

The timber sector in the DRC: A brief overview

The DRC contains the largest area of forest in Africa, and its population of 60 million is amongst the poorest in the world (CIA, 2007). Sixty-two per cent of the DRC's territory is covered by forests. This is equivalent to approx. 86 million ha, of which the DRC government has estimated that 60 million ha are suitable for timber extraction, with a potential production of 6 million m³ timber per year. This does not mean that timber extraction will be beneficial for DRC's poor or forest dependent peoples. Forest products in sub-Saharan Africa provide direct income for only 15 million people, while hundreds of millions of people depend on forest products for survival outside of the cash economy (Commission for Africa, 2004).

1. Three Timber Sub-Sectors in DRC

1.1 Formal Timber Sector: Forests in the DRC cover approx. 145 million ha, of which 20 million ha are granted as timber concessions to about 60 companies. Only about a dozen companies are in operation. These 60 companies hold approximately half of the existing concessions (10 million ha) and produced a reported 300,000 m³ of timber in 2005. Most timber from the formal sector is transported by river to Kinshasa (Debroux et al., 2007). A large part of the formal timber production is exported directly in the form of logs and a smaller part is processed domestically into sawn wood.

According to FAOStat, the DRC timber exports in 2005 amounted to 235,970 m³ of logs and 15,250 m³ of sawn wood. In contrast, the Central Bank of Congo ¹ provided figures which show 92,829 m³ of logs and 34,616 m³ of sawn wood.

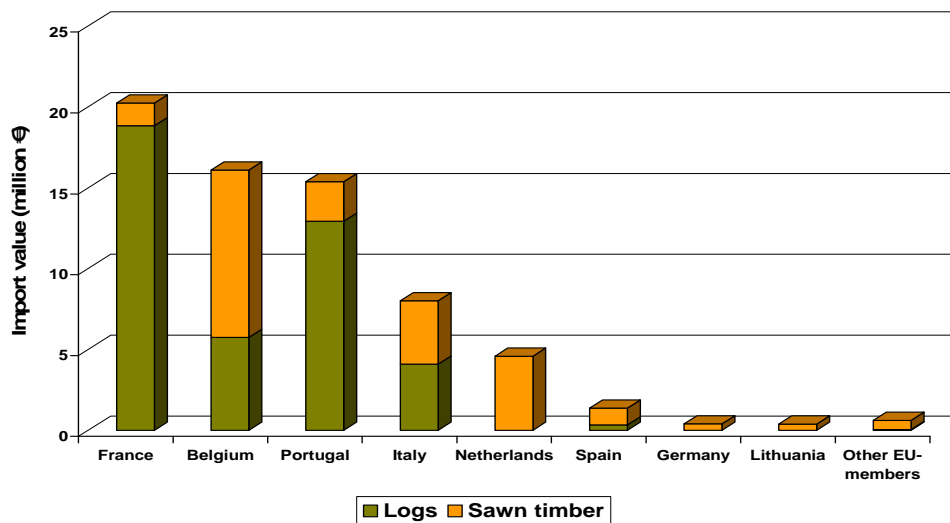
DRC's timber exports are destined almost exclusively to the European market.² More than ninety per cent of these imports were of logs and sawn timber, and most of these were received by countries within the European Union – principally France, Belgium, Portugal, and Italy. The total value of EU timber imports from the DRC amounted to €67 million in 2005³ (around US\$ 92 million including Cost, Insurance and Freight (CIF)).

¹ Banque Centrale du Congo, Condensé d'informations statistiques, n° 39/2006, Kinshasa, 29 September 2006.

² Website FAOStat (faostat.fao.org), Viewed in March 2007. <http://faostat.fao.org/site/382/default.aspx>

³ Website Eurostat (epp.eurostat.ec.europa.eu), Viewed in March 2007.
http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136217,0_45571467&_dad=portal&_schema=PORTAL

Figure 1 Timber Imports from the DRC into the European Union in 2005. ⁴



1.2. Informal Timber Sector: in the DRC an estimated 8,000 small-scale logging companies - known as pitsawyers - are active, ranging from a few individuals who join together to harvest timber two or three months a year, to permanent enterprises with a dozen or more regular employees. Most small-scale loggers can be classified as belonging to the informal sector because they lack licences from central government. Small-scale loggers supply the domestic market with timber for construction or furniture, but they also export wood and wood-based products to neighbouring countries, particularly Uganda, Angola, Burundi, Rwanda and Zambia. Informal timber production in the DRC is estimated at 1.5 - 2.4 million m³ per year (Debroux et al., 2007).

1.3. Fuel Wood and Charcoal Sector: Most rural and urban households use fuel wood or charcoal to cook. In fact, wood energy accounts for 80 per cent of all domestic energy consumed in the DRC. National wood energy consumption is about 72 million m³ per year. This means that the overwhelming majority of wood harvested in DRC is used locally for heating and cooking (Debroux et al., 2007).

