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Influencer Perspectives on Timber Procurement Policy for the Domestic Timber Market in Ghana

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Abstract

One action agreed on by parties in Ghana's Voluntary Partnership Agreements is the restructuring of Ghana's domestic timber market. With respect to restructuring the domestic timber market, a public procurement policy comes in as a handy apparatus for setting the pace of legality in the domestic timber market and by extension, the entire Ghanaian forestry sector. The impact of the timber procurement policy on forest management will largely depend on the leverage effect or the extent to which the private sector respond to the policy. And yet, public procurement is only a complementary instrument rather than a fundamental measure to change behavior of actors. In view of the numerous stakeholders involved in the domestic timber market, their different interests need to be addressed in order to ensure that the policy contributes adequately to the on-going timber market and legal reform process. In spite of progress made on the policy, there is still an on-going debate on how to leverage the effects of the public procurement policy in the context of intractable stakeholder interest. In this regard, the information gaps are still wide. Interpretation tend to be selectively.

Key words: Domestic timber market, illegal logging, forest management, public procurement policy, stakeholders

1. Introduction

Procurement is too often perceived as a directorial process, merely causing delays in a development phase. Although Simula does not explicit on this, he certainly agrees that public timber procurement policies have strengthened sustainable development efforts and will continue to do so (Simula, 2007 and Giurca, 2013). Procurement is vital for development; both from a governance anti-corruption perspective and as a policy tool that helps achieve value for taxpayers' money (Aguilar and Pino, 2000; Brack and Saunders, 2006; Brack, 2014). Thus, procurement is not just a directorial process but a development issue in its own right.

Public procurement is the acquisition of goods and services from a third party on behalf of a public agency, such as a government department or local authority. It can cover an enormous range of items, from military hardware to office stationery to school meals to consultancy services. In developed countries, purchasing of goods and services by public authorities – central, regional and local government and their agencies – is estimated to account for an average of about 12% of national gross domestic product (Organization for Economic Cooperation and Development, 2011). The EU FLEGT Action Plan¹, adopted in 2003, discusses the issue of government procurement and draws the attention of Member State governments to the fact that illegal logging can be addressed through the adoption of procurement policies (Brake, 2014). Although in recent years the debate around measures designed to combat illegal logging has focused on broad economy-wide measures such as the EU Timber Regulation and the United States Lacey Act, the use of public procurement policy to source legal and sustainable timber was one of the first measures adopted by several consumer-country governments attempting to exclude illegal timber from their markets (CEC, 2004). Public procurement could achieve market leverage of up to 25 per cent of the market (compared with about 10–12 per cent for direct purchases) when knock-on effects such as market leverage are considered. FERN (2004) submits that timber suppliers' preferences for relatively simple supply chains magnify the effect of public-sector preferences; if they need to supply sustainable timber for public purchasers, for example, they tend to prefer to supply the same products to their other customers too (FERN, 2004). In spite of this, there is still an on-going debate on how to measure the full effects of market oriented tools such as public procurement policies in the context of good forest governance as well

¹ European Union Forest Law enforcement governance and trade Action Plan. See EU FLEGT Facility; <http://www.euflegt.efi.int/home/>.

as sustainable timber trade at the local level. In this context, the information gaps remain deep and wide. As such, interpretation of such impacts tend to be selectively.

2. Contexts and Considerations

The voluntary partnership agreement (VPA)² is seen as encapsulating a mix of measures or instruments (hard law, market, de-regulation and soft law measures) which are the outcome of the prevailing discourses in the search for 'smarter' ways of confronting the challenges of ensuring trade of legal timber in the domestic and export markets (Marfo, 2009; Oduro et al., 2011). As part of measures to implement the VPA, Ghana is at a final stage of promulgating a public timber and timber products procurement policy. In Ghana, public procurement budget is estimated to exceed 50% of the total Government budget. Therefore, using public procurement to address illegal and unsustainable timber trade will in no doubt make a positive impact on the timber industry. There are however, some key imperatives that need to be addressed in order to ensure the leverage effect that public procurement policies usually desperately need in order to make a mark in the domestic timber market.

