

Supply of legal wood to the domestic market



Key recommendations

1. The government should ensure enforcement of regulations on timber rights, harvesting and supply to the domestic market.
2. Arrangements must be made to bring a balance between domestic needs, exports and Ghana's production potential. Hence, there is the need to increase the rate of plantation establishment and its productivity.
3. Clarifying tree tenure would create the incentive for local people and communities to grow trees in their farm operations.
4. Need for stakeholders to collaborate to create sustainable employment opportunities for those currently engaged in illegal lumbering operations.

- Policy intentions in the 2012 Forest and Wildlife Policy seeking to ban illegal timber in the domestic market have not been achieved.
- In Ghana, a few Free Zone timber companies have access to more timber resources than 50 other timber companies put together. Yet FreeZone timber companies are required to export not less than 70% of their annual productions while there is not enough legal timber on the domestic market.

Key messages

- In the era of 2000-2010 an estimated 2.5 million m³ of timber was illegally harvested annually in Ghana. This figure is likely to be much lower in 2019 due to ongoing efforts to ensure compliance to timber legality laws and dwindled timber resource base in the country.
- Of the domestic wood demand of 600.000m³ / yr some 480.000 m³ is illegally harvested – Equivalent to a forest area of about 1,600 football pitches.
- The production forests can sustainably supply about 0.8 million m³ of timber annually (equivalent to 2,660 football pitches).
- Between 2000 and 2010, Ghana lost 1,150,000 ha of forests. Ghana was able to establish only 150,000 ha of forest plantations during the same period.

Introduction

The supply of legal wood to the domestic market in Ghana has been inundated with a number of bottlenecks or challenges for the past two decades. Chainsaw lumbering, which over the years has been associated with the supply of "illegal" wood to the domestic market, has become a major challenge for sustainable forest management in Ghana. The domestic timber market has typically become a hub for illegal timber over the years. This brief provides a short review of illegal logging and trade on the domestic market and reviews the policy and legal framework for the supply of legal wood to the domestic market. It also reports on the bottlenecks to the supply of legal wood to the domestic market and highlights stakeholders' recommendations for the supply of legal wood to the domestic market.

Illegal logging and timber trade in Ghana

Ghana's high forest has one of the highest deforestation rates in Africa, at 2% per annum with the remaining forests largely degraded and reduced to fragments (GCFRP, 2017; CazzollaGatti et al. 2015; Hawthorne et al. 2012).

A major driver of deforestation and forest degradation in Ghana is illegal lumbering and illegal timber trade particularly for the domestic market. Over the years, the wood industry in Ghana has been export-oriented to the neglect of the domestic market. As a result, many timber merchants in the domestic market seem not to be aware of regulations governing legal timber trade or banning illegal timber trade on the domestic market (Figure 1).

A total of about 2.5 million¹ m³ of timber has been estimated to be illegally harvested in the country for both domestic and export markets (Marfo, 2010). This means that an area of forest equivalent to 8,333 football pitches is lost annually due to illegal logging. Annually approximately, 80% (480,000 m³) of the 600,000 m³ domestic market wood demand is supplied through illegal logging (Obeng et al., 2014; Hansen et al., 2012; Marfo, 2010), making Ghana's domestic timber market a typical hub for illegal timber. This is largely because the supply of legal wood to the domestic market has been inadequate accounting for less than 20% of lumber sales in the country (Oduro et al., 2014; Hansen et al. 2012). However, there has been some increment in the supply of legal wood to the domestic market in recent times.

Policy and Legal Frameworks for Supply of Legal Wood to the Domestic Market

In Ghana the supply of legal wood to the domestic market is arranged within the legal frame through a direction, a regulation and an act.

The 2012 Forest and Wildlife Policy direction 3.1.1 (b) and (d) supports the enactment of legislation to promote legal timber supply and the development of a public procurement policy on timber and timber products for the domestic market. The policy also states to promote the rehabilitation and restoration of degraded landscapes through forest plantation development, enrichment planting, and community forestry informed by appropriate land-use practices to enhance environmental quality and sustain

the supply of raw materials for domestic and industrial consumption and for environmental protection.

The Timber Resource Management and Legality Licensing Regulations, 2017 (L.I. 2254), Section 73, gives the minister of Lands and Natural Resources in consultation with the Forestry Commission, the authority to direct a Timber Utilization Contract (TUC) holder to supply timber products to the domestic market with specified volume, dimension or species.

