

Changing International Markets for Timber – What Can African Producers Do

Producer Country Draft – Gabon

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Introduction

1.1 Timber is Gabon's second largest export (after oil) contributing 15% to foreign exchange earnings. The forest products sector is the second largest employer after the State.

1.2 The total area of tropical forest amounts to around 21.3 million hectares, of which less than 2 million hectares is classed as secondary forest or fallows. A large part of forest area is unexploited and relatively inaccessible. Around 16 million hectares is classified by the environmental group Global Forest Watch as "large areas in low access tracts" defined as forest areas at least 2 kilometers (km) from public roads and in contiguous blocks of at least 1,000 km².

1.3 With a per capita forest area of over 18 hectares, the pressure of population on the forest resource is significantly less in Gabon than in most other African timber supplying countries. This is particularly true, given that Gabon is relatively wealthy and has a higher proportion of population in urban areas than in other countries in the region.

Overview of the Market & Trade

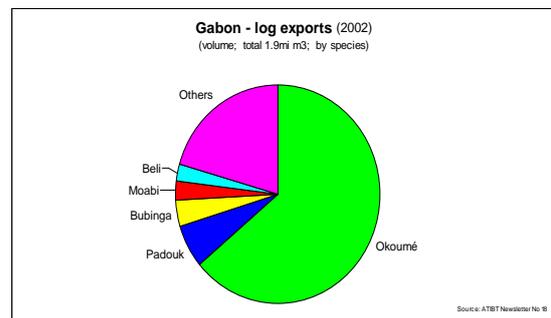
1.4 Major trends in the Gabon wood products trade are summarised as follows:

- The industry is heavily focused on okoume (figure 1), used mainly for the manufacture of plywood. In 2003, Gabon exported 1.72 million 3 of logs,



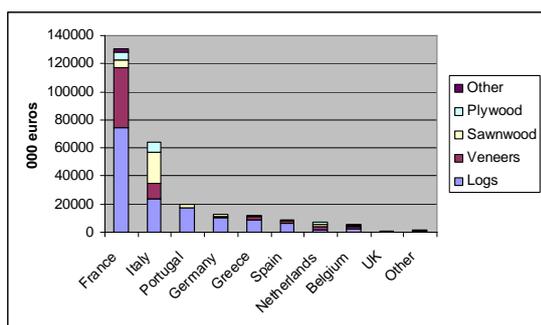
or which 1.10 million m³ comprised okoume. China accounted for 0.73 million m³ (66%) of Gabon's okoume log exports in 2003.

Figure 1: Gabon's log exports by Species



- In recent years, log exports from Gabon have been falling by around 10-15% annually. Indications are that the decline in log exports accelerated during 2004.
- One reason for the decline is the development of the domestic wood-processing industry, which is consuming ever-increasing volumes of logs. Gabon's exports of sawn timber and rotary veneers have tended to rise in recent years, although not to such an extent that they compensate in volume terms for the decline in log exports. In 2003, Gabon exported 92,000 m³ of sawn lumber, 195,000 m³ of veneer and 30,000 m³ of plywood.

Figure 2: Imports of wood products by the EU-25 from Gabon



- More significant reasons for the decline in log exports are: long term contraction in the EU market for okoume logs; volatility in the Chinese market; the opening up of new concessions in the southern part of Congo-Brazzaville providing a cheaper source of okoume; and exchange rate factors.
- While Gabon exports to China increased dramatically at the end of the 1990s, peaking at over 1 million m³ in 2000, they have tended to decline since then. In 2004, China's imports of Gabon logs reached 632,000 m³. A combination of factors, including the strong euro, EU restrictions on imports of Chinese okoume plywood, declining log availability and freight problems, have encouraged Chinese importers to switch away from Gabon in recent years.
- Despite the increase in trade with China, the EU remains a key export market for Gabon wood products (figure 2) absorbing product with a total (cif) value of 262 million euro in 2004. France, Italy and Portugal accounted for 50%, 25% and 7% of this value respectively, with most the remainder destined for Germany, Greece and Spain.
- EU imports of logs from Gabon are gradually declining, a trend partly compensated by rising imports of veneer and sawn lumber. Most veneers are destined for the French plywood sector. Italy has become by far the largest market for Gabon sawn lumber.