The VPA as a market-based regulation instrument emerged and its negotiation, ratification and implementation has embodied both hard and soft law measures, reflecting the smart regulatory discourse model. In its efforts to combat illegal timber operations, the Government of Ghana passed the Timber Resources Management Act, 1997, (Act 547) and its LI 1649 to outlaw, particularly, the use of chainsaw to produce illegal lumber which accounts for more than 80% of the annual 600,000m³ of lumber traded on the domestic market. The phenomenon of illegal chainsaw operation and other forms of illegal timber harvesting are clearly destructive and unsustainable and have the potential of dissipating the forest estate of the country. The proposed timber procurement policy seeks to promote the production, processing and trade of legal timber in the domestic market as a contribution towards sustainable forest management. Given the unstructured nature of the Ghana's domestic timber market, implementing the timber procurement policy will require a complex interaction with stakeholders with varied and contrasting interest, capacities and modes of operation which need to be clearly mapped out to inform the development of implementation guidelines for the policy. It helps to clearly recognize the divergent and convergence of interests in such a complex development terrain. Witting and Jeng (2005) indicates that developing countries are sometimes forced to balance several competing interests in the area of procurement reform.

In view of the foregoing, this paper does not aim to be policy prescriptive. It merely seek accentuate the fact that despite the best efforts, illegal logging in Ghana continues to contribute significantly to a rapid depletion of forest resources forcing a number of timber businesses to close down (TIDD, 2014). This makes the domestic market reform a crucial element in Ghana's VPA implementation.³ However, the reliance on top-down technical solutions have long proven inadequate. Ensuring that the domestic market play a necessary role in the VPA implementation requires an analytical distinction between systems, actors involved in them (values, attitudes, behaviors, interests, perceptions), and the institutions which guide actor's perceptions and activities. The purpose of this paper therefore is to highlight key imperatives in the Timber Procurement Policy for the domestic market and to indicate the required legislative reforms necessary to support VPA implementation in Ghana.

3. Mapping Interests and Intervention within in the Domestic Timber Market

It can be argued that the 1994 Forest and Wildlife Policy introduced a language for soft regulation such as the call for collaborative and participatory forest management (Marfo, 2009), respect for the right of communities and the intent that forest benefits must be shared equitably for the benefit of the entire society. However, subsequent legislations did not entirely reflect this gesture. Ghana's forest policy continue to demonstrate elements of state control (top-down) in the management of forest resources (Oduro et al., 2011). In a study conducted by Forest Monitor (2007), it was observed that various interest groups (players) within the timber sector interact with each other in complex ways, depending on the particular situation. Table 1 summarizes the roles of the various players, with stage 1 having been sub-divided into two parts, timber production in the forests and the transportation of timber to timber yards.

²Ghana is in the process of developing the relevant systems to implement the provisions of the agreement. See <http://www.fcghana.org/vpa/> and <http://www.euflegt.efi.int/vpa>

³ Government of Ghana and the EU. June 2014. Aide Memoire of the Ghana Seventh Mission of Joint Monitoring Review Mechanism.

Player Category	Category Description	Possible Interventions
Forest operators: Small-scale tradesmen and logging companies	Operators awarded permits to log the forests on a small or industrial scale	Institution of exploitation methods that are fully legal and observe standards
Agents, operators and workers (under temporary or permanent contracts)	Organised into teams of cutters (pitsawyers, slashers, chainsaw operators); - include machine operators, <i>bombeurs</i> , handlers, and logistics managers.	Improve their living conditions (health and safety)
Private timber hauliers	ACCO (Congo Drivers Association) haul 80% of all the country's timber; - FEC (Federation of Congo Businesses) owns the vehicles	- Increase the safety of the roads into the forest; - Undertake road improvement works
Timber retailers and wholesalers	Shop owners, timber storage yard operators and owners either in towns or in rural areas where timber is stocked or gathered for onward sale	improve security to prevent theft or confiscation by armed groups and government agencies
Carpentry shop owners and other wood craftsmen	Mainly privately-owned businesses managing the workshops	Secure energy source (instability of SNEL) for decreasing machining costs (e.g. electricity generators),
State technical and other services specialized in the timber and taxation sectors	- Forests and environment sector: ECNEF, ICCN, FRCF; - Taxation services: OCC, OFIDA, DAE, External Trade, DGRAD, Anti-Fraud; - Security services:	- Maximization of tax income - Observance of the Law - Management of timber and tax information with concerned parties - Management of mediators in fraud cases
Merchants, traders, agents, brokers (buyers/ sellers) and exporters	- Buyers acting alone or through merchants, brokers or agents; - Private customs facilitation agencies, particularly for export; - Exporters who are not producers/operators	Reduction in the number of buyer/seller middlemen to stabilize prices.
Timber sector NGOs (ASBL)	Local timber production and marketing associations: AEFOKI, COODES, AMEKI, COVEB, APENB	- Support the network of organizations - Training for associations representatives. Promote the IECCC in the management of forest sector activities and stakeholders
The Military and Armed Bands	- Military officers intervene in the timber trade - Local and foreign militia use local populations for timber trading	-Limit influence peddling in illegal timber trade and fraud; - Improve the security of forest logging areas
Local communities	Pygmy populations - Villagers - Young people - Women	Consider the interests of local communities in Forest Management

