

Proposed National Log Export Policy

(2016 - 2020)



GUYANA FORESTRY COMMISSION

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INTRODUCTION

Guyana's forests, cover approximately 18.39 million hectares of Guyana's land mass. The forest sector continues to serve an important role to Guyana's development. This is evident from the environmental, social and as well as economic perspectives. There are a number of key priority areas that have been identified for continued development of the forest sector. Among some of the these initiatives are: boosting added value forest products manufacturing through fostering existing capabilities and stimulating the development of new opportunities; the creation of higher levels of value and employment creation per unit of forest resource extracted; supporting domestic demand through local consumption in related sectors (such as housing and infrastructure); and the advancement of a niche-market driven agenda that advances an integrated approach to forest management, processing, value adding, and export.

These and other priorities for Guyana's forest sector development are adumbrated in the legislative, policy and strategic guidance for the sector. More specifically, the need to address the issue of log export, to assist sustainable forest management and encourage the development of added value forest production domestically for the wood products sector, has been canvassed in various reports and documents including the following:

- the National Forest Plan;
- the National Forest Policy Statement;
- the National Competitiveness Strategy; and
- the International Tropical Timber Organisation (ITTO) Diagnostic Mission Study of 2001;

The National Forest Policy Statement 2011 and the National Forest Plan 2011, both have identified the expansion of the added value sub sector within the forest industry as priorities. Part IV of the National Forest Policy Statement, in the Chapter on Forest Industry Policies: Industry Viability, Section C states:

"The principles of production efficiency and productivity, enhancing recovery rates through improved processing techniques, promoting down-stream industry development and increasing the production line of value-added products shall be developed and applied as a priority."

Additionally, the National Forest Policy Statement 2011, Part IV of the National Forest Policy Statement, in the Chapter on Forest Industry Policies: Processing, Section C states:

"Periodic review of the National Log Export Policy will be done to inform the follow-on steps for supporting forest industry development."

In the past, Guyana's forest sector has embraced this development thrust to notable extent: the export of Sawn timber has grown from US\$6.2M in 2000 to US\$20.3M in 2014; there has been new ventures in added value including furniture manufacturing and building materials for structural applications to meet

specifications of local and international demand; and also new added value forest products in the case of Veneer, has been added to Guyana's forest production. Whilst there has been development in a number of areas, log export continues to be at a significant level; there has been an increasing demand for lumber supply to the local market; value and employment creation per unit for forest produce extracted from the forest, has significant room for improvement, and there is increasing pressure on a limited number of timber species.

There is therefore a clear need for a Log Export Policy mechanism that seeks to address these challenges. A national Log Export Policy is not seen as a panacea for all development priorities for the forest sector, but it is viewed as a core prerequisite for stimulating existing and potentially new and emerging added value activities in the sector, boosting employment levels in the sector, satisfying local demand in related sectors, and further development the overall potential of the forest sector into a more dynamic, value driven, and competitive industry.

In 2009, following a consultative process, a National Log Export Policy was instituted that saw a phased approach taken, to a graduated increase in the rates of export commission on targeted species of logs that have been reflecting high volumes of export in log for, and that have been demanded or has the potential to stimulated demand in manufactured wood products. This Policy was aimed at encouraging added value manufacturing of forest products and lowering the export of logs for prime timber species that can be utilised in added value forestry activities. The Policy stipulates a differentiated scheme of export commission on log exports, based on species type, and ensures that only concessionaires will be allowed to export logs which must originate from concessions allocated to them. This Policy lasted 3 years.

In 2011 to July 2012, a national process was undertaken to develop a revised Policy. As part of this process, the GFC made a proposal, following an assessment off the 2009-2011 Policy, and provided this to the forest sector. The Forest Products Association (FPA) and the Guyana Manufacturers and Services Association (GMSA) were invited to make direct submissions to the GFC on specific aspects of the proposal, particularly on the species and rates being proposed. Following this process a revised National Log Export Policy 2012-2014 was implemented in August 2012 and comes to an end in December 2015.

A Review was conducted of both the first and second phase of the Policy and this is presented as part of this document.

A proposed new Policy is presented in this document for the period 2016 – 2018.

Guyana's Forest Sector

Over the past 7 years, the forest sector has shown stable performance with production level of Timber and Fuelwood ranging from 382,000m³ to 530,000 m³ per year. Production of Logs 266,000m³ to 406,000m³ with export of Logs 62,000m³ and 138,000m³ per annum, representing between 23% and 33% of total log production. Production of other forest products such as Roundwood (Piles, Poles and Posts), Primary Lumber (Chainsawn and Portable Mill), as well as Splitwood (Shingles), and Fuelwood (Charcoal and Firewood), have contributed to the total production level of the forest sector at the range indicated.

The main added value products produce has been Plywood and Veneer for which production levels range between 14,000m³ and 41,000m³ over the 7 year period.

Export value of primary exports has ranged between US\$39M and US\$56M over the past 7 years with the largest percentage of the total exports coming from Logs and Sawnwood with a peak export value for Logs recorded at US\$24.5M and for Sawnwood US\$26M.

Added Value export have ranged between US\$3M and US\$9M over the 7 year period. The main products that comprise this category are Plywood, Furniture, Building Components, and a limited extent of craft items.

Guyana's forest product export have shown a common trend over the past 7 years. The Table below, summarises the value of timber export by destination over the past 3 years:

Table 1: Comparative Export Value of Guyana's Forest Products by Regional Destination

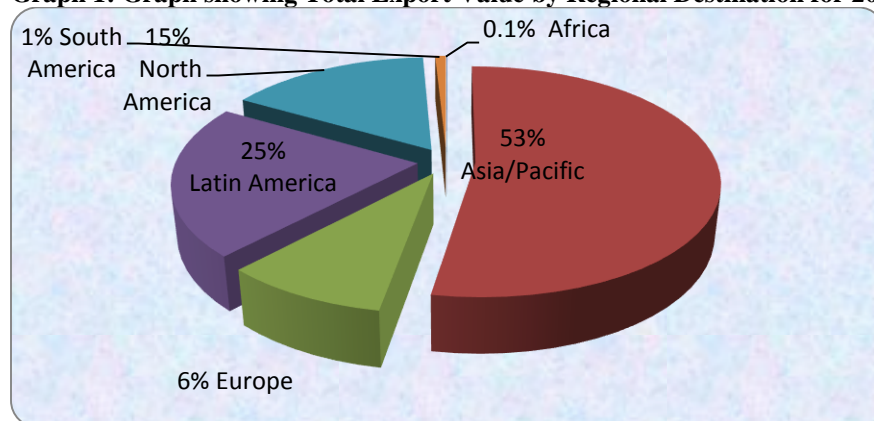
Market Destinations	Export Value (%) 2012	Export Value (%) 2013	Export Value (%) 2014	Export Value (%) 2015
Africa	0.1	0.2	0.04	0.10
Asia/Pacific	41	39	53	53
Europe	8	9	9	6
Latin America/Caribbean	27	30	21	25
North America	19	20	16	15
South America	5	2	1	1

The Asia/Pacific zone continues to be the largest market for Guyana's forest products. For 2015 for example, China was the single largest destination for Guyana's timber products which was followed closely by India.

