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The Development of Community Forests in Cameroon: Origins, Current Situation and Constraints

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The Forestry Taxation System and the Involvement of Local Communities in Forest Management in Cameroon

Timothée Fomété

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THE FORESTRY TAXATION SYSTEM AND THE INVOLVEMENT OF LOCAL COMMUNITIES IN FOREST MANAGEMENT IN CAMEROON

Timothée Fomété

SUMMARY

Cameroon's forest sector is of great national importance, accounting for 25% of exports in 1998/99. This paper looks specifically at how the forest taxation system can benefit local communities. It begins by outlining some of the changes the sector has seen since the passing of the 1994 Forest Law, and the ban on log exports on 1 July, 1997. These have included an unprecedented expansion in primary processing activities which, alongside the decline in forest formally available for logging, has led to a large increase in illegal logging.

The paper outlines two types of decentralised taxes that are intended to contribute to local development. Although not important in absolute terms, the decentralised portion of tax is significant at local level, amounting to up to three times the annual local council grant on a per capita basis. The Annual Royalty for the Forest Area (RFA) is applied in concessions and 50% is destined for local councils, with 10% going to the forest-adjacent communities. The so-called 'FCFA 1000 tax' is only applied in the much smaller Sales of Standing Volume logging permits and is destined wholly for local social projects such as schools and roads. However, neither tax is well monitored and misappropriation of funds is the dominant practice. Instead of benefiting local

development, the taxes have led to undermining of traditional power structures, connivance between certain community members and loggers, deterioration in the relations between local councils and village communities, and conflict over land ownership as communities seek to extend their land in order to accommodate the more lucrative Sales of Standing Volume logging permits (rather than concessions or community forests). The major problem highlighted is one of a lack of transparency due to a lack and/or misinterpretation of information at all levels. Civil society has an important role to play in combating this lack of transparency. The paper finishes with a recommendation to establish an equalisation fund to redistribute taxes from forest-rich councils, together with an independent management of the 'FCFA 1000 tax'.

INTRODUCTION

The forest is one of the most exploited of Cameroon's natural resources. With nearly 22 million hectares of dense forest, the forestry sector plays a very important role in the national economy. Logging represents approximately 25% of the country's exports, and accounted for 7% of GDP in 2000.

According to CERNA (1999), wood production was likely to reach 4 million m³ by

2000, with a local processing capacity of 2.67 million m³. Officially, this is produced by national companies, which account for 30 to 40% of logging licences, as well as foreign companies, which control 60% of licences.

Since the early 1990s, there have been various reforms of the forestry sector in Cameroon. These led to the creation of the Ministry of the Environment and Forests (MINEF) in 1992. A new law came into force in 1994 (Law No. 94/01 of 20 January 1994 to lay down forestry, wildlife and fisheries regulations). The objectives of the new policy include not only resource conservation, but also the greater involvement of local communities in managing, and sharing the benefits from, the exploitation of forest resources.

The Government also introduced a reform of the forestry taxation system under Cameroon's mid-term economic reform programme for the period 1997/8-1999/2000. Forestry taxation is one of several instruments intended to serve the sectoral objectives laid down by the Government. It is therefore important to be aware of the national objectives of the forestry policy, which are:

- the rational and sustainable management of forest resources;
- an efficient processing industry, producing high added value;
- the creation and equitable distribution of the revenue generated.

This paper will consider the third of these objectives, especially where it concerns the involvement of local populations in forest management. It begins with a description of the management of forest resources in

Cameroon and the main characteristics of the forestry taxation system. This is followed by an analysis of the impact of the taxation system both on local development and on sustainable resource management. Finally, a discussion of the changing role of players in this new context is followed by the conclusion.

THE MANAGEMENT OF FOREST RESOURCES IN CAMEROON

This section looks in turn at the state of the resource, its contribution to the national economy, logging, the industry, the informal sector, forestry taxes (particularly those which contribute directly to the income of local communities), and the impact of this income on local development.

State of the Resource

Cameroon has 22.5 million hectares of dense forest, of which 14 million ha were inventoried between 1980 and 1990, and are included within a zoning plan. 6 million ha are classified as Permanent Forest Estate¹, intended primarily for timber production, following a management plan with a 30-year rotation. The official annual felling allowance is 3.5 million m³, on the basis of 19 species felled at an average rate of 15 m³/ha in Forest Management Units (FMUs) and 5 m³/ha in Sales of Standing Volume².