Table 1: Map of Players Involved in the Timber Supply Chain, Great Lakes Region, Central Africa

In view of the interventions proposed in table 1, a better approach to restructuring Ghana's domestic market would be to adopt both the systems and commodity approach. This approach will engage all actors along the commodity value chain, including small and medium forest enterprises (SMEs), artisanal millers, lumber traders, domestic wood producers, consumers, financial institutions, policy makers, regulators and research centres to interact and jointly volunteer market-led solutions to local market constraints. A systems and commodity approach will most certainly compel strong interaction between people (values, behaviours, attitudes, perceptions) and domestic timber market system as a critical impetus for timber legality compliance⁴.

⁴ See Baland J-M, Moene KO, Robinson JA. Governance and development. In: Rodrik D, Rosenzweig MR, editors. Handbook of development economics, vol. 5. Oxford, UK: Elsevier; 2010. p. 4597–656.

4. Observed Concerns and Policy Options on the Public Procurement Policy

In view of the numerous stakeholders involved in the domestic timber market, a number of concerns need to be addressed in order to ensure that the domestic timber procurement policy of Ghana is actually tailor-made. Some of these have been raised by key stakeholders in Ghana's VPA implementation, particularly, CSOs in contributing to the on-going legal reform process. These concerns are as listed below:

4.1. Impact on Forest Management

A key challenge for the country is its declining resource base. The forest sector has shrunk considerably over the last 15 years as a result of this. The situation looks set to worsen. It is important to indicate that the impact of the Timber Procurement Policy on forest management will largely depend on the leverage effect or the extent to which the private sector respond to the policy. Therefore it is imperative for the procurement policy to consider private sector initiatives that can be implemented in parallel with the government Timber Procurement Policy. Timber procurement policies are potential instruments to promote Sustainable Forest Management (SFM) and effective governance of the timber industry in Ghana. However, due to the limited role of public purchasing in total consumption of wood and derived products in Ghana, the direct impact of the Timber Procurement Policy on SFM is likely to be rather limited. In many countries, government timber procurement policies are implemented in parallel with private sector initiatives and therefore their market impacts are enhanced. This broader engagement of the domestic market is important for the leverage effect and can be interpreted as a true recognition of the problem of illegal logging. Amidst a dwindling access to raw material by domestic timber players, a crucial parallel intervention in Ghana's domestic timber market will be to strictly enforce the 20% industry allocation for the domestic market which has hitherto not been adhered to owing to price variations. Strict enforcement of this allocation will go a long way to reduce the legal supply deficit in the domestic timber market and increase the capacity of lumber brokers and vendors to be able to meet government purchase requirements.