The Latin America/Caribbean Region was the second largest market zone for Guyana's forest produce. Within this Region, Trinidad and Tobago and Barbados are the major destination for Guyana's forest produce.

The Graph below, shows the export value by destination.

Graph 1: Graph showing Total Export Value by Regional Destination for 2015



The main species exported in Log form over the past 7 years, is summarised below in Tables 2 - 5. The species covered under the current Log export policy covers 82% of all log production (using 2014 totals) and 95% of all logs exported.

Table 2: Schedule A, Log Species

Schedule A: Species	2009		2010		2011		2012		2013		2014		2015	
	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export
Purpleheart	24,969	22,164	32,313	26,520	22,417	18,992	26,684	16,045	25,658	15,443	22,052	11,296	23,672	15,802
Locust (bastard)	3,876		4,559	1,445	4,589	707	3,680	707	5,082	81	7,592	1,383	6,220	928
Greenheart	54,274	7,236	44,286	4,260	42,920	1,027	49,602	2,670	52,716	293	64,629	6,978	67,343	9,109
Red Cedar	132		116	4	155	3	70		182		66		142	27
Kabukalli	12,812	2,676	21,036	6,138	18,774	2,928	14,962	2,582	23,551	1,941	30,245	4,209	31,054	6,815
Washiba	1,201	1,063	1,068	515	1,515	88	862	108	1,391	121	3,444	87	2,105	836
Letterwood	11	2	2		24		73	9	5		5			
Snakewood	34	3	61	9	60	7	93	16	40		87		30	4
Shibadan	3,409	2,655	4,871	1,830	5,719	2,594	5,238	1,839	7,211	1,134	9,089	1,365	10,922	1,581
Bulletwood	4,204	1,762	4,712	1,549	5,111	424	2,872	284	5,334	406	7,465	1,826	5,707	214
Tonka Bean	469	402	986	952	705	543	519	370	1,370	728	1,338	935	602	112
Total	105,391	37,963	114,010	43,222	101,989	27,313	104,655	24,630	122,540	20,147	146,012	28,079	147,797	35,428
% of Export to Production	36		38		27		24		16		19		24	

Table 3: Schedule B, Log Species

Schedule B: Species	2009		2010		2011		2012		2013		2014		2015	
	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export	Production	Export
Brown Silverballi	589	10	1,188	126	1,122	305	1,162	321	1,202	60	776	278	799	64
Kerti Silverballi	1,218	-	2,239	128	3,137	12	2,830	26	3,625	1,379	4,778	332	5,678	18
Tatabu	2,904	2,033	3,588	2,143	2,975	1,031	3,011	1,027	4,095	926	5,097	2,205	4,674	1,096
Wamara	11,666	10,463	25,990	24,459	30,054	25,127	31,430	30,707	41,813	40,359	100,756	81,735	45,653	43,161
Mora	12,080	1,628	16,973	8,731	28,271	16,450	19,027	10,420	15,756	7,785	18,793	10,040	26,477	7,487
Itikiboroballi	5,366	411	14,942	4,352	5,249	925	765	139	505	280	382	109	262	43
Darina	3,527	3,424	5,172	5,039	3,709	2,534	2,763	1,742	4,556	2,951	7,452	5,306	4,431	2,176
Wallaba		871		910		566	17,552	1,982	10,758	3,590	13,242	4,373	12,368	423
Tauroniro	4,262	23	4,093	121	5,843	322	5,231	408	7,608	487	6,640	248	5,558	12
Fukadi	401	101	938	35	1,777	361	1,211	244	1,510	56	1,026	96	467	-
Hububalli	627	-	910	28	1,139	8	1,001	13	1,427	27	1,308	16	935	-
Dakamaballi	65	-	41	17	11,926	8,608	14,270	4,059	7,806	6,035	1,189	1,082	2,509	2,150
Burada	4,165	-	4,783	808	5,586	3,126	4,659	2,305	4,093	466	5,923	1,507	638	516
Limonaballi	939	768	1,471	497	2,251	1,251	2,285	328	3,254	147	4,559	684	3,097	957
Muneridan	5,701	1,067	10,289	1,500	8,601	1,137	7,412	534	5,285	173	6,118	38	5,749	282
Iteballi	5,048	972	2,544	1,005	2,085	288	2,484	32	3,163	12	2,731	29	1,174	-
Cow wood	412	-	487	55	272	96	336	14	493	219	2,702	261	342	132
Simarupa	2,572	217	3,211	30	3,857	22	3,084	1	3,735	716	3,884	400	4,638	-
Total	61,542	21,988	98,859	49,984	117,854	62,169	120,513	54,302	120,684	65,668	187,356	108,739	125,449	58,517
% of Export to Production	36		51		53		45		54		58		47	

Prices for Guyana's forest products have reflected stable prices over the past 7 years with average prices for main species exported in various forms (Logs, Undressed Lumber and Dressed Lumber) for 2015, presented below:

Table 4: Schedule A, Species Showing Export Prices (per m³)

Species	Log Prices (US\$)	Undressed Lumber (US\$)	Dressed Lumber (US\$)
Purpleheart	263	969	1,031
Locust	210	782	1,268
Greenheart	183	1,156	1,216
Red Cedar	250	650	900
Kabukalli	159	563	739
Washiba	210	1,450	1,941
Letterwood			
Snakewood	190		
Shibadan	163	420	551
Bulletwood	145	615	711
Tonka Bean	162		827

Table 5: Schedule B, Species Showing Export Prices (per m³)

Species	Log Prices (US\$)	Undressed Lumber (US\$)	Dressed Lumber (US\$)
Brown Silverballi	140	583	
Kereti Silverballi	160	413	640
Tatabu	160	400	720
Wamara	188	571	675
Mora	134	562	656
Itikiboroballi	110	433	
Darina	158	568	778
Wallaba	140	704	
Tauroniro	110	497	
Fukadi	-	525	
Hububalli	-	525	
Dakamaballi	125	600	625
Burada	129	550	500
Limonaballi	160	475	
Muneridan	144		
Iteballi	-	500	
Cow wood	153	475	
Samarupa	-	413	530

Tables 4 and 5 show the price advantage, of exporting added value forest products, even with recovery factor in conversion process taken into consideration. For example, in the case of Purpleheart, the average price for a cubic meter of Dressed Lumber is US\$1,031 whilst the price for Logs is US\$263. Even with a conversion rate of 50%, it is more feasible to export Sawnwood than Logs for this species.

International Context of Log Exports and Trade

Review of International Practice Regarding Log Export Policy

International Practice

The history of Log Export Policy dates back to the early 1900s, when British Columbia in Canada and Alaska-in the United States (US) imposed restrictions on log exports. These two examples are considered in the literature, probably, to be the first earliest cases of a policy implementation in this area.

Since then, many countries have followed suit. The table below in the second column shows the current policy of a sample of forested countries and the type of policy in place for exports of forest products and the matching incentives that have been instituted.

