

# The public procurement policy on timber and timber products and supply of legal wood to the domestic market



## Key recommendations

1. Government should encourage consumption of legal timber on the domestic market. Approval and implementation of the PPP is critical in this regard
2. When approved, effective mechanism for monitoring the implementation of the PPP should be explored and implemented
3. Standardization of prices of legal wood across the domestic market is necessary and options should be explored towards achieving standardized pricing
4. There should be provision of incentives to contractors working on government projects to encourage use of only legal timber
5. Government should partner with sawmills to supply adequate and readily available legal wood on the domestic market at affordable prices.
6. Government should partner with key stakeholders to establish wood sales depots across the country at vantage points to enable easy access to legal timber.

## Key messages

- Government efforts to encourage trade of legal timber in the domestic market is yielding fruits as 50% of timber merchants in 2019 compared to 15% in 2017 source and supply legal timber to the domestic market.
- The public procurement policy on timber and timber products (PPP) is yet to be approved by Cabinet, but it holds promise in reducing illegal logging and associated trade on the domestic market.
- Government should take active interest and approve the PPP introduction.

## Introduction

Illegal lumbering largely associated with the supply of illegal timber to the domestic market has become a major challenge for sustainable forest management in Ghana. Increasingly, illegal lumbering operations continue to threaten Ghana's forests with an estimated 2.5 million<sup>1</sup> m<sup>3</sup> of timber illegally exploited annually across the country (Marfo, 2010). There is the need to develop appropriate policy and regulatory interventions that will reverse the

<sup>1</sup> It is important to note that current illegal timber harvest is likely to be lower than this figure due to ongoing efforts to ensure compliance to timber legality laws and dwindled timber resource base in the country.

current situation and ensure adequate supplies of legal timber on the domestic market. A key policy direction has been the implementation of the European Union's (EU) Forest Law Enforcement, Governance and Trade (FLEGT) programme involving a Voluntary Partnership Agreement (VPA). The FLEGT/VPA is a bilateral contractual instrument negotiated between the EU and any country that wishes to export timber to the EU market to ensure that only legal timber is traded between the two jurisdictions (Marfo and McKeown, 2013). Ghana entered into the VPA arrangement with the EU in 2009 to supply only legal timber to the European market. Additionally, Ghana decided to commit itself to ensure that legal timber is equally traded on the domestic markets under the FLEGT/VPA. In this regard, the Public Procurement Policy on Timber and Timber Products (PPP) has been proposed to encourage domestic use of legal timber. The government of Ghana, as the largest single consumer is to use its purchasing power through the PPP to prohibit the use of illegal chain-saw timber for all projects funded by the government. However, policymakers are in a policy dilemma and are hesitant to pass the PPP because of lack of assurance of the availability of legal timber in the domestic market or would like to ensure that legal timber is readily available before taking the step of passing the PPP.

This brief provides a short review of trends in source of legal timber to the domestic market, an overview of the proposed PPP and highlights stakeholders' perception on what challenges may persist in supplying legal wood on the domestic market in the wake of the PPP. It also highlights potential impact of the PPP on availability of legal timber for government projects at the district level and presents possible scenarios to further explore the supply of legal timber to the domestic market.

## Trends in source of legal timber to domestic market

There has been a marked increase in the total number of timber merchants trading in legal timber products on the domestic market from 15% in 2017 (Marfo et al., 2017) to 50% in 2019 (Obeng et al., 2019). Consequently, comparing the supply of illegal timber, which represented 76% in 2009 (TIDD/CSIR-FORIG, 2009) and 74% in 2017 (Marfo et al., 2017) to the 43% recorded by Obeng et al., (2019), indicates a declining trend in the number of merchants selling illegal wood on the domestic market. Thus the supply of legal timber to the domestic market appears to be gaining the needed prominence as more merchants are engaged in sourcing and supplying legal timber on the domestic market. These merchants dealing in supply of legal wood could form the basis of wood depots/vendors around the regional and district market levels and at vantage areas for the supply of legal timber in the short to medium term. Underlying requirements of all depots would include accessibility, proximity, availability and assurance of supply of legal wood.