Regulation and Control

1.5 Of Gabon's 21 million hectares of rainforest, around 10 million hectares are allocated as concessions for commercial timber production. Concessions are currently issued by negotiated contract, but this system is now subject to reform.

1.6 A new Forest Code, elaborated in consultation with the forest sector was adopted in December 2001. It is intended to be fully implemented from 2005 onwards. Under the Code, logging permits will be granted for between 20 and 40 years through a public auction system linked to assessment of the financial and technical capacity of the company. The maximum size of permits will be for 600,000 hectares, which is considered more appropriate to meet technical sustainable forest management objectives than the previous 200,000 hectare limit.

1.7 In August 2004, the Gabon government announced a moratorium on the issue of forestry permits under the previous system and the launch of a pilot test for the allocation of forestry concessions by auction. In the interests of transparency, the government also announced that the list of existing forestry permit holders and basic information about them, already available to the public, will be made more accessible for easy consultation

1.8 Under the new concession allocation system, management plans must be submitted and approved within three years for all logging operations. Other measures provided for under the 2001 Forest Code include: the establishment of a National Forest Fund to maintain sustainable management practices; classification of most of the forest area into distinct production forests and protected areas; the demarcation of certain forest areas as rural forests, reserved for rural communities who can obtain revenues either by logging themselves or by renting out to logging companies.

1.9 To date, sustainable forest management plans have been prepared for around 3 million hectares (30%) of the concession area. Plans covering 1.8 million hectares have been approved by the Gabon forestry authorities.

1.10 Introduction of the Forest Code coincided with the introduction of major fiscal changes in November 2001 with the aim of

generating greater tax income from the forest sector. A new surface area tax of 1000 FCFA per hectare was introduced to be applied to all forest holdings. The export tax on sawn lumber was increased from 15% to 20%. There was also a change in the method of calculating the felling tax so that it now depends on exploitable forest area rather than the actual harvestable volume.

1.11 The 2001 Forest Code also obliges concessionaires to progressively increase the proportion of logs processed domestically. Concessionaires that develop processing capacity in Gabon now benefit from a reduction in the level of tax imposed per hectare of concession. Gabon intends to introduce a log export quota system, similar to that in Cameroon, from January 2006 after an introductory period starting in mid 2005.

1.12 To ensure effective enforcement, the Gabon authorities will withdraw logging permits from concessionaires that do not comply with the tax obligations

1.13 In December 2004, the Government announced that SNBG, the state controlled organisation that holds a monopoly in the nation's okoume and ozigo log trade, would lose this monopoly from 1 January 2006. SNBG is to be restructured during a transitional period in 2005 with the aim of significantly reducing costs. After January 2006, exporters will be free to sell okoume and ozigo directly into overseas markets. SNBG will be transformed into a private company trading timber and processed wood. SNBG technical department which is responsible for control log of measurement and quality will be transferred to government.

1.14 Between 1993 and 2002, Gabon benefited from a Forestry and Environment Project funded by the World Bank which aimed to strengthen the forestry sector, specifically to enable it to play a greater role in promoting national economic development. The project involved pilot development of sustainable management plans, building of monitoring and enforcement capacity, and Ministries of Waters and Forestry (MEF) and of Environment, Tourism and National Parks (METPN). More recently, a multi-donor Forestry Environment Sectoral Programme (PSFE) has been established with an estimated cost of sixty two million US\$ to improve coordination in

implementing the National Forestry Plan. The programme provides support to local industry, improvements in management planning, and promotion of certification. In addition, the EU's ECOFAC project continues to operate in the Lopé Reserve.