Table 6: International Practice and Incentives

REGION/COUNTRY	COMMENT	TYPE OF INCENTIVES PROVIDED
ASIA-PACIFIC		
Papua New Guinea	Logs can be exported from concessions given before 2010. There is ban on the export of logs from concessions given after 2010	According to the PNG Forest Authority (PNGFA), the government does not provide any investment incentives. Exporters pay an export tax of 28% on the FOB price of logs exported from PNG.
Myanmar	Since April 2014, Myanmar has introduced a total ban on the export of logs.	Myanmar provides the following general incentives: <ul style="list-style-type: none"> • exemption from income tax for up to five consecutive years for an enterprise engaged in the production of goods or services. • exemption or relief from income tax on profits of the business that are maintained in a reserve fund and subsequently re-invested within one year after the reserve fund is made; • right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at the rates prescribed by the Myanmar Investment Commission (MIC); • relief from income tax of up to 50% of the profits accrued on exported goods, that are produced by any manufacturing business; • exemption or relief from customs duty or other internal taxes on machinery equipment, instruments, machinery components, spare parts and materials used in the business,

		and items which are imported and required to be used during the construction period of the business;
Indonesia	Log export ban amended to allow plantation grown logs to be exported due to low returns from domestic consumption.	<p>Among the measures supporting FDI in Indonesia are:</p> <ul style="list-style-type: none"> • reductions of duty on imported inputs and capital equipment; • additional incentives for investment in export; • reduction of VAT; • exemption from duty; • simplified formalities for requests for building permits and other permits. <p>In addition, there are specific incentives to foreign and national industrial companies which choose to set up business in one of Indonesia's 7 Customs areas (Free Zones).</p>
Malaysia	Malaysia is regulated by 3 different forestry laws depending on the region i.e. (i) Peninsular Malaysia (ii) Sabah and (iii) Sarawak. In view of the 3 different forestry regulations, policy matters may differ from region to region. For Peninsular Malaysia, round log export has long been banned, but for Sabah and Sarawak, round log export is still allowed.	<ul style="list-style-type: none"> • The policy on wood products also varies from region to region. For Sabah, the incentive for downstream processing comes in the form of preferential royalty system. A higher royalty is imposed on logs for export, but logs for the domestic market have a lower royalty. • Export of finished products are exempted from export royalty (tax) while primary products have an export royalty. • At the Federal level (applicable to all regions), pioneer status which allows exemption of tax up to a certain number of years are given to promote downstream industries, namely those producing value-added products. • For Sabah, the royalty on logs for export is two times higher or more (ranging from RM 125 to RM350/m³ for regular species) as compared to logs for the domestic market (Currently: RM90/m³).
AFRICA		
Liberia	Liberia does not have a ban on the export of logs but encourages domestic value adding through incentives.	<p>Capital Investment Requirement:</p> <ul style="list-style-type: none"> • US\$1 Million ranging up to US\$20 Million for any investor. • At least US\$500,000 for business with 100% Liberian ownership. <p>Investment incentives include:</p>

		<ul style="list-style-type: none"> • 30% off cost of equipment and machinery (capital allowance); • 10% off the cost of building and fixtures used in manufacturing process that produced finished products having 60% local raw material; and • equipment and machinery, specialized vehicles, raw materials, capital spare parts, and other specialized capital goods to be used in the project are exempted from import duty up to 100 percent of their dutiable value.
Cameroon	No log ban but at least, 60% of logs produced is processed domestically.	
Gabon	Gabon has implemented a ban on the export of logs since April 2010.	Gabon is establishing a free zone whereby a suite of incentives such as tax holidays, duty exemptions, concession financing among others are provided for companies operating in the free zone. In addition companies can benefit from VAT suspension for imported materials used to build wood transformation factories. Exporters pay 1.5% export tax on the FOB value of processed timber (sawn wood and veneers.)
Ghana	There is a ban on the export of logs. There is an export levy of 1.5% on the FOB value exports manufactured from premier species. Products manufactured from Lesser Used Species do not attract the Export Levy. In addition to the Export Levy, there is also a tax on Air Dried lumber. There is not tax on Kiln Dried lumber.	<p>General investment incentives include the following:</p> <ul style="list-style-type: none"> • custom duty exemption for industrial plant, machinery and equipment imported for investment purposes; and • listed companies enjoy corporate tax of 25% and newly listed companies enjoy 25% corporate tax for the first three years; <p>There is also Location Incentives (tax rebate) for manufacturing industries located in the regional capitals. Guarantees against expropriation of private investments provided under law are buttressed by the Ghanaian Constitution. Other investment guarantees include:</p> <ul style="list-style-type: none"> • free transferability of capital, profits and dividends; • insurance against non-commercial risks – Ghana is a signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA) Convention;

		<ul style="list-style-type: none"> • Double Taxation Agreements (DTAs) – to rationalize tax obligations of investors in order to prevent double taxation. DTAs have been signed and ratified with France and the United Kingdom. DTAs have been signed with Germany and concluded with Belgium, Italy and Yugoslavia
LATIN AND SOUTH AMERICA		
Brazil	Log Export Ban but plantation logs are allowed for export.	<p>Local and foreign investors are generally treated equally as regards investment incentives and tax concessions.</p> <ul style="list-style-type: none"> • There are no special federal tax incentives to attract foreign investors. • Many state and local governments offer investment incentives in the form of reductions in indirect taxes. • Tax concessions are available for choosing to locate in the poorer Northeast and Amazon regions, including reductions in federal income tax. • Incentives are available for the promotion of exports. <p>Special incentives are provided for companies that operate at an Export processing zones including tax suspension, currency exchange freedom (i. e. they are not required to convert into Brazilian Real the foreign currency obtained with exports) and they have simplified customs procedures. They also receive favorable income tax treatment.</p>
Guatemala	Guatemala has a total ban on the export of logs from its natural forests, but permits the export of logs from plantations. Guatemala does not have a tax on the export of logs but charges as stumpage fee of 10% based on the value of the total volume of the standing tree.	<p>Firms established in order to manufacture and export their products may benefit from a range of tax exemptions, including a 10-year total income tax exemption and a 1-year import duties and VAT payment suspension, allowing for the processing of imports and their export as finished products.</p> <p>Industrial firms organized within duty/tax-free zones can benefit from an income tax exemption up to 12 years, as well as exemptions from payment of import duties on raw materials and equipment and VAT on imports for the manufacturing process.</p>

