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GHANA'S TIMBER INDUSTRY:
PERSPECTIVES OF THE PROCESSING SECTOR

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ACCRA, GHANA

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Preface

The Institute of Economic Affairs is pleased to publish under its series of Occasional Papers, *Ghana's Timber Industry: Perspectives of the Processing Sector* by Fosuaba A. Mensah Banahene, Executive Secretary of the Ghana Timber Millers Organization.

The paper provides brief accounts of the timber industry's history and structure, the associations that have sprung up within the industry, and the three main areas in which the industry is facing constraints: marketing and finance, institutional support, and access to raw materials.

In the main, however, the paper focuses on the last-named constraint and the closely related issue of sustainable forest management. While the author recognizes the need for balance between the conflicting interests of economic exploitation and environmental protection, he considers it inappropriate to make "harvesting rules" the centerpiece of forest management strategy. According to the author, the most destructive agents of forest depletion are the charcoal and woodfuel industry, bush fires, and normal farming activities; the extent of destruction attributable to the timber industry is very much less.

The author, therefore, recommends exploration of alternative sources of energy to be made available at affordable cost, to help reduce the extent of forest depletion by the woodfuel and charcoal industry. Other main recommendations include the leasing of productive forests, and the offering of incentives to forest industrialists, so that the sector's resources may be employed for sustainable forest management.

As a statement of views of the timber processing sector, the paper should be of interest to policy makers.

I am delighted to place on record, the gratitude of the Institute of Economic Affairs to the Danish Government, through the Royal Danish Embassy in Accra and DANIDA, whose generous assistance made this publication and the research that went into it possible.

Dr. Charles Mensa
Executive Director
Institute of Economic Affairs

Accra, December 1997

GHANA'S TIMBER INDUSTRY: PERSPECTIVES OF THE PROCESSING SECTOR

Introduction

The timber industry in Ghana is often said to have begun at the beginning of the 20th century with the export of logs to Britain, the home of the colonial administration of the then Gold Coast. Some forest economists have even indicated that there were log exports to UK in 1888 and that pitsawing also existed long before sawmilling. It is obvious that any appreciation of the industry at that time was linked to the extent of performance at export trade. The industry was generally seen in the light of exports and little recognition was given to its role in the domestic arena and so it meant that without trade there was no timber industry. The available official records indicate that by the year 1949, log exports had reached an annual volume of 22,000m³.¹

There are records to indicate that Ghana was importing timber products prior to the Second World War, but the war caused a natural discontinuation of the imports. The increasing need of

¹ Attah Alhassan N. Development in the Timber Trade and Industry in Ghana presented as part of Host Country Presentation at ITTO Meeting in Accra, May 1995, p. 1.

wood by the armies of the colonial government along the West Coast of Africa stimulated the production of lumber in the region. This led the Forestry Department of Ghana to set up a processing plant in Kumasi.

The decade preceding the independence of Ghana saw the entry of some foreign-owned companies into the timber trade and industry, among which were Mim Timber Company, F. Hills & Sons, Africa Timber & Plywood, Gliksten West Africa, and Takoradi Veneer & Lumber Company. These companies first entered into logging operations and later on brought in used equipment to produce rough sawn lumber. Indeed, in the 1970s when the Levantines were banned from the operation of certain businesses, they entered the timber industry in Ghana and focused on export of processed products, and with that they naturally assumed control of the commanding heights of the industry and trade through family-owned firms. There were some indigenous timber companies which were already in the processing sector. For instance, Bibiani Logging and Lumber Company (BLLC) and a few others were running sawmills but indigenous companies were largely engaged in logging operations. This explains the perennial phenomenon of foreign domination that characterized the timber trade and industry until the late 1980s.

In 1972 the government passed the State Participation Decree which enabled government to acquire ownership in TVLC, AT & P, and Mim Timber Company. It is interesting to note that after just 25 years, the government is divesting itself of the ownership of these companies.

PART I

GTMO AND OTHER TIMBER ORGANISATIONS

At present, there are a number of timber associations in the country. Among them is The Ghana Timber Millers Organization (GTMO), the leading timber association in Ghana whose membership includes 100 timber processing firms. All these firms are located in the regions outside Greater Accra where the nation's capital is situated. However, there are a few companies such as L & L Wood Processing Limited and Thompson Moir and Galloway which are not members of GTMO and are located in Greater Accra region.