The trend of more merchants supplying legal wood to the domestic market indicates that Government's efforts at eliminating illegal timber from the domestic market seem to be making some progress. However, this progress is at a very slow pace and illegal timber will continue to be traded on the domestic market, unless the PPP is approved and implemented to progressively eliminate illegal wood from the domestic market. The PPP will ensure that all timber and timber products for public use originate from legal and/or sustainable sources.

## Proposed Public Procurement Policy on Timber and Timber Products

The government of Ghana recognizes the need to make legal timber available in the domestic market not only because it is morally right to do so but also because it creates a choice for persons who are minded to purchase legal timber. The government of Ghana, through the Ministry of Lands and Natural Resources (MLNR), has therefore drafted a public procurement policy on timber and timber products (PPP) to outlaw the use of illegal timber for public works (government projects) in Ghana.

Although the PPP is yet to be approved by Cabinet, the ideas and intentions for developing the policy are laudable. The policy is an expression of government's commitment to show leadership in addressing illegal logging and supporting the development of sustainable forest management by using the purchasing power of government procurement to signal the market in favour of legally and sustainably produced timber and timber products. The policy is in fulfillment of government's obligation under the Voluntary Partnership Agreement (VPA) to encourage trade of legal timber in the domestic market. The objectives of the policy are:

1. *to ensure that all timber and timber products for public use originate from legal and/or sustainable sources, and*
2. *to reduce negative social, economic and environmental impacts of illegal timber production and trade.*

The PPP seeks to ensure that all state institutions (procurement entities) together with their contractors and sub-contractors working on public projects procure only timber and timber products derived from a legally and/or sustainably harvested forest, or from legal sources for use in public projects. The scope of the PPP is presently limited to only projects funded by government. The intent is for government to use its purchasing power to discriminate against illegal timber to serve as a good example for private entities.

The policy also clarified the procedure and institutions to ensure verification of purchase of legal timber by procurement entities. It is important to mention that the PPP remains a 'foetus' yet to be delivered. However, its conception has generated considerable excitements among key industry

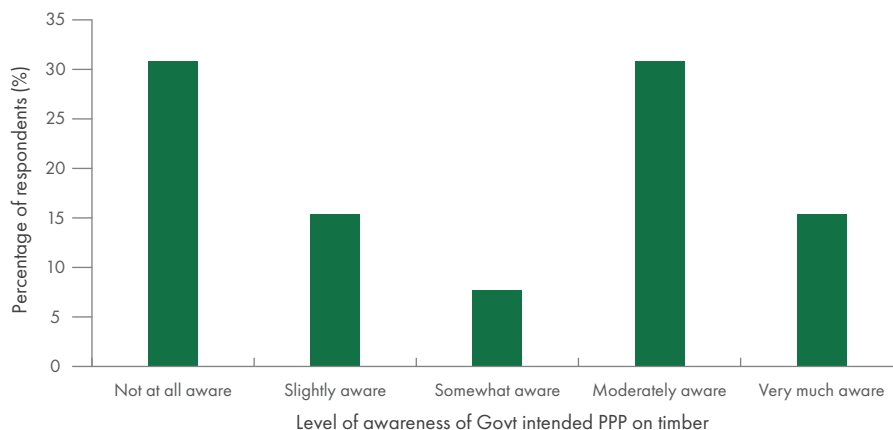


Figure 1: Level of awareness of the proposed PPP on timber among contractors and assembly officials.

players because of the promise it holds in reducing illegal logging and improving the long term sustainability of Ghana’s forests.

### Level of awareness of PPP among District Assembly Officials and Government Contractors

To understand the potential impact of the proposed PPP on the supply of legal timber on the domestic market, the level of awareness of District Assembly officials and contractors working on government projects on the proposed PPP was assessed (Figure 1). About 31% and 15% of respondents reported not at all aware and slightly aware of the proposed PPP respectively. Generally, there is a moderate level of awareness among the respondents. This indicates that more efforts are needed to create greater awareness of the PPP among key stakeholders.