		VAT and import duty exemptions apply to machinery and equipment. Income tax exemptions last only through the commercial operation stage of the project with a time limit of 10 years, which also applies to VAT and import duties.
Peru	Since 1972, Peru has placed a total ban on the export of logs from its natural forests. Similar to Brazil, the export of processed big leaf Mahogany, <i>Swietenia macrophylla</i> , is permitted but regulated under CITES Appendix II requirements.	Peru provides the same incentives to both domestic and foreign investors. For all investments, the Government guarantees stability in: <ul style="list-style-type: none"> • in regulations related to non-discriminatory treatment between domestic and domestic investors; • income tax regime; • the right of investors to use the most favourable market exchange rate; • freely available foreign exchange; • right of free repatriation of profits, dividends and royalties; and • reimbursement of VAT during the pre-operation stage (commissioning of plant and equipment) for a minimum of 2 years.
Suriname	Suriname has an export tax of on the FOB value of all species exported from the country.	Suriname provides the following incentives: <ul style="list-style-type: none"> • one year income tax holiday with an initial investment of at least \$5,000 or a 6 percent (or 10 percent if at least 80 percent of produced goods/services are exported) reduction in income tax if the investment amounts to at least \$100,000; • if at least \$20,000 of investment is made in regions approved by government, net income (for the purposes of income taxes) can be reduced by 20 percent or 10 percent if at least \$1,000 of investment is made in an environmentally protected area; After the first and up to the ninth year that a company/manufacturer has started, the company is free from the levying of income tax) if: <ul style="list-style-type: none"> • profit is from a new business; and • it is working in agriculture, herding, aquaculture, forestry, mining, or tourism; • No import duty on goods brought in for business resources if import

		<p>value is at least \$10,000 or on goods used to make a product if value is at least \$5,000 if goods are used within one year</p> <ul style="list-style-type: none"> • If an investor invests in an area chosen by the government, there is a tax reduction of 10 percent on the total wages paid to their workers for a total of 5 years.
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National Log Export Policy Phases 1 and 2

Phase 1

In 2009, following a consultative process, a National Log Export Policy was instituted that saw a phased approach taken, to a graduated increase in the rates of export commission on targeted species of logs that have been reflecting high volumes of export in log form, and that have been demanded or has the potential to stimulate demand in manufactured wood products.

Through this Policy, which expired in December 2011, the following species exported in log form were subject to the increased rates of export commission as follows:

Schedule A - Logs

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2009	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2010	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2011
Purpleheart	7	10	12
Red Cedar	7	10	12
Letterwood	7	10	12
Bulletwood	7	10	12
Cow Wood	7	10	12
Locust (Bastard)	7	10	12
Tatabu	7	10	12
Kabukalli	7	10	12
Shibadan	7	10	12
Tauroniro	7	10	12
Washiba	7	10	12
Hububalli	7	10	12
Tonka Bean	7	10	12
Darina	7	10	12
Greenheart	7	10	12
Brown Silverballi	7	10	12

Schedule B – Logs

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2009	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2010	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2011
Itikiboroballi	7	10	10
Determa	7	10	10
Wamara	7	10	10
Hakia	7	10	10
Mora	7	10	10
Dukali	7	10	10
Kereti Silverballi	7	10	10
Wallaba	7	10	10
Fukadi	7	10	10
Futui	7	10	10

Schedule C – Squares

SPECIES	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2009	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2010	RATE OF EXPORT COMMISSION (%) – Effective January 1, 2011
Itikiboroballi	7	10	10
Determa	7	10	10
Wamara	7	10	10
Hakia	7	10	10
Mora	7	10	10
Dukali	7	10	10
Kereti Silverballi	7	10	10
Wallaba	7	10	10
Fukadi	7	10	10
Futui	7	10	10

Phase 2

In 2011 to July 2012, a national process was undertaken to develop a revised Policy. As part of this process, the GFC made a proposal, following an assessment off the 2009-2011 Policy, and provided this to the forest sector. The Forest Products Association (FPA) and the Guyana Manufacturers and Services Association (GMSA) were invited to make direct submissions to the GFC on specific aspects of the proposal, particularly on the species and rates being proposed. Following this process a revised National Log Export Policy 2012-2014 was implemented in August 2012 and comes to an end in December 2015.

This Phase of the Policy entails the following at close of the implementation period:

Schedule A and B – Species of Logs and Squares 20.3 cm X 20.3 cm and greater (or 8” X 8” and greater)

Schedule A SPECIES	RATE OF EXPORT COMMISSION (%) 2012-2013	RATE OF EXPORT COMMISSION (%) 2013-2014	RATE OF EXPORT COMMISSION (%) 2014 - 2015
Purpleheart	15	17	20
Locust (bastard)	15	17	20
Greenheart	15	17	20
Red Cedar	15	17	20
Kabukalli	15	17	20
Washiba	15	17	20
Letterwood	15	17	20
Snakewood	15	17	20
Shibadan	15	17	20
Bulletwood	15	17	20
Tonka Bean	15	17	20

Schedule B SPECIES	RATE OF EXPORT COMMISSION (%) 2012 - 2013	RATE OF EXPORT COMMISSION (%) 2013 - 2014	RATE OF EXPORT COMMISSION (%) 2014 - 2015
Brown Silverballi	12	15	17
Keriti Silverballi	12	15	17
Tatabu	12	15	17
Wamara	12	15	17
Mora	12	15	17
Itikiboroballi	12	15	6
Darina	12	15	12
Wallaba	12	15	17
Tauroniro	12	15	17
Fukadi	12	15	6
Hububalli	12	15	17
Dakamaballi	12	15	6
Burada	12	15	6
Limonaballi	12	15	17
Muneridan	12	15	17
Iteballi	12	15	17
Cow Wood	12	15	17
Simarupa	12	15	17

All other species not listed in **Schedules A and B** will attract a rate of 2%.

In addition to the schedules above, the following implementing mechanism was also applied:

1. Exporters will only be allowed to export logs from their own concession, except in extenuating cases approved by the GFC, following appropriate justification.
2. Export commission will be computed on the free on the board (fob) value of logs and squares. The implementing mechanism under the above Policy will follow the similar system to which the GFC has in place for export commission.

3. Consideration may be given to companies/entities exporting squares (products with dimension 20.3 cm X 20.3 cm and greater) for engineering end uses. In such cases, a request must be made to the GFC for consideration, and accompanied by contracts and other relevant documents as so determined by the GFC.
4. The existing restriction on the export of Crabwood and Locust species of logs remains in place.

The National Log Export Policy 2009-2015 has seen an overall positive result for a number of prime species, such as Purpleheart, Greenheart, Washiba, and Shibadan. The level of production of logs that was exported for these species in 2009 as compared to that level of 2014 is shown below:

Table 7: Percentage of Production Exported as Logs (2009 and 2014)

Species	Percent of Log Production Exported in 2009	Percent of Log Production Exported in 2014
Purpleheart	88%	51%
Greenheart	13%	10%
Washiba	88%	3%
Shibadan	78%	15%

**2014 used as a comparative period as it was more stable from the market perspective than 2015.*

For some species, the Policy has a neutral effect which essentially means that the position in 2009 remained unchanged throughout the 7 years. These species include Red Cedar, Letterwood, Snakewood, Tonkabean. Given that the log export level of these species was not high at any point in time, and recognising that these species were placed on the Policy listing mainly for purposes of conservation of existing stocks, the low (or in some cases zero) level of exports in log form is not unexpected at the end of the Policy period.

