

TIMBER LEGALITY, LOCAL LIVELIHOODS AND SOCIAL SAFEGUARDS:

IMPLICATIONS OF FLEGT/VPA IN GHANA

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IMPLICATIONS OF FLEGT/VPA IN GHANA

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ACRONYMS

CSM	Chainsaw milling
DANIDA	Danish International Development Agency
DFID	Department for International Development
DGIS	Directorate-General for International Cooperation
EU	European Union
FC	Forestry Commission
FFCs	Forest Fringe Communities
FLEGT	Forest Law Enforcement, Governance and Trade
FORIG	Forestry Research Institute of Ghana
FRNR	Faculty of Renewable Natural Resources
FSD	Forest Services Division
FWG	Forest Watch Ghana
GIRAF	Governance Initiative and Rights Accountability in Forest Management
GoG	Government of Ghana
GTA	Ghana Timber Association
GTMO	Ghana Timber Millers' Organisation
IOI	Illegal or Incompatible
IUCN	International Union for the Conservation of Nature
JMRM	Joint Monitoring and Review Mechanism
KNUST	Kwame Nkrumah University of Science and Technology
MDGs	Millennium Development Goals
MLNR	Ministry of Lands and Natural Resources
MSFEs	Micro and Small Forest Enterprises
MTS	Modified Taungya System
NFP	Netherlands Fellowships Programme
NLBI	Non-legally Binding Instrument
NREG	Natural Resource and Environmental Governance Programme
NTFP	Non-timber Forest Products
PROFOR	Program on Forestry
REDD	Reducing Emission from Deforestation and forest Degradation
SRA	Social Responsibility Agreement
TBI Ghana	Tropenbos International Ghana
TIDD	Timber Industry Development Division
TSPA	Trans-disciplinary Student Platform Approach to Learning
TUC	Timber Utilization Contract
UvA	University of Amsterdam
VLTP	Validation of Legal Timber Programme
VPA	Voluntary Partnership Agreement
WD	Wildlife Division
WITC	Wood Industry Training Centre

PREFACE

In response to the global concern about illegal logging and forest destruction, the European Union has launched an initiative on Forest Law Enforcement, Governance and Trade (FLEGT). An action plan of the initiative is the development of voluntary partnership agreements (VPA) with some timber trade partner countries. Timber Legality Standards (TLS) in producer countries is central to the VPA processes. An important question, which has been largely overlooked in FLEGT processes so far, is: how will the enforcement of agreed TLS affect the lives of rural communities, especially those dependent on timber extraction and trade for their livelihoods?

Under a project on managing the consequences of timber legality on local livelihoods, Wageningen University, Centre for Development Innovation and Tropenbos International seek to provide some insights. This publication is the proceedings of a workshop under the project jointly organised by the project partners. It contains a number of well-researched presentations as well as case studies on how the "tightening of controls" under the VPA may affect the lives of rural communities, especially those dependent on timber extraction and trade for their livelihoods. It also captures a SWOT analysis of the VPA and covers other concepts like good forest governance, social safeguards and presents a research agenda and policy messages with respect to managing the impacts of timber legality standard on livelihoods.

Tropenbos International Ghana is happy to make available this information and hope that it will greatly inform the VPA processes both in Ghana and elsewhere. We recommend it to all who are concerned about illegal logging and local livelihoods. This is the 8th in a series of proceedings from workshops organised by TBI Ghana. Earlier reports may be accessed from our website www.tropenbos.org.

ACKNOWLEDGEMENTS

This publication is the output of a 2-day workshop held in Accra, Ghana. It embodies presentations made by different researchers and practitioners as well as views of the participants as captured at group discussions. We gratefully acknowledge the contributions by the authors and participants.

Mr Bossman Owusu and Ms Jane Aggrey spent considerable effort and time to put all the materials together. Several people also helped in getting the document in this final shape. Particular mention is made of the rapporteurs and organising committee members both in Ghana and the Netherlands for their diverse contributions and comments.

The workshop itself was part of a project on managing timber legality standards on local livelihoods being implemented by Tropenbos International, Wageningen University and Centre for Development Innovation, with funding from the Directorate-General for International Cooperation of the Dutch Ministry of Foreign Affairs (DGIS). We appreciate the partnership and gratefully acknowledge the support.

K. S. Nketiah
Programme Director, TBI Ghana

SYNTHESIS OF FINDINGS AND RECOMMENDATIONS

In November 2009, Ghana became the first country to have signed and ratified a Voluntary Partnership Agreement with the EU on legal timber exports after a negotiation process that started in 2006. With the implementation of VPA, forest law enforcement will be strengthened. Even though VPA is anticipated to impact meaningfully on sustainable forest management, it has potential adverse effects on social actors who depend on timber extraction and trade for their livelihoods. Article 17 of the Ghana-EU agreement on timber legality standards recognizes the link between forest law enforcement and livelihood, and mentions the need for social safeguards for potentially affected actors. However, the Article does not indicate how social actors can be affected and the kind of social safeguards needed to manage the effects on their livelihoods.

The potential effects of VPA implementation on local livelihoods are further assessed in the research project – “Illegal or Incompatible? Managing the consequences of timber legality standards on local livelihoods”. TBI Ghana and partners including Wageningen University and Ghana’s Forestry Commission seek to provide better understanding of the potential livelihood impacts as well as the need for further policy amendments for managing them. In October 2009, TBI Ghana organised a workshop to facilitate information exchange and dialogue on VPA and livelihood considerations in Ghana.

The two-day workshop attended by research, academia, policy, timber industry, civil society, practitioners and development partners reflected on actor categories that can be affected by VPA implementation and the kind of social safeguards needed to manage these effects. During the first day, key researchers and practitioners engaged with the Ghana FLEGT/VPA process reviewed the state of knowledge regarding forest legality and forest livelihood conditions in Ghana. Various technical presentations were given and a SWOT analysis about social safeguards for different actor categories was held.

The second day was devoted to interactive discussion between the research community and policy makers. This day was highlighted by a keynote address read on behalf of the Minister of Lands and Natural Resources. Moreover, the results of the deliberations during the first day were presented. During a plenary discussion the research and development agenda needed for implementing Article 17 of the FLEGT/VPA Ghana agreement was considered.

The workshop resulted in three key messages directed at policy makers both in Ghana and the EU and at researchers. The messages concerned (a) the identification of key policy issues needing further attention, (b) the identification of different categories of actors potentially affected by the FLEGT/VPA process, and (c) the identification of major research and development issues requiring further attention for managing the consequences of VPA implementation. These key messages are presented as follows:

Key policy messages

The implementation of the FLEGT/VPA process may have both positive and negative impacts on local livelihoods.

Positive effects	Negative effects
<ul style="list-style-type: none"> • Less dependence on illegal loggers. • Improvement of forest conditions increasing natural livelihood assets. • Legalization of small-scale forest activities. • Better enforcement of forest-related rights of local people. 	<ul style="list-style-type: none"> • Less employment in (and income from) illegal logging. • Enforcement of ‘anti-poor’ aspects of forest laws: <ul style="list-style-type: none"> ○ Legal denial of customary rights of forest use, ○ Enforced ban on small-scale practices such as chainsaw logging, ○ Focus on technical issues of legal timber production and tracking systems without consideration of benefit-sharing mechanisms. • Empowerment of government bureaucracy resulting in lack of administrative justice.

In respect of managing the potentially negative impacts, it is important to distinguish three basic approaches towards the FLEGT implementation:

- A law enforcement approach focusing on the identification and enforcement of a timber licensing scheme for controlled origin of timber, timber exploitation by legally recognized logging companies according to prescribed operational procedures and timber tracking.
- A benefit sharing approach focusing on the identification and enforcement of a legally-defined benefit-sharing mechanism with due attention to just sharing of benefits between logging companies, forest land owners and local communities, as well as proper payment of timber permit rights and export fees to the government.
- A rights-based approach focusing on the identification and enforcement of socially-just access and ownership rights of local communities to forest lands.

In order to prevent and/or manage negative impacts of the FLEGT/VPA process, it is important to relate the concept of legality not only to timber legality issues, but also to legal arrangements with respect to forest access rights and benefit-sharing. Concerning forest access rights, four different regimes for timber production can be distinguished in Ghana:

- Official forest reserves with natural forests
- Collaborative managed reforestation areas in official forest reserves

- Off-reserved lands with agroforestry systems
- Off-reserve forest with tree plantations

In implementing timber legality standards, care should be taken that attention is given not only to selected timber production regimes, but to all regimes. This should be in accordance with the decision of the Government of Ghana to extend the FLEGT/VPA legality standards to all timber production in Ghana, irrespective of whether it is used domestically or exported to Europe or other regions. In this respect, serious attention needs to be given to the question of how best to deal with the fact that most domestic timber use is produced under de-facto illegal chainsaw milling arrangements.

In addition to the general conclusions, the following specific messages to policy makers in Ghana and the EU were also identified:

1. There is a need for establishment of a forest and environment policy analysis centre in Ghana to support the design and implementation of social safeguards.
2. There is a need for private sector participation in the Wood Industry Training Centre for effective delivery of services to the private sector in coping with the VPA implementation.
3. Representative stakeholder involvement and continued attention to identifying social safeguards are key to successful implementation of the VPA. In case the identified need for social safeguards is not addressed in the VPA implementation phase, this implementation will definitely bring adverse effects to various social groups.
4. Stakeholders have different needs and aspirations, hence the need to identify social safeguards in respect of the specific needs and interests of each group. This is required to avoid providing one simple package as social safeguard for all social groups.
5. In developing social safeguards, one might think of various policy options such as:
 - Capacity building in local communities to monitor and evaluate the process and impact of VPA implementation.
 - Improved arrangements for guaranteed access to forest resources as well as to timber benefit sharing mechanisms for communities that depend on forests.
 - Development of alternative livelihoods for groups of poor people who are negatively affected by the FLEGT/VPA scheme, especially chainsaw operators.
 - Increased efficiency, added value and, hence, sustainable employment in the forest sector.
 - Expanding the forest resource base in Ghana for example through plantation.
6. There is a need for continued dialogue on stakeholder involvement in the implementation of the VPA (capacity, resources, etc): One of the strong points of the

agreement so far is that it had a lot of stakeholder inputs. However, after the agreement, it appears stakeholders are withdrawing but there should be a system in place to sustain stakeholder participation in the implementation of the VPA.

7. As discussed below, further research is needed to manage potential negative impacts of the FLEGT/VPA process. Conscious efforts should be given towards linking of such research to the actual VPA implementation process. Attention should also be given to ensure that when the VPA programme is over, research on social safeguards is not stopped.

Social safeguards for different categories of potentially affected actors

As indicated above, when considering the potential negative livelihood impacts of the FLEGT/VPA process, it is important to consider that different stakeholders have different needs and aspirations. During the workshop four actor categories were identified as potentially affected by VPA implementation in Ghana. Without social security measure – social safeguards – to manage the negative consequences of strengthened legality control, these social actors risk a loss in livelihood conditions.

Forest Fringe Communities (FFCs)

Currently, forest laws prohibit FFCs from accessing timber for commercial purposes and collection of non-timber forest products from forests is only nominally allowed. At the same time, there is increasing pressure from FFCs to convert forest reserve areas to farmlands. Strict law enforcement that does not take the needs of FFCs into consideration can deteriorate the situation. Formally, FFCs can profit from timber harvesting when Social Responsibility Agreements (SRA) are fully implemented. However, in most cases, SRA is poorly implemented and farmers are not compensated for damages caused by loggers on their agricultural fields. This leads to insecurity in forest-dependent livelihoods.

Law enforcement can improve this situation when it focuses on better adherence to SRA provisions and compensation arrangements. This, however, may not be enough to secure adequate livelihoods for FFCs. Another social safeguard could be development of new alternative livelihood schemes. However, these should be carefully planned, as some of the alternative livelihood activities currently promoted such as grass-cutter farming can be difficult to manage at the initial stage. Better still, stimulation of alternative livelihood schemes should aim at building upon already existing and acceptable economic opportunities by enhancing their sustainability and profitability.

Chainsaw Operators

Since 1998, chainsaw lumber production for commercial purposes has been banned. Nevertheless, it still accounts for 84% of lumber on the domestic market at the moment. Chainsaw operation is known to offer livelihood opportunities to large rural dwellers in Ghana, providing jobs for about 130,000 Ghanaians and livelihood support for about

650,000 people. When law enforcement is tightened, these people are likely to suffer loss of income. At the moment there is no indication that the ban on chainsaw operation will be lifted. Social safeguards are needed to assure sustainable livelihoods for those involved in the activity. This could include transforming it into a legal artisanal activity or integrating it into mainstream forest management and operations. This option is at the moment being discussed by stakeholders in Ghana.

Chainsaw milling is increasing because the high local demand for lumber is not being met from sawmills that have the responsibility to supply lumber for domestic market. Meeting this demand with supply of legal timber should be the basis of any policy option. Successful implementation of VPA for the domestic market hinges on managing the competing claims in the production, access, supply and use of forest resources. A revision of forest sector policies driven by multiple stakeholders will be required to address the dilemmas surrounding the supply of legal timber to the domestic market

Micro and Small Forest Enterprises (MSFEs)

Micro and small forest enterprises are currently faced with the problem of accessing legal timber. This is because good quality saw-mill lumber is either not available on the local market or not affordable. This situation compels MSFEs to resort to illegal lumber for their wood-working activities. For instance, about 40,000 carpenters depend on illegal lumber. When the VPA becomes operative, supply of chainsaw lumber is likely to reduce, potentially impacting negatively on MSFEs. Safeguards are therefore needed against the loss of such legal jobs that depend on illegal lumber. Reliable supply of affordable lumber from legal sources to MSFE is required.

Formal Timber Industry

Timber industry and markets face decline in wood availability from domestic origin. The changes in availability of wood species would affect the export sector volume (at least in the short to medium term) more than it would the domestic as the latter is more flexible with choice. There are increased cost implications from reduced volumes, species change and enforcement. VPA brings further decline in levels of employment already under way, and could cost US\$ 10 million annually in lost job opportunities as logging and primary processing capacities are further consolidated.

Mitigating these adverse social consequences will require short to medium term cash livelihood support for retrenched labour with or without agreement with enterprise owners on plant shut down. The State then assumes payment of decommissioning sums to labour in lieu of terminal benefits payable by enterprise owners. This should be an incentive for enterprise owners to close down. Studies under the Validation of Legal Timber Programme (VLTP) suggest that there is sufficient net economic benefit to accommodate a financing of livelihood loss over a transition period of 4 years. The process will however require transparency to be successful.

Research and development needs in managing the consequences of VPA implementation on local livelihoods

During a final plenary discussion, major research issues requiring further research and development attention were identified. In respect of this, the following core issues resulted. (See page 115 for detailed account)

1. *Research about the possible impact of VPA implementation on livelihoods*
 - a. Research on socio-economic heterogeneity within local communities and impact of the VPA process on different groups of people.
 - b. Research on acceptable alternative livelihoods for people negatively affected by the implementation of the FLEGT/VPA process.
2. *Research on possible responses to enforcement of legality standards*
 - a. Stakeholder perspectives on forest law reforms needed for mitigating the effect of VPA implementation on livelihoods.
 - b. Potential challenges in implementing legality standards in off-reserve areas.
 - c. Managing conflicts arising from decentralized forest law enforcement decisions.
3. *Research on effective support to industry and timber trade-dependent communities*
 - a. Options for balancing the resource needs of the domestic and export markets
4. *Development of effective instruments and organisational mechanisms for monitoring and evaluation of the implementation of the VPA on local livelihoods*

In addition to these issues, several suggestions were made with respect to the need for restructuring the Wood Industry Training Centre and the linking of the FLEGT/VPA discussion and communication process to the Natural Resources and Environmental Governance (NREG) initiative.

