

V. FOREST CONCESSIONS REVIEW

Sustainable forest production is a function of how fast trees grow, the forest management standards which are applied, the rate at which concessions are approved, and the extent to which investment is mobilized to ensure that forest management plans (essential to establish levels of timber production in a forest concession) are developed and implemented.

The GoL adopted a forest concessions system because of the perceived greater efficiency of the private sector in the production of commercial timber. In addition, the system is designed to allow the GoL to concentrate its attention on forestry policy development.

CONCESSIONS MONITORING

Monitoring and evaluation should be performed in the National Bureau of Concessions and in the concession-granting agencies. Monitoring of forest use by the NBC and the FDA should give a holistic view of the concessions sector and assess the impacts of concessions in economic development and other areas. Individual department heads and enforcement bodies, among others, should monitor compliance with procedures, performance of compliance reviews, and other performance indicators. This would also include

- Determining the level of concessionaires' compliance with social obligations,
- Ascertaining compliance with legal requirements, and
- Monitoring departmental performance.

INTERNATIONAL CONSULTANT CAPITAL (ICC)—CONCESSION AREA K

On May 21, 2013, representatives of the USAID-GEMS team and the National Bureau of Concessions (NBC) made a site visit to the International Consultant Capital logging operation in River Cess County.

FMC Area K has a total area of 266,910 hectares situated in Nimba, Grand Gedeh and River Cess Counties. Roughly 7,000 hectares are mangrove swamp wetlands. The concession area is roughly 130 miles from the port of Buchanan and 110 miles from the port of Greenville.

According to the ICC Strategic Forest Management Plan submitted to the FDA, three percent of the concession area has slope over 30% or approximately 8,000 hectares, while an additional three percent is rock outcrop or degraded due to anthropogenic activities.

ICC representatives explained its operations and the difficulties it faces in being profitable under current market conditions and given the constraints of operations in Liberia. A number of problems were discussed, including the

- Transfer of electronic data to the FDA
- Annual bid premium and operations cost (fuel transport from Monrovia)

After a brief meeting at the logging camp, the group departed for a tour of the concession area. The group drove to the first staging area in the forest.



The logs prepared for shipment were appropriately identified with tags and paint.



Most of the equipment was fully functional, with the exception of a minor hose break on the 545 skidder.



The landing was operational and a log truck was being loaded.

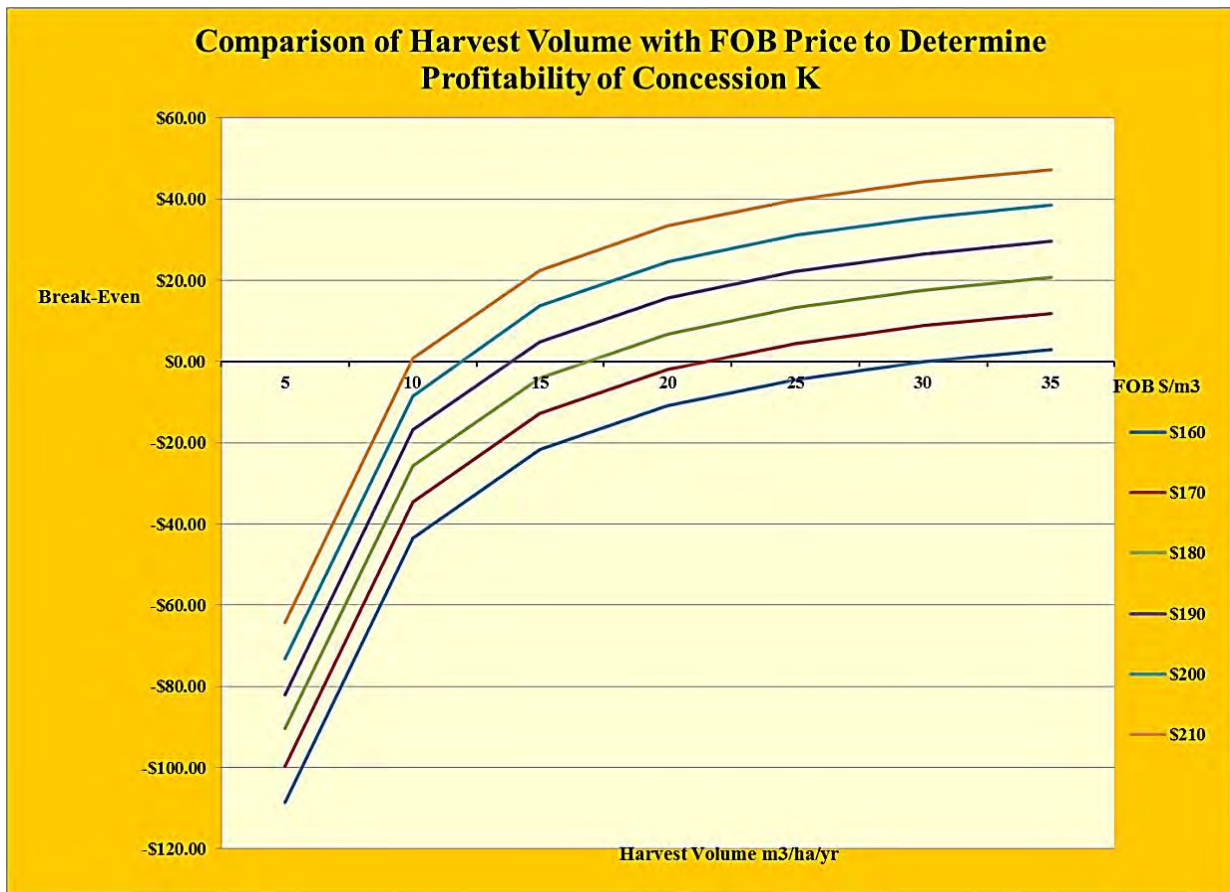


The roads and skid road were in good shape with little sign of erosion.



Overall, the logging operation was fully functional without major issues identified.

Figure 4—Comparison of Harvest Volume with FOB Price, Area K



The graph shows the required harvest volume for a given FOB price for the ICC Concession Area K to become profitable based on all the available data.

Using an average FOB price of \$180 per m3 for all species combined, the operation must extract roughly 17 m3 per hectare to break-even. This does not include corporate taxes.

If the forest resource is managed sustainably and total removed volume per hectare (including harvesting damage) does not exceed the mean annual increment, the resource can generate sustainable benefits for the society into perpetuity, including cash flows to the private sector, fiscal revenue for the state, and monetary and nonmonetary benefits for the civilian society. However, if the forest resource is harvested at a higher level than its capacity to regenerate i.e. the total annual removed volume is higher than the mean annual increment, the forest resource will deplete. This has serious implications for the future potential of the resource to generate fiscal income.¹⁸

¹⁸ INDUFOR – European Forest Institute - Liberia Forest Sector Fiscal Review Nov-17-2011.



USAID
FROM THE AMERICAN PEOPLE

FOREST CONCESSIONS—COMMERCIAL FOREST REVENUE PROJECTION MODEL FINAL REPORT



JUNE 2013

This report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report were prepared by IBI International under contract number 669-C-00-11-00050-00. The views expressed herein are the sole responsibility of IBI International and do not necessarily reflect the views of USAID or the United States Government.