In 2009, the year preceding the commencement of the Log Export Policy, the level of log export was 62,000m³ which represented 23% of total production of logs for the year. At the penultimate year of the Policy in 2014, the level of log exports increased to 138,500m³ representing 34% of total log production. Of note is the fact that over the 7 years of the policy, the species of Wamara increases exponentially in both export and production. In 2009, production level of Wamara logs was 11,666m³ of which 10,436m³ was exported in Log form; in 2014 production level of Wamara logs jumped to 100,756m³ of which 81,735m³ is exported in Log form. Log exports in 2014 as a percentage of production, excluding the species of Wamara, is 14%. In 2015, the rate of log export to production was 67% for Purpleheart, 13% for Greenheart, 39% for Washiba and 15% for Shibadan.

Domestic Consumption and Local Value Adding Capability

The Review of the Policy also includes an aspect that assesses the level of log production of each species covered under the Policy that is available for domestic consumption, either for added value purposes or for private use. This analysis takes into consideration the current level of value capability and recovery rate percentage (ranging between 40% and 80%) of milling operations.

For every species listed in Schedule A, there has been an increase in the volume available for local added value operations. In some cases, like for Purpleheart, the level of production available for domestic consumption in 2009 was just 11% whilst at the end of 2014¹, this climbed to 49%. This is shown in the table below.

Schedule A: Species	Percentage of Log Production Available for Domestic Consumption in 2009	Percentage of Log Production Available for Domestic Consumption in 2014
Purpleheart	11	49
Locust (bastard)	-	82
Greenheart	87	89
Red Cedar	-	100
Kabukalli	79	86
Washiba	12	97
Letterwood	NA	NA
Snakewood	NA	NA
Shibadan	22	85
Bulletwood	58	76
Tonka Bean	14	30

In Schedule B, for the majority of species, the same trend was noted in terms of an increase in volume available locally. The only exceptions are for Mora, Itikiboroballi, Tauroniro, and Simarupa which showed small declines in the case of the latter two species and larger percentages in the case of the first two listed species. This is illustrated in the Table below.

¹ 2014 used as a comparative period as it was more stable from the market perspective than 2015.

Schedule B - Species	Percentage of Log Production Available for Domestic Consumption in 2009	Percentage of Log Production Available for Domestic Consumption
Brown Silverballi	98	64
Keriti Silverballi	-	93
Tatabu	30	57
Wamara	10	19
Mora	87	47
Itikiboroballi*	92	71
Darina	3	29
Wallaba	-	67
Tauroniro	99	96
Fukadi	75	91
Hububalli	-	99
Dakamaballi	-	9
Burada	-	75
Limonaballi	18	85
Muneridan	84	99
Iteballi	81	99
Cow Wood	-	90
Simarupa	92	90

The Analysis there points to the conclusion that the Policy has been effective in making more production volume for the key species used in added value operations, available locally, for domestic consumption.

International Demand for Guyana's Forest Products

International Lessons Learned in Instituting a Log Export Policy

From the international literature, proponents of Log Export Policies generally believe that instituting such a Policy will encourage the development of domestic forest-based industrialization, through downstream value-adding and a strong export orientation. According to proponents, the development of domestic forest-based processing industry is expected to create greater value-adding, as well as create more job opportunities in the sector, and therefore in the country implementing the ban. Furthermore, proponents expect that a country currently exporting large amounts of unprocessed industrial round wood, would increase its exports of value-added forest-based industrial products and thus also its export revenues if the

implementation of the policy leads to the creation of a domestic processing capacity.

In addition to value-adding, such a policy is also considered to have the beneficial effect of reducing the level of timber exploitation and thus the rate of deforestation. More recently, with an increased focus globally of combating illegal timber harvesting and limiting the amount of illegal wood products entering the international wood products trade, Log Export Policies have been seen by the policy's proponents as a measure that is relatively easy to enact in combating illegal logging, since most illegally-acquired logs are exported.

The table below summarises the current international demand for tropical timber and the current market share that Guyana attracts. This table shows that there is significant market opportunities available for Guyana's forest products.

International Demand Summary 2015

<i>Countries</i>	<i>Total Imports of Comparable Wood Products (US\$)</i>	<i>Guyana Export (US\$) (Average)</i>	<i>% Market Share</i>
United States of America	24,447,808,000	5,989,140	0.02
United Kingdom	9,814,981,000	2,059,231	0.02
China	21,805,587,000	8,885,273	0.04
Netherlands	8,043,225,000	5,280,295	0.07
Denmark	3,508,814,000	66,737	0.002

Regional Demand Summary 2015

<i>Countries</i>	<i>Total Imports of Comparable Wood Products (US\$)</i>	<i>Guyana Export (US\$) (Average)</i>	<i>% Market Share</i>
Trinidad	95,353,000	2,337,536	2.5
Grenada	21,020,000	779,039	3.7
Jamaica	124,639,000	206,033	0.2
St. Lucia	9,585,000	738,755	7.7
Antigua	10,595,000	461,628	4.4
Barbados	68,750,000	4,581,263	6.7
Caribbean	1,178,050,000	11,666,571	1.0

Source: UNCTAD: United Nations Conference on Trade and Development

Note: Caribbean includes: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, BVI, Cayman Islands, Cuba, Dominica, Grenada, Haiti, Jamaica, Montserrat, Netherlands Antilles, St. Kitts and Nevis, St. Lucia, St. Vincent, T&T, Turks and Caicos

A review is provided below of the market opportunities available at various destinations globally and regionally.

The Caribbean

Guyana has a natural advantage of physical proximity to export to the Caribbean region. Some of the main markets for tropical wood include Barbados, Trinidad and Tobago, Jamaica, Antigua, etc. These markets demand a range of products including structural construction materials, indoor flooring, decking, furniture, and other added value products. The price per m³ of lumber exported to the Caribbean is comparable to developed countries.

The USA

The USA is the major market not only for its huge purchasing capacity but also for its wooden house building culture. Despite reduced demand, the size of the USA market and its niches for tropical timber are still significant. Based on recent market reports, the US is still the world's largest consumer of plywood and timber products.

Tropical timber species tend to occupy very particular and important niches in the US market. They are used in high-valued construction market segments such as furniture, cabinets, flooring, architectural woodwork, decking, mouldings and specialized industrial applications, such as in marine uses and truck beds. The wood flooring market has a strong correlation to residential housing due to the popularity of wood floors and the continued strength of new constructions and residential remodeling.

China

China is a major importer and producer of tropical wood products. The main sawn wood suppliers to China were Russia, Canada, Thailand, and the USA. The buoyant real estate market in China's cities has significantly boosted demand for furniture. As a result, China's wood-based panel imports rose substantially.

China is a potential significant market for tropical timber producing countries such as Guyana for not only Log exports but also for primary processed products (sawn wood, flooring blanks, semi-finished furniture components etc.).

European Union

Guyana is currently engaged in the EU FLEGT Process and plans on commencing issuing FLEGT licenses

in 2017. This would mean that the EU Market will be much more lucrative for Guyana's forest products. Most EU consumers of tropical timber undertake significant local further processing and re-manufacturing, and therefore, generally import tropical wood products in primary and secondary forms.