1.0 INTRODUCTION

1.1 Background

Forest Law Enforcement, Governance and Trade (FLEGT) has been adopted by the European Union (EU) to address the problems of illegal logging and associated trade. To put FLEGT into effect, Voluntary Partnership Agreements, (VPA) are being negotiated as part of the FLEGT Action Plan. Producer countries that sign up to the VPA will commit to export only legal timber to the EU. Timber arriving from partner countries at any EU point of import without FLEGT license would be denied entry. In November 2009 Ghana became the first country to have signed and ratified a Voluntary Partnership Agreement with the EU on legal timber exports, after a negotiation process that started in 2006.

The mutual commitment (Ghana-EU) to combat the problem of illegal logging and trade in associated timber products also links good forestry governance in Ghana with legal trade instruments. While the VPA focuses mostly on the use of a timber licensing scheme to contribute to the achievement of the objective of the FLEGT, it is recognised that the implementation could adversely impact on local communities as well as the timber industry, including those engaged in illegal logging. This is recognised in Article 17 of the Ghana-EU agreement.

In the past, national level concerns have tended to focus mostly on concession forestry's long term sustainability, conservation issues and (international) trade. Social issues and local community concerns are set to gain the required attention. As administrative and legal systems are developed to strengthen law enforcement under the VPA, there is no guarantee that this will improve the welfare of the poor. For the VPA to be effective, improved governance must be a core issue. Law enforcement in timber production must be pro-poor and linked with institutional reform.

The 'Illegal or Incompatible?' (IOI) research project assesses how these trade agreements impact on the livelihoods of forest-dependent people, and searches for governance mechanisms to mitigate the negative impacts. Barely a year after its execution, the project on June 8th and 9th 2009, organised a seminar in the Netherlands to review the present state of knowledge on the scope of timber legality vis-à-vis the (anticipated) development and livelihood impact of the FLEGT/VPA process in Ghana and to identify key issues for further research and policy development. (*See appendix 1 for seminar report*)

On October 8th and 9th 2009, Tropenbos International Ghana, an IOI project partner organized a sequel workshop in Accra, Ghana bringing together about forty high profile foreign and national delegates, drawn from research, academia, policy, practitioners, civil society, timber industry and development partners.

1.2 Workshop Objectives

The Ghana workshop had the following twin objective:

- i. facilitate information exchange and networking among scientists on the possible impacts of the VPA on livelihoods, and
- ii. Establish dialogue between policy makers and research community on VPA impacts on livelihoods.

1.3 Expected Outputs

- (1) Raised awareness of policy makers and scientific community on the potential impacts of the VPA implementation on livelihoods;
- (2) Identified research (needs) into mitigation measures and monitoring mechanisms.

1.4 Workshop Methodology

The workshop was organized in two parts. During the first day, key researchers and practitioners engaged with the Ghana FLEGT/VPA process reviewed the state of knowledge regarding forest legality and forest livelihood conditions in Ghana. Various technical presentations were given and a SWOT analysis about social safeguards for different actor categories was held.

The second day was devoted to interactive discussion between the research community and policy makers. This day was highlighted by a keynote address read on behalf of the Minister of Land and Resources. Moreover, the results of the deliberations during the first day were presented as well as a paper on the status of the Ghana forest policy. During a plenary discussion the research and development agenda needed for implementing Article 17 of the FLEGT/VPA Ghana agreement was considered.

2.0 KEYNOTE ADDRESS

By the Minister of Lands and Natural Resources (MLNR), Hon. Collins Dauda: Read by Mr Fredua Agyemang, Technical Director of the MLNR, Ghana

Mr. Chairman, Colleague Members of Parliament, Research and Academic Community, Foresters, Ladies and Gentlemen, let me start by welcoming the non-Ghanaian participants to Ghana, most especially those who are visiting Ghana for the first time. I trust that you will enjoy the proverbial Ghanaian hospitality and that you find time to enjoy the many interesting sites that continue to attract tourists to Ghana.

When Ghana committed to the Forest Law enforcement, Governance and Trade (FLEGT) initiative it was anticipated that the drive towards implementing the Voluntary Partnership Agreement (VPA) would complement the on-going country reforms and related governance efforts at ensuring a sustainably managed resource which will ultimately improve the livelihoods of our people and facilitate speedy socio-economic development.

It was also accepted that a successful implementation of the VPA would accrue numerous benefits to the country; including guaranteed, Ghana's continued access to the European market which remains the major export destination of our timber and timber products. This objective is in line with Ghana's 1994 Forest and Wildlife Policy which seeks to ensure a perpetual flow of resource benefits to all segments of society that links up well with the governance aspirations of the VPA.

Ghana's rich history of forest management gives one message, namely, 'sustainable forest management will be a mirage without the effective participation of key stakeholder groups in the management of the resource'. We can also learn from our history of forest management that when expectations of stakeholders are met or efforts at ensuring this are sufficiently convincing then the environment is created for fruitful participation of the stakeholders in the governance of the resource.

The successful implementation of Ghana's VPA, we believe, should enable us make progress towards ensuring that there is fair access to the resource by all stakeholders in a manner that guarantees the perpetual flow of benefits. Ghana's approach to the implementation of the VPA is to build on this success story of harnessing all relevant stakeholders for a common purpose and speedy achievement of objectives of the programme.

Mr. Chairman, the forest continues to be a source of livelihood to many a Ghanaian. Our conservative estimates suggest that 1.1 million people are directly dependent on the forest for their livelihood. This is beside the hundred thousand people who are also

directly employed by the timber industry. The forest is therefore an important source of livelihood to the Ghanaian.

The overall contribution of the forestry sector to the GDP is about 6% (between 200-250 million Euros per annum) and is ranked 4th to gold, tourism and cocoa in Ghana. These figures represent the consumptive use of the resource. Recent issues around climate change and carbon credit talks suggest that the non-consumptive use of the forest should equally command our attention as policy makers and researchers alike.

In ensuring the flow of benefits from the resource to all segments of stakeholders, it is important to consider the combination of the consumptive benefits as well as the non-consumptive benefits of the resource in our deliberations. The livelihood support given by the forest in varied forms is what makes it imperative to monitor the impact of any instrument that is introduced into the policy environment.

In line with this, article 17 of the VPA agreement stipulates that the parties i.e. Ghana and European Union will monitor the impacts of the agreement on the communities and identify actors while taking reasonable steps to mitigate any adverse impacts. The article further states that the parties may agree on additional measures to address these impacts while monitoring any others yet to manifest; hence, it is important to gain beforehand a good understanding of livelihood patterns as well as the broad spectrum of benefits provided by the forest. It is through having a better insight of these livelihood concepts that one can measure impacts and put in place requisite mitigation measures.

Mr. Chairman, it is in this regard that I find this seminar a welcome idea. I am informed that this is the second in a series organized. The first, I am told, took place at Wageningen University in the Netherlands. Let me assure the organizers of this seminar especially, the research team that the findings of this seminar will be of immense interest to my ministry as we seek to put in place sound policy that can inform not only by experience through practice but by research. It is of interest to note that in the ongoing Natural Resource and Environment and Governance programme (NREG), the possibility of incorporating research into the programme is being discussed. My technical team is in contact with development partners and researchers in Ghana to pursue this objective.

Mr. Chairman, it has been said that research identifies options without offering responsibility, whilst practice assumes responsibility. There must however be a meeting point of those who identify the options and those who are bearing the responsibilities. This seminar with its objectives provides a meeting point for the two. It is my hope that the right rhythm can be found under the VPA implementation between research efforts and practice. The parties under the agreement have committed to, not

only coming up with an understanding of the concept of livelihoods, but also, to mitigate any adverse impact that may be introduced by the implementation of the VPA.

I trust that there will be another opportunity for the partners to this agreement to generate and discuss findings that may emanate from this seminar for appropriate actions to be taken. On this note, I wish to add my support to the research and therefore, look forward to the contributions it will make to the successful implementation of the VPA. Thank you for your attention and God bless us all. Thank you.

3.0 TECHNICAL PRESENTATIONS

3.1 'ILLEGAL OR INCOMPATIBLE? MANAGING THE CONSEQUENCES OF TIMBER LEGALITY STANDARDS ON LOCAL LIVELIHOODS'

By Prof Bas Arts and Dr Freerk K. Wiersum: Forest and Nature Conservation Policy Group, Wageningen University, the Netherlands

Summary

The EU FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan aims to combat illegal logging and its associated trade. It stimulates legal timber production and improved forest governance in partner tropical countries providing timber to the European market and to eliminate the export of illegal timber from these countries to Europe. In order to accomplish this, the programme aims at the development of Voluntary Partnership Agreements (VPA) between the EU and individual tropical timber exporting countries. It is hoped that the legality reforms will provide co-benefits in the form of good governance and equity in access to forest resources; this is expected to have a positive impact on reducing poverty.

Ghana was the first country to formally prepare and ratify a VPA and submit to the European Union. The country provides an excellent opportunity to assess how livelihood issues are incorporated in the process of formulating national VPA agreements. Consequently, in 2008 a Dutch-initiated research programme was started to assess how the consequences of international trade agreements on local livelihoods can be managed and to search for governance mechanisms to mitigate the negative impacts. This paper introduces the research objectives of the programme. First it elaborates the question of whether timber legality and poverty alleviation are competing goals. It also describes the main issues regarding timber legality and livelihood interactions in Ghana. Subsequently, the paper identifies the major governance issues requiring attention in Ghana's VPA process in respect to better control of the legal standards for timber extraction as well as further adaptation of forestry laws. In making further adaptations to the present forest laws, attention should be given to social safeguards to assure that the legal provisions do not have undesirable impacts on local livelihoods. This requires amendments of the arrangements for accessing rights to timber and benefit sharing mechanisms for timber production. Consequently, the FLEGT/VPA process in Ghana involves a process of policy learning in respect to various fundamental issues regarding the multiple dimensions of timber legality.

The 'Illegal or Incompatible' research programme was initiated to stimulate this policy learning process by making detailed assessments of the interfaces between legality and livelihood issues in Ghana and organizing a science-policy communication process. The aim of this workshop was to contribute towards these goals by (1) facilitating exchange

of information and networking amongst scientists on the possible impacts of VPA on livelihoods, and (2) stimulating science-policy interaction by establishing a dialogue between policy makers and the research community on VPA impacts on livelihoods.

Introduction

The conservation and wise use of tropical forests is of global concern. Illegal and irresponsible timber exploitation is considered as one of the important reasons for continued deforestation and degradation. The EU FLEGT (Forest Law Enforcement, Governance and Trade) Action Programme recognizes that the EU, as a significant consumer of tropical timber, shares responsibility with tropical countries to combat illegal logging and its associated trade. In order to stimulate legal timber production and improved forest governance, the programme aims at the development of Voluntary Partnership Agreements (VPA) between the EU and partner tropical timber exporting countries as a means to eliminate the export of illegal timber to Europe. The programme is primarily focused on the identification and implementation of measures ensuring legal timber production and trade. It assumes that by addressing illegal timber production it will be possible to contribute towards improved forest governance and sustainable timber production.

The voluntary timber trade agreements are considered as a vehicle for wider forest policy reforms, and it is hoped that the legality reforms will provide co-benefits in the form of good governance and equity in access to forest resources. This is expected to have a positive impact on reducing poverty. It is recognized that such co-benefits will only be possible in case the Voluntary Partnership Agreements include social safeguards and potential adverse effects on local communities are minimized. Hence, the Agreements should not only identify measures to control illegal timber production and trade, but also measures to deal with wider legality-related social issues, notably concerning the impact of the legality assurance system on the lives of rural communities who depend on the forests.

Ghana was the first country to formally prepare and ratify a VPA. Therefore, this country provides an excellent opportunity to assess how livelihood issues are incorporated in the process of formulating national VPA agreements. Consequently, when in 2008 a Dutch-initiated research programme was started to assess how the consequences of international trade agreements on local livelihoods can be managed and to search for governance mechanisms to mitigate the negative impacts, Ghana was invited as a partner in the programme. This 'Illegal or incompatible' (IoI) research and communication programme is carried out by a consortium of organizations including Tropenbos International Ghana and the Forestry Commission (in Ghana), and Wageningen University and Research Centre and Tropenbos International (in the

Netherlands)¹. The project focuses on analyzing the FLEGT/VPA governance process and on developing scenarios about the potential impact of different VPA arrangements on local livelihoods. It also aims to stimulate science-policy interaction and stakeholder capacity building for effective VPA arrangements.

Within the framework of the project two seminars/ workshops were organized in 2009 in order to facilitate exchange of information and interaction between policy makers and scientists studying the impact of the FLEGT/VPA policy on livelihoods. On June 8, the first international seminar was organized at Wageningen University in the Netherlands². On October 8 and 9, 2009, a follow-up national workshop took place in Ghana. This paper will elaborate the question of whether timber legality and poverty alleviation are competing goals. Next, it will discuss the main issues regarding timber legality and livelihood interactions in Ghana. Finally, it will describe the research programme of the 'Illegal or Incompatible' programme.

Timber legality and poverty alleviation in forestry: Competing goals?

As indicated in the introduction, the FLEGT/VPA process is based on the assumption that voluntary timber trade agreements can form a vehicle for forest policy reforms: including both legal reforms and improved forest governance, and that it will have co-benefits by contributing to poverty reduction. Such co-benefits should not be taken for granted. A particular problem in the FLEGT process is that in many tropical countries the legal framework governing the forest sector is not necessarily 'pro-poor' in its conception and operation. The regulations on timber production tend to focus on the proper operation of large-scale concession systems for export timber production, with little attention to the often small-scale and more informal systems for domestic timber supply. Moreover, the needs for forest products by local community are often assumed to be primarily subsistence-based. This bias affects the local economic development opportunities. Hence, upholding the national laws under the FLEGT banner may enhance the existing power imbalances in legal use of forests. Consequently, there is no guarantee that enforcing laws will improve the welfare of the poor. The challenge is therefore how to link law enforcement on timber production with pro-poor reform; this often requires new institutional tools and mechanisms (Kaimowitz, 2003; Adrian Wells, 2006). For VPAs to be effective, the improvement of governance is a core issue.

Consequently, the European Council would like a VPA to be a policy instrument that, not only regards timber legality, but also "*strengthen land tenure and access rights especially for marginalised communities, strengthen effective participation of all stakeholders, notably on non-state actors and indigenous peoples in policy making, increase transparency and reduce corruption*". Such a combination of objectives is not to be taken

¹ The programme is funded by the WUR/DGIS Partnership Programme and coordinated by the Forest and Nature Conservation Policy group, Wageningen International and Tropenbos International. Several research organizations in Indonesia are involved in additional studies in Indonesia.

² The report of the seminar can be found in Appendix 1.

for granted. As evident from the discussions at the Wageningen 'IoI' project seminar in June 2009, the impact of timber legality enforcement on local livelihoods potentially can have both positive and negative effects (Table 1).

Table 1 Potential impacts of timber legality enforcement on local livelihoods

Positive effects	Negative effects
<ul style="list-style-type: none"> • Less dependency on illegal loggers • Improvement of forest conditions increasing natural livelihood assets • Legalization of small-scale forest activities • Better enforcement of forest-related rights of local people 	<ul style="list-style-type: none"> • Less employment in and income from illegal logging • Enforcement of 'anti-poor' aspects of forest laws <ul style="list-style-type: none"> ○ Legal denial of customary rights of forest use ○ Enforced ban on small-scale technologies such as chainsaw logging ○ Focus on technical issues of legal timber production and tracking systems without consideration of benefit-sharing mechanisms • Empowerment of government bureaucracy resulting in lack of administrative justice

In view of these potentially diverse impacts of timber legality enforcement on local livelihoods, an important question is how the concept of timber legality is interpreted.

It is possible to distinguish three different approaches:

- A law enforcement approach focusing on the identification and enforcement of a timber licensing scheme for controlled origin of timber, timber exploitation by legally recognized logging companies according to prescribed operational procedures and timber tracking.
- A benefit-sharing approach focusing on the identification and enforcement of a legally-defined benefit-sharing mechanism with due attention to just sharing of benefits between logging companies, forest land owners and local communities, as well as proper payment of timber permit rights and export fees to the government.