There are three other timber associations, namely, Ghana Timber Association (GTA), Furniture and Woodworkers Association of Ghana (FAWAG) and the Small-Scale Carpenters Association (SSCA). In terms of export performance GTMO's share of total earnings is 79% and that of GTA is 19% while FAWAG's share is 1%, using 1994 export figures. With the ban on export of logs since 1995, the export figures for 1995 and 1996 would significantly change in favor of GTMO in both volume and value terms. SSCA members are the local carpenters who supply about 95% of domestic furniture needs of Ghana. In spite of their low contribution to export earnings, they play an indispensable role which must be recognized and appreciated. It should be noted that many GTMO companies are doing logging and/or manufacturing furniture parts and joinery in addition to sawmilling. The Ghana Real Estate Development Association (GREDA) is part of the industry and has a growing membership.

Through the normal operations of our member-companies, the national foreign exchange earning capacity, the employment level, the national image, and general political awareness are given enormous essential support. It is, therefore, imperative that the activities of GTMO, and indeed the whole timber industry are

closely monitored with a view to propping the industry to increase and improve its contribution towards national development. This can be achieved by way of incentives rather than disincentives, and encouragement rather than discouragement.

PART II

STRUCTURE OF GHANA'S TIMBER INDUSTRY

Looking at the operations of the various companies in the timber sector, the industry can be classified into three distinct areas:

◆ Primary Production

This consists of logging which is the first line of activity. Logging is the oldest form of timber operation in the country. Currently, there are 250 firms engaged in primary timber operations in the country.

◆ Secondary Production

Timber production at the secondary level is the nerve center of the timber industry in Ghana. It consists mainly of sawmilling, plymilling, and veneer milling. Taking each operation separately, there are about 134 units/firms made up of 110 sawmills, 9 plymills and 15 veneer mills; but it must be emphasized that many companies are engaged in two or more product operations.

◆ Tertiary Production

Tertiary production consists of furniture parts, moldings, flooring, dowels, doors and windows, profile boards. Firms at this level number about 66.

Even though this classification is useful, in actual practice many of the firms have virtually achieved full vertical integration. A typical example is Mim Scanstyle Ltd. Many others operating at the secondary production level have gained footholds in the tertiary

sector. But largely, the individual firms have integrated horizontally, especially at the secondary production level. The industry associations correlate with these divisions but at the moment, there is no umbrella body. An attempt at a unified body a few years ago crumbled under the weight of an amorphous organizational structure and diverse interests.

Structure of Ghana Timber Industry²

TYPE OF ACTIVITY	NUMBER OF FIRMS
Logging	250
Sawmilling	110
Plymilling	9
Veneer milling	15
Chipboard Manufacture	1
Furniture (medium/large)	40
Flooring	6
Doors (medium/large)	4
Profile Boards & Moldings	12
Toys	4

Until 1995, there were five state-owned firms within the sector, but with the advent of the government's divestiture program, there are now only four of them and it is expected that they too will be divested soon. The industry is, therefore, overwhelmingly private-sector dominated.

◆ Public Sector Agencies

It is obvious that the private sector cannot succeed without public support or intervention. In this respect, the role of public agencies

² Source FPIB, 1995

in the development of the timber industry cannot be ignored. Indeed, it is indispensable.

There are eight public institutions/agencies within the sector. These are Forestry Department, Timber Export Development Board, Forest Products Inspection Bureau, Forestry Department, Forestry Commission, Forestry Research Institute of Ghana, Institute of Renewable Natural Resources, and Department of Game and Wildlife. In the table below, the activities of these institutions are broadly indicated.

INSTITUTION/AGENCY	MAIN ACTIVITY
1. Ministry of Lands and Forestry	Sector Ministry
2. Timber Export Development Board	Trade Promotion & Development
3. Forest Products Inspection Bureau	Inspectorate and Contract Vetting
4. Forestry Department	Forestry Resource Management/Admin.
5. Forestry Commission	Policy Formulation & Implementation
6. Forest Research Inst. Of Ghana	Forestry Research
7. Institute of Renewable Natural Resources	Training & Manpower Development
8. Department of Game & Wildlife	Wildlife Resource Conservation & Management

Obviously, what these institutions do or do not do greatly affect the timber industry in so far as their functions are concerned, and it is for this reason that their activities should not proceed without an input from those who carry out the industry and trade in the sector.

