



PERFORMANCE OF THE GABONESE FOREST INDUSTRY

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Julius Chupezi Tieguhong, Chief Forestry Officer, African Natural Resources Centre



AFRICAN DEVELOPMENT BANK GROUP

**African Natural
Resources Centre**

*African Development Bank Group
Abidjan 01, Côte d'Ivoire;
Phone (Standard) : +225 2720263900
Internet: www.afdb.org.*

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01 INTRODUCTION

The forest industry is a major resource for Gabon. According to the most recent FAO statistics, the total forest area for Gabon was estimated at 23.62 million hectares (ha) in 2010 and 23.5 million ha in 2020 with a modest net annual change between 2010 and 2020 of 11,900 ha or a deforestation rate of 0.05%. About 99.9% of the Gabonese forest is naturally regenerating, while forest plantations are estimated at only 30,000 ha, and together they cover over 85% of the national territory. About 63% of the forest is under forest concession management¹. The forestry sector is the second largest employer after public services with over 10,000 permanent jobs in forest production and a further 10,000 jobs in forest industries². Employment has increased, driven by the number of wood processing industries established in the Gabon Special Economic Zone (GSEZ) in Nkok between 2009 and 2018. These industries grew from 80 in 2009 to 155 in 2018³. Prior to the discovery of petroleum in the mid-20th century, forestry was the leading foreign exchange earner in Gabon and the country's primary economic activity. However, despite the emergence of the oil industry, forestry remains a major foreign exchange earner contributing 3-5% to national GDP with tremendous opportunities for further improvement⁴.

Gabon's Head of State recognized the timber sector as a priority for reform to enable it to lead the industrialization of the national economy. The government is committed to an ambitious target of 100% Forest Stewardship Council certification (FSC) for all its forest concessions by 2022⁵ which would be a feat few countries have achieved. This direction provides tremendous opportunities for increasing the technical, social and economic performance of the forestry sector. One of these opportunities lies in adding more value to its timber products domestically, which Gabon has been working towards for some years, even taking the step of prohibiting the export of primary unprocessed timber. The Minister in charge of forests in Gabon explained the rationale for the decision, "prior to the enactment of the total ban on log exports, the country was getting a mere 3.6% of the market value of its timber, meaning over 96% was

¹ EIA (Environmental Investigation Agency). 2019. *Toxic Trade. Forest Crimes in Gabon and the Republic of Congo and Contamination of the US Market*. EIA US. 84 PP.

² FRMi 2018. *Développement intègre et durable de la filière bois dans le bassin du Congo : opportunités, défis et recommandations opérationnelles. Rapport pays Gabon*. 54 pp.

³ <http://www.lenouveaugabon.com/lune-agro-bois/2208-15142-transformation-du-bois-80-nouvelles-usines-seront-ouvertes-cette-annee-a-la-zone-economique-speciale-de-nkok>

⁴ AfDB (African Development Bank) 2018. *Central Africa Economic Outlook*. Abidjan, Côte d'Ivoire: African Development Bank.

⁵ AFDB. 2018. *Integrated and sustainable development of the timber value chain in the Congo Basin. Opportunities, Challenges and operational recommendations. Regional Report*. 308 pp.



exported. After the ban and with the promotion of primary processing, the country could retain up to 20% of market value with still 80% exported. The export of primary products also implies the export of 50,000 – 60,000 jobs that could be generated with secondary and tertiary processing of sawnwood for example to finished products. This could increase revenue from \$200 million to over \$1 billion per year⁶. The Director of the Gabon Special Economic Zone, elaborated how the value addition was handled: "the projects which the government can support to get desirable outcomes in the forestry sector include (1) Furniture making project, (2) Alternative raw material project and (3) Support and development of two additional SEZs in Lamberene and Franceville. Logs may bring in \$150 per cubic metre, veneers will bring in \$500 per cubic metre but furniture can bring in \$2000 per cubic metre. In terms of employment, logs can generate 10 jobs, veneers 100 jobs but furniture will go up to 1000 jobs for a given quantity produced and exported. The implication is that the three projects if properly supported and implemented can bring the change that the timber sector needs in Gabon"⁷.

⁶ Lee White, Minister, Ministry of Water, Forests, Sea and Environment (Per. Comm). 2020.

⁷ Kumar Mohan. Director General of the Gabon Special Economic Zone. (Per. Comm). 2020.