¹ See paper 25b by Djeumo in this mailing for a presentation of the different legal categories of forest.

² FMUs are concessions located in the permanent forest estate, while SSV (*Ventes de coupe*) permits are for areas up to 2500ha allocated within the non-permanent forest estate. For more detail, see paper 25b by Djeumo in this mailing.

Contribution to the National Economy

Timber is having a growing influence on the national economy, with the contribution of the forestry sector to national exports rising from FCFA 152 billion in 1996/97 to FCFA 253 billion in 1998/99, that is from 14% in 1996/97 to 25% in 1998/99.

Logging

There are several important factors with respect to logging in the current situation:

- since the introduction of the new forestry law, there has been a spectacular increase in the number of accreditations for logging. This jumped from 450 in 1995 to nearly 900 in 1998/99. 90% of those accredited are Cameroonian nationals. The growing pressure on forest resources caused by this increase in accreditations is compounded by a reduction in the area available for logging;
- the organisation of logging has changed, with growing numbers of small sub-contractors. Large groups specialise in particular areas, such as trade, processing, etc;
- growing numbers of Cameroonians are involved in partnerships (or leasing): more than 75% of accredited Cameroonians do not have the necessary financial or technical means to make use of their logging licences; they therefore transfer the actual logging to other companies;
- logging continues to concentrate on high-value timber species, compromising the mixture of species left for use within a sustainable management plan: Ayous (*Triplochiton scleroxylon*), Sapelli (*Entandrophragma cylindricum*), Azobé (*Lophira alata*), Iroko (*Chlorophora excelsa*) and Fraké (*Terminalia superba*)

currently represent nearly 70% of national timber production;

- logging continues to be carried out in a traditional manner; forest management plans have not yet led to the adoption of new practices.

Industrialisation

In terms of industrial activities in the sector, the main trends are as follows:

- there has been a boom in industrialisation since the ban on log exports was imposed on 1 July, 1997;
- many of the processing units set up are not linked to any logging licence;
- the decrease in the area officially available for logging, together with the increase in factory demand, has encouraged an increase in informal logging, e.g. outside of licence boundaries, in areas where the licence has expired, or without any licence at all. The illegally produced timber is then taken through the factories, or exported by other companies;
- 90% of the factories are sawmills, so Cameroon is likely to suffer from industrial over-capacity if this expansion in primary processing is not controlled;
- there is still very little secondary processing capacity: apart from some additions to primary processing units, there are very few small or medium-sized industrial joinery units;
- artisanal timber production using chainsaws has been increasing in the last ten years³. It accounts for between 150,000 and 200,000 m³ of wood (or almost 700,000 m³ of timber) produced every

³ This phenomenon is described in more detail by Auzel *et al.* in Paper 25f(i) in this mailing.

- year, and is sold primarily in Douala and Yaoundé;
- the number of mobile sawmills, which first came on the scene five years ago, is increasing, both in the informal sector, and amongst young entrepreneurs in logging and processing who see this as a way of getting into the formal sector;
- the informal sector is increasingly linked to the formal sector, e.g. the planks produced by small-scale artisans are planed and put into containers by accredited exporters. This illegal practice is made possible by weak administrative controls.

THE MAIN FEATURES OF THE FORESTRY TAXATION SYSTEM

Like all companies, those in the forestry sector are subject to the general taxation system, but with certain specific regulations which reflect the desire of the Ministry of Economy and Finance (MINEFI) to combat the informal sector. In addition, logging and processing enterprises are subject to a taxation system specific to the forestry sector (as defined in the 1994 Forest Law). The latter ‘allows the State, as the owner of the resource, to benefit from the value of the wood as a raw material. Its structure and rate should aim to encourage sustainable resource management by loggers and other players in the forest environment; ensure the equitable distribution of income from forestry between the loggers, the communities in the forest zones, and the State; and stimulate competitiveness in the forestry sector.’ (*unofficial translation*)

The main taxes and charges specific to the forestry sector are as follows:

- the RFA, or land area charge (see Box 1);
- the Felling Tax (FT), which is intended to combat wastage at the point of felling and to help monitor the real level of logging in the forest;
- exit duty on logs;
- various factory taxes, divided into exit duty on sawn products, and entry taxes on logs taken into factories.

45% of both the RFA and FT is intended to be put into a special national forestry fund (recently set up to contribute to the costs of forest management).