- A rights-based approach focusing on the identification and enforcement of socially-just access and ownership rights of local communities to forest lands.

Within the framework of contributing to poverty alleviation, timber legality schemes should not just be focused on a law enforcement approach, but also on benefit-sharing and rights issues.

Timber legality and livelihood issues in Ghana

Livelihood consideration in the Ghana forest policy

The 1994 Forest and Wildlife Policy of Ghana explicitly recognizes the rights of local communities to benefit from the forest resources in their daily livelihoods. This policy explicitly states (Marfo, 2009a):

- The Government of Ghana recognizes and confirms the right of people to have access to natural resources for maintaining a basic standard of living and their concomitant responsibility to ensure the sustainable use of such resources.
- A share of financial benefits from resource utilization should be retained to fund the maintenance of resource production capacity and for the benefit of local communities.

These stipulations are reflected in a complex legal structure regarding the rights to forest lands and products in Ghana. This legal structure combines elements from statutory and customary legal systems and includes a distinction between land tenure and tree tenure rights (Amanor, 1999; Owuba et al., 2001; Otsuka et al., 2003; Akyeampung Boakye and Affum Baffoe, 2008; Dabrowska, 2009; Marfo, 2009a). In considering the scope and potential impact of timber legality on local livelihoods, it is necessary to give attention to the repercussions of this complex legal structure on the rights and benefit-sharing mechanisms for timber and other forest products.

Access and ownership rights to forest lands and products

With regard to access and ownership rights to forest lands and products in Ghana, there exists a distinction between the tenure arrangements for land and for trees (Amanor, 1999; Marfo, 2009a). The land tenure rights are governed by a combination of both statutory and customary laws. The formal ownership of lands in Ghana is based on a division between public lands and stool lands under allodial title by traditional chiefdoms and clans. The public lands concern either lands that were officially acquired by the state from the allodial owners or vested lands for which the legal title is transferred to the State, whilst the beneficial interests rest with the community. The formal permanent forest estates established by the state concern such vested lands in which the land continues to be the property of the community, while the government manages it for the collective good of the public.

The use of the lands with allodial titles is governed by a system of customary tenure. This system includes two types of freehold. Customary freehold refers to the rights of a member of traditional communities to lands that he cultivated as the first person or that were allotted to him by the community leaders. And common freehold refers to the rights for 'strangers' after having received land as a gift from the chiefs or his elders.

In addition to the land tenure rights, there exists a separate system of tree tenure rights. The rights of ownership and access to trees vary depending on whether the tree is naturally growing or planted. According to the (Timber) Concession Act of 1962 all naturally growing trees are vested in the President in trust for the traditional chiefdoms. Consequently, the State has the formal right to control and manage these tree resources, including allocation of logging rights. However, the statutory law recognizes customary access and use rights on forest products for domestic purposes. These rights do not only concern trees in the forest reserves, but also trees on farmer fields. Notably in the widespread cocoa plantations trees are commonly maintained for micro-climate regulation (Asare, 2005; Slesazeck, 2008). Although farmers are allowed to select which trees should be removed or maintained on their farms during clearing for cultivation, they have formally no rights to fell commercial trees on their farms. However, in respect of planted trees on freehold lands, ownership rights of the planter are recognized.

In 1997 a new Timber Resource Management Act redefined what lands are subject to state-issued timber utilization rights. According to this Act, no timber rights can be granted on farmlands without written authorization of the farmer(s) involved, or on lands with private plantations or privately grown timber. These new legal provisions in principle increased the rights of local people over timber resources on their lands.

Forest benefit-sharing mechanisms

The legal pluriformity regarding forest use with a differentiation in land and tree tenure conditions and a combination of both statutory and customary rights has resulted in a complex system of benefit-sharing from timber exploitation. Formally, the government has the sole right to decide over commercial exploitation of natural forests. For timber logging, they issue logging permits to timber companies holding a formal Timber Utilization Contract (TUC). The net benefits from the revenues received by the state from these timber sales are distributed to the traditional stool authority (45%) and the District Assembly (55%) responsible for the administrative region where the stool lands are situated (Marfo, 2009a).

Officially, the government, in consultation with the land owner, has also the right to control timber exploitation on farm lands. In practice, however, on the off-reserve lands often a more informal system of timber exploitation through so-called chainsaw logging operators take place. These small-scale operators do not hold an official Timber Utilization contract. They normally negotiate timber sales with individual farmers; but

also cases of timber cutting without permit of the farmers are not uncommon. Since the publication of the 1998 Timber Resources Management Regulations chainsaw logging is formally illegal, but it is still widespread and supplies most of the domestic timber market (Hansen and Treue, 2008; Marfo 2009b).

Thus, within the Ghanaian forestry policy system explicit attention is given towards the sharing of benefits of timber production. In practice, most attention is often given to the benefit-sharing mechanisms for the customary authorities formally holding land ownership rights. In the Ghanaian Constitution, it is stipulated that these customary authorities should act on the basis of being a trustee or custodian of the land with the obligation to discharge their functions for the benefit of the people and be accountable as fiduciaries in this regard (Marfo, 2009a). However, there is no explicit legal stipulation that (part of) the timber revenues received by the stool authorities should be invested in the local communities. Hence, when it comes to benefit-sharing of the royalty payments, there is an ongoing discussion in Ghana on whether the timber revenues should be partly (re)allotted by the traditional authorities and/or district authorities to local communities (Opoku, 2006; Marfo, 2009a).

In order to ensure further community benefits from timber production, on the basis of the 1994 Forest and Wildlife Policy, several initiatives have been undertaken to further stimulate community involvement in forest management and benefit-sharing. The two most important initiatives concern the introduction of the Social Responsibility Agreements and the introduction of collaborative forest management in the form of the Modified Taungya System. The first initiative concerns a new regulation that stipulates that before being granted a logging permit, timber contractors need to negotiate an agreement on the provision of specific social facilities and amenities to the local inhabitants of a proposed logging area (Ayine, 2008). The second initiative concerns new approaches towards benefit-sharing in tree plantation schemes on reserved forest lands (Blay et al., 2008).

The Taungya system involves a reforestation system in which farmers are temporarily given a plot of forest land to plant forest trees and to produce food crops. The farmers had the rights to the food crops, but the trees remain the property of the management organisation. Originally, the revenues from the timber produced under this scheme was distributed between the Forestry Commission having the management responsibility over the forest reserves (60%), the District Assembly and Administrator of stool lands representing the land owners (24%), and local community groups and customary freehold landowners (16%). However, in order to allow more local livelihood benefits, the new Modified Taungya System officially allocates only 40% to the Forestry Commission, 20% to local communities groups, and 40% to the farmers participating in the scheme (Marfo, 2009a).

Although these schemes indicate that efforts have been undertaken to increase the benefits of timber management and exploitation for local communities, the experiences with these schemes are still mixed. Major difficulties concern the different status of access to natural resources of original inhabitants and migrants, as well as the *de-facto* benefit distribution between local communities and traditional authorities (Marfo, 2009a). In order to better understand how the various provisions on forest benefit-sharing impact on the actual livelihoods of different categories of local people, recently several studies have been started (e.g. Wiggins et al., 2004; Ardayfio-Schandorf et al., 2007; Antwi, 2009). These studies will provide important base-line information on the actual processes of forest benefit sharing in Ghana.

Table 3 Different types of legally-recognized timber production systems in the forested landscape of Ghana

Legal status of land	Forest reserve	Off-reserve lands
Legal status of timber trees		
Naturally grown trees	Official forest reserves with natural forests	Off-reserved lands with agroforestry systems involving naturally-grown timber trees, e.g. cocoa forest systems
Planted trees	Collaborative managed reforestation areas in official forest reserves	Off-reserve forest with tree plantations, e.g. private or community teak (<i>Tectona grandis</i>) plantations

Table 4 Legal characteristics of different timber production systems

Production system	Land and tree ownership	Management responsibility	Revenue sharing mechanism
Official forest reserves with natural forests	Formally designated reserves under customary land ownership	Forest service Timber extraction contracted to TUC holding firms	Formal benefit sharing between government and traditional

	Trees vested in President		authorities Social responsibility agreement benefits of logging companies
Collaborative managed reforestation areas in official forest reserves	Formally designated reserves under customary land ownership Planted trees with benefit-sharing rights for tree planters	Forest service in collaboration with local community Timber extraction contracted to TUC holding firms	As above with added benefits to farmers participating in the reforestation scheme
Off-reserved lands with agroforestry systems	Customary land ownership with use rights for farmers Trees vested in President	Farmers Timber extraction formally to be contracted to TUC holders	Benefits for farmers subject to customary benefit-sharing arrangements
Off-reserve forest with tree plantations	Customary land ownership with use rights for farmers Planted trees owned by planter	Farmers Timber extraction formally to be contracted to TUC holders	Benefits for tree planters/woodlot managers

Variation in timber production systems

From the foregoing, it can be concluded that there are two main legal principles governing the management and benefit sharing arrangements, i.e. the legal status of the lands in the form of reserved forest lands versus off-reserve lands, and the status of the timber trees being either naturally-grown or planted. Consequently, within the forested landscapes four main timber production systems can be distinguished (Table 3). They differ in respect to land and tree ownership, management responsibility and revenue sharing mechanisms (Table 4). Officially, timber exploitation in all four production systems is only allowed by timber companies with a formal Timber Utilization Contract (TUC) stipulating the obligations for ecologically sound and socially responsible harvesting systems. Under the TUC system only large-scale mechanized harvesting techniques are allowed, and the small-scale so-called chainsaw logging and manufacturing systems are officially outlawed as being inefficient and difficult to control.

This means that in practice TUCs are mainly awarded to commercial timber enterprises operating mostly in the official forest reserves. Notwithstanding the illegality of small-scale chainsaw logging, this practice is still common on the off-reserved lands (Hansen and Treue, 2008; Marfo, 2009b). Whereas the timber produced under the TUC system mostly concerns timber for export, the timber produced by chainsaw logging is predominantly for domestic use. At present, most timber exploitation is still focused on naturally grown timber. But the natural resource timber base is highly overexploited, as a result of the unduly high capacity of the timber manufacturing industries, including sawmills (Hansen and Treue, 2008). As a result, within the framework of sustainable forest management, not only legal timber extraction following principles of annual allowable cutting quota are essential, but also measures to stimulate new resource creation.

Consequences for the VPA Ghana process

In view of the present legal status of timber production in Ghana, there are two major governance issues requiring attention for making the forestry sector ecologically more sustainable and socially responsible to local community needs (see also Mayers et al., 2008):

1. Better control of the legal standards for timber extraction: Such controls should not focus only on technical issues such as the control on area of origin and adherence to allowable cutting quota as well as effective timber tracking, but also on social issues such as proper adherence to social responsibility agreements and equitable distribution of benefits between traditional authorities and local communities. The implementation of such controls does not only require a professional organization with proper technical and legal skills, but also a system of access of all relevant stakeholders to legal administration, in the case that the technical controls and benefit-sharing arrangements are wrongly implemented.
2. Further adaptation of forestry laws in order to address the existing legal ambiguities:
 - a. Streamlining of the very complex legal regulations with a mixture of statutory and customary laws and regulations regarding access to and benefit sharing in respect of exploitation of timber as well as non-timber forest resources. In addition, also the legal conditions regarding creation of new forest resources need further attention.
 - b. Reconsideration of the dual-economical nature of the timber sector with export timber being produced in official forest reserves under a concession system subject to legal norms, and domestic timber being produced on village and private lands under (illegal) chainsaw logging arrangements.
 - c. Further adaptation of legal frameworks on timber exploitation to a legal framework on sustainable forest management. Whereas the legal framework on timber exploitation only concerns arrangements on rights and responsibilities regarding proper timber extraction, the legal framework for

sustainable forest management should also include arrangements on rights and responsibilities concerning forest management practices. Such practices do not only involve timber extraction practices, but also silvicultural practices for creating new timber resources and enhancing timber production capacity.

These issues have been acknowledged in the Ghana VPA process (Bird et al., 2006 & 2008; Attah et al., 2009; Beeko, 2009). The agreement does not only identify a FLEGT licensing system for legally-produced export timber, but also several provisions on supporting measures and stakeholder involvement. These provisions indicate that there is a need for further adaptation of the export-oriented legality system to include also domestic timber production, and the need for further stimulation of stakeholder involvement and development of social safeguards. As indicated by these provisions, it is suggested that the Ghana VPA implementation process will consist of two kinds of activities:

- The technical implementation of the proposed FLEGT licensing system
- A new round of policy reform identification and formulation to further adjust the existing legal regimes to newly arising concerns on good forest governance and sustainable forest management.

The identification of these dual activities, indicate that the Ghana VPA is in essence focussed on stimulating a process of policy learning (Owusu, 2009) rather than on simple implementation of a legal timber licensing scheme. In this context it is possible to distinguish two types of policy learning processes:

- Single-loop learning: a process of technical learning about the efficient and effective implementation of policy (legal) instruments without questioning the nature of the fundamental legal regime in respect to its unforeseen impacts or unsolved problems
- Double-loop learning: a process involving conceptual learning about goals and strategies by questioning the fundamental design, goals and activities of the existing legal regimes and social learning about e.g. responsibilities of different categories of stakeholders and appropriate ways of interacting between public and private organizations.

When considering the need to improve legality issues, single-loop learning is normally the common approach to policy implementation. However, as demonstrated by the fact that the FLEGT process includes references to legality and governance issues, the FLEGT process is in essence focused on stimulating double-loop learning. The inclusion of provisions regarding the need to ensure that not only export timber but also domestic timber is produced legally, as well as the need for further policy adjustment illustrates that the Ghana VPA also emphasizes the need for double-loop learning. An important challenge will be to further develop such a double-loop policy learning process and not to get trapped in a technical single-loop policy implementation process focused on the FLEGT licensing only. In this context, specific attention needs to be given to effective

follow-up of stakeholder involvement in the policy implementation phase. Whereas during the phase of the identification and formulation of the Ghana VPA an intensive process of stakeholder participation took place, still further thought need to be given to stakeholder involvement in the VPA implementation phase in the form of both participatory monitoring and evaluation of the implementation of legality standards and their impacts, as well as in the form of new discussion platforms on policy reforms..

It is interesting to observe that several of the issues discussed in the Ghana VPA process are also under discussion in other stakeholder discussion platforms. In response to the call for better forest governance in Ghana, various programmes have been started to stimulate communication and negotiation between government organizations, civil society groups, market organizations and local communities. The different initiatives in setting up natural resource management and development programmes and organizing stakeholder platforms provide a good basis for further policy interaction and stimulation of the double-loop policy learning process.

Research programme of the ‘Illegal or Incompatible’ programme

Considering the objectives of the FLEGT/VPA process, the legal and actual field conditions of timber production in Ghana, and the experiences already gained with the FLEGT/VPA process in Ghana, the ‘Illegal or Incompatible’ programme has identified two main fields of research (Table 5). In the first place, it is considered that it is important to get a better overview of the legal status and livelihood impacts of the different timber producing systems within the forested landscapes. Specific attention is given to the impact of access rights and benefit-sharing mechanisms on local livelihoods, and on the issue of social safeguards. In the second place, attention is given to the nature of the Ghana VPA governance process. Special attention is given to the question of how different stakeholders, including local communities, are involved in the policy communication and negotiation process during the various phases in the VPA policy cycle from problem identification and policy formulation to subsequent policy implementation and further policy evaluation and reformulation.

Table 5 Main types of studies carried out by the ‘Illegal or Incompatible’ programme.