The Free Zone Act, 1995 (Act 504) offers free zone enterprise the exemption from taxes of import into free zone area. According to section 22 of Act 504 and subject to Article 174 of the 1992 Constitution, the imports of a free zone developer, sub-contractor or enterprises into a free zone or single-factory zone shall be exempt from direct and indirect taxes and duties. In addition, Free Zone timber companies are required to export not less than 70% of their annual productions.

Sources of wood and wood products on the domestic market

From a study (Obeng et al, 2019) on the supply of legal wood to the domestic market it is concluded that wood for the domestic market comes from three main sources (Figure 2) namely, sawmill (lumber processed using processing facilities in sawmills), bush mill (reprocessed chainsaw lumber and/or artisanal milling), and bush cut (chainsawn lumber). About 50% and 43% of merchants in six (6) timber markets were involved in selling lumber sourced from sawmill and chainsaw (bush cut) respectively. However, earlier studies reported that 15% and 74% of lumber on the domestic market were sourced from sawmill and chainsaw respectively (Marfo et al., 2017).

The study also found out that sawmill companies without Timber Utilization Contract (TUC) source their timber supply from other sawmills, individual contractors and plantations whereas sawmill companies with TUC source timber from established plantations and concessions as their main source.



Figure 1: Percentage distribution of timber merchants' level of awareness of the existence of regulations on trade in legal timber products on the domestic markets

¹ It is worth mentioning that current total illegal timber harvest is likely to be much lower than this figure due to ongoing efforts to ensure compliance to timber legality laws and dwindled timber resource base in the country. However, no study has assessed the present situation.

Free Zone Act, 1995 (Act 504)

Act 504 was enacted to enable the establishment of free zones for the promotion of economic development, provide for the regulation of activities in free zones and for related matters. A free zone is any area of land or building or any airport, river port, seaport, or lake port that the President on the recommendation of the Board of the Free Zone Authority declared as free zone through a notification published in the Commercial and Industrial Bulletin. In pursuant of the general purpose of attracting investment into the country and for such entities so attracted to bring economic development into the country, free zone enterprises and developers enjoy a number of incentives such as tax rebates and tax holidays. By the provision of section 21 of Act 504, free zone entities, unless otherwise stated by Regulations made pursuant to the Act 504, shall not pay taxes and duties when such entities are importing goods from outside Ghana into the free zone or when exporting goods out of the free zone to any other country.

According to section 22 of Act 504 and subject to Article 174 of the 1992 Constitution, the imports of a free zone developer, sub-contractor or enterprises into a free zone or single-factory zone shall be exempted from direct and indirect taxes and duties. What this means is that items other than consumer goods for commercial purposes imported by the free zone enterprise for any purpose related to the production of the free zone enterprise shall be exempted from any taxes and duties. Section 23 of Act 504 gives the Minister the power to, by Legislative Instrument, authorise the sale of up to 30% of the annual production of a free zone enterprise into the national customary territory. Therefore, regulation 31 of LI 1618 provides that "30% of the annual production of goods and services of a free zone enterprise may be sold in the national customs territory". This means that a free zone enterprise cannot export less than 70% of its annual production.

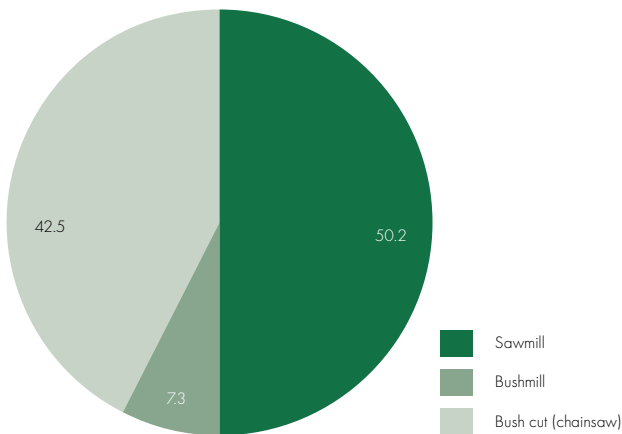


Figure 2: Source of timber on the domestic market as indicated by timber merchants