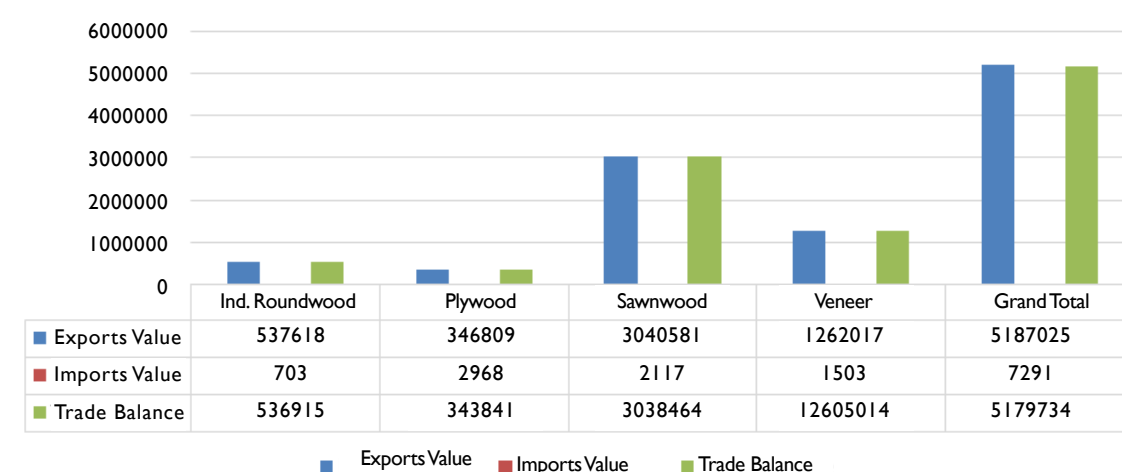
02 TIMBER PROCESSING AND TRADE

There are four distinct phases in the wood value chain: 1) the production of rough timber in the form of logs; 2) primary processing consisting of sawing, veneering and slicing tropical logs, as well as the production of plywood; 3) secondary processing including the drying and machining of solid wood ready for the production of finished products such as wood for construction or builder wood (e.g. to make doors and windows), mouldings and wooden furniture; and 4) tertiary processing that leads to the manufacture of paperboards, case materials, cartonboards, household sanitary papers, newsprints, wrapping papers and printing or writing papers, among many others. In Gabon however, most wood production and export dwells on primary processing with huge negative trade balances associated with secondary and tertiary wood product groups. The total trade deficit over the period of ten years (2010 to 2019) for secondary and tertiary wood products is estimated at \$218 million or \$21.8 million per year, which is a huge drain on an economy that is trying to mature. Details of the analysis are provided below.

2.1 Primary production and processing

From 2010 to 2019, the total Gabonese trade balance from primary wood products was a surplus of \$5.19 billion averaging \$519 million per year (Figure 1).

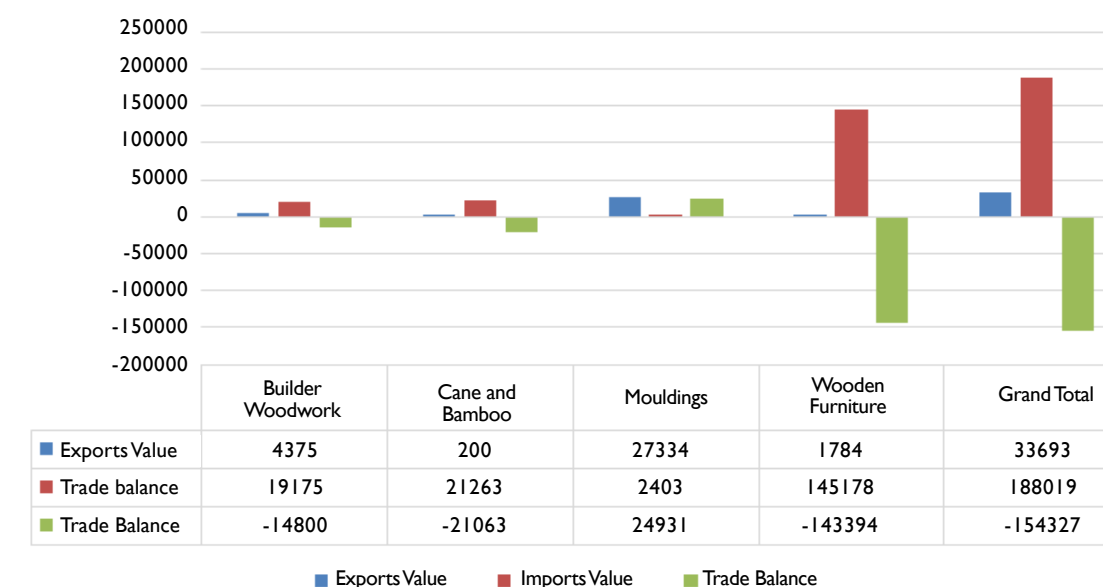
FIGURE 1: Trade balance for primary forest products in Gabon from 2010 to 2019 (US\$*1000)