Main topic	Main type of study	Specific focus
Assessment of interactions between timber legality and local livelihoods and identification of	Landscape level analysis on community needs and perceptions	Main differentiation between <ul style="list-style-type: none"> • forest reserves and off-reserve timber producing lands • naturally regenerated trees versus planted trees

social safeguards		
	Landscape level assessment on local practices for accessing forest resources	Three types of access arrangements: <ul style="list-style-type: none"> • Formal legal regulations • Informally developed local working regulations • Illegal activities
	Development of scenarios for legality and sustainable forest management in Ghana	<ul style="list-style-type: none"> • Identification of different options for organization of rights and responsibilities for timber production • Assessment of impact of different options on forest resource and livelihood conditions
Assessing the nature of the Ghana VPA governance process	Assessing the nature of the Ghana VPA process	Evaluation of the Ghana VPA process as example of interaction between global standards and local policy practices
	Assessing community/civil society access to the VPA communication and decision-making process	Depending on phase in policy cycle: <ul style="list-style-type: none"> • Problem identification and policy formulation phase • Implementation phase • Monitoring and evaluation phase
	Action research to identify options for improved governance mechanisms	In collaboration with FC/FORIG/TBI Illegal chainsaw logging project main focus of chainsaw logging policies

In addition to the studies of the 'Illegal or Incompatible' programme, there are several related studies ongoing in Ghana. These thematically-linked studies have mainly been initiated by Tropenbos International Ghana, and focus on assessing the impact of different arrangements for timber exploitation and forest management on local livelihoods (Box 1). This network of research and development programmes provides a

rich database on the livelihood conditions in different parts of forested landscapes as well as the access rights to and benefit-sharing mechanisms for timber and other forest resources in these landscape zones. The 'IOI' programme aims at a further integration of this information and compilation of these research findings for science-policy dialogue.

Box 1 Research programmes thematically related and organizationally linked to the 'Illegal or Incompatible programme

- FC/FORIG/TBI Developing alternatives for illegal chainsaw logging through stakeholder dialogue
- UvA/KNUST/TBI-Ghana Governance for sustainable forest-related livelihoods in Ghana's High Forest Zone programme
- TBI-Ghana/Univ. Freiburg/ITC/FORIG cooperative programme on Management of timber resources in on-farm/off-reserve areas
- TBI Ghana/FLD Denmark programme on Governance of timber trees in Ghana with emphasis on off-reserve situation
- TBI Ghana/RMSC (FC) – Forest rights administration implications on local livelihoods.

Finally, the experiences gained with the Ghana VPA process will also be compared with the experiences of the VPA process in Indonesia. It is expected that in this way, the research programme will not only be of benefit to the forest governance development process in Ghana, but will also provide lessons regarding the scope of using international policy standards for stimulating national forest governance processes.

Conclusion

As a result of the FLEGT/VPA process in Ghana policy interests in assuring legal timber production has been increased. It is also acknowledged that such timber legality should not only concern export timber, but also timber for the domestic market. As most of the domestic timber is at present produced through illegal chainsaw operations, the need for further change in the legal regulations on timber production are recognized. It is also recognized that social safeguards are needed to ensure that the legal provisions do not have undesirable effects on local livelihoods. Also in this context further adaptations in the legal systems regarding access rights to and benefit sharing mechanisms from timber are needed. Consequently, the FLEGT/VPA process in Ghana is conceived off as a double-loop policy learning process involving a combination of implementation of a timber licensing system, and further evolution of a multi-actor forest governance system ensuring equitable access rights to forest resources and safeguards for socially-responsible benefit-sharing.

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3.2 THE IMPLEMENTATION OF THE EU VOLUNTARY PARTNERSHIP AGREEMENT TO COMBAT ILLEGAL LOGGING: REFLECTIONS FROM THE SUPPLY SIDE

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Introduction

Despite decades of international concern, global deforestation is still a major global public policy issue. Since 1980 the world's forest cover has decreased by an estimated 2.2 million km² due to human action and between 2000 and 2005 the equivalent of 200 km² of forest was cleared daily.³ Most deforestation until the mid-twentieth century occurred in temperate regions. However, in more recent decades, land abandonment in Western Europe and the US has led to natural reforestation. Conversely, most deforestation is now occurring in the tropics. Tropical forest cover declined by between 1.1 and 2.5 million km² between 1980 and 2000. While forest protection policies and laws now exist in most countries, the real and immediate social and economic needs of local populations serves to compound the lack of capacity in many nations to enforce them. This situation, among many other things, can lead to illegal logging.

Illegal logging and deforestation cause severe environmental damage including loss of biodiversity and impacts on climate change. Net deforestation has contributed 22% to 43% of the historical CO₂ rise.⁴ There are also social and economic impacts of illegal logging. For example, legitimate operators who are trying to manage the forests may find it hard to compete with illegally produced timber. In addition, illegal logging costs governments large sums of money in lost revenues. Estimates suggest that illegal logging costs timber-producing countries €10-15 billion per year in lost revenues. There may also be human rights issues which are less well documented where illegal logging provokes conflict over land and access to resources for local indigenous people.⁵

It is difficult to estimate the exact scale and value of the global trade in illegal forest products but there is strong evidence that it is substantial and growing problem.⁶ In many countries illegal logging is similar in size to legal production while in others it

* Forestry Commission of Ghana (The views expressed in this paper are those of the author and do not necessarily reflect those of the Forestry Commission of Ghana).

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³ BETTS, R., GORNALL, J., HUGHES, J., KAYE, N., MCNEALL, D., and WILTSHIRE, A. 2008. *Forests and Emissions: A contribution to the Eliasch Review*. (Exeter, Met Office Hadley Centre, 2008), available at <http://www.metoffice.gov.uk/climatechange/policymakers/policy/eliaschreport.pdf>.

⁴ *Ibid.*

⁵ *World Bank Revised Forest Strategy 2002*. (Washington, World Bank, 2004).

⁶ *Proposal for a council regulation concerning the establishment of a voluntary FLEGT licensing scheme for impacts of timber into the EC*. [COM (2004) 515]

exceeds legal logging by a substantial margin.⁷ Under these circumstances, it seems likely that a significant proportion of timber on the global market is sourced illegally.

In 2003 the European Commission attempted to respond to this policy problem by adopting an EU Action Plan for Forest Law Enforcement Governance and Trade (FLEGT) which was endorsed by the Council of Ministers in November of that year.⁸ The ultimate goal of the action plan was to encourage sustainable management of forests but ensuring legality of forest operations was considered a vital first step. A key element of the action plan was a “Voluntary Partnership Agreement” (VPA) initiative with exporting countries to ensure that only legally harvested timber is imported into the EU from these countries. Meanwhile in 2008, the Commission also proposed a regulation adding to its original VPAs initiative by laying down the obligations for operators who place timber and timber products on the Community markets to use a “due diligence” system to ascertain the legality of the products. This adds a demand side obligation to the original voluntary measures on the supply side within the producer countries.

The participation of producer countries in international efforts, such as the VPAs, to combat illegal logging is in some sense a tacit admission that country level efforts alone are unable to deal with the problem. In addition, producer countries are also increasingly recognising that these initiatives combating illegal logging are gaining currency and becoming more of the international norm. It will therefore become necessary to be part of this movement in order to trade timber internationally and even be “ahead of the game” in terms of the international competition. However, international initiatives such as VPA, by their nature, tend to have a one-size-fits-all approach while in reality the impact of the measures within different countries can vary widely depending on the dynamics at play within a particular country. Therefore, according to the European Commission, it is attempting to negotiate separate VPAs with the individual partner countries which take into account the different country contexts rather than introduce a “blue print” agreement.

This paper reflects on the early experiences of Ghana with the EU’s VPA initiative. While Ghana’s specific context will be unique, in September 2008 Ghana became the first country to conclude its negotiations on this agreement with the EU and so its experiences can still give us a clearer idea at this initial stage of the implementation and potential problems of any future agreements with other partner countries, especially those in the African region. The paper embarks on this reflection by first examining a southern perspective on the complex issue of the term illegal logging. Second, the EU’s adopted and proposed initiatives attempting to address the policy problem of illegal logging are introduced, namely the 2003 FLEGT Action Plan as well as the due diligence legislation proposed in 2008. This is followed by a brief summary of Ghana’s policy

⁷ World Bank Forest Sector Review. (Washington, World Bank, 1999)

⁸ *Forest Law Enforcement, Governance and Trade (FLEGT). Proposal for an EU action plan* [COM (2003) 251].

responses to sustainability in the forestry sector which sets out important background for the next section outlining Ghana's approach to the EU's VPA initiative. The following section then outlines some of the key concerns of Ghana and other like minded partner countries in implementing the VPAs. The next section then looks at issues of outcome versus process impacts of the initiative. The final, and concluding, section of the paper reflects on lessons learnt from Ghana's experiences which could be used to better implement and further develop the VPA initiative in future.

Illegal logging

Illegal logging and deforestation are often associated with developing countries or countries to the south⁹ where most of the tropical forests are located. The root causes of illegal logging are similar across these countries. At the international level, the literature often cites corruption and weak law enforcement as the causes of illegal logging. However, other literature correlates the social and economic needs of the poor and the inability of the State, and existing law to adequately provide for these needs, with the prevalence of illegal logging. Therefore, the combination of people's need to survive and legislative inadequacies results in weak law enforcement and corruption. In forestry, the framing of this problem or dynamic leads to what has become termed as "illegal logging".

In some areas, illegal logging is also the end product of development policies which had positive impacts in some areas but did not necessarily answer to the challenges of forestry in particular. For example, in Ghana, the development of an export oriented timber industry that would contribute to the recovery of a stuttering economy was pursued at the expense of the domestic market and this has had implications with regards illegal logging. Credit lines were created for industry expansion under an economic recovery programme which, in addition to introducing a mismatch between industrial and biological capacity, created a supply gap for a growing domestic market. This resulted in the emergence of a domestic market sub-culture with its own peculiar channels of extra-judicial supply arrangements i.e. illegal logging. Following this forest industry strengthening/expansion programme in the mid to late eighties was the introduction of the ban on the export of round logs (from the natural forest) in the mid nineties. The rationale behind this was to stimulate growth in industrial processing capacity and also make an increased use of local labour. Among others, this policy was to contribute to the development of a skilled labour base. However, the export ban on logs depressed the price of logs as they could only be sold locally. The millers (secondary and tertiary exporters) were the winners. These millers made windfall profits as they found themselves in the advantageous position of dictating the price of

⁹ BROWN, D. *et al.*, *Legal Timber. Verification and governance in the forest sector* (London, Overseas Development Institute, 2008), 331 pp.

raw material.¹⁰ This inevitably affected policy formulation as there was more money in the hands of one segment of the industry to “engineer” the policy process their way thus leading to the further neglect of the domestic timber sector, among others. In regimes where accountability structures are less than adequate, an overly powerful actor in the system can pose some governance challenges.

The various manifestations of legislative inadequacies, social inequity and failures in development policy can therefore all lead to illegal logging. However, these real root causes are sometimes left out of the discourse. A multi-dimensional definition and understanding of illegal logging would allow for an array of ways in which the problem can be analysed.¹¹ This complexity stands in contrast to the conceptualisation of illegal logging sometimes portrayed by the European Commission whose analysis on illegal logging can at times appear simplistic.¹² In order to address the problem of illegal logging, the various causes, factors and manifestations of the problem, whether remote or immediate, need to be kept in view. The international discourse that is quickly developing around reduced emission from deforestation and degradation (REDD) can also benefit from an all-embracing definition and understanding of illegal logging — a chief contributor to deforestation and degradation.

EU's policy response to global illegal logging

The VPA initiative has been conceived of by the EU with the objective of restricting market access to illegal timber through the use of a licensing system. However, there was also an important governance and capacity building element in the 2003 FLEGT Action Plan which these agreements seek to promote. The EU's FLEGT Action Plan envisaged a voluntary licensing scheme where partner countries issue a permit confirming the legality of timber exported to the EU. Only countries that decided to “volunteer” would be required to issue this permit. However, the *voluntary* nature of the VPA scheme was somewhat limiting and potentially leaving a number of doors open allowing illegal timber to still enter the EU market through circumvention, laundering etc. In early 2009 the only VPA that had been signed between the EU and a producer country was with Ghana while negotiations were ongoing with Cameroon, Indonesia, Malaysia, and Congo.¹³ While a number of other countries have expressed an interest in concluding FLEGT agreements, this still leaves a considerable number of countries exporting timber to the EU outside of the scheme including Brazil, a major timber exporter.

¹⁰ BIRIKORANG, G., OKAI, R., ASENSO-OKYERE, K., AFRANIE, S., and ROBINSON, G., *Ghana Wood Industry and log export ban study*, Forestry Commission report to the Ministry of Lands and Forestry (Accra, Forestry Commission, 2001), 53 pp.

¹¹ HANSEN, C. P., TREUE, T. *Illegal Logging in Ghana*, Development Policy Briefs No. 5 (Copenhagen, University of Copenhagen, 2008), available at http://en.sl.life.ku.dk/upload/policy_briefs_no_5.pdf.

¹² See for example the proposal for a Regulation of the European Parliament and the Council [COM (2008) 644/3].

¹³ *FLEGT Voluntary Partnership Agreements (VPAs)*.

http://ec.europa.eu/development/policies/9interventionareas/environment/forest/flegt_vpas_en.cfm, accessed 17/04/09.

The EU FLEGT Action Plan recognised this limitation and contained a commitment to examine options for additional legislation. A number of research studies were undertaken on this issue and the Commission conducted an online consultation from December 2006 to March 2007. Various options for EU legislation to complement the VPAs were raised including expanding this bilateral approach of the VPAs to a multi-lateral approach and the adoption of legislation at the EU level or in individual member states making it illegal to import, purchase or market timber produced illegally in foreign countries (similar to the US Lacey Act).¹⁴ However, at the end of the assessment process for these policy options, the conclusion was that “there were significant drawbacks to each of them that could limit their effectiveness”.¹⁵ This resulted in a further option — the due diligence system which requires companies placing timber and timber products on the market to adopt systems of due diligence that preclude illegal products.¹⁶ Operators are therefore to apply systems and procedures to ascertain to their best ability that they only place on the EU market timber and timber products that have been legally sourced. The due diligence system, contained in proposed legislation¹⁷ is passing before the European Parliament and Council during 2009.

In addition to this EU level action plan, an increasing number of EU Member States are adopting green public procurement policies requiring timber and timber products to be from legal and sustainable sources. Countries implementing such policies include Belgium, Denmark, France, Germany and the UK. These policies are being adopted within the context of a general EU framework of “green public procurement” and are expected to have an important influence on the EU market. In many of these countries, for instance, FLEGT licenses will be accepted as reliable proof of legality.

The combined potential effect of the VPAs and the due diligence option as well as the timber procurement policies of the individual member states promises to answer some of the concerns raised by producer countries during the VPA negotiations including the issues of circumvention of the initiative by non-partner countries (see below for a full discussion of these concerns). In the process of implementation of these policies other concerns are, however, raised. For the purpose of discussions in this paper, the assessment of impacts will take together the objectives of the VPA as proposed in the action plan in 2003, the due diligence option as set out in the proposed regulation in 2008 and the individual member state procurement policies but mainly focusing on that of the UK.

¹⁴ The Lacey Act gives the U.S. government the power to fine, and even jail, individuals and companies who traffic illegally harvested wood products (even if they do not realize that their wood is illegal).

¹⁵ [COM (2008) 644/3]

¹⁶ *Ibid.*

¹⁷ *Ibid.*

Responding to sustainability and the illegal logging initiative: the Ghana perspective

There are a number of policy actions that can be traced as Ghana's attempt at regulating the forest sector with the view to ensuring good sector governance and sustainable removals from the forest. However, the results have been mixed. This section explores some of the most important policy actions. Using a purely outcomes approach in assessing impacts, it is noticeable that the measures have been less than adequate. Illegal logging has continued and is still reported by various authors.¹⁸ The volume of illegal logging continues to pose a challenge to the authorities. The estimated volume of illegal logging continues to match legal removals. Law enforcement in the sector still requires considerable strengthening to measure up to the challenges. Illegal logging and forest degradation therefore remain an issue in Ghana.