### Challenges in sourcing legal timber for government projects by contractors

Challenges in sourcing legal timber for government projects from contractors’ perspective range from scarcity of legal timber, irregular supply to long waiting period after ordering for legal timber from sawmills (legal sources) (Figure 2). However, the high cost of legal timber remained the key challenge reported by majority of respondents.

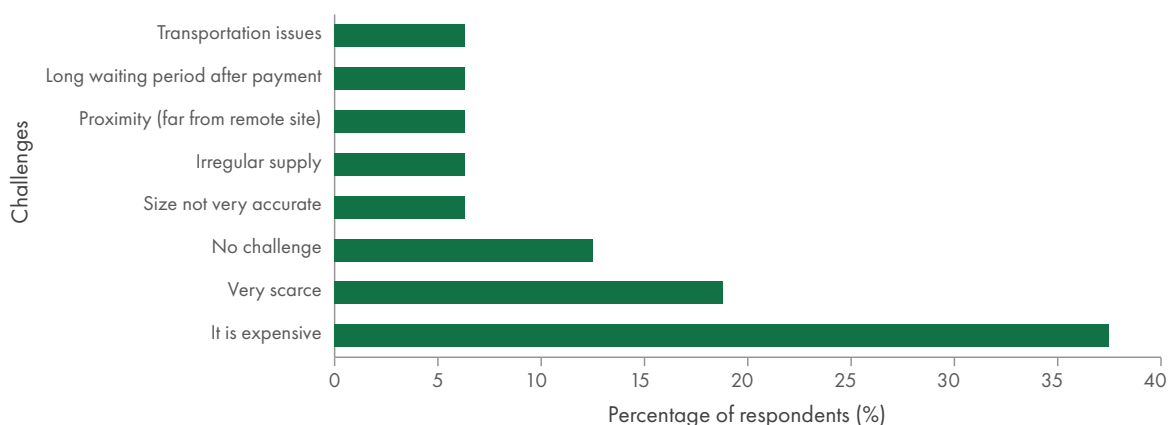


Figure 2: Challenges faced by contractors in sourcing legal timber for government contracts.

### Potential Impact of PPP implementation on availability of legal timber for government projects at the district level

Reported perception of contractors working on government projects and district assembly officials on the potential impact of the proposed PPP on awarded government projects were (1) expected high cost of legal wood for contracts; (2) legal timber may not be readily available at affordable prices at timber depots; (3) slowing down projects due to unavailability of legal wood resulting in long waiting periods; and (4) potential to help regulate timber prices at depots.

### Scenarios for supply of legal timber to the domestic market in the wake of the PPP

Two key driving forces that affect the supply of legal timber to the domestic market were identified as: (a) wood demand and (b) regulation of the domestic market (i.e. enforcement of laws). Two plausible scenarios were developed from these driving forces for the supply of legal timber to the domestic. The scenarios are:

1. *Only legal timber supply to domestic market*: the focus is on an effective regulation and strong enforcement system in the wake of high demand of wood on the domestic market.

2. *Legal timber supply for only government projects:* focus on measures to ensure legal wood is available for contractors working on government projects who require legal timber for their projects. The creation of wood depots/vendors remains key to ensure the supply of legal wood for the domestic market

Under each scenario, the following characteristics are key issues to be considered:

- Registration and licensing regime for all timber merchants
- Creation of sales depots across the country at vantage points to enable easy access to legal timber
- Publication of sources of legal wood and the benefits of legal wood
- Periodic sensitisation programs
- Need for standardized wood prices at all depots.

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## Conclusions

The high demand for timber in Ghana coupled with the decline in the timber resource base has necessitated the need for policy makers and forest resource managers to embrace integrated approach to manage forest and timber utilization. So far, Government's effort towards supply of legal timber to the domestic market is achieving good results: about half of timber merchants in the domestic market currently source and supply legal timber to the domestic market. Formally, adopting PPP across the country will further strengthen governments resolve to ban illegal timber from the domestic market. In principle, the PPP holds promise in reducing illegal logging and associated trade on the domestic market but more awareness creation efforts are needed to sensitize all stakeholders on the PPP and the modalities for its implementation.