◆ Private Sector Agencies

Apart from the industry associations mentioned in the earlier pages, there are no private sector agencies whose activities have direct impact on the timber industry. Of course, there are consultancy firms within the forest sector whose activities are not very much utilized at the local front. Such firms are quite few and those that are well-known are as follows:

FIRM NAME	LOCATION
Waldbau Ltd.	Takoradi
Arbor Nova	Takoradi
Agritimba Consult	Takoradi
Hamsa Ltd.	Takoradi
Voscon Associates	Accra
Hamilton Resources & Consulting	Accra

In addition to these are overseas agencies like International Institute of Environment and Development (IIED), SGS, etc., which engage in forestry service of some kind. Of a truth, the impact that these agencies make on the industry is quite minimal as forest industry companies do not have much reason to employ their services. This is due to the fact that private sector initiative has over a long period of time not been valued by the public sector and others. The recognition of the role of the private sector as an indispensable part of the general national initiative is a recent "sunrise".

PART III

AVAILABILITY OF THE RESOURCE

◆ Natural Forests

The high forest zone which is virtually natural forest covers an area of 8.2 million ha, approximately one third of the total land area of Ghana. The high forest occurs in the south-west portion of Ghana, extending northwards to reach the upland evergreen areas of Ashanti Region and western parts of Brong Ahafo Region. The high forest in Ghana consists of the wet evergreen rain forest and the moist semi-deciduous forest. Available studies indicate that 1,634, 100 ha of the high forest are under reserves.³ Of this, 352,500 ha (21.5%) are under permanent protection while 762,400 ha are designated timber production area. Information about off-reserve areas is sparse but it is generally accepted that there are about 400,000 ha of forest in off-reserves.

The present state of the forest requires that an intensive management plan be put in place to reduce the high rate of degradation. Of the 352,000 ha of protected forest, as much as 32% degradation has occurred and efforts are being made to rehabilitate 122,000 ha of that.⁴ On the whole, the forest of Ghana contains a standing volume of 188 million m³ of wood, and it has a natural growth rate of 4.6 million m³ at an increment rate of 4 m³/ha/yr.⁵

³ Overseas Consultancy Services Report on Ghana's Forest. Study was under the UK Forestry Commission. June 1995.

⁴ Timber Yields from the Forest Reserves of Ghana: An Analysis of the Implications of Sustainable Forest Management. Paper presented by Planning Branch of the Forestry Department of Ghana in March 1995.

⁵ Nolan, Tim. (Forest Inventory Project Leader) Presentation in the Ghana Forest Inventory Project Seminar Proceedings 29-30 March 1989 in Accra, pg. 55

◆ Plantations

Plantation forestry is relatively new in Ghana. Currently, there are some 40,000 ha of plantation consisting of about 15,000 ha planted by the Forestry Department and the rest by forest industry firms, and large numbers of small holdings with teak as the main species. The annual yield from these is around 50,000 m³ but this is expected to increase with the years as more companies and individuals have intensified commercial planting activities. These plantations, if well managed, could take the pressure off the natural forest by serving as future supplies to the processing companies. Plantation development is, therefore, the way forward if the timber industry is to continue into the future.

PART IV

MAJOR AREAS OF PROCESSING ACTIVITY

◆ Sawmilling, Plymilling, and Veneer milling

Without doubt, saw-, ply- and veneer mill production constitute the largest processing areas in the industry. In 1994 sawmilling output alone accounted for 582,000 cubic meters.⁶ It is in this area of activity that most of the companies in the processing sector are engaged. The overall capacity of these mills is well over 2,000,000 cubic meters. This means that they are producing below capacity. In 1992, these sawmills were operating at 60% of their installed capacity⁷ not as a deliberate policy but for the reason of inadequate supply of the raw material by the Forestry Department. But there is a huge amount of chain-sawn lumber and beams which are put on the local market by illegal operators. It is difficult to estimate value in these illegal operations since those involved work clandestinely.

Ply- and veneer mills in Ghana have improved tremendously over the last three to five years. Before then, production quality was not sufficient to meet international standards. Presently, however, Ghana's plywood and veneer products are in demand in many countries in Europe, Australia and US. Quite a good number of companies have installed modern equipment for the production of sliced and rotary veneer, easily the leading products in the secondary sector. Much is also being done in the areas of moldings/machine products. These areas turn out semi-finished goods such as dowels, frames, lay-ons, etc. Indeed, some of the GTMO-member companies are at the tertiary level, producing such products as windows and doors, thus completing the much needed integration.