In the early nineties, a half a century old forest policy was updated to reflect the reality of the changing times as well as give direction to sustainable forest management. The key objective of the revised forest and wildlife policy is to ensure that all segments of the society would be perpetually guaranteed equitable benefits in the use of the resource. The policy led to a number of legislative enactments as well as the restructuring of the institutions that held together the forest sector. A master plan was put in place to guide the development of the sector. Key among the legislative enactments were: a Timber Resource Management Act 1997 (Act 547) which provided for the granting of timber rights in a sustainable manner; the Forestry Commission Act 1999 (Act 571) which brought together all forest sector implementing agencies to ensure harmonised implementation of forest policy; and the Forest Plantation Development Act, 2000 which establishes a fund to provide financial assistance for the development of private commercial forest plantations in Ghana. These were supported by legislative instruments that introduced regulation in the use of chainsaws for milling timber. Another two key legislative instruments (LI 1649 & 1721) effectively introduced the competitive allocation of timber rights using a competitive bidding process. The rationale was to remove arbitrariness and perceived favouritism from the resource allocation process.

While pursuing a more structured development of policy, some administrative directives with far reaching implications were also issued with the intention of galvanising forest sector development and regulation. The log export ban, as discussed above, was one such directive.

Another key event in the history of initiatives to combat illegalities in the forest sector of Ghana is what has come to be known as the "interim measures". Taking note of the

¹⁸ BIRIKORANG, *op. cit.*; BIRD, N., FOMETE, T., BIRIKORANG, G., *Ghana's experience in timber verification system design*, VERIFOR case study, No. 1 (London, Overseas Development Institute, 2006), 12 pp.; HANSEN, C. P., TREUE, T., *Assessing illegal logging in Ghana*, *International Forestry Review*, Vol. 10, No. 4, 2008, pp. 573-590.

persisting weaknesses in the control environment, the “interim measures” were introduced to ensure that the “stools” — traditional authorities — and communities were made a part of the consultation process leading to the allocation of forest concessions. Farmers were also given the power to decide on whether or not trees could be felled on their farms. Under harvesting procedures, a conveyance certificate for logs in transit was also introduced. Pre-felling inspections was another element that was to ensure that concessionaires respected the terms of their allocation contract. These measures were effective but only to a point.

Ghana also responded to the rise of international private initiatives to promote sustainable forest management through forest certification. Efforts at forest certification in Ghana were initially formalised in mid 1996. However progress has been slow. A national multi-stakeholder working group on forest certification has worked through a number of stages to develop a checklist of criteria and indicators which led to the national standard. This certification standard has not yet received international endorsement or recognition and therefore, to date Ghana is unable to boast of any certified forest. One company operating in Ghana has, however, attained the Forest Stewardship Council (FSC) “controlled wood requirement” status. In addition, five other companies are enrolled in the World Wide Fund for Nature (WWF)/Global Forest Trade Network (GFTN) stepwise programme to certification with the prospects of reaching forest certification in the not too distant future.

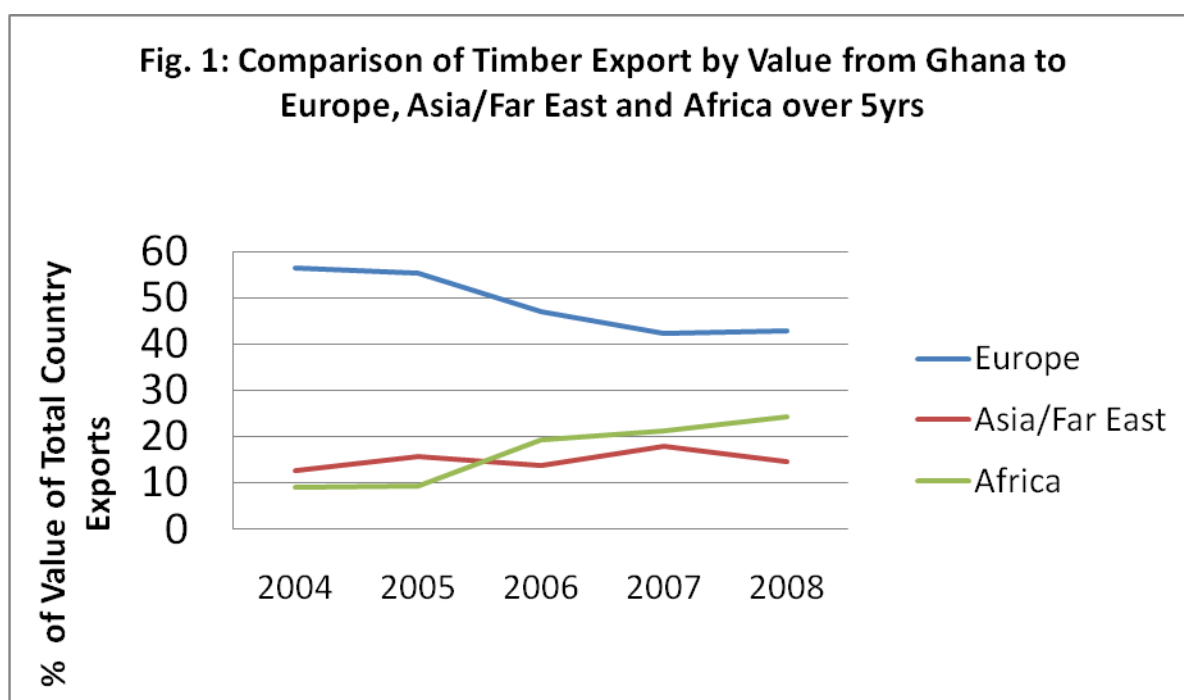
Finally, recognising the inadequacies of the forest control system which relied on a paper based system of tracking and which also was operated in a regime of disparate management information systems, the forest authorities pilot tested a log tracking project in 1996. The proposed tracking system recommended, among others, the use of barcodes as a way of improving upon the existing paint marking/labelling system as well as the paper-based system of collating collecting and collating data. The follow-up of this initiative was, however, delayed until 2003 when it was revived under a donor assisted programme — the Forest Sector Development Programme II. The new log tracking project eventually evolved into the Validation of Legal Timber Project (VLTP) which has now been subsumed under the VPA initiative.

The Voluntary Partnership Agreement

With a national forest and wildlife policy aspiring to a regime of sustainable forest management but in practice exhibiting a fairly long history of less than satisfactory attempts at improving on regulatory controls within the forest sector, Ghana found the objectives of the VPA in alignment with its ongoing efforts. An added reason for buying into the EU’s VPAs was the fact that Ghana’s major export destination was the EU market. At the time of indicating a preparedness to enter into negotiations, the EU accounted for over 60% in volume and value of Ghana’s timber exports (TIDD 2007).¹⁹

¹⁹ Timber Industry Development Division. December 2007. Report on Export of Wood Products

This figure has, however, declined over the last four years to 43%. This change has been attributed to the growing Asian/Chinese and West African trade. Fig. 1 is a comparison of timber exports from Ghana to the some major destinations between year 2004 and 2008. Overall, the stated vision of Ghana as it entered and negotiated a VPA was “to create an environment that promotes sustainable forest management, improves rural livelihoods and equity as well as enabling industrial efficiency in a good governance environment”. Thus Ghana envisaged the VPA helping to advance its own priorities which included, but went beyond, reducing illegal logging in its narrow definition to include tackling a number of the more complex underlying causes, factors and manifestations of illegal logging.



Source: Export Trade Statistics 2008 (Accra, Timber Industry Development Division of the Ghana Forestry Commission, 2008)

In pursuit of this vision, the negotiation agenda was expanded to include the development and regulation of the domestic market on one hand and the restructuring of the Ghana timber industry on the other hand. The original agenda presented by the EU included issues surrounding the definition of legality, a chain of custody system, a system to monitor compliance to the legal standard so developed, a licensing system and an independent monitor stimulating systemic improvements on the entire legality assurance system. The EU’s perspective on VPA initiative was therefore export focused. On the issue of the domestic market, Ghana’s argument has been that the “end game” is sustainability. Securing exports alone without stemming the tide of the deforestation induced by an undeveloped and unstructured domestic market will not be useful. Legality as a first step to sustainability was therefore to be ensured across board both domestically and for the export market. To underpin the approach, a public

procurement policy is to be developed for the domestic market in Ghana. This will be augmented by other policy initiatives as their necessity becomes evident to ensure that the gains of tightened control over exports will not be offset by the circulation of illegal timber in the domestic market.

A study of the potential impacts of VPAs on Ghana's Forestry sector²⁰ revealed that a degree of risk management of the initiative will be worthwhile in ensuring its success. The study predicted a reduced raw material supply under a legality assurance regime which implies a related reduction in processing capacity of industry with a knock-on reduction in industry employment. Socio-economic issues arise out of this scenario. Therefore, the possibility of restructuring the industry was placed on the negotiating table to ensure that all avenues for mitigating the effect of a dwindling raw material base in-country were explored. Ghana's new agenda under the VPA is a retooled industry that makes use of small diameter logs (plantation timber), has enhanced competencies for downstream processing and which also is developed to be sufficiently competitive to attract raw material from outside its immediate environs (from within the sub-region). It is worthy of note that this position differs significantly from earlier notions at the start of negotiations when the only way forward for industry was a downright downsizing approach. Box 1 gives the envisioned future of the forestry sector of Ghana.

Box 1. What is the Future of the Forestry Sector (under the VPA)?

- ❖ An Industry working to a legal standard and exporting under legality (FLEGT) licenses
- ❖ A Domestic Market operating under a legality regime (and a public procurement policy)
- ❖ A reformed legal regime that promotes good forest sector governance
- ❖ An industry that is sufficiently competitive to attract raw material from sub-region or elsewhere for re-processing and export
- ❖ A Forestry Commission that adequately answers to the demands of:
 - Regulation of Utilization of forest & resources
 - Management of resource
 - Policy Advisory Services
- ❖ A secured resource base that ensures sustainability
- ❖ A sector that optimally contributes its quota to national socio-economic development

Source: Attah & Beeko. A presentation to the Board of the Ghana Forestry Commission (2008)

²⁰ MAYERS, J., BIRIKORANG, G., DANSO, E., NKETIAH K. S., RICHARDS, M., *Assessment of Potential Impacts in Ghana of a Voluntary Partnership Agreement with the EC on Forest Governance* (London, IIED, 2008), mimeo.

Ghana plans eventually to implement a mandatory legality system under the VPA for all timber, including the domestic market. The same tracking technology and regulation will be applied to timber flows whether for export to the EU or non-EU destinations. The only difference will be that the non-EU destination will not carry a FLEGT license. Whether the exports are destined for EU or non-EU countries, the consignments would have complied with all the requirements of the legality assurance system.

The VPA concerns

A number of concerns have been raised in the course of negotiating the VPAs with the EU. Some of these concerns have been taken into account in the discussion of the latest due diligence proposal under the option for additional legislation/measures in the original FLEGT Action Plan. These concerns include the issue of circumvention/laundering by non-partner countries, the introduction of timber procurement policies of the Member States, and the cost of putting legal timber on the market without it attracting any premiums.

Circumvention by non-partner countries

As of early 2009 Ghana was the only producer to have concluded a VPA with the EU, though there is interest from other countries in the West African sub-region. Cameroon has on-going negotiations with the EU whilst Liberia, Gabon and Central African Republic have expressed an interest to enter into negotiations.²¹ However, Nigeria and Ivory Coast, two West African countries with larger forest areas than Ghana are not set to become part of the scheme in the immediate future. In addition, immediately beyond the borders of the sub-region are Gabon, Cameroon, DR Congo and Congo Brazzaville who also have significant proportions of productive forests areas. There is therefore considerable cross border flow of both secondary and primary material (logs).²² A reasonable amount of this cross-border flow is reported to be illegal. With this picture in mind, the issue of circumvention of the VPA was raised early in the negotiations by Ghana. At the time of negotiations an initiative which would be multi-lateral in approach was called for. However, as was noted in the EU's extended Impact Assessment on the FLEGT Action Plan, while such a multilateral approach would be desirable, in practice it was likely to be slow.²³ Such wide spread, multi-partner initiatives can only move as fast as their slowest members are willing or able to progress.

Overall, as measures in Europe become more restrictive to unlicensed timber, the intra-regional (African) is expected to increase. This will be especially so if the African

²¹ *FLEGT Voluntary Partnership Agreements (VPAs)*, *op. cit.*

²² BLACKETT H., GARDETTE, E., *Cross-border flow of timber and wood products in West Africa*, European Commission, Contract Reference: 2007/146818, 2008, 109 pp., available at <http://www.salvafloresta.it/Download-document/482-Cross-border-flows-of-timber-and-wood-products-in-West-Africa.html>.

²³ *Determining the obligations of operators who make timber and timber products available on the market: Impact assessment* (SEC (2008) 2615).

markets do not also acquire a taste for licensed timber and follow it up with measure to ensure legal trade.

Timing and content of introduction of member state timber procurement policies

As discussed above, public procurement policies of individual member states are also being used to restrict access of illegal timber in the EU. Currently, there are seven such policies across Europe namely in, Belgium, Denmark, France, Germany, Netherlands, Norway and the United Kingdom.²⁴ From April 2009 the UK policy requires that only timber products which are legal and sustainable are purchased by local government authorities. However, the UK policy will accept timber products with FLEGT licenses as legal products, but only until 2015. After this date only sustainable timber will be accepted.²⁵ While this seems to be right way to go in the fight against the illegal timber trade and ultimately the move towards sustainable forest management, the timing of the introduction of the policies is impinging on the good faith of the partners (and prospective partners). The earliest any African producer may be able to export legally produced and licensed timber on the EU market will be well after April 2009. Even Ghana's projections — the most advanced country along the VPA route — put it well into 2010. The other most advanced countries, Cameroon and Liberia are still in negotiations with Liberia only now entering into formal negotiations. It is not yet known when negotiations will be concluded.

The debate on the procurement policies in other member states is likely to follow the direction of the UK and indicate time frames within which sustainable timber will be the minimum criteria. If these requirements and time frames are set without due consideration of the capacity of the African countries to measure up to the standards, it will constitute a major blockade to timber trade with the EU.

Social issues are also under discussion to become additional requirements to sustainability. It is not yet clear whether the social issues currently under debate in the EU member states take consideration of the legislation or the views of the partner countries. The capacity of these countries may need to be assessed to match these developments if a discriminatory market is not to be created.

Another area of concern is the differing criteria contained in the individual member state procurement policies. The difference in content of the procurement policies is due to fact that the member states develop their procurement policies at the respective national levels whereas the VPA is developed at the EU level. Substantially more burden is placed on producers who supply to the different member states within the EU.

²⁴ BRACK, D., *Due diligence in the EU timber market. Analysis of the European Commission's proposal for a regulation laying down the obligations of operators who place timber and timber products on the market* (London, Chatham House, 2008), 13 pp., available at <http://www.illegal-logging.info/uploads/DuediligenceanalysisChathamHouse.pdf>.

²⁵ It should be noted that legal timber and sustainable timber are not necessarily the same as timber can be legal, *i.e.* within the regulation of the country in question, without necessarily being sustainably harvested.

Harmonisation of these policies has been called for by Ghana and other African countries during VPA negotiations as well as in other fora.

The cost of legal timber and premiums

Implementing a VPA has considerable costs within a partner country. The cost of implementing legality assurance systems to the regulator/state on the one hand and the cost of ensuring legality and traceability systems to the producer/company on the other hand will force up the price of legal timber. Until there are measures to ensure that illegal timber is more *comprehensively* denied access to the international market, producers who seek to place legal timber on the market will be at a price disadvantage as they continue to compete with cheaper illegal timber and timber products. There is currently no assurance that any price premiums will be available to the early movers such as Ghana. Brack however reports a 3-5 per cent premium for certified hardwood products.²⁶ It is, however, recognised that this is more of a market issue than a legislative one.

Measuring the impact: outcome assessment vs. process assessment

On the other hand, one of the key successes of the VPA initiative in Ghana so far appears to be in the governance approach applied. There is currently a strong emphasis on an outcome oriented assessment of the EU policies on illegal logging. For example, quantitative assessments on the reduction in volume and value in the circulation of illegal timber have been made under VPA baseline scenarios as well as under the various additional legislative options in the European Commission's Impact Assessment of the 2008 due diligence proposal.²⁷ Considering the catalogue of issues that give rise to illegal logging, the added dimension of the shift in governance — which is a process issue²⁸ — should perhaps be given more prominence in the assessment of the efficacy of policy initiatives. The distribution or re-distribution of power and authority in the “forest society” (or the forest sector) that is unfolding with the introduction of these policies is of as equal interest as the measurement of impacts.