2.2 Secondary processing

From 2010 to 2019, the total Gabonese trade balance from primary wood products was negative estimated at \$154.32 million averaging 15.4 million per year (Figure 2).

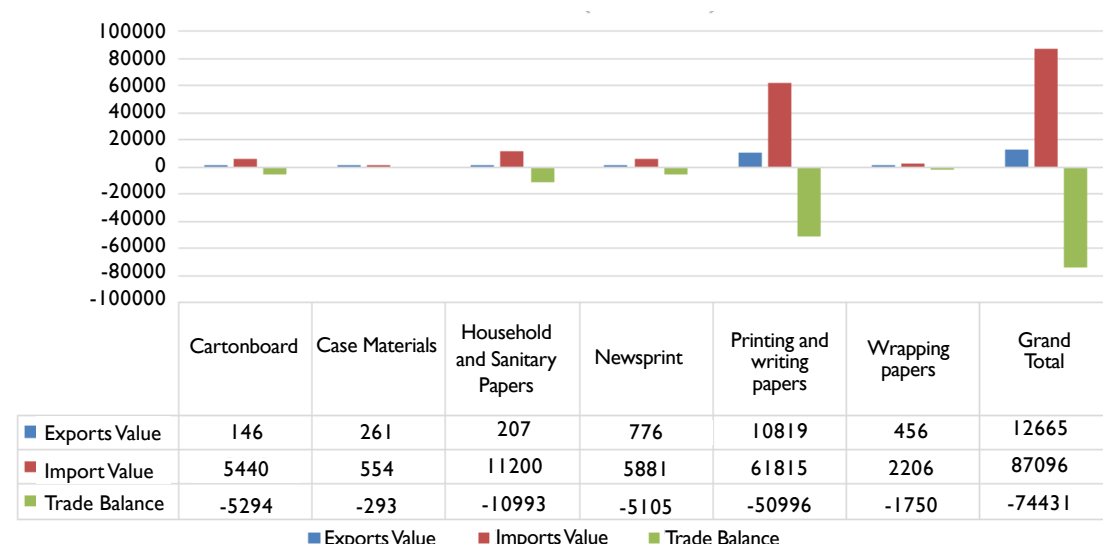
FIGURE 2: Trade balances for secondary processed wood products in Gabon 2010 to 2019 (US\$*1000)



2.3 Tertiary processing

From 2010 to 2019, the total Gabonese trade balance from primary wood products was negative estimated at \$74.43 million averaging \$7.4 million per year (Figure 3).

FIGURE 3: Trade balance for tertiary processed wood products in Gabon from 2010 to 2019 (US\$*1000)



03 INDUSTRIALIZATION, LAWS AND REGULATIONS OF THE FORESTRY SECTOR

The Gabonese Ministry of Water, Forests, Sea and Environment is responsible for the protection and sustainable management of forest ecosystems and for ensuring the implementation of the policy on the industrialization of the timber industry in the country. With the establishment of the Special Economic Zone (SEZ) at Nkok, the Ministry is keen to increase the production of high value products to diversify the economy, increase state revenues and create more jobs, especially for young people. In the same vein, sustaining the timber industry will require the expansion of forest plantations that will also generate rural employment.