2. Volume and Distribution of Added Value

Data on all three sub-sectors of the DRC timber sector, and especially the last two (sections 1.2 and 1.3 above), are very limited and often unreliable. A recent World Bank study, based on various in-depth field studies, has made estimated orders of magnitude⁵ of the financial flows in these three sub-sectors (Debroux et al., 2007):

- The average market price for timber in the **formal sector** is estimated at US\$ 220 per m³ for logs and US\$ 510 for sawn timber (freight on board - fob). In 2005 annual production was 300,000 m³, of which about one-third was processed into 30,000 m³ of sawn timber in local plants. Total market value of the formal timber sector is therefore estimated at US\$ 60 million (fob).⁶ To estimate the gross added value, one needs to subtract the costs of intermediate costs such as fuel, spare parts and other consumables. The following gross added value figures were estimated per m³: US\$ 60 for logs,

⁴ Website Eurostat (epp.eurostat.ec.europa.eu), Viewed in March 2007.

⁵ The study stresses: "All figures mentioned in this section must therefore be treated with the greatest care. This initial effort will need to be further improved and updated as better data become available."

⁶ As mentioned earlier, the import value (CIF) of DRC timber imports into the European Union amounted to €67 million in 2005 (about US\$ 84 million). The difference between the DRC export value (\$ 60 million) and the EU import value (\$ 84 million) is caused by transport costs.

US\$ 200 for exported processed wood, and US\$ 140 for locally-sold processed wood. Total gross added value of the formal timber sector is therefore estimated at US\$ 40 million. Employment figures for the formal timber sector are not available. An average employment figure for industrial logging in the Congo basin is 2.7 workers per 1000 ha (Ruiz Perez et al., 2005). For the 10 million ha in the DRC which are actually operated as logging concessions, this would equal 27,000 workers.

- Small-scale loggers harvest 1.5 - 2.4 million m³ wood per year. Once processed, this represents some 500,000 m³ of sawn wood. Average market prices vary between US\$ 150 and 300 per m³. With an estimated average price of US\$ 200 and an estimated US\$ 100 worth of intermediate costs per m³, the market value of the **informal timber sector** is US\$ 100 million, of which US\$ 50 million is the gross added value.
- The annual **fuel wood consumption** in the DRC is estimated at 72 million m³. The average market price is estimated at US\$ 30 per m³, in faggots⁷ or equivalent charcoal. Therefore, the market value of fuel wood production in the DRC today is estimated at over US\$ 1 billion. It is unclear how much of this is value added.

Although the estimates above are very rough, they indicate differences of orders of magnitude between the three sub-sectors. The formal timber sector is the smallest by volume (0.3 million m³), followed by the informal timber sector (2 million m³) and the fuel wood sector (72 million m³). Because of higher market prices, the gross added value for the formal timber sector (\$ 40 million) is almost as large as the gross added value for the informal timber sector (\$ 50 million). However, further analysis is needed on the distribution of the value added between the different sectors, in order to assess their respective contribution to poverty alleviation in the DRC.

The gross market value for the fuel wood sector could be said to be in excess of US\$ 1 billion. It should be added however, that a large part of this market value is theoretical given that a large part is not traded but used by farmers and charcoal makers for their subsistence.

3. Economic Contribution to the DRC Economy

The sum of all added value generated by all production units of an economy equals the total production of the country, its national income measured as GDP (Gross Domestic Product). However, the officially registered GDP generally ignores products which are not sold on the market but consumed directly by the producers. Additionally, the added value generated by products sold on informal markets is not completely ignored but often underestimated in the calculation of GDP.

These two flaws in official GDP calculations explain why the GDP of the DRC was estimated at US\$ 762 million in 2005 (Debroux et al., 2007), while the estimated added value generated by the three timber sectors probably exceeds this figure. The contribution of the formal timber sector to the GDP of the DRC is about 5%.

⁷ A faggot or fagot is a bundle of sticks or branches, usually meant for use as firewood.

References:

Debroux, L., Hart, T., Kaimowitz, D., Karsenty, A. and Topa, G. (Eds.) Forests in Post-Conflict Democratic Republic of Congo - Analysis of a Priority Agenda. Joint report by teams of the World Bank, Center for International Forestry Research (CIFOR) and others, Jakarta, February 2007.

Ruiz Pérez, M. *et al.*, Logging in the Congo Basin: A multi-country characterization of timber companies, *Forest Ecology and Management* 214 (2005), pp. 221–236, Amsterdam, June 2005.

Note:

This document is part of a larger study undertaken by Forests Monitor and partners, within the context of the UK Department for International Development's (DFID) programme on the trade in natural resources from the DRC. This study uses a multidisciplinary approach - comprising socio-economics and politics - to analyse the timber trade in the Upper Great Lakes Region in central Africa, and recommends a set of integrated policies to increase the contribution of the timber trade to regional sustainable development. For the full report see 'The Timber Trade and Poverty Alleviation in the Upper Great Lakes Region', www.forestsmonitor.org