The stakeholder process that was used by Ghana to build in-country consensus on elements of the VPA demonstrated a shift in the way stakeholders interacted in the sector. Fig. 2 is a schematic presentation of this multi-stakeholder process. The basis for this process was the findings of a study which had been conducted around elements of the negotiation leading to a number of recommendations for the negotiations. Stakeholders were consulted on various thematic aspects of these findings. The outcome of these deliberations was reported to the national multi-stakeholder steering committee organised into technical working groups according to the various themes.

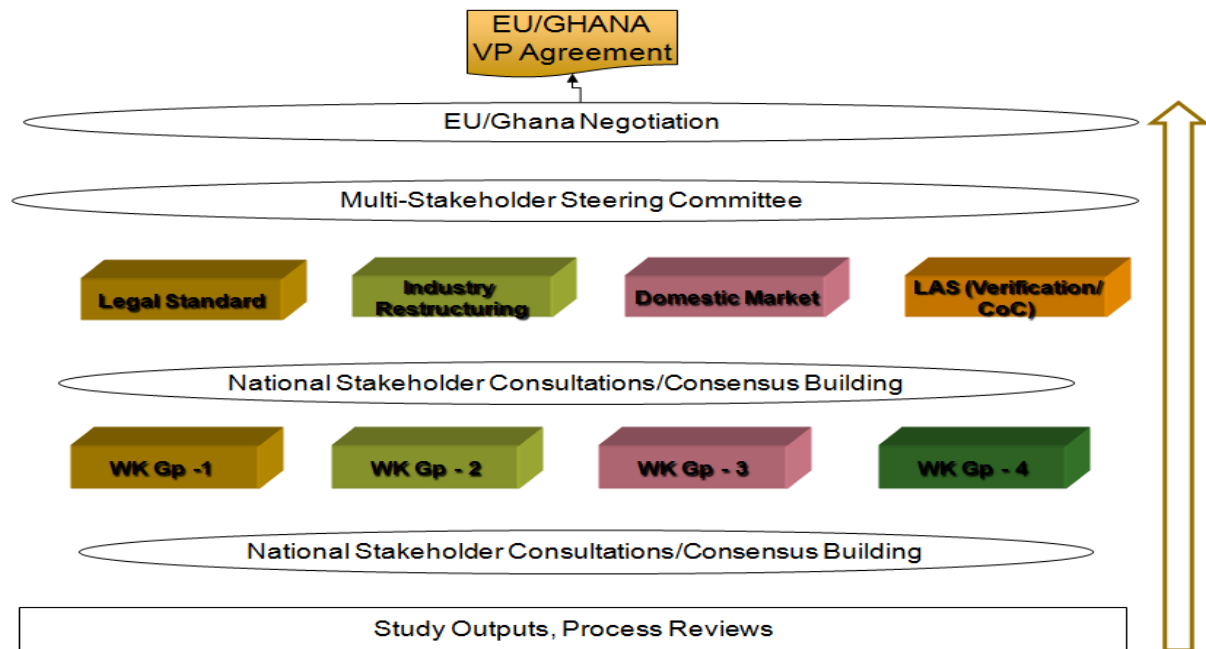
²⁶ BRACK, D., *op. cit.*

²⁷ SEC (2008) 2615.

²⁸ BODEGOM VAN, A., DIEUWKE, K., SCHOUBROECK VAN, F., OLGA VAN, V., *FLEGT beyond T. Exploring the meaning of 'governance' concepts for the FLEGT process*, (Wageningen University & Research Center, 2008), 56 pp, available at <http://www.cdic.wur.nl/UK/Publications/>.

These working groups then collated the views of the different stakeholder groups into a draft country position which was then sent back for the review of the stakeholders before being adopted by the national multi-stakeholder committee as final consensus position for the consideration of government (the negotiating authority).

Fig. 2: VPA Consensus Building Process



Source: Beeko (2007)²⁹

This process illustrates that the “steering” of the sector is undergoing a gradual but certain change from a solely state affair to one with the participation of other actors within the sector thereby introducing a regime of “co-steering”. This shift from State steering (i.e. government) to multi-actor steering (i.e. governance) has facilitated the growth in knowledge and understandability of stakeholder issues. A social change is therefore unfolding as a platform for collective learning is created. The result is a form of democratic participation and empowerment. The growing process of co-steering is also eroding the power of strong actors, which is an essential process for removing corruption and correctly power in balances in policy formulation. In addition, actors are getting more confident in the policies they have participated in formulating. Therefore, the chances of these policies being effectively implemented are higher. There is also promotion of dialogue among the actors which is leading to the divergent preferences of the various actors being harmonised into effective policy choices. To some level suspicion among actors is being eroded giving place to cooperation. Transparency can more easily be demanded as stakeholders become more informed leading to stronger voices in the steering process.

²⁹ BEEKO., C. (2007). The LAS Development in Ghana. Powerpoint presentation. Chatham House Illegal Logging Update and Stakeholder Consultation, July, 2007

There is good reason to pay attention to the changes in the governance regime or the process side of the impact of the EU policy initiative as summarised above. First, more changes are taking place than can be empirically measured as outcomes. This is a fact that is significant and noteworthy. There is a shift from government to governance. The manner in which policy is formulated, as well as the way the sector is governed, is changing. The approach that gathers stakeholders around the policy dialogue table has proved useful and this approach should be continued in the governance of the forestry sector in Ghana. The second reason why more consideration must be given to process issues is that the gains are not only for FLEGT. If well understood and nurtured, sister initiatives such as REDD can draw on this governance dynamic. The ground is being prepared for future dialogue processes that relate to deforestation, climate change and sustainable management of natural resources in general. All these initiatives could profit from the lessons learned from the illegal logging process assessment approach of impact.

Some reflections on the assessment of impacts

According to the European Commission's Impact Assessment of the due diligence proposal, the additional legislative appears to close some of the loopholes in the original VPA scheme.³⁰ According to this assessment, the initiative will lead to a much higher impact (outcome) on tackling illegal logging and therefore reducing illegal circulation. From a modest figure of 2.4 million m³ reduction in the current six VPA "movers", a more convincing level of 17 million m³ is predicted. The 17 million m³ represents 14 millions m³ reduction in illegal timber from non-EU countries and 3 million m³ reduction in illegal timber from illegal logging in EU Member States.³¹ However, it would be interesting to know what impact the current financial crisis and global recession will have on these projected figures and anticipated impacts. As the "consumer slow down" deepens two areas in particular are worth considering namely, the volume of development assistance to producer countries to set up the legality assurance systems and governance structures on one hand and the level of demand for timber and timber products in the consumer countries on the other hand.

The outcome-oriented approach also focuses on wider environmental, social and economic impacts. The impact of a reduced illegal logging on the environment in general in the producer countries is deemed to be positive. With the reduction in illegal logging, the negative impacts on the forest resource base are also reduced (and subsequent pressure on remaining intact forests). It will result in a reduction in erosion, degradation of land and water resources and negative impacts on climate change. It will also reduce the conversion of forest areas into agricultural lands by rural populations and illegal wildlife trade following the construction of (illegal) new roads.³² It is also recognised that the magnitude of environmental impact will be dependent on how the

³⁰ SEC (2008) 2615.

³¹ *Ibid.*

³² *Ibid.*

VPAs are implemented including if the licensing scheme is applied to all exports from a partner country (as is will be the case for Ghana) as well as the definition of legality applied *i.e.* if it includes the concept of sustainability. In terms of social issues, the European Commission suggests that in many cases the VPAs would result in better security of tenure and access to land for indigenous communities as well as increased income.³³ However, within Ghana it is also stated that whereas the initiative will have a minor impact on the industries in the EU, significant shifts are expected in the non-EU (producer side) countries.

Without the necessary incentives in place, some of the impacts may prove to be politically counter-productive in the producer countries and therefore may see a “reversal” or at least a watering down in their implementation. For instance, a strong “political will” and measures to mitigate potentially negative social impacts will be required in the producer countries to sustain the initiative as industry production and employment fall. In emerging democracies where the relatively low level of literacy does not make for well-informed issues-based political debates among the electorate, a consistent dwindling in employment numbers and industry production may not be a very attractive political option. A political assessment of the likely impacts of the policies in the partner and producer countries may be useful in giving a more realistic picture of the chances of success of aspects of the policies.

The VPA and proposed regulations: are there any missing pieces?

The key question is “will the combined impact of the VPA and the proposed due diligence legislation be enough to achieve the objective of restricting access of illegal timber to the EU?” In other words, where VPA falls short, will the due diligence system approach be able to stem illegal timber circulation? While the European Commission estimate that significant reductions in illegal timber circulation will be made (see above), there are still some grounds for concern relating to the implementation of the VPAs. First, the due diligence option does not exact a requirement that companies within the EU show that products introduced into the market are legal. Is there a chance that beyond the due diligence systems requirement, a product that has gained entry into the EU can still be found to be illegal? This scenario is termed as system failure by Brack.³⁴ With the focus on the due diligence systems and not on the product themselves *per se*, what will it take to detect these elusive illegal products especially after products are cleared for circulation in the EU?

There are many other questions that will also have a significant effect on the likely success or otherwise of the VPA initiative in practice, namely:

- i. Considering the governance implications (at the supply side) of the EU illegal logging initiative, what are the assurances that producer country Governments

³³ *Ibid.*

³⁴ BRACK, D., *op. cit.*

- will be willing (i.e. have the political will) to go the whole hog in implementing the requirements of the legality assurance systems required.
- ii. With reducing deforestation and degradation as an objective behind the fight against illegal logging, how will countries with significant circulation of illegal timber on the domestic market be encouraged to tackle the issue on the domestic front as well?
 - iii. Since corruption is a major contributory factor to illegal logging and has many root causes and is linked to the culture of the country i.e. socio-economic and cultural environment, are the VPAs and associated policy measures sufficient to combat this corruption?
 - iv. To what extent will the global recession play a role in reshaping the dynamics of illegal logging and its associated trade flows?
 - v. Will potentially costly measures (on the producers) by the EU lead to producers turning more towards exporting to other international trade blocs that have significant timber imports *e.g.* China? A shift in export patterns outside the EU and probably the US (where the stronger Lacey Act has been extended to cover timber) to less discriminatory markets will undermine the objectives of the policy.

Conclusion

The EU policies enshrined in the FLEGT Action Plan to combat illegal logging hold some promise to significantly reduce the problem and its accompanying menaces of deforestation, environmental degradation, loss of revenue, deterioration of livelihoods and international timber price distortions. The existing Member States' public procurement policies on timber also contribute to this potential. However, a number of hurdles remain before the policies can be fully implemented and the maximum extent of the positive impacts realised.

In particular, three main concerns of partner countries in the VPA initiative have been raised in this paper *i.e.* circumvention by non-partner countries; the timing and content of member states' timber procurement; and the cost of legal timber and premiums. If due consideration is not taken to these concerns of partner countries such as Ghana then it is possible that despite the commendable foresight and good will with which Ghana and other negotiating countries have approached the EU's VPA initiative, the barriers to its implementation could become too costly and that timber exports would be rerouted to alternative, less discerning, markets outside of the EU.

In fact, the ultimate challenge of the EU's VPA initiative, namely its implementation in partner countries, is yet to come.³⁵ In the producer countries, political will is likely to play a major role in this implementation phase. This will be especially so if in the short term the forest industry base and employment is adversely affected. Additionally,

³⁵ MAGINNIS, S., *VPA multi-stakeholder processes*. International workshop on "Legality of traded timber: the development challenges" 24-26 Nov. 2008. FAO Headquarters, Rome.

political will is going to be tested as the forest sector begins to open up to newly empowered actors through good governance initiatives. This is likely to shed more light on industry influence on the politics and steering of system as a whole.

Many more lessons can already be learnt, however, from this initial negotiation and preparation stage now completed in Ghana which this paper has attempted to highlight. In particular, this article has attempted to add some “in country” context to our understanding of the EU’s VPA initiative under the FLEGT Action Plan. This country context can be highly important in how, or even *if*, the VPA initiative is approached and how successful it is likely to be in specific partner countries.

For example, the paper argues that Ghana’s decision to “buy in” to this EU initiative was, in part, because it was in alignment with the direction of forestry policy that Ghana was aspiring towards at the time. Thus, the EU’s VPA initiative was embraced by Ghana because it was thought it could help advance its own priorities which included, but went beyond, reducing illegal logging. The VPA therefore acted as an impetus and vehicle for further change in the forestry sector in Ghana. However, in other potential partners in the VPA initiative, this accompanying focus on domestic policy may not necessarily be forthcoming. This will inevitably have an impact on the extent of the likely reduction on illegal logging from the initiative in that country.

Another lesson from the initial VPA negotiation phase in Ghana has been the importance of an accompanying governance shift. Indeed one of the main successes of the VPA in Ghana so far has been in the area of governance. In Ghana, the way in which the VPA negotiations have been approached has contributed to a shift from government to governance in the forestry sector but this approach has also been part of a general transition in the sector in Ghana since the forestry policy was updated in the 1990s. The other producer countries will be at different stages in this shift in governance. It is not known what impact this may have on the negotiation and implementation of the VPA in different countries.

Overall, the good intentions of the EU initiative aimed at combating illegal logging must be pursued in close collaboration with the producer countries. The capacities in the producer countries, and the specific country context, including the inherent social, economic and political risks in following through with the initiative must inform the continued development of the VPA initiative. This paper has attempted to highlight some of these differences and context which the EU could use to inform this continued development.

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3.3 GOOD FOREST GOVERNANCE AND SOCIAL SAFEGUARDS WITHIN THE EU-GHANA VPA: AN EXPLORATION OF OPTIONS

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Executive summary

As part of the European Union initiated Forest Law Enforcement Governance and Trade (FLEGT) process, a Voluntary Partnership Agreement (VPA) has been signed between Ghana and the EU. In this paper an effort is made to answer the following questions:

- *How does the Ghana/EU VPA define “good (forest) governance” and how does the Agreement intend to improve governance processes in the sector;*
- *How does the VPA define “social safeguards”; what conditions have been put in place to assess and mitigate possible negative impact of the VPA on local communities’ livelihoods associated with forests.*
- *How does the Agreement compare with more general concepts on ‘governance’ and ‘social safeguards’?*

Governance concepts depend on underlying paradigms. A paradigm that sees the forest sector most of all as a market would be a weak basis for the development of the VPA. In order to be able to tackle the very complex issues, a more inclusive paradigm needs to be adopted that stresses mutual dependences of actors in the sector. Other issues related to governance that merit thorough attention include (a) land tenure issues; (b) the need to build accountability mechanisms through which major stakeholders can hold the government and the private sector accountable for their actions; (c) the need for learning by different stakeholders together and from each other; (d) restructuring of the timber processing sector in such a way that it is better balanced with the production capacity of the forests; (e) the maintenance of the resource base in order to produce goods (e.g. timber) and environmental services (watershed management, carbon fixation, climate regulation etc) on a sustainable basis; (f) the linkage of the VPA to other efforts to improve governance (e.g. REDD initiatives); (g) the possible lifting of the ban on chainsaw lumbering and assess the alternatives, including the positive and negative consequences.

There is a clear relation between ‘governance’ and ‘social safeguards’. In fact ‘social safeguards’ can be considered as an aspect of ‘governance’, first of all because the term is explicitly mentioned in the VPA – hardly elaborated however - but also because general concepts of ‘governance’ include aspects that are clearly linked to ‘social safeguards’. Although the conceptual thinking on ‘social safeguards’ in theory and practice seems limited, there are some clues for its elaboration against the potential negative social impacts of the VPA.