As part of the 'Green Gabon' pillar of the Strategic Plan for an Emerging Gabon, the country intends to process all its wood locally by drawing on dynamic native artisans and industry. To achieve these objectives, incentives for industrial investment have been put in place and investment support and preferential tax treatment for processed goods have been introduced as well as the ban on exporting unprocessed logs. The decision in 2018 to ensure all operators of forest concessions certify their forest areas by 2022, makes Gabon the first country in the world to make certification mandatory. This decision, together with the Gabonese policy prohibiting the export of logs in 2009, are

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testimonies to the national political determination to transform the sector. In addition, a 20 billion CFA franc support fund to accelerate industrialization in the wood sector has been established. With these measures, the overall interest in Forest Management Certification (FMC) remains high in Gabon and the possibility of getting an additional 2.2 million ha of FMC forest concessions by 2020-2021 seems realistic. There is also a growing interest in chain of custody (CoC) certification by industries in the GSEZ that will ensure value addition to wood products, and act as a barometer to industrialization and encourage the diversification of the Gabonese economy.

More recently, the government of Gabon has passed new tax laws aimed at encouraging further wood processing for export that will come into effect for the forestry and timber in 2021. The export tax structure has been reset to further incentivize local value addition. Products that have undergone first processing will be subjected to an export duty of 9%, but where products have undergone secondary processing it decreases to 3%, and drops further for



products that have undergone third processing where the export duty will be levied at only 1.5%⁸. This approach enables local processors to capture far more value and profit.

04 THE MAIN ISSUES AND CHALLENGES IN THE FORESTRY SECTOR

Experience from recent policy changes in the forestry sector in Gabon shows that opportunities for developing the natural resources sector in Africa rely heavily on the power of government policy. As Gabon seeks to develop its wood industry and move up the sector's value chain under the Strategic Plan for an Emerging Gabon by 2025, the focus is firmly encouraged to dwell on advanced secondary and tertiary wood processing. This will be likely to have the effect of reducing the export of primary wood products and increasing the production, national marketing and export of finished products. This will help to diversify the country's economy, increase state revenues and create more jobs. For instance, it is estimated that small-scale forest enterprises based on furniture and carpentry have the potential to add value of \$44-271/m³ of sawnwood processed to finished products and increase job creation by a factor of 4 to 12 times⁹. This implies that for the estimated 500,000 m³ of sawnwood exported each year from Gabon, the potential value-addition for processing this volume to fine furniture could be in the range of \$22 million to \$1.56 billion.

⁸ ITTO TTM Report: 24:12 16 – 30 June 2020

⁹ Bickel A. and Cerutti P. 2017. Liberia: Domestic timber value chain analysis. Extractive Overview Report. January. 53 pp.

Nonetheless, the problem facing Gabon is that the modern and well-structured industries that supply international markets are mainly oriented towards primary processing, which generates less value-added than the secondary processing carried out by artisans using rudimentary tools, often working informally and poorly organized¹⁰.

Opportunities for industrialization and economic diversification lie in the model established by the Gabon Special Economic Zone (GSEZ) at Nkok, which is an industrial complex for wood processing set up in the outskirts of Libreville. The zone is built on 1200 hectares of land concessioned to Olam, a private sector company that officially opened in the country in 2014. The complex has a total tenancy of 104 companies, involved in wood milling into sawnwood, veneers and plywood, production of furniture, mouldings and builder wood, glue and varnishing. Companies located here come from China, Malaysia, Indonesia, India, and the EU.

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The establishment of forest plantation is weakly developed, although the government recently announced the planting of an additional 200,000 hectares by 2025. This will create at least 15,000 to 20,000 jobs in the country and increase the country's wood production five-fold as well as increasing the contribution of the forestry sector to the economy to more than €4.57 billion by 2025, compared to €762 million in 2019¹¹. A low log extraction rate of 11m³ per ha leaves Gabon exploiting only 25-50% of its timber production potential. This is compounded by low timber recovery factors of 30% for sawnwood and 40-50% for veneers and plywood¹². Moreover,

despite Gabon trading timber products with 19 other African countries, the country's intra-African trade share remains low at 5.7%¹³, which could be increased with regional integration efforts.

The vision and outcomes desired by the government of Gabon to diversify its economy and increase public revenue cannot be achieved without tackling

¹⁰ Kaplinsky R., Kaplan D. et Morris M. (2011), *One Thing Leads to Another, Promoting Industrialisation by Making the Most of the Commodity Boom in Sub-Saharan Africa*.

¹¹ Inès Magoum. 2020. *GABON: To develop full-fledged tertiary processing industry*. Afrik21 Newsletter. Published on June 18 2020. <https://www.afrik21.africa/en/gabon-to-develop-full-fledged-tertiary-processing-industry%E2%80%89/>

¹² AFDB. 2018. *Integrated and sustainable development of the timber value chain in the Congo Basin. Opportunities, Challenges and operational recommendations*. Regional Report. 308 pp.

