> in the FCPF<sup>28</sup> framework in 2012. This process adheres to a high importance on the fight against deforestation and degradation.

Chainsaw milling could be a significant driver of deforestation and degradation of forests. If regulated and applied efficiently chainsaw milling could be carbon neutral, but if not, it could lead to forest degradation.

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<sup>25</sup> Reducing Emissions from Deforestation and forest Degradation, including Conservation, Enhancement of Forest Carbon Stocks, and Sustainable Forest Management

<sup>26</sup> Ministère de l’Environnement, de la Protection de la Nature et du Développement durable

<sup>27</sup> Readiness Preparation Proposal

<sup>28</sup> Forest Carbon Partnership Facility

We could assume that the REDD+ strategy will propose actions related to chainsaw milling, suggesting improvements on the policy level and in practice (e.g. the application of Reduced Impact Logging techniques). Generally, it will be relevant to link FLEGT and REDD+ in an economy of scale and with synergies.

#### *Political willingness*

Political will is the crux of the matter... If the different authorities (MINFOF, MINEPD, MINFI, rural councils, etc.) lack the will to formalise small scale logging effectively, it will not be possible to make any progress. The GoC has not shown any political bravery in this matter (box 6). To increase its willingness the GoC could be pressured by civil society (lobbying and advocacy: this involves the risk for NGOs involved in the process of being threatened with suspension of licences or other threats) and through international organizations (including EU), However, often, the need to find compromises or the 'lukewarmness' of the local heads of these organizations does not lead to effective results.

The arrangement of both bottom up and top down pressures is certainly the best way to convince the GoC to improve practice and start addressing the DTM issues effectively.

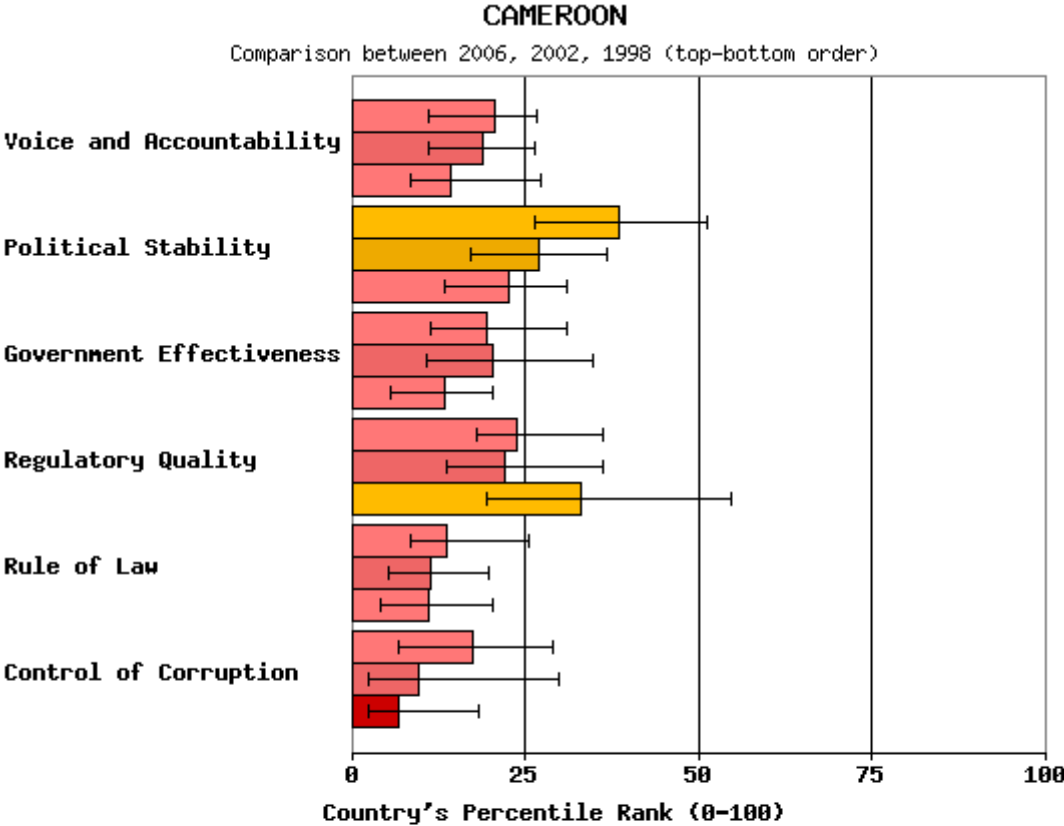
#### **Box 6: Example of political willingness of GoC**

In August 2007, the Cameroonian minister of Forests received EU countries ambassadors in order to discuss the problem of illegal logging. During this meeting, it was stated that "some FCFA 50 billion is lost every year due to illegal forest exploitation practices" (this assessment was overvalued to create the necessary effect). "Forest governance is our major challenge" the Minister told the diplomats. This meeting has been the beginning of an informal and independent committee consisting of GoC and EU diplomats to build a strategy to intensify the fight against illegal logging. A study on "forest governance" was commissioned by this committee and, five years later, it is yet to be implemented.

#### *Fostering positive effects of the informal timber sector*

The conclusion of a VPA between the EU and Cameroon, which covers all timber harvested in the country, has provided a momentum to address DTM issues: it is a driver for change. Informal chainsaw milling, which is supplying the domestic market with more than 75% with lumber, is generating benefits at the local level: it is providing cheap lumber and jobs in rural areas where employment is scarce. Chainsaw millers have shown interest in formalizing the sector (see box 3 and box 5). It is important that any policy addressing the timber production for the local market should aim to maintain the present level of employment and revenue generated by the sector while at the same time encouraging actors to respect the laws and regulations, including government officials.

# Annex I: The Kaufmann-Kraay approach



Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2007: Governance Matters VI: Governance Indicators for 1996-2006

Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. Countries' relative positions on these indicators are subject to indicated margins of error that should be taken into consideration when making comparisons across countries and over time.



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