Institutions Involved in the Forestry Taxation System

The assessment and collection of forestry taxes (RFA, FT, various licences and surtaxes) has long been the responsibility of MINEF. In 1999, a forestry tax revenue securement programme was set up to centralise both declarations and payments linked to the RFA and the FT. This is an inter-institutional programme, coordinated by the MINEFI Tax Department. The company, SGS, has been mandated by the Customs Department to assess timber export taxes, while taxes linked to factory exports are the responsibility of the Customs Department, with collection by the Treasury.

CURRENT MANAGEMENT OF FORESTRY REVENUE

The taxation system has various effects on the communities and on forest management, depending on the general level of tax pressure and the distribution of the taxation throughout the sector. The taxation system also has an impact on the process of

Box 1 Annual Royalty for the Forest Area (RFA)

The RFA affects all licences allocated via a bidding process (concessions and Sales of standing volume permits) and is linked to the area covered by the licence. Concessions are allocated on a provisional basis for the first three years and during this time the royalty is based solely on a base rate set by the Finance Law (in 2000/2001, the base rates for Sales of Standing Volume permits were set at FCFA 2,500/ha/year, and for concessions at FCFA 1,500/ha/year). If the management criteria are met (inventory, drafting of a management plan, etc.), a full licence is granted for 15 years, renewable once. The royalty is then calculated on the basis of the base rate and the financial bid (as determined by the licence holder).

The RFA in effect pays for the right of access to the resource. Its relative importance in the forestry taxation system is linked to the length of time for which the concession is granted. The longer the concession (and the more effective the controls on illegal logging by the forestry administration), the greater the justification for a higher charge, in that it brings long-term visibility for the economic operator – so long as the operator considers the long-term guarantee to be genuine. A higher charge is intended to encourage loggers to reduce the ‘wastage’ of wood at all stages of the process by investing in better knowledge of the resource and of the appropriate techniques for locating trees, felling, hauling, processing and making use of the off-cuts.

As long as there is real competition for the concessions, the use of a bidding process for allocation of this right of access to the resource is, of course, one way of highlighting the logger’s capacity to assume risk. The low number of potential bidders for some concessions means that there has to be a realistic base rate, that is, one that produces a significant forest income for the State, whilst still acknowledging the risk carried by the logger.

The fact that the allocation procedure does not work as intended, as noted, in the case of FMUs, in a report by a World Bank expert and, for Sales of Standing Volume, in a report by the Independent Observer in 1999, is the source of significant tax losses to the State.

industrialisation in the wood sector. And finally it has an impact on companies’ profit margins and State tax revenue. This section focuses in particular on the decentralised taxation system and on its impact on local development and sustainable management of resources.

Decentralised forestry taxation

The decentralised taxation system has two main instruments: the share of the RFA and the ‘FCFA 1000 tax’ (see Box 2 overleaf). The amounts involved are certainly small compared to forestry taxes as a whole, but, in the case of the RFA, they are growing (from 2.1% to 4.6% of total revenue between

Box 2 Decentralised taxation: the RFA and the 'FCFA 1000 tax'**The RFA**

The first tool of the decentralised taxation system is the share of the RFA which is reserved for the communities. The 1994 Forest Law states that this share should (roughly translated) 'render sustainable and develop the economic, ecological and social functions of forests within the framework of an integrated management ensuring sustainable conservation and use of the said resources and of the various ecosystems.' More specifically, it states that:

- 'For the development of neighbouring village communities of certain communal forests under exploitation, part of the proceeds from the sale of forest products shall be reserved for the said communities under conditions laid down by decree.'
- 'Contributions towards the provision of social services shall be reserved entirely to the councils concerned. They shall not be used for any other purpose.'
- The share reserved for the communities is determined by the finance law and is currently calculated as follows:
- 50 % for the State;
- 50 % for local councils, of which 10% is for the communities neighbouring the forest concerned.

The 'FCFA 1000 Tax'

The 'FCFA 1000 tax' was introduced by a circular at the end of the 1996/1997 tax year, and then put into general effect in the 1997/1998 tax year. It represents a contribution by the loggers to social projects (e.g. roads, schools, etc.) and its terms are laid down in the logger's conditions of contract. It is charged on Sales of Standing Volume (SSV) permits at FCFA 1000/m³ of timber logged.