⁶ Attah. Alhassan N. . pg. 8

⁷ Ibid. pg. 8

◆ Furniture Production

Furniture production level is, indeed, difficult to estimate as there is no reliable source of information. Furniture for domestic use is mainly produced by wayside carpenters dotted all over the country, with the concentration in Kumasi and the other regional capitals. In spite of the inferior quality of their products, these carpenters provide a very valuable service: without them, Ghanaian homes would be without furniture. This is where the importance of the Small Scale Carpenters Association (SSCA) comes into focus, and the need to assist them becomes imperative.

In terms of exports, furniture accounts for an extremely low percentage of total Ghana timber product exports. While furniture parts represent a mere 1% of total timber exports, only one company accounts for 95% of these exports. This is, indeed, deplorable but it explains the level of attention that government gives to the promotion of exports of tertiary timber products. The good news is that more and more companies in the secondary sector are gaining swift entry into the tertiary sector, and it is hoped that the necessary support will be given by government to this development.

PART V

SUSTAINABLE FOREST MANAGEMENT ISSUES

◆ Historical Background on Silvicultural and Harvesting Practice

Forest management has been practiced in Ghana since the closing decade of the 19th century, but it was not until 1927 that the legal power to enforce reservation was secured. Real management systems began in the 1950s when the then Working Plans (Forest Management Plans) were implemented. Since then, a consistent policy of selection, demarcation and reservation has been vigorously pursued. By the end of 1978, about 3,267,250 ha of forest had been placed under permanent forest estate.⁸ From 1900 the granting of concessions to companies for timber exploitation began. Game production reserves and wild life sanctuaries were created. There exist five national parks, two of which are located in the tropical forest zone. In all these areas, timber exploitation is forbidden by law.

Various silvicultural systems have been practiced including the normal logging effects in selected areas. In the 1950s, the Tropical Shelterwood System was experimented with but it was abandoned because it was not cost-effective. It consisted of eliminating the uneconomic trees while allowing the rest to grow into maturity. Various methods including poisoning of the trees were used. The Taungya system which was copied from South-East Asia at the beginning of the century has also been used, but mainly for plantation programs. Almost all the plantations set up by the Forestry Department were modelled on the Taungya system. Farmers were encouraged to farm in the selected areas, especially hillsides, and while their food crops were growing,

⁸ Forestry Department. The Annual Estimates for 1979-80: vol. 3. "Lands, Natural Resources, Fuel and Power". Accra.

planting of trees was also carried out. This practice is randomly engaged in even today by individuals and most rural communities, and it is expected that the Forestry Department will revive the system as it gears up its activities towards sustained improvement of Ghana's forest. It may be necessary to recommend this practice to the companies that have begun to set up plantations.

◆ **Financial and Other Incentives for SFM**

Incentives have long been thought of by the government as a way of motivating forest exploiters and others to respond favorably to the needs of forest protection and conservation. In 1993 the government commissioned IIED to conduct a study into this area, and the results re-emphasized the need to inject varied forms of incentives into the quest for a more efficient system of sustainable management of the forest.

In addition to royalty payments and other forest fees, there is the need to actively engage the rural people, the forest dwellers, to participate in forest protection and improvement systems. To be able to achieve this, the Forestry Department has embarked upon a number of approaches including programs such as collaborative forestry, social responsibility systems, etc. It is most important to recognize that without bringing in the rural people on whose land the forest grows, any effort to significantly improve the forest will not succeed.

Involving the local people means making them see the forest as an economic asset which they own in partnership with others and that, if they took good care of the forest along the lines of sustainability as put forward by the government, they would reap financial gains. This is what has been called the "joint-forest management system". Already, one of the leading timber companies in Ghana, Ghana Primewood, has undertaken a "joint-forest management" project with the people of Gwira Bansa in the

Western Region of Ghana. The project is supported by DANIDA and already there are verifiable indications that the local people's interest will crystallize in improved sustainable forest management in that area.

Incentives need not be given to the rural people alone. All other players on the forest scene must be considered. If industry will need to accept a far greater responsibility for the resource, it is obvious that it will also need to have some incentives. Incentives such as deregulation, participation in policy formulation, and financial support in the form of investment packages at low interest rates, go a long way to motivate forest industrialists to do more to improve the forest. There are indications that the government is evolving a system, though slowly and not transparently enough, towards benefits in direct proportion to responsibility and industry looks forward to the system becoming a reality. The process of developing this system could benefit from closer co-operation and consultation between government and industry.