The Forest Sector

1.15 Current commercial harvesting levels – believed to be around 2.5 million m³ per annum during the last 4 years - are generally considered to be below the forests long term sustainable potential. However harvesting is concentrated on a limited range of commercially valuable species – particularly okoume. Therefore, maintenance of current production levels into the future is likely to depend on utilisation of a wider range of species.

1.16 Log extraction in the country has tended to fall in recent years in response to tightening enforcement, greatly increased tax levels, and financial problems at SNBG. Short-term log harvesting and export levels are strongly influenced by market conditions for plywood and rotary veneer.

1.17 Production of sawn timber, rotary veneers and plywood in Gabon is now estimated to be in the region of 500,000m³ per annum, roughly equal to one quarter of total production. This is a significant increase on capacity levels prevailing at the end of the 1990s. However as in other tropical African countries, inward investment has focused almost exclusively on primary wood processing, particularly peeling facilities, with very limited development of secondary processing. Secondary processed products are estimated to account for less than 1% of all wood products exports.

1.18 Despite the ready availability of appropriate wood raw material, even the plywood sector is not well developed. In 2003, Gabon exported only 30,000 m³ of plywood, compared to 195,000 m³ of veneer. Plywood manufactured in tropical Africa has always struggled to compete against Asian and Brazilian alternatives.

1.19 However, okoume lumber sawn in Gabon has been gradually gaining market share in parts of southern Europe. Gabon now exports around 100,000 m³ of sawn lumber annually.

1.20 Rougier reports that they are opening a new processing facility in Franceville Gabon in early 2005.

Private sector initiatives

1.21 Moves towards forest certification have probably progressed further in Gabon than in any other country in Central Africa. A final set of sustainable forestry principles, criteria and indicators have been evolved from the ATO/ITTO criteria by a multi-stakeholder National Working Group. Concessionaries in Gabon are already implementing forest management plans in accordance with these national principles.

1.22 Around 1.5 million hectares (50%) of areas covered by sustainable forest management plans in Gabon are already independently certified to ISO14001 and, following an audit by DNV-France, are recognised by the Dutch Keurhout Scheme. This area includes 615,000 hectares managed by Thanry-CIB, 577,000 hectares managed by LeRoy, and 788,000 hectares managed by Rougier. The first two of these areas are currently the subject of reassessment by Keurhout.

1.23 A meeting was convened in Gabon on 1 October 2004 to launch a Pan African Forest Certification (PAFC) association for Gabon, which would eventually be in a position to receive endorsement by the PEFC. PAFC national associations would develop forest certification standards in conformance with the African Timber Organisation/International Tropical Timber Organisation (ATO/ITTO) criteria for sustainable forest management. Development of a national PAFC-Gabon certification framework in accordance with the PEFC principles is now widely seen in Gabon as the best way of achieving international recognition of these efforts.

Opportunities and Limitations

1.24 There remain some significant obstacles to the development of independent legality verification procedures and forest certification in Gabon. These include:

- China is a significant buyer of Gabon's exports of logs. This has two implications: it hinders the processing opportunities for Gabon and while

there is a large buyer which does not require SFM or certification, it limits the incentive to adopt such sustainable management practices.

- to date, the government has failed to maximise potential returns from the forest sector, mainly through lack of development of value-adding industries. This has acted as an obstacle to improved financing of sustainable forest sector development.
- difficulties exist in ensuring adequate community involvement in developing national standards and in managing the bush meat trade.
- as in many other African countries, national technical and institutional capacity to implement independent legality verification and forest certification is still insufficient.

1.25 On the other hand, various factors indicate that good prospects for development of credible systems of independent legality verification and certification. These factors include:

- evidence of strong government commitment to the forest reform process. An IMF report published in December 2004 noted that "The reforms in the forestry sector are progressing well".
- the development of a national standard for sustainability.
- implementation of this standard by forest concessionaires.
- ISO14001 and Keurhout recognition for a number of forest concessionaires.
- the early emergence of institutions in Gabon promoting development of a PAFC scheme

Please note that this is draft factsheet. We welcome your comments and feedback. Please send comments to Emily Fripp at emily.fripp@btinternet.com