ATIBT Think Tank #3 November 2 & 3 – 2020

Session 3 - Working with Asian operators

The end of log exports in the Congo Basin

Nicolas BAYOL

OVERVIEW

For a detailed overview

VISION STRATEGIQUE ET INDUSTRIALISATION DE LA FILIERE BOIS DANS LES 6 PAYS DU BASSIN DU CONGO

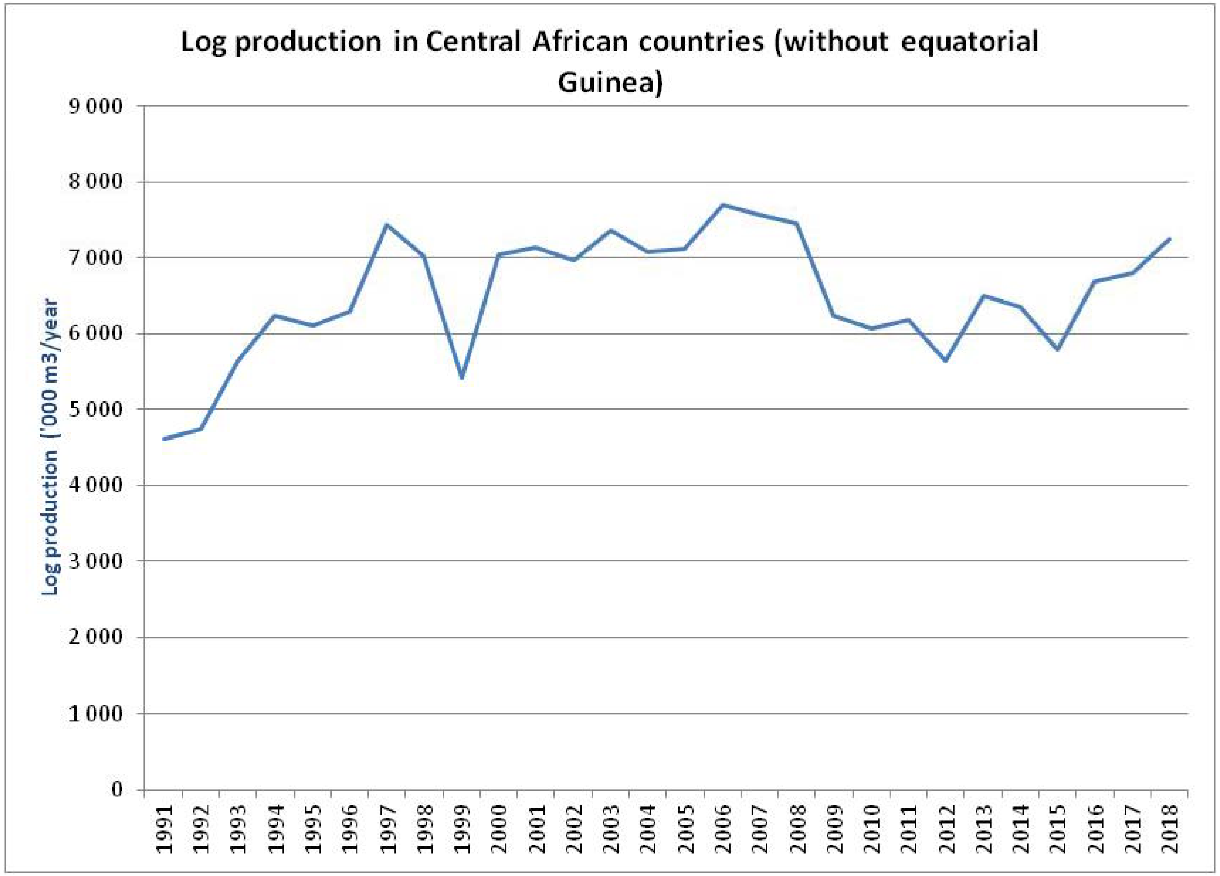
BAD – FRMi, 2018

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Rapport_Strate%CC%81gique_et_Re%CC%81gional_sur_l_industrialisation_de_la_filie%CC%80re_....pdf

http://frm.group/fr/publications

OVERVIEW

Log production stable in the region
Limited growth 2015-2018 (before COVID)