³⁶ This research was partly financed by the Ministry of Agriculture, Nature management and Food Quality (LNV) of The Netherlands under project KB-07-002-0013

The following are recommended in this regard: (1) Take into consideration the original communication of the European Commission on FLEGT/VPA to create positive impact on poverty reduction; (2) Conduct socio-economic research amongst farmers and illegal chainsaw operators; (3) Focus on elements that, based on consultation with stakeholders, have potential to result in a considerable impact on local people; (4) Especially consult persons affected by a possible enforcement of the ban on illegal chainsaw operations and provide them opportunities to participate in planning and monitoring of a mitigation program; (5) Support commercial harvesting by small-scale landholders, local communities or entities under joint forest management; and (6) Look into the relationship between the domestic and international markets and try to harmonize the two.

In this paper various options regarding ‘governance’ and ‘social safeguards’ have been proposed to be integrated in the VPA process. It is essential that the government and stakeholders who are active in the forest sector define together which of these options should be implemented, and which ones have priority status. Implementation of measures on ‘governance’ or ‘social safeguards’ means change. However, change will only happen if all stakeholders feel a sense of urgency that the current situation - dwindling forests that produce less and less environmental goods and services - is no longer acceptable for the health of the Ghanaian forest sector.

Introduction

Voluntary Partnership Agreements (VPAs) aim to contribute to timber-producing countries’ commitments to promote sustainable forest management by supporting improvement in forest law enforcement and governance. Legal instruments, administrative structures and technical systems are developed in that process to verify legal timber production in accordance with national laws (FLEGT briefing notes, #06, 2007). FLEGT is about Forest Law Enforcement, Governance and Trade. Governance is one of the essential issues within FLEGT. It is recognized in FLEGT that conditions affecting forest governance differ in partner countries. In each country a VPA needs to take account of factors such as forest governance issues and nature of forest and land laws.

The VPA between European Union (EU) and Ghana was initialled in September 2008, ratified by Parliament in Ghana in June 2009 and by the EU Parliament in November 2009. With the VPA design process just completed it is deemed of value to ask the following questions:

- How does the Ghana/EU VPA define “good (forest) governance” and how does the Agreement intend to improve governance processes in the sector;
- How does the VPA define “social safeguards”; what conditions have been put in place to assess and mitigate possible negative impact of the VPA on local communities’ livelihoods associated with forests; and

- How does the Agreement compare with more general concepts on ‘governance’ and ‘social safeguards’?

This exploration is undertaken within the framework of the Illegal or Incompatible? (IoI?) Project³⁷. The ‘IoI’ research project aims to investigate the implications of the VPA on local livelihoods. As implementation of the Agreement is still in its infancy there is very little to research on its consequences. At this stage, it is possible however to review the VPA on its *intended* governance and livelihood impact rather than its actual impact. By mapping out and reflecting on the intended outcome (or lack of it) it becomes easier to make strategic choices for additional research activities on the subject, if necessary.

The structure of the paper is as follows.

- First, the VPA is reviewed as to its texts on good forest governance;
- In addition other concepts of governance are reviewed for additional ideas and aspects;
- The following section describes the linkages between ‘governance’ and ‘social safeguards’;
- A section reviews texts in the VPA with direct reference to ‘social safeguards’;
- Subsequently the concept of social safeguard is reviewed with reference to other sources followed by a concluding section.

The VPA and Good Forest Governance

In the VPA, many references have been made to issues that relate to (good) forest governance. There are the provisions which are directly related to control of legality of timber exported from Ghana:

- In article 1, objective, it is stated that: “In addition, this Agreement provides a basis for dialogue and co-operation between the Parties to facilitate and promote the full implementation of this Agreement and enhance forest law enforcement and governance.”
- The establishment of a Licensing Authority in Ghana (article 4) and the issuance of FLEGT licenses (article 6), the verification (article 8) and consultations on legality (article 8) can be considered governance mechanisms.
- In article 9 an EU-Ghana Joint Monitoring and Review Mechanism (JMRM) for the VPA is mentioned, which is further elaborated in article 19. This mechanism is established to facilitate the monitoring and review of the VPA and thus can be considered a forest governance mechanism. The Mechanism is composed of representatives from Ghana’s government and the EU. The mechanism shall be constituted by periodic missions jointly undertaken by the parties. The JMRM monitors the complete VPA and the broader issues mentioned below.

³⁷ For more information on this DGIS/WUR project see its website: <http://www.vpa-livelihoods.org/homepage.aspx>

- Independent Monitoring is another governance mechanism mentioned in the VPA (article 10). Ghana will engage an Independent Monitor. It will be an organization that has no conflict of interest arising from any organizational or commercial relationship with forest sector regulatory bodies or commercial operators in the EU or Ghana. It will operate according to certain ISO norms regarding procedures for auditing. It can be considered a technical body that has to refer complaints arising from its work to the Joint Monitoring and Review Mechanism.

There are other aspects of the VPA that address governance issues of a somewhat broader nature, more indirectly related to control of legality:

- Root causes and drivers of illegal logging will be addressed with measures to strengthen sector governance and legal framework (article 15). These supportive measures include:
 - Legal reforms to be undertaken within the next 5 years referring to Timber Utilization Contracts and Timber Rights Fee, plantation development and harvesting, timber processing, import of raw material, domestic market development, institutional arrangements (Timber Validation Entity, Governing Council, Independent Monitoring, bar codes), submerged timber resources, forest workers health and safety, a clear statement of resource governance objectives, affirmation of local forest tenure and of different stakeholder rights, and investment regulation (incentives, regulations, fiscal and benefit sharing for NTFPs, extractive investments, reforestation, plantations and processing). (VPA, Annex II).
 - Supporting measures for VPA implementation: development of the Legality Assurance System (including capacity building, establishment of the Independent Monitoring, JMRR and the Licensing Authority), legal reforms, trade promotion, and domestic market regulation and development (VPA, annex 9)
- Stakeholder involvement in the implementation of the VPA. In article 16, both the EU and Ghana state that they will endeavour to encourage stakeholder consultation in the implementation of the VPA. Ghana will promote appropriate strategies, modalities and programmes in consultation with relevant stakeholders.
- In article 18, Market incentives, the EU states that it will strive to promote favourable access to its market for the timber products covered by the VPA (public and private procurement policies, and promotion of FLEGT-licensed products to the EU market).
- In article 20, measures are mentioned to improve *transparency* by e.g. making publicly available information about harvest rights, areas designated for harvesting etc. and annual reporting.

What (else) could ‘good forest governance’ encompass within the VPA?

In the VPA many aspects related to ‘governance’ are mentioned. ‘Governance’, ‘good governance’ and ‘forest governance’ are terms and concepts reviewed in a vast body of literature. Also related concepts such as ‘good enough governance’ and ‘global value chain governance’ have elements that could be valuable for the FLEGT process (see Bodegom *et al.* (2008) where the meaning of such concepts is explored for the FLEGT process). Largely based on that study an effort is made to highlight the most important principles of ‘governance’ for the VPA process in Ghana. A comparison is made below between the governance principles identified in the 2008 study with those proposed in the VPA. The emphasis will lie on the gaps rather than repeating all the aspects in the VPA that concur with concepts of ‘governance’ developed elsewhere.

Paradigms underpinning governance and the VPA process

The concept of ‘Governance’ takes into account that different stakeholder groups may embrace – or in fact do embrace – different world views, based on different beliefs and cultural background. If in a change process the world view or paradigm of one group or a limited number of groups, is dominant, then other groups may feel excluded, in practice often are excluded. Therefore, there should be space for several world views to be included in the process. It is not so easy to determine what paradigm underpins the current VPA, and it is also an open question what paradigm should underpin it. In the VPA - not surprisingly - no direct reference is made to a paradigm, but the preamble states that the parties are aware of the importance of public awareness and participation in environmental issues and of the vital role of indigenous people and other local communities in environmental management and development. So there is a certain awareness of the need to be inclusive.

Here, an effort is made to answer the second part of the question by assuming that the VPA is basically a communication and change process. For such processes Wielenga (pers. com.) recognizes four possible paradigms with different roles of knowledge (which also – but not exclusively - includes science):

1. Paradigm 1: The sector is like a clock work, it just follows the expert. *Knowledge as truth*. This paradigm supposes that there is only one truth, and that is the scientific one. Experts tell this truth and the sector follows.
2. Paradigm 2: The sector is a market/jungle. *Knowledge as power/product*. This paradigm supposes that every actor needs to go for his/her own interest. If you need interaction, you go to the market, even to buy knowledge. If you do not have purchasing power, you cannot get knowledge.
3. Paradigm 3: The sector is a village, where we agree on concerted action. *Knowledge as a construct*. This paradigm is often very popular for people who want to promote multi-stakeholder processes. But the weakness is that people who have power (political and/or economic) do not always see sufficient reason to agree on concerted action.

4. Paradigm 4: The sector is a living organism, where we should maintain connection. Connectivity is vital. *Knowledge is responsive capacity.*

Only if the fourth paradigm is chosen, will there be a need to keep in contact, the need not to exclude each other and to learn from each other, because the different 'tissues' of the organism depend on each other. In that fourth paradigm, it also becomes very important to increase *trust* between the different stakeholders in the sector. Paradigm 4 is the one most likely to result in sustainable change, but it will only work if major stakeholders believe in the vision of the living organism and mutual dependence.

Role of the government and stakeholders in the VPA

The term 'governance' was originally understood as synonymous with government (or the way the government was ruling). A core issue in new interpretations of 'governance' is the altered role of the state, in view of the new roles of the private sector and civil society organizations. Governance is about the changing vision of the roles and responsibilities of the government: from the 'old' style of governance – with the government steering – to a new situation with more actors co-steering. Important aspects of this new situation are its multi-actor, multi-level (local, national and international) and multi-meaning nature: different stakeholders may embrace different values, interests and world views (Bodegom *et al.*, 2008).

Analyzing the VPA, the following can be observed:

- The agreement is between governing bodies of the state of Ghana and the EU. Other stakeholders are mentioned but although their co-operation is indispensable for the success of the VPA, the document fails to describe clearly their role in the different bodies to be created in the process. The text indicates that they will be consulted but nothing is mentioned about any power in decision making. During the VPA formulation process there was a multi-stakeholder VPA Steering Committee, an entity not mentioned in the VPA. The public sector alone constituted 70% of the membership of the VPA Steering Committee with virtually no representation from communities, forest user groups, farmers, landowners and/or traditional rulers. Two, out of twenty members were from Civil Society (Owusu, 2009). For the VPA implementation phase, again a VPA multi-stakeholder Steering Committee has been established to advise the Government of Ghana (GoG) on implementation. GoG has also committed to maintain and expand this VPA consultation system as a permanent feature of sector policy making (Ghana Forestry Commission, 2009).
- Neither the fact that a successful VPA will depend on the cooperation of different actors *at different levels* (local, national, international) nor the need to cooperate and communicate between the different levels are mentioned in the text. This notion has importance when it is applied to the different legal systems that exist in the country. There is the formal system but at local level customary laws and

rights play an important role. What is the procedure to deal with these differences?

- The notion is missing that it is important to identify together with major stakeholders ways to actively promote improved forest governance. An example could be the timber traders - national and international. Entrepreneurs not always have a policy on Corporate Social Responsibility, their branch organization not always have a code of conduct. What is the relationship between such code of conduct and forest governance? What should or could be the role of the private sector in improving forest governance?

Land tenure rights

In its communication regarding the FLEGT proposal for an action plan, the Council of the European Union (2003) does not provide a governance definition but mentions several aspects of forest governance in Article 9. The Article *urges the Community and Member States to enter into political dialogue with key target countries to instigate forest sector governance reforms, inter alia to: strengthen land tenure and access rights, especially for marginalized, rural communities and indigenous peoples.*

In the VPA 'affirmation of local forest tenure and of different stakeholder rights' are mentioned (article 15, and Annex II). This is not a very clear statement:

- What does the word 'affirmation' mean? Does it mean: 'the affirmation of the status quo' or "the review of the status quo and possible adaptation to new insights"?
- Furthermore, whether the focus will be on the position of marginalized groups remains to be seen.

Accountability and reduction of corruption

The European Commission stressed in its communication on FLEGT in 2003 the need to *reduce corruption in association with the award of forest exploitations concessions, and the harvesting and trade in timber.*

Corruption has much to do with the establishment and effective use of accountability mechanisms. Accountability is key to 'good' governance (Bodegom et al., 2008). Litovsky and MacGillivray (2007) give the following working definition of accountability: "Accountability is about civilizing power. It describes a relationship between power-holders and those affected by their actions". Usually, it is thought to consist of two elements:

- *Answerability* – making power-holders explain their actions (or 'the right to make claims and demand a response' and
- *Enforceability* – punishing poor or criminal performance.

These two elements are often described in 'soft' and 'hard' accountability. Apart from vertical accountability (most of all elections) and horizontal accountability (governmental organizations report 'sideways' to other officials and agencies within the state itself), direct societal participation is crucial ('co-governance for accountability' or 'social accountability'). Examples are participatory budgeting, administrative reforms acts, social audits, citizen report cards and community score cards (Bodegom *et al.*, 2008). What can be said about accountability in the context of the VPA?

- *Stakeholders are outside the VPA accountability mechanisms.* The so-called 'social accountability' is absent in the text of the VPA. The VPA focuses first of all at the timber chain, through the establishment of a legality assurance system (LAS) and through Independent Monitoring. These are forms of accountability but the question is to what extent national stakeholders in Ghana are involved and can play a significant role in it. It is not clear if stakeholders can hold the power-holders answerable through these mechanisms, or that enforcement is guaranteed. The VPA does not explicitly mention any accountability mechanisms through which stakeholders can hold government, the private sector and the EU donors accountable for their actions.
- *Local stakeholders can make the system stronger.* It would be a lost opportunity not to involve stakeholders – in one or another way - in the LAS and Independent Monitoring. In this way the transparency would not only be guaranteed by outside (international) forces, but also by national and local stakeholders.
- *Consultation versus accountability.* The preparation of the VPA was based on extensive consultation of the main stakeholders of the Ghanaian forest and timber sector as well as other interested parties. During the design phase of the VPA important steps were made to anchor the process in multi-stakeholder debate on legality of timber and options for supporting policy changes. The process can be characterized as 'an opening-up of the policy arena' (Beeko in Rozemeijer and Wiersum, 2009). However the question can be posed to what extent this multi stakeholder engagement can be sustained during the VPA implementation phase (Rozemeijer and Wiersum, 2009). What may be weakening sustainability is the focus in the VPA on 'consultation' rather than 'participation'. During the VPA preparation phase consultation of stakeholder groups was taken up in a very conscious and responsible way. Owusu (2009) concluded that most stakeholders were very satisfied by the way the consultation process has developed. However, consultation can be interpreted as rather free of obligations for the EU and the Government of Ghana. It can be organized at an appropriate moment for the government and there are no aspects of 'answerability and 'enforceability'. In the VPA implementation phase concrete tasks will have to be implemented by different stakeholders and then more than 'consultation' is needed.
- *Monitoring of governance aspects could be an important accountability tool.* Various examples show that stakeholders at national and local levels are very

well able to define principles and indicators for monitoring governance. It is even possible to conduct some kind of quantitative monitoring of governance aspects making it possible to compare the situation over time. Stakeholders often have a very clear idea of which aspects of governance need priority. Within FLEGT too, local and national stakeholders could play a role in defining 'forest governance' and monitoring progress at various levels (Bodegom *et al.*, 2008)

Social or societal learning

Social learning is learning by the different stakeholders in a process aiming to reorganize their sector. While actively co-operating, they learn from each other and together they know much more than any party would learn separately. The result of these interactions can be more effective and efficient than any solution 'imposed' by one party. This plays a role in for example Global Value Chain Governance (Bodegom *et al.*, 2008).