4.2. Equity and Fairness

The Timber Procurement Policy is likely to be a useful instrument in encouraging large-scale operators to improve their practices but, without special measures, it is unlikely to help small and medium-sized actors who cannot implement market requirements for reasons which tend to be often beyond their control. As it stands, the Timber Procurement Policy has a high tendency to further weaken the market position of disadvantaged producers like artisanal millers unless measures are put in place to improve their accessibility to off-reserve raw materials. Around 500,000 ha is unreserved forests ('off-reserve') and 2 million ha of cropland are used as a source of timber (Forestry Commission of Ghana and European Union, 2010). According to data from the Resource Management Support Centre (RMSC) of Ghana's FC, off-reserve forests and crop lands accounted for just over one-third of official timber harvests in 2012. In the same spirit of fairness and equity, a number of forest based led by Forest Watch-Ghana have been advocating for a review of the proposed off-reserve Legislative Instrument (LI) in consistence with the Timber Resources Management Act 1997 (Act 547). Generally, it is believed that ensuring the publicity and competitive processes specifically required by the Timber Resources Management Act and the Timber Resources Management Regulations in the allocation of timber rights will go a long way to ensure that domestic timber producers have access to legal timber to meet public purchase requirements. SMEs need to remain competitive within the domestic timber procurement policy. It therefore significant for the implementation guidelines for the policy to encourage Metropolitan, Municipal and District Assemblies (MMDAs) to source for wood or derived products from domestic timber producers through MMDA by-laws. Similarly, the procurement policy should also offer SMEs a mechanism to report cases and incidents which raise serious doubts as to the transparency and equal opportunities within the bidding process. These positions are currently not fully enmeshed by the Timber Procurement Policy on domestic wood and wood products.

4.3. Complementarily as Policy Instrument

As part of internalizing environmental aspects in all government purchasing, several countries have developed, or are in the process of, developing public procurement policies or rules related to forest products. Market instruments in domestic timber market alone cannot eliminate illegal logging. Public procurement is a complementary instrument rather than a fundamental measure to change behavior of actors. Although "Green" Public Purchasing (GPPs) policies have been applied in many countries for years, timber procurement policies are new instruments. The international community is still in the early phases of the learning curve in promoting sustainable consumption and production. In Ghana, a good example of such fundamental instruments is an action plan on illegal logging. Studies have highlighted that Ghana's Forestry Development Master Plan for the period 1996–2020 acknowledges the problem of illegal logging but does not provide the required national action plan on illegal logging. A national action plan on illegal logging will therefore be fundamental in promoting and developing mechanisms for transparent governance, equitable sharing of resources, peoples participating and eliminating illegal logging and chainsaw operations as indicated in the 2012 Forest and Wildlife Policy. In viewing the policy as a development complementarity tool, it is worth noting that development effectiveness that ensures value for money is often underrepresented in some procurement review studies. As such, the emphasis on the MEAT approach in the draft timber procurement policy can be well appreciated. What is key here should be simplified procedures that ensures a monitored balance between efficiency and sustainability. However, it is still worth indicating that the implementation guidelines for the policy should discourage the overemphasis on the MEAT approach to the disadvantage of environmental and social benefits of forest resources, especially in large sized government projects.

5. Concluding Remarks

The achievement of legality and sustainability in Ghana's domestic timber market depends on a sense of urgency and a commitment to action from all stakeholders. In Ghana's efforts to restructure the domestic timber market, a public procurement policy comes in as a handy apparatus for setting the pace of legality in the domestic timber market and by extension, the entire Ghanaian forestry sector. The impact of the timber procurement policy on forest management will largely depend on the leverage effect or the extent to which the private sector respond to the policy. And yet, public procurement is only a complementary instrument rather than a fundamental measure to change behavior of actors. In view of the numerous stakeholders involved in the domestic timber market, their different interests need to be addressed in order to ensure that the policy contributes adequately to the on-going timber market and legal reform process.

A broader engagement of the domestic market is important for the leverage effect and can be interpreted as a true recognition of the problem of illegal logging. As such, it is important to urge the government to consider private sector initiatives that can be implemented in parallel with the government Timber Procurement Policy. Secondly, the Timber Procurement Policy is likely to be a useful instrument in encouraging large-scale operators to improve their practices but, without special measures, it is unlikely to help small and medium-sized actors who cannot implement market requirements for reasons which tend to be often beyond their control. It is imperative to urge the government to consider a review of the proposed off-reserve LI to ensure fair distribution of off-reserve resources in order to boost the capacity of domestic timber producers or disadvantaged timber producers in support of effective implementation of the procurement policy.

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