Above all, there is the need to adequately equip the Forestry Department but the government has been very slow in doing this. The Department lacks logistics which will enable it to put into practice the many action plans it has designed. Vehicles, buildings and tools are in great demand for the successful implementation of management plans. Probably, the envisaged Forest Service will correct these deficiencies.

◆ New Harvesting Pract

Responsible harvesting has become a necessary ingredient in sustainable forest management in Ghana. In order that proper procedures would be adopted by both district/technical officers of the Forestry Department as well as concessionaires and operators in the forest, the Planning Branch of the Forestry Department

issued a "Handbook of Harvesting Rules for Sustainable Management of Tropical High Forest in Ghana" in 1992. The book serves as a guide to all forest exploiters to enable them bring their practices into line with the sustainable forest management plans. Issues discussed in the book range from planning considerations through operational considerations to environmental considerations.

In line with the determination to cut supplies to industry, the policy document of the Ministry of Lands and Forestry places a maximum limit on the annual harvesting volume of timber. The Master Plan directs that only 500,000 m³ and between 300,000 m³ and 500,000 m³ of the resource can be harvested annually from the Reserves and Off-reserves, respectively. Even though studies are incomplete, especially with the Off-Reserves, the Forestry Department has already begun implementation of interim measures which set the Annual Allowable Cut (AAC) at 1.0 million m³. This AAC figure is, indeed, a recommendation by the UK Forestry Commission to the Forestry Department. As a matter of fact, the Forestry Department had set 807,000 m³ for the Annual Allowable Cut.⁹ It is the opinion of the Forestry Department that any level of harvesting beyond this will not make management of Ghana's forests sustainable. Within one year of the implementation of this policy (1995-1996), export volume dropped by 34%.¹⁰

The "Harvesting Rules" set standards for harvesting and the schedule requires the concessionaire to produce a logging plan which ensures that the expected operation is in keeping with the management plans. Yield is also regulated according to the trend in a stock survey which is carried out prior to the allocation of the concession. The operational plan of the concessionaire should

⁹ A paper presented by the Planning Branch of the Forestry Department of Ghana at the Annual General Meeting of the Ghana Institute of Professional Foresters in April 1996, pg. 5

¹⁰ December 1996 Report of Forest Products Inspection Bureau (FPIB), Ghana

contain schedules of construction of logging roads, bridges, culverts, skidding tracks and also the felling activity. All these will have to be approved by the District Forestry Office (DFO) and then by the Regional Forestry Officer (RFO) before permit to fell can be issued to the concessionaire. In addition, the concessionaire must comply with environmental standards set by the Forestry Department. These include the use of environment-friendly equipment, felling of specified species, and respecting protected areas such as sanctuaries and headwaters. Lastly, the concessionaire must practice safety standards in his operations, and there are rules that must be followed. Recently, the Forestry Department introduced further measures to ensure effective management of the forest, especially when illegal fellings intensified.

Without doubt, the management plans for the sustainable development of Ghana's forests cannot fail to succeed conservation-wise. However, it is the view of the private sector (industry) that sustainability programs in the forest sector also mean sustaining and enhancing the forest industry. It is important that the views of those who are the real implementers of the plans are incorporated in the plans. The timber industry association's critical objection to certain aspects of the measures was addressed to the Forestry Department. The Department's action in response to the objection is being taken piecemeal or at a very slow pace; some aspects of the objection have been totally ignored.

◆ **Forest Depletion**

Ghana experiences deforestation like most countries in Africa. The Sahara Desert is said to be advancing southwards at a threatening rate, and this translates into increased savannization of the forest areas.

Deforestation is, indeed, a phenomenon occasioned by increase in

numbers of human beings. There are more mouths to feed than fifty years ago when the population of Ghana was less than 6 million. Farming activities have increased and demand for energy has also increased. It is estimated that farming and woodfuel (including charcoal) procurement accounts for 79% of all the removals from the forest. Indeed, the Ministry of Mines and Energy has it on official record that the charcoal industry and wood-fuel account for 15 million cubic meters of trees removed annually from the forest.¹¹ At the per capita consumption rate of about 1 m³ of wood-fuel and 0.2 m³ of charcoal, the production in 1980 can be estimated at 11,500,000 m³.¹² Probably, if measures were to be taken to curtail this unacceptable level of wood-fuel and charcoal consumption, the rate of forest destruction would be reduced to manageable levels.