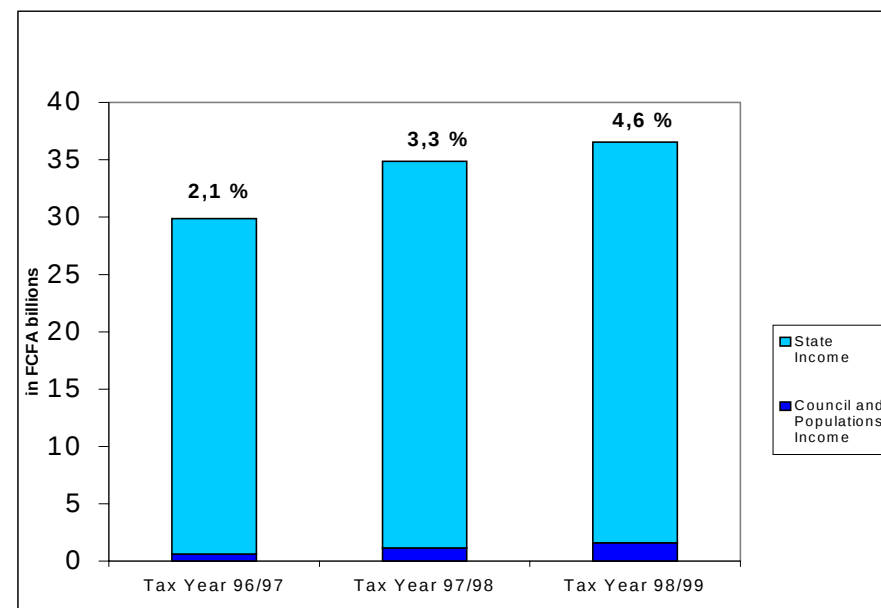
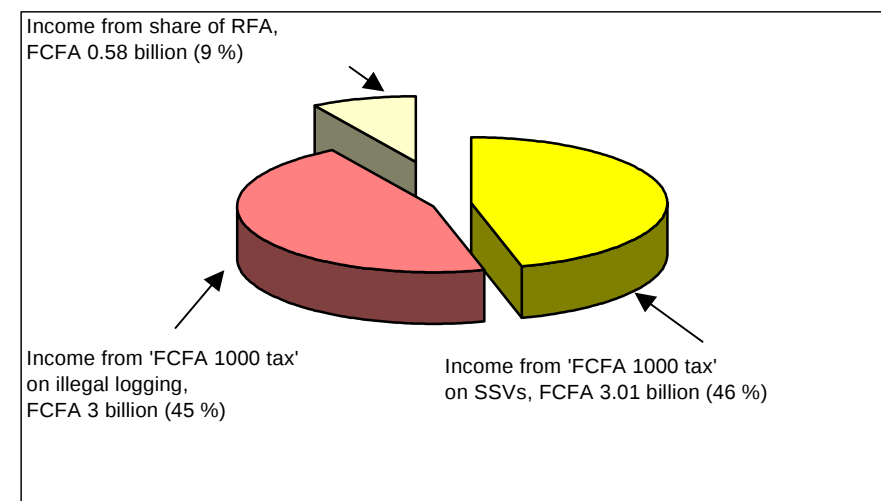
1996/1997 and 1998/1999, see Figure 1), and are likely to continue to do so with further allocation of FMUs.

At local level, however, the amounts are significant, particularly in the case of the 'FCFA 1000 tax', and especially when the sums received from illegal logging, estimated at more than FCFA 3 billion, are included (Figure 2).

A quick calculation of the theoretical per capita amount is particularly striking. In 1999/2000, the 50% of the RFA paid to councils and forest-adjacent communities represented almost FCFA 2 billion, and concerned 42 councils.

This works out at approximately FCFA 1,500 per inhabitant. The fact that the annual council grant is generally no more than FCFA 500 per inhabitant gives an idea of the potential impact of decentralised forestry taxes.

Another important feature of decentralised taxation is its unequal geographical distribution. 70% of the revenue is concentrated in East Province, and 40% in the Lomié and Yokadouma rural councils alone.

Figure 1 Development of decentralised taxation as a relative share of forestry taxation**Figure 2** Different sources of forest revenue for local populations

Impact on Local Development

Overall, the efficiency of the decentralised taxation system is weak. Misappropriation of funds is not only possible but, due to the *de facto* absence of any controls or coercive measures, is in fact the dominant practice at national level. In the case of the 'FCFA 1000 tax', it is rarely distributed as stated in the loggers' conditions of contract. Instead, loggers make a variety of payments including:

- payment of part to the Council, and a direct contribution in kind to the village;
- direct payment to the local population, either in cash or in kind;
- payment in full to the Council or the Treasury.