Several major French timber companies have subsidiaries in former French colonies in West Africa (Cameroon and Gabon) and the Congo Basin (CAR and Congo), where they undertake primary processing (mainly sawn wood and rotary cut veneers) and export these products to France for further processing and re-manufacturing. In all the major tropical timber importing countries, the common influencing factor for the demand of wood products is the building and construction sector. Most of tropical timber is used as structural components or used in applications where, due to their particular characteristics are preferred for use such as structural pieces, stairs, flooring, among other areas.

Factors Relating to Local Added Value Manufacturing

In analyzing policy options for log export, a number of key factors have to be considered. These factors have been identified by several analytical studies on the forest sector dating back to the 1980s and even up to the recent as the National Forest Plan and Policy Review Process.

- **Level of Efficiency:** the forest sector has been operating at a conversion efficiency of 40% on average over the historic and current period. There has not been a significant improvement in this rate over the many decades of conversion and processing. Some of the factors that have impacted on this situation is the old machinery and equipment being used, lack of maintenance, lack of training and inefficient layout. Many analysts have identified this to be one of the main inhibitors for low adding value in Guyana's forest sector.
- **Training:** a number of training programmes have been set up to assist the forest industry. Two of the recent examples are that of the Forestry Training Centre's programme in forest management and a saw doctoring programme coordinated by the GFC and the Forest Products Development and Marketing Council. Over the years prevailing up to present time, the forest sector have not taken full advantage of the opportunities that these provide, and as such disadvantage the sector in making rapid development in added value areas and efficiency overall.
- **Employment:** the forest sector in Guyana has continued to be focused on primary production and export of primary outputs, although some efforts have been made over the past 8 years to expand

into dressed lumber, decking and other end products. This situation has given rise to a maintained low employment coefficient as the average rate of persons employed in logging as compared to, basic processing and further processing is 1:3:16 (*Source: V. Moninos 1995*).

- **Concessions Utilization:** whilst there are some concessions that have not commenced production, there have been active steps to reallocate these concessions through the formal process. This activity has already been occurring for small concessions and is envisaged to also take place for large concessions. One limiting factor for industry productivity is that a number of large active forest concessions have not been making optimal use of the total sustainable volume for extraction and are thus underutilizing these concessions.

- **Infrastructure Development and Maintenance:** as part of the Strategic Business Plan for large concessions, for the request of the forest concessions, this factor would have been taken into account in every case and the large concessions would have pursued this avenue with the full intention, and possessing the capacity to undertake the investment. After receiving the forest concession, concessionaires are expected to comply with their proposal. Also a number of large concessions have investment proposals with the GoG and the development of infrastructure in these areas have been the basis of targeting such incentives.

- **Hauling Distance:** the full operational dynamics of forest companies, and the technical ability to harvest forest areas that were voluntarily applied for by concessionaires, are known before any agreement is finalized between the GoG and the private operator. In the State Forest Exploratory Stage, these variables are thoroughly examined. Through this process, if the concessionaire does not believe that it is feasible to work under the operational constraints, such as hauling distances, then the concession holder would not have deemed the operation as feasible. As such, factors such as this are fully known to the concessionaire prior to the application for the concession and there is no reasonable justification for this to be made an issue post facto.

- **Weather Patterns:** tropical rainforest regions of the world are known to have inclement weather patterns. This fact is known to all parties – the GoG and private sector. Effective planning can certainly assist in maximizing period of favourable weather.

- **Species Diversity and Abundance:** Guyana's forest is one of the most species rich forests in the world. One of the reasons for the requirement of the GFC to conduct forest inventory for all areas at the management level and to have this inform a market driven approach is to allow for there to

be broadening of the species utilization base. However, this is been constrained by management level inventory not being completed, inhibiting this form being executed. The GFC has continued to encourage large concessions to carry out the much need forest inventories.

- **Policies and Regulations of the Forests:** the GFC has always taken on a participatory approach to the development of policies and regulations for the forest sector. These have been focused on sustainable forest management, forest legality, and efficiency. In many ways, it is on account of these policies that a number of markets (most of which demand high standards on forest practices) have maintained strong demand for Guyana's forest products. As such, the GFC recognizes that a balanced approach in implementing strong standards to protect the sustainable of forest resources whilst protecting the environment, generating employment and investment opportunities in Guyana, and creating a higher value per unit of forest product extracted, remain at the core of forest policies, plans and regulations.

- **Regional Demand for Guyana's Wood Products:** from recent information released by the UNCTAD, regional and international demand for tropical wood products, that are comparable to Guyana's exports, is as outlined below. This summary provides clear justification of buoyant demand in the Caribbean region as well as in North America and UK, and Europe.

- **Mill Capacity:** Having examined the possible implications of a log export policy on Guyana's timber industry, one area that needed to be examined is the existing installed milling capacity. The Guyana Forestry Commission conducted a survey of existing mill capacity. Based on the findings, the following was concluded:
 - **Aggregate Existing Sawmill capacity:** 40,000m³ per month (480,000m³ per year) of logs can be processed
 - **Aggregate Existing Plywood and Veneer capacity:** 10,000 m³ of logs per month
 - **Aggregate milling capacity** amounts to 40,000m³ + 10,000m³ per month= 600,000 m³ per annum.
 - **Total log production in 2015** was 330,000 m³. Aggregate existing processing capacity is 600,000 m³ (inclusive of plywood processing).
 - This represents only **55% of total installed capacity.**

- **Capital Investment and Retooling:** Stakeholders, in the past, have expressed concern about the availability of capital for retooling, in order to move to added-value forest production. From 2005 – 2015 the earnings from log export alone has been US\$171.3M. It is therefore evident that an

adequate capacity in terms of financing, is available to facilitate reinvestment in retooling. These analyses are done using recent cost information revealing the following:

- Average cost to establish a modern, state of the art static sawmill is US\$0.75M.
- Average cost to establish a portable mill operation is approximately US\$ 70,000.

Many forest producers/companies, currently have the capability to process logs into lumber. In many instances, processing capability was one of the main factors which were considered in the granting of these concessions.

Currently, a large percentage of this installed processing capability is not being fully utilized. In the case of new entrants into primary forest production in Guyana, the actual cost to install value adding capability is financially feasible for investors – given available technology, Government’s incentive regime and prices.

Incentives Proposed to Support Policy

In addition to the legislative incentives for the forestry and manufacturing sector, there are a number of policy decisions that have been made over the last decade in support of investments. These initiatives have been undertaken through the regulatory agency (GFC), and have gained some degree of success within the industry.

Proximity rule: Guyana's forest is a natural forest and unlike plantations and harvesting is selective. In an effort to ensure environmentally sound sustainable management practices while allowing harvesting to take place the CoP for timber harvesting dictated that trees should be felled 10 m apart. This rule has been adjusted based on research, to 8 m allowing for a larger volume of timber to be extracted per hectare, increasing production while maintaining SFM. This adjustment came into effect as of 2011.