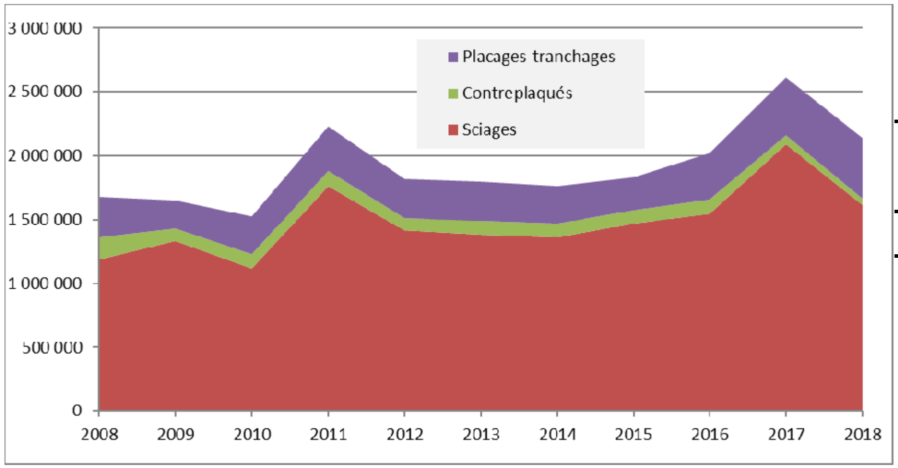
Limited industrialization

1/3 of the logs are exported
A contrasting situation:

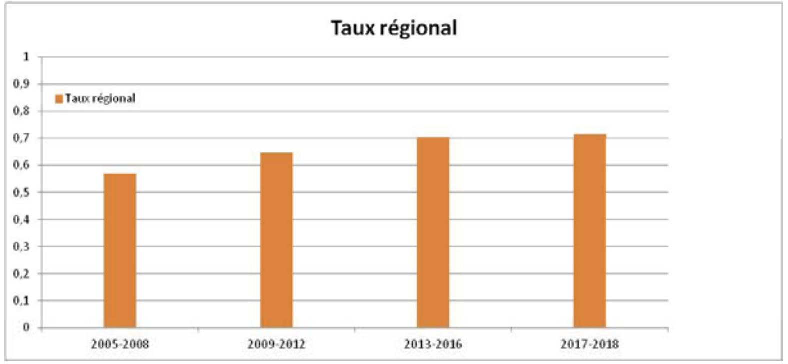
% of processed timber

Gabon:	**100%**
Cameroun:	**75%**
CAR, DRC, Congo:	**40 to 60 %**
Equatorial Guinea:	**less than 5%**

Very low industrialization for Asian companies in DRC, Congo, Equatorial Guinea



Industrialization rate by country



Existing Industries

- **Limited to 1st processing / very little 2nd and 3rd processing**
- **80% sawnwood / 20% veneer – plywood**
- **Extremely low material yield**

LOG BAN

- **Protectionism measure intended to force industrial development**

- **Existing measures in many tropical countries**

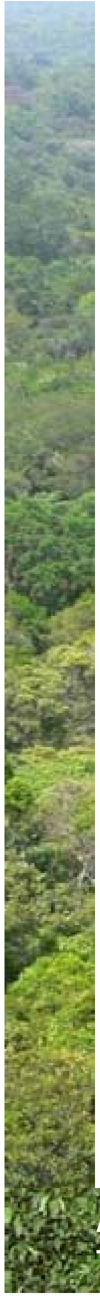
• Côte d'Ivoire	1999	• Malaysia	1985
• Gabon	2010	• Thailand	1989
• Brazil	1996	• Vietnam	1992
• Indonesia	2001	• Etc…	

https://forestlegality.org/content/logging-and-export-bans

LOG BAN

Regulations in force in 2019

Country	Regulation	
Cameroon	Log Export forbidden for some species Log Export authorized for «promotion species » Quota for some species	> 30% exported logs in 2018
CAR	30% max log export for main species	>50% exported in logs in 2018
Congo	15% max log export	Env. 45% exported in logs in 2018 Quota not respected in Southern Congo
DRC	15% max log export	Around 45% exported in logs in 2019
Gabon	Log export ban	No log exported



Log Ban

Recent decisions:
log ban is to be considered as an unavoidable trend!

Congo : new forestry law (July 2020)

Article 97 : Les produits des forêts naturelles et des forêts plantées sont essentiellement transformés sur le territoire national.

Les exportations portent sur les produits semi-finis ou finis et sur les grumes des espèces de bois lourd et dur dont l'usinage fait appel à une technologie spécifique.

Ces produits, ainsi que les essences des bois lourds et durs sont déterminés par voie règlementaire.