The contribution to local development is in fact minimal: there is a significant informal side to the tax, with payment required even in the case of illegal logging; and a highly developed system of misappropriation of funds has grown up around this money.

In the case of the RFA, the situation is similar. The system by which the RFA is transferred from the Tax Department to local councils is clearly not working properly: the 10% intended for the forest-adjacent communities is frequently withheld in the council accounts, and there is a lack of transparency in the councils' administrative accounts regarding the use of these funds.

The impact of the decentralised taxation system is on the whole negative, and very far removed from its original aims. In the case of both the 'FCFA 1000 tax' and the RFA, it is estimated that less than 20% of the revenue is actually used to fund social projects or collective

services to the benefit of the councils and the rural populations. The payment of a tax for the implementation of social projects is considered by many economic operators to annul other provisions in the conditions of contract. Hence many loggers have stopped road construction and other social works over the last three years, except when these are necessary for logging.

The State does not seem concerned about the informal redistribution of tax benefits, although it could be contributing to the impoverishment of local populations, who are abandoning their food crops and other traditional activities to concentrate on monetary profit, which fuels alcohol consumption and encourages rural exodus.

In this situation, the process of decentralisation is also a loser. There seems to be a deterioration in the relations between the council authorities and the village populations, a break-down in the already fragile trust which existed between them. This is not helped by the often inappropriate institutional and operational positions adopted by support agencies such as projects and NGOs. Paradoxically, there is a strengthening of the 'sharing' image of the State, and thus of the image and role of the Divisional Officer as mediator.

Impact on Sustainable Management

The potential effects of the taxation system on the sustainable management of forest resources are still mainly a matter of questionable, or even controversial, hypotheses, because of the large number of factors involved in the process of decision-making by the economic agents who use the forest.

As regards the practices of the players involved in forest resource management, there is a clear negative impact on both timber and non-timber forest resources caused by the dynamics of illegal logging linked to the 'FCFA 1000 dash' (or 'bribe'). There is hitherto unseen 'connivance' between loggers and local populations, which weakens the role of the projects and NGOs: this is born of the short-term logic of mining forest resources, rather than the long-term logic of sustainable and integrated forest management as recommended by the forestry law.

In terms of the modes of access to forest resources, there is a clear trend emerging of collective appropriation of land by local populations, causing conflict with neighbouring communities. The land ownership question is also problematic when it comes to the demarcation of FMUs (concessions), as local populations increasingly try to extend their land so that they can accommodate all possible SSV permits (because these are associated with the 'FCFA 1000 tax'), including illegal ones.

As concerns community forests, there seem to be two trends: firstly, one strategy which involves the immediate appropriation of the income from the forest by a single interest group from the village; and secondly, the forest-adjacent populations not (or no longer) wishing to engage in the process of applying for a community forest. In general, the decentralised taxation system has undermined local decision-making processes and power systems, and weakened time-honoured alliances.

REDISTRIBUTION OF TAX REVENUE AND PLAYERS' STRATEGIES

The new order, in terms of the share of the RFA and the 'FCFA 1000 tax' paid to forest-adjacent populations, is leading to changes in attitude amongst the main players, that is, the local populations, the State, the industrialists, and the municipal authorities. In particular, there is a move towards establishing a dialogue between populations, who are better informed about the opportunities offered by the regulations, and the loggers. Local authorities are also beginning to deal directly with the loggers and the local populations. However, this recent development is coming up against the following problems:

- difficulties for the protagonists in interpreting the texts;
- a lack of precision in the texts concerning the formal procedures to be followed;
- problems in demarcating forest land and linking it to one or several village communities;
- the lack of structures for the administration, monitoring and evaluation of village projects.

The Lack of Transparency

The present situation in the forestry sector is that information circulating at every level is often wrongly interpreted because it is misunderstood or, more often, there is simply a lack of information amongst the various stakeholders:

- the State lacks information on what is actually happening in the field as regards the implementation of the provisions of the law, but also on the practices of different players, including the economic information it needs to determine the optimum level of

taxation;

- *local councils*, which have responsibility for managing the revenue intended for the local populations, do not have the information they need to estimate the amount they can expect, and no-one, including council leaders, seems to know how much is actually collected;
- the *local populations*, who are the target beneficiaries of the decentralised taxation system, do not have direct access to information on the amounts they are due, nor even the mechanisms and procedures provided for in the law for the collective appropriation of that money;
- the *forestry profession* has a monopoly on the economic and financial information which forms the basis for taxation and the estimation of profits. There is an asymmetrical distribution of information which is well-maintained by the private loggers, and is used as an argument to defend corporate interests;
- the *NGOs*, which have played a very important role in some places, have, to their credit, informed the local communities of the provisions of the new law.