◆ Social Aspects of Sustainable Forest Management

The Government of Ghana envisages that as management plans are implemented, social needs will emerge and they will need to be addressed since the government's policy seeks also to see "all segments of society benefit from the sustainable development" of the forest resources.¹³

The rationale behind the government's policy is that when forest operators are removed from the management system, their actions, willful or otherwise, will adversely affect the sustainable forest management plans. Therefore, as has been pointed out earlier on, it is necessary to get all parties, especially local people, involved in

¹¹ This fact about wood-fuel and charcoal removal was contained in preliminary information on a workshop to be organized by the Ministry of Mines and Energy in 1997.

¹² FAO "Potential of Forest Industries Development in Ghana", 1974. Based on the work of W.J. MacInnes and P. von Carlowitz - ECA/FAO Forest Industries Advisory Group for Africa IND/59-Mr/54 - Addis Ababa

¹³ Information Sheet on Collaborative Forest Management issued by the Forestry Department in July 1996

the process. But, it is only when the forests are of real value to local people that they will see the need to cooperate in efforts to protect and manage the forest. The 1994 Forest and Wildlife Policy makes adequate provision to attract the local people to participate in forest management. The thrust of the emerging policies in the forest sector suggests that local people will in future be offered the opportunity to share in the financial wealth of trees on their farms. Currently, farmers are compensated financially when commercial trees on their farms are felled. There is now a growing propensity among local people to strive to provide ingenious ideas towards forest protection. In addition to this, timber firms operating in the forests provide a lot of social needs for the people. Indeed, a "social responsibility" performance requirement is to be part of the new concession law being prepared.

PART VI

CONSTRAINTS

The industry is afflicted with many problems, but only three of the critical issues, namely, access to raw material supply, marketing and finance, and institutional support are discussed. Using the much-talked-about environmental destruction as the basis for denying GTMO members access to raw material is not tenable. The problem is with management. In countries where management is properly undertaken, the forest is adequately protected while industry also obtains its needs. Now that a draft Timber Rights Bill has been made available to industry, the Ghana Timber Millers Organization will soon articulate its views on how to reconcile these two seemingly-conflicting interests in the industry.

Also of prime concern is ACT 493 which the government has begun implementing, and which is further running down the capacity of industry to give greater support to the maximization of foreign exchange earnings in Ghana.

PART VII

KEY AREAS OF CONCERN

◆ Access to Raw Material Supply

To say that timber companies should have direct access to raw material supply is, indeed, to say the undeniable. For an export industry that has to take or conclude orders far into the future, a guaranteed raw material base is *sine qua non* if the industry is to be viable and economically efficient. Without security of raw material supply the trade slumps into uncertainty and desperation. Under such circumstances, the expected contribution from the industry to the national economy becomes a mirage.

GTMO companies do not have long-term access to raw material, and yet they are expected to increase exports. As has already been mentioned, the timber export market is hooked around *futures* and, therefore, those who cannot guarantee delivery in *futures* cannot remain competitive. The companies have been making this point in discussions with the Forestry Department. While the Department understands this point, the companies on their part appreciate the Department's predicament, i.e. they are not adequately supplied with logistics and staff to do the job. But their refusal to lease out productive forests to the private sector so that the latter can employ its resources to consistently manage the forest while the Department monitors performance against approved standards is difficult to comprehend. When a timber firm has guaranteed access to raw material supply over an extended period of time, it increases investment, with favorable effects on employment, domestic revenue and foreign exchange earnings. It is, therefore, important that the long-awaited Bill on Timber Rights when placed before Parliament, should reflect this dynamic nature of the industry. While talking about access to a raw material base, GTMO recognizes the difficulties its sister

associations also face. For instance, the members of FAWAG are always knocking at GTMO's door for raw material. But how can GTMO give to them what it does not have? In Latin we say *nemo dat non quod habet*. However, it is gratifying that some of them continue to get supplies from GTMO members. A better system ought to be devised to ensure that they have access to raw material supply at all times. This may mean their having to pay competitive prices to the sawmillers. It may also mean granting them direct access while the sawmillers provide them with sawing services. In the same vein, GTMO members believe in division of labor, and think that there are certain pockets of forest whose exploitation can best be undertaken by independent loggers. This is one of the factors underscoring the importance of Ghana Timber Association and the continued existence of logging firms.