CEMAC: meeting of ministers – September 2020

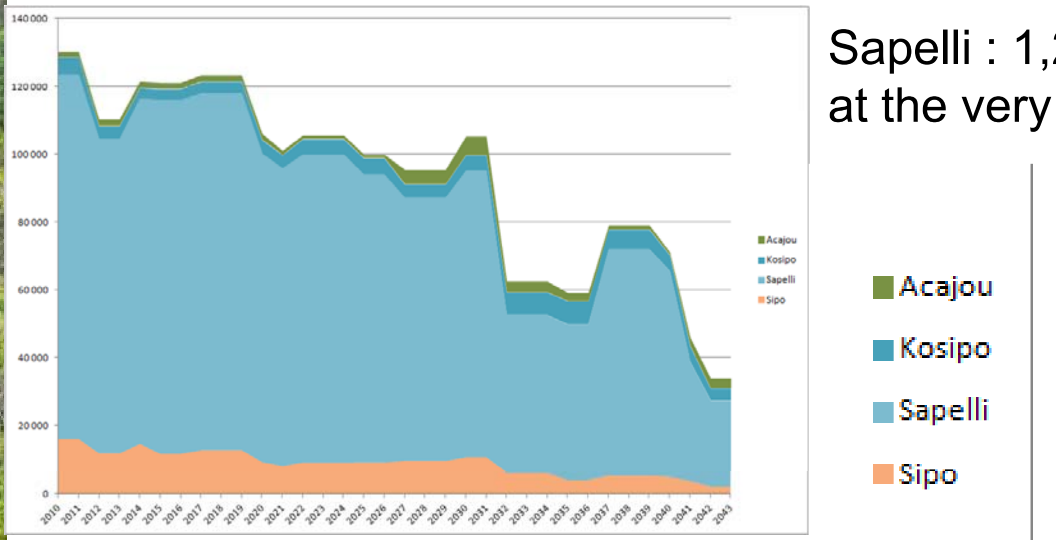
Le Secrétariat a procédé à la présentation des projets de textes relatifs aux cadres institutionnel et réglementaire, notamment :

- la Décision portant interdiction d'exporter le Bois sous forme de grumes par tous les pays du Bassin du Congo exécutoire à compter du 1er janvier 2022;

LOG BAN JUSTIFICATION

Industrialization essential for the survival of the forestry sector

- Increasing the harvesting intensity: more species, more volume
- Fall in production coming in the 2^{nd} rotation for some species
- Species currently not valorized: no log market



Sapelli : 1,2 M m^3/year => 0.3 to 0.4 M m^3 at the very most within 20 years

LOG BAN JUSTIFICATION

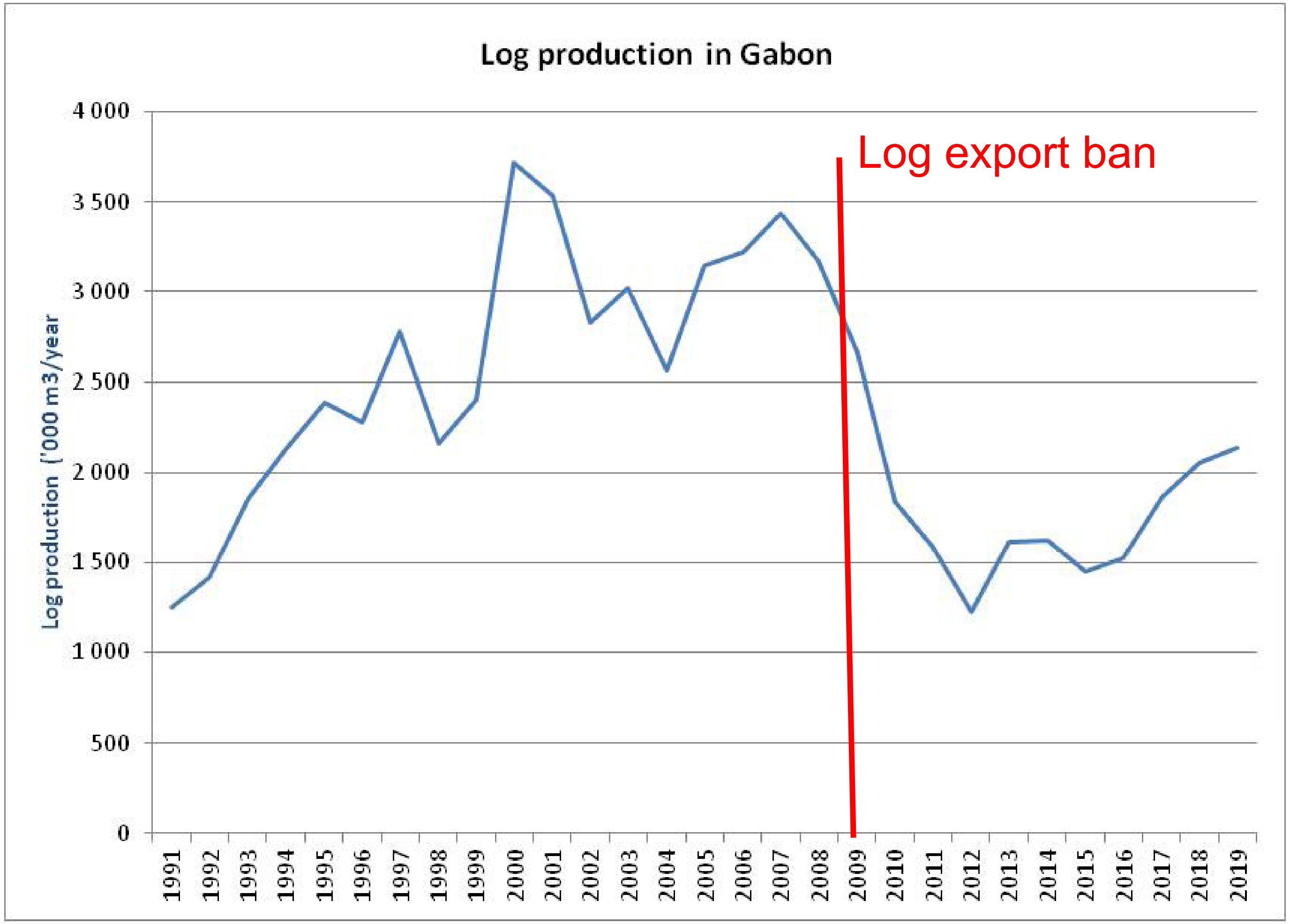
Economic impact / diversification (BAD report, with increase in log harvesting)