Species restrictions: Since 2001 there has been a restriction on the export of two key furniture species, Crabwood and Locust, respectively. This restriction aimed at increasing the supply of these species on the domestic. In so doing, ensuring supplies of raw materials for the manufacturing sector. This has seen an increase in volume of these two species available to the local market.

Log export policy: Instituted in 2009 (January) allowed for the gradual increase in the percentage (%) of export commission paid, from 2% to 12%, in order to export logs from Guyana. This policy encourages the development of the wood processing sector, by providing a larger volume of raw materials for the domestic

market. Through this there is expected to be job creation and employment, development of the manufacturing industry and increased profitability and foreign exchange earnings. This policy has recently been updated and will see export commission on key species of logs used in added value, increased to higher percentages over the next three years.

Export promotion - Exemptions from export commission (0%) for value added production and manufactured timber products, Non Timber Forest Products (NTFPs), and craft usually charged to timber products. This encourages downstream production and promotes investment in the manufacturing sector for the purpose of export.

Infrastructure: In an effort to aid the sector to develop its products and downstream processing as well as accessing international markets three kiln facilities have been established within the three counties. This provided the sector with the resources and equipment to supply kiln dried lumber to the international and domestic market.

Community outreach: The GFC has long recognized that skills and knowledge are key to the development of the sector. In so doing the GFC established a Community Development Programme (2000) to aid the sector in a number of areas such as research, training, education, market information. Additionally, the Programme assists communities in organizing themselves and communities are given priority as small stakeholder groups for access of timber resources through the allocation of SFPs.

These initiatives have gradually alleviated some of the constraints faced by the sector. Over the last decade there has been a reduction in log export, an increase in timber for the domestic market and a moderate increase in the use of LUS timber.

Additionally, there is the expectation that the adjustment made to the proximately rule would allow for more production of timber per hectare and increase the supply of raw material for the sector.

PROPOSED INCENTIVES

In light of the new trends and future expectations for forests and timber trade it is critical that additional incentives be considered to make Guyana's Forest Sector more competitive. Incentives are aimed at continuing to support economic activities while embracing environmentally sound practices.

In 2007, the forestry sector in collaboration with GOINVEST made several proposals to address incentives for the sector. The sector has benefited significantly from a number of incentives instituted and is now

seeking to address other areas of concern to support investment in the sector. Efforts have been made to seek input from a wide cross section of stakeholder with in the sector. To inform the contents of this Paper, several companies were interviewed to gain insight to the current challenges faced by companies at the various stages of production and what are some mechanisms envisaged to be possible solutions.

Together with these inputs and the GFC's assessments, the following is proposed:

Proposed incentives	Supporting argument	Implementation Arrangement
Tariff Concession on fuel	<p>Companies may:</p> <ul style="list-style-type: none"> •Benefit from reduced cost of inputs •Will be able to operate at full capacity •Become more competitive both domestically and internationally •Cost of production will decrease •Capital can be used to supplement other areas of operation. •Reduce down time •Increase efficiency and reliability in production 	<p>Companies must have a forestry harvesting and/or manufacturing, registered business (specifically dealing with timber and non-timber forest products)</p> <p>This exemption is being sought for the forest harvesting, manufacturing and downstream processing industries within the forest sector.</p>
Exemption from VAT, Import Duty and Excise Tax, on harvesting equipment and machinery, as well as forestry added value equipment	<p>The harvesting and manufacturing sub-sector of the Forest Sector faces similar constraints as other primary and manufacturing sub-sectors. However, the forestry sector is among the first traditional industries in Guyana.</p> <p>Manufacturers and downstream processors have been plagued with the use of old out-dated equipment and machinery due to the lack of financial investments or incentives. Additionally, the high cost owing to the various taxes on harvesting equipment has resulted in a low productivity at the concession/harvesting level. These in turn has reduced the sector's ability to be competitive.</p> <p>Equipment to process waste material into finished products can significantly benefit the sector by increasing rate of recovery.</p> <p>Imports of materials to include in harvesting and processing stages are critical to the manufacturing of select forest products.</p> <ul style="list-style-type: none"> •Higher investment in forest harvest equipment and replacement of obsolete machinery will increase productivity and output •Reduction of waste and increase recovery •Increased value added products for local use and 	<p>Consultations process with forest producers and manufacturers to identify equipment.</p> <p>However, it is being sought to have a specified list of equipment and machinery specific to the forestry and manufacturing sub sectors of the forest industry be included in an effort to promote and encourage investment in the sector.</p>

	<p>export.</p> <ul style="list-style-type: none"> •Inclusion of waste processing equipment may promote further downstream processing, increase product diversity. •Increase employment 	
Waivers of Export Commission from LUS lumber	<p>With the increased demand on the few select species currently utilized, there has been a drive to encourage the use of Lesser Used Species (LUS).</p> <ul style="list-style-type: none"> •To encourage value added production and use of LUS timber it is asked to have the commission wavered or reduced for LUS lumber exported. •Encourage use of LUS •Reduce pressure on prime species commercially harvested •Increase availability of timber supply both domestically and international 	GFC and forest sector to discuss and recommend final list of species.
Tax free overtime exemptions for employees	<p>Many manufacturers in the timber industry are affected by a number of challenges in maximizing production. Among them is a skilled labour force. However, much of the labour force is required to work for a small pay package and in many cases over time is required. In order to encourage a more productive labour force the manufacturing sub – sector would like to request the same exemptions to be granted as those are reportedly granted to other sectors.</p> <ul style="list-style-type: none"> •The objective is to give the workers more take-home money without increasing their pay. •This will reduce the cost of production and make prices more competitive for products •Increase investment in labour, promoting training and specialization 	This would encourage production and enable companies to meet or exceed their targeted output.
Tax waiver on spare parts, components and tooling	<p>Concession holders and operators invest on an annual basis a significant amount on spare parts and components for logging equipment. Some companies invest in excess of G\$34 million annually in this category.</p> <p>Many companies maintain outdated equipment and machinery and reduce the amount of maintenance on equipment due to high costs of these.</p> <ul style="list-style-type: none"> •A waiver will allow for higher levels of efficiency and increase the life span of equipment, •Increase productivity due to maintenance. •Reduce cost of operations •Retooling can be encouraged •Reduce the risk of accident and increase health and safety of employees 	This is strongly encouraged as an incentive to improve the processing capability of the wood processing sub sector and will also be consistent with the thrust of the Code of Practice for Processing Operations.
Duty and excise tax	Guyana depends heavily on the importation of	1) Duty free imports for