¹³ Traore M. and J.C. Tieguhong. 2018. *How Forestry Contributes to the African Development Bank's High 5 Priorities: Challenges and Opportunities*. Abidjan, Côte d'Ivoire: African Natural Resources Center, African Development Bank.

illegal logging and poor governance. Any non-compliance to the forest laws in Gabon must have serious consequences for companies that are involved in corrupt activities. Incidents have included bribing officials to win the allocation of logging rights over hundreds of thousands of hectares of forest, operating for years without approved management plans, overharvesting thousands of trees, logging prohibited species, exporting hundreds of thousands of logs beyond their allowed quota, and evading millions of dollars in taxes through sophisticated transfer pricing schemes¹⁴. A recent case reported on the large-scale smuggling of rare timber tree species such as Kevazingo (*Guibourtia tessmannii*) with the discovery and seizure of 353 containers at the Owendo Port in February 2019 in Gabon¹⁵.

05 CONCLUSION AND RECOMMENDATIONS

The vision of the Gabonese government to develop its wood industry and evolve the sector's value chain should be pursued vigorously with its single-minded focus on secondary and tertiary processing. The major policy challenges for Gabon in processing forest products more effectively should be fast-tracked by making the domestic market attractive, developing the processing sector, modernizing production, overcoming skill gaps, increasing funding, boosting Gabon's export market presence and avoiding the overexploitation of forests and environmental degradation¹⁶. To achieve these ideals the following will be required:

- i. the government should develop a complementary carpentry and furniture-making strategy to support the development small and medium scale forest enterprises (SMEs);
- ii. production clusters, incubators or technical centres for youth should be promoted to build their capacity on technical, managerial, financial and marketing skills, and support should be continued to the trainees to become independent minded entrepreneurs. This is important to offer further assistance to the existing poorly developed 245 carpentry and furniture-making workshops in Libreville, Owendo, Akanda and Ntoun;
- iii. a national timber procurement policy should be developed to ensure greater local content to avoid negative trade balances linked to the importation of finished wood products;
- iv. the promotion of regional timber trade should be prioritized as outlined

¹⁴ EIA 2019. *Op. cit.*

¹⁵ EIA 2019. *Op. cit.*

¹⁶ UNECA 2016. *Gabon Country Profile*. 48 pp.

- in the African Continental Free Trade Agreement (AfCFTA) to increase intra-African trade in wood products;
- v. alternative sources of raw materials should be created within the 1.5 million ha of available savannah land in the country for plantations of fast-growing timber;
- vi. adequate financing should be provided for the sustainable management and certification of natural forests as well as certification for forest products;
- vii. ways to use industrial wood wastes or residues should be explored as well as promoting the use of lesser-known timber species;
- viii. the experiences of the GSEZ at Nkok should be scaled up by creating other centres with comparative advantages in Lamberene, Franceville and Port-Gentil;
- ix. small and medium scale enterprises (SMEs) based on key non-timber forest products should be developed to introduce opportunities for women;
- x. forest-based ecotourism in selected protected areas with high economic potential should be developed;
- xi. climate change mitigation and adaption as well as social and environmental safeguards should be mainstreamed into the development of sustainable forest industries;
- xii. synergies should be built among sector ministries (forestry, trade, industry, small and medium enterprises, commerce, customs and related national agencies) as well as with the private sector to ensure the development of efficient public-private partnerships (PPP) that could help drive sustainable industries.

There is a need for further detailed study on timber production by species in forest management units (FMUs) in order to better inform policy makers on options towards sustainability and good governance. This will involve some comparative analysis of stocks in concessions versus authorized, authorized versus production, production versus exports volumes per timber company. Other issues to examine should include the policy framework guiding the sustainable exploitation of timber, transportation, procedures in issuing export certificates and the control and monitoring of export volumes¹⁷. With sound knowledge of these issues better planning can be introduced to ensure sustainable management of natural resources to ensure greater economic resilience and inclusive green growth in Gabon.

¹⁷ Tieguhong J.C. 2009. *State-of-the-Art of Pericopsis elata (Assamela) production and management in Cameroon*. ITTO/CITES. 61 pp.





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African Natural Resources Centre

Avenue Jean-Paul II -01BP 1387,
Abidjan - Côte d'Ivoire

ecnr_info@afdb.org
www.afdb.org

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