One cannot talk about the issue of raw material supply without touching on forest depletion. As has already been mentioned, the issue of forest depletion in Ghana is directly linked to the sustenance of forest industries. Let all the productive forests vanish and all timber companies in Ghana will fold up. While the issue is real and of great concern to members of the Ghana Timber Millers Organization, the real agents of the depletion are the charcoal and wood-fuel industry, normal farming activities and bush fires. These account for 79% of all removals from the forest. The extent of destruction attributable to the timber industry is nowhere near that of those agencies mentioned above. Indeed, the Ministry of Mines and Energy has it on official record that the charcoal and wood-fuel industry accounts for 15 million cubic meters of trees removed annually from the forest, while the Forestry Department has recorded that the timber industry is removing trees with at most a volume of 1.8 million cubic meters per year. From the above mentioned facts, it is implausible for anyone to suppose that the timber industry is the "destroyer" of Ghana's forests.

Royalty payments have become a big issue in the forestry sector.

While in the mining sector royalty is actually negotiated, in the timber sector royalty rates experience increases all the time. The government agencies link their royalty levels to f.o.b. value of timber products while ignoring the factor of input cost and operating costs which are on the high side in this country. Current royalty rates are very high, and yet timber firms have to demonstrate what is termed "social responsibility" to the various communities. This may take the form of providing one or more of the following: a road, school building, clinic, palace or monetary payment.

◆ Marketing and Finance

The second issue I wish to discuss relates to marketing and finance. Export production pattern or level is a function of market preference or direction. Without markets the trade crumbles, bringing in its trail unpleasant consequences. Currently, the market for timber is on the downtrend, and companies are making frantic efforts to seize any small opportunity to export.

Against this background, Act 493 which authorizes levies to be placed on exports of air-dried lumber was put into effect in March 1997. The levies, ranging between 10% and 15% of the invoice value, affect all the 9 leading species in the trade, which account for nearly 59% of the timber trade. It is feared that the levies will harm the timber trade and that Ghana will eventually lose its share of traditional export markets to competitors such as Cote d'Ivoire, Gabon, Cameroon, etc. There is a thriving market for air-dried lumber in places such as Saudi Arabia where kiln-drying of timber is a luxury. There are also countries like Ireland, Holland, Germany and USA which need timber for construction purposes and are yet to know an importer who prefers kiln-dried lumber for construction work. These countries are the major partners of Ghana in the timber trade. For instance, during January-April 1997, these four countries' imports of air-dried lumber alone

accounted for 18.1% of all foreign exchange earnings from the timber trade. Most companies, in order not to lose their partners, have had to absorb the levies and execute their contracts, some of which were concluded long before the Act was implemented. Indeed, industry protested vehemently when the Bill was passed in December 1994, and the government suspended its implementation until March 1997.

For all this while, the timber industry in Ghana has relied on the TEDB for its marketing needs, but unfortunately the Board's efforts have yielded only minimal results to the extent that almost all the exporting companies among the timber processing companies have set up their own overseas marketing units. Maintaining such marketing units/functions overseas costs too much money, and yet access to finance in Ghana is possible only at prohibitive cost. Lack of finance on manageable terms constitutes an obstacle to achieving efficient processing.

So much has been said about value addition before exports but very little consideration has been given to certain critical factors. The inputs required to move into viable value-added production are all imported, except timber, and prices of these are always rising while bank rates are phenomenally high. These are constraints that prevent rapid movement into value added production.

◆ Institutional Bottlenecks

The deregulation spirit that was engendered by the Economic Recovery Program (ERP) and later strengthened by the call to private enterprise to assume the role of "engine of growth" appears not to have affected the timber industry. The inability of the timber sector to increase its present level of economic impact in Ghana is largely attributed to the strangulating regulations governing the timber export business.

The Timber Export Development Board (TEDB) and Forest Products Inspection Bureau (FPIB) are agencies that regulate trade matters in the timber industry. In all sectors of the economy, the new spirit of private sector leadership should be fostered, and industries encouraged to assert themselves and their capabilities to effect rapid economic growth. It was felt that with the enactment of the Imports & Exports Law (Act 503), the various regulations of the two institutions (FPIB & TEDB) would be relaxed in order to facilitate the rapid growth of timber product exports and thus help to realize the goal of private sector-led economy; but the bottlenecks are still in place, frustrating the spirit of the Act. For instance, the spirit of Act 503 regards non-traditional exports as those products that have been substantially improved in value; but when lumber has been kiln dried to an extent that represents 60% to 70% of the value of the finished product, it is not regarded as a non-traditional export by the TEDB and FPIB. So while exporters are being punished by Act 493 for not adding value, they are at the same time being denied reward under Act 503 when they add value. This situation can only be explained by the fact that an important sector of Ghana's trade and industry is not regulated by the procedures of the Ministry of Trade and Industry.