The better informed the various stakeholders are of the provisions and procedures, the more likely it is that there will be collective action to ensure that each respects his or her obligations. As concerns forest revenue, the provision of information on logging licences and the tax status of the companies concerned is one way of ensuring that they will do what they can to avoid being on the list of tax evaders; it also means that the communities can establish what their rights are.

Civil Society Can Help to Improve the Situation

Civil society has a reservoir of expertise and a potential margin for manoeuvre to achieve progress. It has a significant role to play, particularly in terms of public information. Conditions which could favour such a development include:

- the participatory drafting of a mechanism for the transfer of revenue to local populations;
- capacity strengthening for the partners involved in sustainable natural resource management, and for existing networks and groups;
- greater involvement of women, in order to ensure the sustainability of resources and modes of reproduction.

NGOs in particular, have a huge role to play in the transparency of forest management, by becoming more professional and influential in society in environmental matters, by becoming an example of transparency and good governance, and through the real mobilisation of all their constituent parts towards greater awareness and action on aspects related to environmental governance, including the definition of a code of conduct to be respected by all.

If the funds are to reach the communities and contribute to sustainable change, there must be better coordination between the national authorities and the donors in discussing national priorities which could make the support offered to the forestry and environment sector more effective. A consensus should also be sought on the transfer of forest management rights to local communities.

There are examples of some projects which do provide active support to communities in the field. One of these is PROFORNAT, the project for the conservation of the natural forests of the South-East, which, firstly, gives local populations better knowledge and helps them to interpret the forestry law, and secondly, encourages the creation of development and forest taxation management committees. A second example is the Sustainable Development Support project in the Lomié/Dja region (SDDL/SNV)⁴, which has the following activities:

- support for the establishment of community forests;
- promotion of the sustainable exploitation of forest resources by local communities;
- support for conflict management linked to natural resource management;
- support for the establishment of a savings and credit system;
- organisational support and encouragement of a greater sense of responsibility amongst local NGOs;
- an information programme for local populations on the management of the RFA, with the aim of helping the communities and councils use forestry taxation revenue transparently towards sustainable local development.

CONCLUSION

By way of a conclusion, it should be said that the reform of the forest policy to the benefit of local social and economic development is a positive move. However, to ensure that this measure, which is still at

⁴ This project is described in more detail in Paper 25f(ii) by Klein *et al.* in this mailing.

an experimental stage, truly contributes to development that is both sustainable and compatible with forest resource management, there must be a general assessment at national level of the use of forestry taxes intended for local populations. In particular, NGOs and projects active in the field must put greater effort into training and raising the awareness of the populations of the forest regions.

As regards the decentralised taxation system, consideration should be given to the establishment of an inter-council equalisation fund (*fonds de péréquation*), funded by the share of the RFA, and with the aim of distributing some of the benefits from forestry to communities beyond those directly adjacent to the forests concerned. This should go hand in hand with the independent management of the 'FCFA 1000 tax'. Together, this would correspond to the three key principles which should govern decentralised taxation:

- the single aim of making an effective contribution to local development, clearly excluding any cash redistribution of this tax revenue;
- the choice of the RFA as the appropriate tax instrument, with the gradual disappearance of the Sales of Standing Volume permit and the associated 'FCFA 1000 tax', to avoid the risk of any new pressure from the local communities;
- the use of the RFA contribution to fund local development, as part of the effective implementation of the decentralisation process and a strengthening of the relations between councils and village communities, which have been disrupted by current practices in distributing forestry taxation revenue.

ACRONYMS

FCFA	Currency in French-speaking West and Central Africa. Exchange rate: 100 CFCA = 1 FRF 750 CFCA = 1 USD
FMU	Forest Management Unit
FT	Felling Tax
MINEF	Ministry of the Environment and Forestry
MINEFI	Ministry of Economy and Finance
NGO	Non-governmental organisation
PROFORNAT	Natural resource management project
RFA	Annual Royalty for the Forest Area
SGS	Société Générale de Surveillance (monitoring company)
SSV	Sale of Standing Volume (logging permit)

Please send comments on this paper to:

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