<p>rate of zero for components and temporary hardware for value added production for manufacturing companies registered under relevant tax act.</p>	<p>components especially for manufacturing for timber products for export. Since manufacturing of these products for re- export are not produced here, manufacturers would benefit if the duty and other taxes is zero rated since it is not consumed.</p> <ul style="list-style-type: none"> •Cost of operations would be reduced •Manufacturing companies will become more competitive and be afforded the same benefits as manufacturers in the agricultural sector. •Higher quality of components can be sourced due to reduced cost of production improving the quality of the final product 	<p>components that will be processed and re-exported. 2) The components and parts under this section are specifically for manufacturing companies, specifically for those exporting their products.</p> <p>Develop a list to specify the components to be zero rated.</p>
<p>Tax return on investments made for infrastructure</p>	<p>Most companies operating a forest concession provide a benefit to the communities in and around the areas of operation. Significant economic activity takes place when primary and secondary roads are constructed within the interior (case in point Barama). However, this is a large financial investment and the maintenance there of is significant. Some level of tax return would alleviate the financial burden to companies and make it more lucrative for companies to open other areas (in keeping with the regulations) for economic activities.</p>	<p>Modalities and details of arrangement to be discussed and finalised with Ministry of Natural Resources, GFC and Private Sector.</p>
<p>Raising import duties of substitutes for construction components</p>	<p>The importation of these substitutes (such as mouldings, panelling, spindles, laminated floor board, Pine Lumber, Pine Doors) negatively impact on industries in Guyana and makes it difficult to compete on the local market as well as the international markets. Manufacturers are unable to compete with respect to quantity and price.</p> <p>Whilst the proposal is not to ban these items from coming into Guyana, there should be some measures to ensure the competitiveness of the local timber industry.</p>	<p>There should also be an effort by the MINTIC to sensitize local suppliers of imported products to avoid negative advertising through which the local timber industry is identified as unreliable, produced poor quality, etc.</p>
<p>Low cost financing - interest rates for the value added sector by government guarantees</p>	<p>Since there has been some level of success with the initiatives taken by the housing sector to streamline loans for the housing sector, it is suggested to have some level of representation to be made for the value added sector of the forest industry.</p> <p>In many cases capital is limited for investment and loans attract high interest rates that fledgling companies may be unable to meet. Having these interest rates reduced may benefit the sector in the long term.</p>	<p>GoG and Banking Institutions.</p> <p>This may be a risky venture for the GoG and must be carefully considered.</p>
<p>Expedite the</p>	<p>The time spent on the application and issuance</p>	<p>Go Invest, GFC, and GoG</p>

allocation of industrial land for the sector	process can cost companies lots of revenue.	
Government to institute a teaching facility for value added activities	The incorporation of technical skills for the sector to be incorporated at the current Government Technical Institute or through the FTCl would facilitate the require skills to those not academically qualified. On the job training is a significant cost to the sector as there are mostly unskilled or semi-skilled labour.	GFC, FPDMC and Ministry of Natural Resources
Zero rating of VAT on the sale of Logs	Currently VAT is charged on the sale of Logs. This poses a bottleneck for further processing and also for smaller log suppliers.	To be discussed and finalised with GFC, Ministry of Finance, Ministry of Natural Resources, and the Private Sector.
Establish Protocol for provision and supply of specialised skilled labour	There has been a shortage of locally available skill sets in several key areas of forestry activities. This is further compounded by limitation in tenure period that some companies have quoted to be a challenge. It is recommended that a mechanism be created to facilitate the short term importation of skill labour, through an organised, structured, pre-approved mechanism that will be efficient and effective to meet existing needs of the private sector.	To be discussed and finalised with GFC, Ministry of Finance, Ministry of Natural Resources, and the Private Sector.

PROPOSAL FOR NATIONAL LOG EXPORT POLICY 2016-2020

Given the result of the Policy for the last two phases, the third Phase of the Policy proposed to use a combined approach of banning specific species of export in Log form, and instituting a progressively increasing rate of export commission, on specific species. This option would have the effect of limiting overexploitation of the premium species, while providing an opportunity to develop Guyana's lesser used species. Valued overseas markets such as the EU and North America will continue to look for hardwood species which meet their needs in terms of strength and appearance. Therefore, today's lesser used species are potentially future premium species.

The mix of the two approaches is expected to result in the following:

1. Ensuring that the highest value species, like Purpleheart, is used predominantly in added value applications.
2. The utilization of a mix of schemes with a ban and levy mechanism will allow for adequate transition time would be available for the sector to move into added value forest production.
3. The proposed system is simple and cost effective, resulting in ease of implementation for the Guyana Forestry Commission.
4. The differentiated progressive scheme of export commission will act as a deterrent for log export and will thus, encourage value adding in the forest sector.
5. Movement towards value adding will result in increase employment for the local economy, especially in skilled jobs areas.
6. There will be little social dislocation (e.g. in employment) owing to the gradual and indirect nature of the proposed mechanism.

Given the analysis presented above, the proposal is made for the following log export policy to be implemented for the period 2016-2020 with a provision for a midterm review to be conducted in December 2018.

This Policy will be implemented by the Guyana Forestry Commission on behalf of the Government of Guyana over the years 2016 to 2020, at increased rates of export commission for the listed species in export of log form, to be charged on the fob export value. The rates will apply as outlined in the table below for the identified species of logs and squares, and in keeping with the overarching mechanisms as explained below:

The proposed National Log Export Policy for the period 2016 to 2020 is as follows:

Schedule A SPECIES	Effective 2016 (month to be determined) to December 31, 2020
Purpleheart	Full Ban of Export in Log form for 2016 - 2020
Locust	Full Ban of Export in Log form for 2016 - 2020
Crabwood	Full Ban of Export in Log form for 2016 - 2020
Red Cedar	Full Ban of Export in Log form for 2016 - 2020
Washiba	Full Ban of Export in Log form for 2016 - 2020
Letterwood	Full Ban of Export in Log form for 2016 - 2020
Snakewood	Full Ban of Export in Log form for 2016 - 2020

Schedule B and C – Species of Logs

Schedule B SPECIES	RATE OF EXPORT COMMISSION (%) – Effective 2016 to December 2018	RATE OF EXPORT COMMISSION (%) – Effective 2019 to December 2020
Wamara	22	25
Greenheart	22	25
Kabukalli	22	25
Shibadan	22	25
Bulletwood	22	25

Schedule C SPECIES	RATE OF EXPORT COMMISSION (%) – Effective, 2016 to December 2018	RATE OF EXPORT COMMISSION (%) – Effective 2019 to December 2020
Brown Silverballi	18	20
Tatabu	18	20
Mora	18	20
Wallaba	18	20
Tauroniro	18	20
Limonaballi	18	20
Simarupa	18	20

All other species not listed in **Schedules A to B** will attract a rate of 2%.

In addition to the schedules above, the following implementing mechanism was also applied:

1. Export commission will be computed on the free on the board (fob) value of logs and squares. The implementing mechanism under the above Policy will follow the similar system to which the GFC has in place for export commission.

It is recommended that the outlined incentives regime outlined in the table in previous section also be considered.

For Guyana's particular case, the proposed Policy is envisaged to provide the following impacts:

- increase in local added value forest products manufacturing;
- more effectively supply domestic demand in housing, construction and utility sectors;
- protect species that are in short supply in the forest whilst maximizing the value of the volumes harvested;
- creating more jobs in the forest sector;
- reducing the possibility of pressure on the forest of Guyana and thus limit deforestation and forest degradation; encourage investment in manufacturing forest sector; and
- enhance Guyana's forest product market.