In an era where the industry should be encouraged to improve profit-earnings, and thus boost government revenue, the FPIB and the TEDB continue to impose an export levy at rates that are utterly unacceptable. It is inconceivable that out of the gross

proceeds due the timber exporter, an arbitrarily-determined rate of 3% of f.o.b. price is deducted before the exporter gets paid by the bank. This is in addition to a multiplicity of fees and charges the exporter pays prior to shipment. It is conservatively estimated that a whopping ₦7 billion is paid directly to FPIB and TEDB annually. The laws that established the two bodies (PNDCLs 117 and 123) *do not fix the quantum of the levy (3%)*. The industry has made several representations to the Ministry of Lands and Forestry to review the levies, but there has been no response.

PART VIII

CONCLUSION AND RECOMMENDATIONS

◆ Conclusion

It is most important for all to recognize that the forest is a national heritage that must be protected in the interest of society but, at the same time, it is an economic resource that must be exploited for the good of the same society. This dual quality of the forest creates tension, and it will be the expectation of posterity that the present generation will have employed its immense knowledge and wisdom to carve a credible path for ensuring the continued existence of the forest to serve the people at all times. Indeed, the best way to protect the forest is not to systematically ward off industry, but to encourage industrial exploitation since records prove that where forest has been exploited under sustainable management practice, it has turned out to be richer and more productive.

It is, therefore, reasonable to expect that, in an era of export-led economy propelled by private sector initiative, the government will maximize its efforts to ensure that an enabling environment is created for the industry. Without doubt, the industry cannot make the right impact if the unhelpful regulations, procedures and measures are not discontinued. If the cocoa industry has been allowed to move gradually towards its death, the timber industry should not be allowed to follow suit.

◆ Recommendations

In the light of the key problems briefly discussed, the Ghana Timber Millers Organization, with the benefit of the experience of its members, makes the following recommendations for urgent attention:

1. Areas designated Productive Forests should be privatized. This would enable individual companies with the requisite capacity to have long-term guaranteed access to raw material base, and those granted such concessions should operate strictly according to the guidelines for sustainable forest management agreed upon with the Forestry Department. The companies should give an undertaking to comply with the formula, while the Forestry Department monitors the actual performance of the companies. Indeed, GTMO members are prepared to undertake to ensure sustainability of the forest if it would be placed under their care.
2. Article 258 of the 1992 Constitution which entrusts the allocation of land and land title registration to the Lands Commission, should be enforced in harmonious relation with Article 259 which allows an Act of Parliament to regulate and manage the utilization of natural resources.
3. With immediate effect, the obsolete regulations and directives affecting girth limits should be reviewed to be in consonance with acceptable standards maintained around the world.

4. The 3% levy on all exports of GTMO-members being implemented by TEDB and FPIB should, as a prelude to its eventual abolition, be reviewed immediately as follows:

Forestry Department and Forestry Commission	1.5%
GTMO Members	1%
TEDB / FPIB	0.5%

This will be in keeping with the government's policy of freeing exports of all levies to enhance industry's capacity to support an export-led economy enshrined in Vision 2020.

5. Kiln dried exports should, in line with Act 503, be regarded as non-traditional export. A kiln-dried product is a value-added product, and must not be placed in the same category as raw logs and green lumber. Exporters should also be free to respond to orders for air-dried products. Government should use positive incentives to encourage companies to export kiln-dried products.
6. A financial package should be provided for the timber sector, to enable companies purchase machinery with low-interest loans to support value-added production.
7. Industry should be prepared to provide funds for forest improvement and sustainable forestry practice. In this respect GTMO's Silvicultural Foundation should be reactivated to enable its members to fund its purpose.
8. There is the need for a national program to introduce environment-friendly farming methods alongside a proper land-use policy, and also to institute measures to curtail the high rate of bushfire occurrence.
9. Alternative sources of energy should be made available at affordable cost, to help eliminate the increasing depletion of

forest by the woodfuel and charcoal industry.

10. Government should, as a matter of necessity, secure donor funding for the private sector to engage in large scale plantation development to ensure future raw material supply.
11. Joint-forest management systems should be promoted in the country on a large scale, to help motivate forest dwellers to protect trees in particular, and forest in general.

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