- Employment: 65 000 direct jobs targeted

- Tax revenues: target +30%

LOG BAN: EXAMPLE OF GABON

Impact on log harvesting



LOG BAN: GABON EXAMPLE

Impact on GDP

PIB nominal (MdFCFA)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Exploitation forestière	72,3	79,3	95,8	88,5	79,0	53,7	50,7	51,2	50,7	64,8	75,1	91,1	106,6	118,6	122,9
Industries du bois	32,5	37,2	46,0	44,4	42,7	62,2	79,2	92,5	84,6	114,1	139,8	153,1	160,1	196,6	198,6
Total	**104,8**	**116,5**	**141,8**	**132,9**	**121,7**	**115,9**	**129,9**	**143,7**	**135,3**	**178,9**	**214,9**	**244,2**	**266,7**	**315,2**	**321,5**

Impact on Employment

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Industries du bois	4 800	4 380	5 188	4 095	6 985	7 536	8 000	8 200	10 006	8 829	10 122	11 749	11 468
Exploitation forestière	4 800	4 400	4 400	4 328	3 500	3 000	2 263	2 450	n.d.	n.d.	n.d.	n.d.	n.d.
Total	**9 600**	**8 780**	**9 588**	**8 423**	**10 485**	**10 536**	**10 263**	**10 650**	**>12 000**	**>11 000**	**>12 000**	**>14 000**	**>14 000**

Impact on forest fiscal revenue : negative (in 2014)

Data : « Tableaux de Bord de l'Economie », Ministère de l'Économie et des Finances Gabon

LOG BAN: GABON EXAMPLE

Gabon Special Economic Zone

- 63 timber industries: mainly asian companies (>95% on volume processed = indian & chinese)

- Env. 700 000 m^3 logs entering ZES : 1/3 national production; 58% from asian concessionnaires (25% chinese), 28% european; 15% gabonese

- Mainly first processing (90% companies), need to develop 2nd / 3rd processing

Log Ban: Keys for success

⇒ Need for timber sector evolution: end of the 100% integrated model

⇒ Current operators need to develop and find their place in a new more open model

⇒ Need for new industrial operators bringing technologies, know how, markets

⇒ Towards a specialization/diversification of the players along an optimized value chain:

- ⇒Integrated industries
- ⇒Log sellers
- ⇒Forest management companies
- ⇒Specialised industrial companies: 1st, 2nd/3rd processing

LOG BAN: KEYS FOR SUCCESS

⇒ Lessons to be learned from Gabon's example

⇒ Attracting new operators: incentives and support from States

⇒ Supply security (guarantee, long term supply agreement)

⇒ Promoting the industrial development of historical operators

⇒ One option: industrial hubs / special economic zones: logistic synergy, energy optimization, circular economy

⇒ Improving the competitiveness of the sector in Central Africa: logistics, incentive taxation, access to finance, training...