Challenges to the supply of legal timber to the domestic market

The study identified the availability of legal timber will introduce some key challenges to lumber merchants, individuals, contractors and other end users. In the survey conducted with these key stakeholders, the identified challenges on the supply of legal wood to the domestic market include:

1. The supply will lead to dwindling timber resource base.
2. Lumber merchants have to wait long periods after depositing money with suppliers for legal timber to be processed.
3. Timber merchants require huge capital requirement to purchase wood from legal suppliers.
4. The taxes and production cost of legal timber will pose a high cost of sawmill lumber to timber merchants, individuals, contractors and other end users.
5. Statutory requirement of free zone timber companies producing legal timber to export not less than 70% of all their products.

6. Due to low costs and availability, there is generally a high preference for bush cut and also sawmills supply to few preferred clients.

Recommendations to promote supply and trade of legal timber on the domestic market: Perspectives of timber merchants

The study outlined some recommendations provided by timber merchants for the availability of legal timber on the domestic market in the key areas of capacity building and job creation, institutional interventions, monitoring and enforcement, review of accreditation and documentation processes and provision of incentives below;

1. Government should enforce the law that requires TUC holders to supply domestic market;
2. Sawmills should be tasked to supply to the domestic market;
3. Sawmill wood should be readily available to merchants at affordable prices;
4. Concessions should be allocated to TUC holders to specifically supply wood to the domestic market; and
5. Government should legalize operations of bush mill to source wood legally to supply domestic market.

Recommendations for the supply of legal timber in the domestic market: Perspectives of Timber Utilization Contract (TUC) holders and FreeZone Board (FZB) companies

Suggested recommendations needed to promote the supply of legal timber to the domestic market include:

1. Government should help companies willing to supply to the domestic market acquire the necessary permits (including timber rights) in the shortest possible time;

2. Government should reduce utility prices on the production of lumber to serve as incentives to FreeZone Board (FZB) companies;
3. Government should increase the area and productivity of commercial forest plantations;
4. Government should ensure raw materials pass through the right process so that prices of products are standardized; and
5. Government should provide incentives to encourage FZB timber companies complying with Act 504 to supply up to 30% of legal wood to the domestic market.

Conclusions

The rate of forest loss is far higher than the rate of restoration through forest plantation development. The current annual rate of timber harvest (legal and illegal) is more than three times higher than what could sustainably be harvested from production forests. This has important implications for Ghana's natural forests which continue to be over-exploited and for the supply of legal timber to the domestic market. Supplying legal timber to the domestic market would mean the progressive removal of illegal timber through law enforcement and increasing rate of supply of legal wood to meet domestic demand. The possible policy implications are:

1. Arrangements must be made to increase the resource base in order to meet demand (export and domestic); and
2. Creating sustainable employment opportunities for those currently engaged in illegal chainsaw lumbering operations.

While the domestic market does not have enough timber to meet demand, a few free zone timber companies, that have access to more timber resources than 50 other timber companies put together, are required to export not less than 70% of their annual production. This is contrary to

the aspirations expressed in the 2012 Forest and Wildlife Policy, weakens the drive to eliminate illegal timber in the domestic market and misses the opportunity to reduce forest degradation from illegal logging.

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This study was conducted by Nature and Development Foundation (NDF) as part of the projects - "Strengthening the Capacity of Non State Actors (NSA) to improve FLEGT and REDD+ Processes in West Africa" and "Building Capacities of Small-Medium Forest Enterprises (SMFEs) in Ghana and Liberia to Supply and Trade in Legal Timber".

These projects are funded by the European Union and UKaid from the UK government respectively. The advocacy plan of both projects is to mount pressure on government to pass the policy and prepare the public and relevant stakeholders on the need for the supply and use of legal timber in the domestic market.



Citation: Oduro K.A., E. A. Obeng, M. Seidu, G. Asomaning and H. Abukari. 2020. *The public procurement policy on timber and timber products and supply of legal wood to the domestic market*. Nature and Development Foundation and Tropenbos International, Kumasi, Ghana.

Authors: Kwame Antwi Oduro¹, Elizabeth Asantewaa Obeng¹, Mustapha Seidu², Glen Asomaning² and Haruna Abukari¹
¹CSIR-Forestry Research Institute of Ghana
² Nature and Development Foundation

