SOCIO-ECONOMIC STUDIES ON THE TRANS-BOUNDARY TIMBER COMMODITY CHAIN IN THE EAC REGION

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The study is funded by European Union through EU-FAO Forest Law, Enforcement, Governance and Trade (FLEGT) Programme and it commenced in August 2013 and to end September, 2014. The study was undertaken by KEFRI in collaboration with consultants from Tanzania, Uganda, Democratic Republic of Congo (DRC) and Rwanda.

The objective of the study was to provide a socioeconomic characterization of timber trade in two road corridors namely; the Northern Corridor from the (DRC) through Uganda to Kenya and Southern Corridor from Iringa to Kenya through Lunga Lunga and Namanga for timber destined to Kenya.

The study involved desktop reviews of policies and legislations that influence transboundary timber trade and fieldwork by timber trade experts from DR Congo, Kenya, Uganda, Rwanda and Tanzania. The study focused on the characterization of commodity and value timber chains in the region, analysis of current regulatory barriers to compliance in the timber trade with regional and national policies and legislations, documentation of market performance of timber trade flows in the 2 road corridors and dissemination of information on the socio-economic of timber trade and recommendations on option to counter policy and legal barriers to legal timber trade in the region.

The study found that hardwood timber from eastern DRC is exported to Uganda, Rwanda and Kenya and softwood timber and transmission poles are exported from Tanzania to Kenya. The hardwood timber in east DRC is harvested by many informal groups licensed by both local and central governments with tacit support from tribal and local government administration. The timbers that pass through gazetted border points undergo normal inspections and required taxes/fees are paid by exporters. However, some illegal timber by pass the legal requirements through various methods that include use of porous border points and movements of small consignments overnight cross through borders. This is in contrasts the case of Tanzania where the harvesting is restricted to plantation forests that the government allocates to local groups and individuals that pay prescribed royalties before being allowed to harvest and process. The processed timber is verified and taxes and fees paid to respective public agencies before being transported by lorries into Kenya. However, in both cases due to inadequate funding the concessionaires harvesting and processing is most cases is pre-financed by timber traders mostly Ugandans in DRC and Kenyans/ Tanzanians in Tanzania that is deductable from revenues generated through timber sales.

In terms of policies and legislations on transboundary timber trade Kenya, Rwanda and Uganda being timber deficit have placed more attention on the conservation of their dwindling natural forests and expansion of tree planting in public forests and farms to meet their current and future timber requirements. These countries have few articles in their forest sector policy statements and legislations on transboundary timber trade except some mentions on chain of custody, movement permits, taxations and phytosanitary requirements. Tanzania and DRC that have vast forest resources for domestic and export markets have comprehensive policies and legislations on transboundary timber trade that provide elaborate procedures, mechanisms and taxation regimes on timber export. Tanzania has the most comprehensive legislative framework that governs timber exports while DRC with support from World Bank and NGOs have put in place some innovative structures to regulate timber trade that include monitoring systems operated by public and independent verification agents. In general the study reveals that the key issues are not the absence of the policy and legislation on transboundary timber trade but the level of compliance with the existing legal instruments on day today timber trade operations. Some timber traders and facilitators tend to circumvent legal procedures through engagements in various vices such as corruption, under-declaration of consignments, tax avoidance and use of illegal porous border points. The reasons advanced by timber commodity chain players for their preference for riskier illegal trade procedures are many key being prevailing cumbersome procedures to obtain legal documents, high taxes and fees and corruptions that have combined effects on increasing costs of transboundary timber trade making it uncompetitive and hence tendency to evade taxes to remain profitable.

The study revealed that Kenya is the largest regional importer of hardwood timber from DRC with quantities imported varying between 20,000-50,000m^3 per year. Hardwood timber from DRC largely supplies regional markets of Rwanda, Uganda, South Sudan and Kenya. The imports of softwood timber from Tanzania peaked in 2010 when 75,354m^3 was imported into the country that has since fallen to 9,425m^3 by 2013 due to competition from local sources after lifting of the ban on sawlog harvesting in public forests in 2012.

In Kenya the timber import trade generated Ksh 5.5 billion ($650 million) between 2009 and 2013 of which taxes and fees to government and public agencies accounting for 54% and importers, transporters, wholesalers and traders accounting for the balance. In the DRC and Tanzania the timber business benefits array of players that include power saw operators, business financiers, land owners, potters, transporters, security agencies, state agencies and traders through royalties, taxes, wages, and legal and illegal fees at exit points of Kasindi/Mpondwe, Namanga, Lunga Lunga, Busia and Malaba. The study confirmed the socioeconomic importance of timber trade in Kenya and trading partners within EAC and beyond.

The study recommends that EAC and trading partners undertake comprehensive forest sector reforms to improve sustainable forest resource management and forest law enforcement, governance and trade in forest products. Timber commodity trade should be given deserving emphasis in regional economic integration initiatives within the EAC, COMESA and SADAC in order to attract well financed investors into the sector and promote efficient flow of legal timber between member countries like other trade commodities. The forest multi-sectoral reforms should fast tract initiatives such as Single Customs Territory System (SCT), transparent tax payment services at borders points, increased innovations to verify timber, harmonization of standard measurement/marks and taxes/tariffs. Other recomendations include development of a well structured regional coordination and awareness creation to key players on policy and legal requirements on transboundary timber trade. These developments are expected to minimize bureaucratic import and export procedures and transform the transboundary trade on timber from artisanal and small scale informal players into a well coordinated and efficient legal regional timber trade. This is because the current status of timber trade is largely a risk business with lots of uncertainty and high turnover of players. It is hoped that such transformation will enable final consumers in the retail and wood work sectors to benefits from competitive retail prices that will enhance profitability and vibrancy in the woodwork sectors. This is premised on the fact that the reforms will make corrupt cartels networks that operate along the entire transboundary market unattractive. The major beneficiaries of improved legal framework are likely to be the timber forest owners, exporters/importers, state agencies, wholesale/ retail traders and wood work sectors in the both the exporting and importing countries.

KEFRI will hold a one day stakeholders' closing workshop to share the study findings and comments on 25th September, 2014 at KEFRI Hqts, Muguga.