In the VPA the need for capacity building is mentioned several times. Capacity building should be a very important component of the VPA. However, there is no notion in the VPA that there is a need for the different stakeholders in the sector to learn from each other and that this learning has to be organized. There is a need for interaction and learning from each other both horizontally and vertically in the timber chain. The reason is that the VPA process takes place at various levels while many stakeholders with different worldviews and values can critically influence the process. In such a situation there is not one clear-cut solution to be 'invented' by one actor. Knowledge and insights of different stakeholders have to be combined to come up with feasible solutions. There is a clear link with the paradigm underpinning the VPA process. When the sector is considered to be a clock-work, with experts as the ones to provide solutions for problems, then one-way capacity building is the way to spread knowledge. If the sector is considered to be a living organism, then there is also a need to combine different types of knowledge from different actors in order to gradually develop solutions.

Balancing the processing capacity with sustainable production

The concept of Value Chain Governance explains all parts of the timber value chain as dependent on each other and in balance, while a certain management of the chain is needed as executed by a private sector actor and/or the government. An example of lack of balance is over-capacity in the processing industry which may contribute to unsustainable forest management practices.

There is a problem in Ghana as to balancing demand and (sustainable) supply. Hansen (in Rozemeijer and Wiersum, 2009) highlights the following:

- High timber demand from consumer countries;

- Overcapacity in timber industries caused by former international pressure under the aegis of structural adjustment to invest in timber sawmills, low forest fees and favourable corporate taxation;
- High economic growth rate and high population growth rate in Ghana resulting in high domestic timber demands.

The VPA mentions in article 15 several legal reforms that are necessary, inter alia in timber processing and domestic market development. However legal reform is not the same as restructuring a sector with over-capacity. This would involve finding solutions for decreased employment in the sector, the need for compensation, etc. The issue might be related to the problems of illegal chainsaw operators but is wider. Gene Birikorang (pers. comm.) warned during the Tropenbos workshop in Accra in October 2009 for a 'hard landing' meaning that at a certain moment there will be hardly any forests left to produce timber.

Provision of services by forests, e.g. biodiversity

Forest governance is a type of 'environmental governance'. In environmental governance there is a challenge specific for the environmental sector: the question of how to deal with the biophysical conditions of particular places (Görg in Bodegom *et al.*, 2008). In environmental governance the linkage with international processes and agreements like the Convention on Biological Diversity (CBD) are important. Ghana is also a signatory to the CBD and this implies certain obligations to conserve biodiversity. The VPA concentrates on timber and on social safeguards for people living in and around the forest and does not make any reference to the conservation of other services of the forest, including biodiversity. However, the VPA could have negative impacts on biodiversity, hydrological functions, watershed management and other forest services. Last but not the least, there is the climate issue: climate change mitigation (Reduced Emissions by Deforestation and forest Degradation – REDD) but also the role forests could play in climate change adaptation strategies. Related to this is the issue of balancing harvest with supply of timber (see above). In environmental and forest governance the issue is always about a natural resource that has to be managed in a sustainable way. Even if the VPA process would be perfectly participatory but lead to depletion of the resource, then it is impossible to speak about *good* forest and environmental governance. This issue needs more attention in the VPA.

Relation between FLEGT-VPA and other forest governance initiatives

Initiatives to improve forest governance have been going on in many countries for quite a long time. Therefore new initiatives like the FLEGT VPA should be linked with other on-going efforts regarding forest governance:

- Terry Green (in Rozemeijer and Wiersum, 2009) mentions the following list of forestry-related projects with important stakeholder consultation processes: REDD, Ministry Policy Review, NLBI, KASA Civil Society Project, NREG (includes forestry); GIRAF Civil society Project (EU); National and district Forest Forums

(FAO supported); Growing Forests Partnership; GoG/Donor Sector Group on Environment and Natural Resources; Tropenbos/FORIG/FC Chain saw project; WWF Forest Certification support; Global Witness - Forest Transparency Reporting; Pro-Poor REDD (IUCN/ DANIDA).

- Ghana has an FSC working group on forest certification (see www.fsc.org/africa). An obvious question is: if timber is FSC certified what is the procedure to get the VPA license? Are the processes completely separated, or is there some connection/cooperation?
- The partnership between Ghana and the national forest program (nfp) facility (in Rome, Italy) is supposed to support civil society participation in policy formulation and implementation, with a focus on (i) developing the National Forest Forum and making it operational at national and regional levels; (ii) removing blockages to and support effective operation of Collaborative Forest Management; and (iii) promote implementation of the Modified Taungya System to reforest degraded forest reserves (see <http://www.nfp-facility.org>).

In the VPA no traces can be found that there is a need to link to ongoing governance initiatives. However the VPA could be a good vehicle to promote cooperation between different forest governance initiatives.

How to deal with chainsaw milling?

Chainsaw milling in Ghana has gone through several phases. It was a recognized enterprise before the 1980s after which time registration by District Assemblies became required. In 1991, direct controls were instituted; logging procedures and post-logging inspection measures were tightened. In 1998, chainsaw milling was completely prohibited by law. Lifting the ban on chainsaw lumbering is a serious option that should be approached with caution. Currently three scenarios have been elaborated (Marfo, 2009). See also the Tropenbos EU funded project at <http://www.tropenbos.org/index.php/EU-Chainsaw-Milling/ghana/menu-id-236.html>. The chainsaw ban was a decision of Ghana's government without any pressure from donors. It was 'based on a policy review' but the decision seems to have put big companies in a more advantageous position (Hansen, pers. com.).

The VPA addresses governance issues but whether chainsaw milling is one of these issues, it is not clear from the text. It is clear from the information above that chainsaw milling has been the subject of formulation of laws and therefore is a forest governance issue; more so since a whole group of forest users has been excluded from the forest sector (declared illegal even though they still have considerable impact on the forest, the domestic timber market and the forestry sector in Ghana as a whole).

'Good enough governance' is better than 'good governance'

Apart from 'good governance' there is also 'good enough governance'. Good enough governance starts from the notion that the good governance agenda has become too

long and too ambitious. Reduction of the reform agenda is necessary to make its implementation feasible. Priorities should be assessed strategically. Instead of only focusing on things that go wrong, we should also focus on aspects that work reasonably well, and learn from that. 'Good enough governance' emphasizes the need to identify aspects critical for poverty reduction and this relates 'governance' to 'social safeguards'.

A vital question is: who should decide on prioritization of the activities to be undertaken? The answer to this question is not scientific, not value free and to a certain degree, political. For this author, stakeholders in the Ghanaian forest sector should determine what aspects of governance in the forest sector need most attention at the moment.

Conclusions on governance

As to governance, there is much scope to add vital aspects to the VPA, even if they are not mentioned explicitly in the VPA. Options for serious consideration are the following:

- Behind concepts of 'governance' there are always underlying world views or paradigms. In order to make and/or keep the forest sector healthy, it is vital to choose an 'inclusive' paradigm in which 'mutual dependence' is a cornerstone. In practice this means:
 - The VPA text does not say anything about the inclusion of stakeholders in the governing body of the VPA (and in the Independent Monitor). During the VPA preparation phase there was a multi-stakeholder steering committee (Owusu, 2009) and for the VPA implementation phase a comparable committee has been established (Van der Zon, pers. comm.). So in practice it seems more has been achieved than documented in the VPA.
 - Address stakeholders at different levels. Owusu (2009) mentions an extensive list of stakeholders consulted in the preparation phase of the VPA.
 - Take into account the interests of all groups with considerable impact on the sector including the ones declared illegal.
- In the VPA, land tenure issues are mentioned but rather vaguely. Reforms on tree tenure are needed in order to create positive incentives for landowners to conserve trees on their properties.
- Governance also implies the need to build accountability mechanisms where major stakeholders can hold the government and the private sector accountable for their actions. Accountability is much more than consultation. In the governing body of the VPA and Independent Monitoring it is important to clarify how stakeholders could exercise meaningful influence.
- In the VPA, the need for capacity building is mentioned several times but the notion is absent that, because of the complex and contested character of the problems in the forest sector, there is a need for learning by different stakeholders together and from each other.

- Restructure the timber processing sector in such a way that it is better balanced with the production capacity of the forests. This would involve finding solutions for decreasing employment in the sector, the need for compensation, etc. This issue might be related to the problems regarding illegal chainsaw milling but is wider.
- Forest governance is not only a social and economic process. It also implies the maintenance of the resource base in order to produce goods (e.g. timber) and environmental services (watershed management, carbon fixation, climate regulation etc) on a sustainable basis. It is important to look at possible adverse impacts of the VPA on these environmental goods and services of the forest.
- Relate the VPA to other efforts to improve governance (e.g. REDD initiatives). The VPA and its bodies should take up a role of coordinating the various initiatives on forest governance.
- Consider the lifting of the ban on chainsaw lumbering and assess alternatives, including its positive and negative consequences.

Not all options can be taken up immediately. There is a need to prioritize. It is up to the stakeholders in Ghana's forest sector to determine what aspects of governance in the forest sector need most attention at the moment.

Relationship between 'governance' and 'social safeguards'

There is a linkage between governance and social safeguards but how are these two concepts related, and would it be wise to look for coherent actions in order to promote both concepts at the same time within the VPA? The relationship between governance and social safeguards is not straightforward, but there are several clear linkages:

- *Good governance: fairness and decency.* The World Governance Assessment project (WGA) elaborated a framework to accommodate many ideas about 'good governance' (ODI, 2006). This project came up with a matrix of six principles that should be realized in six so-called 'arenas' (Civil Society, Political Society, Government, Bureaucracy, Economic Society and Judiciary). The six principles are: participation, accountability, transparency, efficiency and – last but not least: fairness and decency. Fairness is the degree to which rules apply equally to everyone in society. Decency is defined as the degree to which the formation and stewardship of the rules is undertaken without humiliating or harming people. It is clear that both 'fairness' and 'decency' are strongly linked to 'social safeguards'.
- *Good enough governance: poverty alleviation.* The concept of 'good enough governance' raises the issue of the governance agenda being unrealistically long and still growing. It is necessary to reduce the agenda, prioritize and, among other things, sort out aspects of poverty reduction (Grindle in Bodegom *et al.*, 2008). Here the link is clear between 'good enough governance' via 'poverty alleviation' to 'social safeguards'.

- *Global Value Chain Governance: market access of smallholders.* The value chain of tropical timber is a global value chain. In the Global Value Chain Governance - developed for international or global value chains in the agricultural sector, but with ideas also applicable to the timber sector - there is much interest in how smallholders can get access to international markets. Access to that market is considered as a way out of poverty. So here the linkage is: 'access of smallholders to international markets' contributes to 'poverty alleviation' and thus could serve as a 'social safeguard'.

The conclusion is that the linkage between 'governance' and 'social safeguards' is clear, first of all because 'social safeguards' are explicitly mentioned in the VPA but also because general concepts of 'governance' include aspects that are clearly linked to 'social safeguards'. In the next chapters the term 'social safeguards' will be further elaborated: how it is referred to in the VPA (section 5) and in other sources (section 6).

The VPA and 'social safeguards'

In the VPA social 'safeguards' are mentioned but the number of references is rather limited:

- In the preamble social safeguards are mentioned:
"Resolved that the Parties shall seek to minimize any adverse impacts on indigenous and local communities and poor people which may arise as a direct consequence of implementing this Agreement".
- Article 17 is specifically dedicated to social safeguards:
"Article 17 Social Safeguards
 1. In order to minimize possible adverse impacts, the Parties agree to develop a better understanding of the livelihoods of potentially affected indigenous and local communities as well as the timber industry, including those engaged in illegal logging.
 2. The parties will monitor the impacts of this Agreement on those communities and other actors identified in paragraph 1, while taking reasonable steps to mitigate any adverse impacts. The Parties may agree on additional measures to address adverse impacts."

Both texts have not been further elaborated in any of the 9 annexes to the VPA.

What could 'social safeguards against negative social impacts' encompass within the VPA?

Neither 'social safeguards' nor 'social impacts' are terms under which a vast body of knowledge and concepts has been developed contrary to 'good (forest) governance'. In order to get a better idea we will follow four lines:

1. The original FLEGT communication of the Council of the European Union;

2. World Bank policies which often function as a kind of minimum standard for activities in developing countries with funding from international (multilateral and bilateral) sources;
3. Environmental Impact Assessment, which often takes into account social aspects; and
4. Information provided by scientists active in Ghana who develop ideas on what social impacts should be considered within the framework of the VPA.

European Council

Article 8 of the communication of the European Union (2003) regarding the FLEGT program stresses *the importance of strengthened governance in the forest sector, and the positive impact this has on reducing poverty*. It is interesting to observe that strengthening of governance was supposed to have positive impact on reducing poverty. However, in the FLEGT Briefing Note #6, there is already a remarkable difference: “Key elements to consider in designing and implementing VPAs are likely to include: social safeguards – minimize adverse impacts on local communities ...” So the original idea of positive impact has been replaced in the briefing note by the notion that there is a need to minimize any adverse impacts on indigenous and local communities, and poor people. This wording of the Briefing note can be found too in this VPA.

World Bank Operational safeguard policies

The World Bank explicitly uses the term ‘safeguard policies’. The Bank has several operational environmental and social safeguard policies which are aimed to minimize adverse impacts of certain activities financed by the Bank. Some examples with possible relevance for the VPA case include the following (World Bank, 2005):

- **Involuntary resettlements.** The objective of this safeguard is:
To avoid or minimize involuntary resettlement and, where this is not feasible, to assist displaced persons in improving or at least restoring their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher. Principles to be followed include several ones that could possibly be applied under VPA circumstances (dotted parts indicate sections or parts of phrases that have been left out because they specifically refer to resettlement):
 - Through census and socio-economic surveys of the affected population, identify, assess, and address the potential economic and social impacts of the project
 - Identify and address impacts also if they result from other activities that are (a) directly and significantly related to the proposed project, (b) necessary to achieve its objectives, and (c) carried out or planned to be carried out contemporaneously with the project.
 - Consult project-affected persons, host communities and local nongovernmental organizations, as appropriate. Provide them

opportunities to participate in the planning, implementation, and monitoring of the program, especially in the process of developingdevelopment assistance,, and for establishing appropriate and accessible grievance mechanisms.

- Pay particular attention to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, Indigenous Peoples, ethnic minorities, or other displaced persons who may not be protected through national land compensation legislation.
 - For those without formal legal rights to lands or claims to such land that could be recognized under the laws of the country, provideassistanceto help improve or at least restore their livelihoods.
 - Assess whether the objectives of the instrument have been achieved, upon completion of the project, taking account of the baseline conditions and the results of monitoring
- **Forests.** The objective of the safeguards are:
To realize the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests. Relevant principles include:
 - Screen as early as possible for potential impacts on forest health and quality and on the rights and welfare of the people who depend on them. As appropriate, evaluate the prospects for new markets and marketing arrangements.
 - Give preference to small-scale community-level management approaches where they best reduce poverty in a sustainable manner.
 - Support commercial harvesting by small-scale landholders, local communities or entities under joint forest management where monitoring with the meaningful participation of local communities demonstrates that these operations achieve a standard of forest management consistent with internationally recognized standards of responsible forest use or that they are adhering to an approved time-bound plan to meet these standards.

Environmental Impact Assessment

Environmental Impact Assessment can also encompass assessment of social aspects, especially in developing countries. The Netherlands Commission for Environmental Impact Assessment has a division which focuses on environmental impact assessment of big projects to be implemented in developing countries and on Strategic Environmental Assessment (see www.eia.nl). Apart from environmental impacts, social aspects are always taken into account.

How are possible social impacts assessed? The author has participated in several assessments and can confirm that the answer to that question depends very much on the situation. It is not very useful to apply rigorously standard check lists (of e.g. World Bank, 1991) although they may function as starting point. It is better to include those elements which, based on interviews and meetings with (potential) stakeholders, prove to result in a considerable social, economic and environmental impact on local people. A sharp selection has to be made of potential impacts that really matter. Not all available information on the environment and social situation should be recollected. Common sense is usually helpful here.

Some scientific insights

During a seminar held in The Netherlands in June 2009 several valuable observations were made regarding social aspects of the VPA, especially with reference to - illegal - chainsaw harvesting (Rozemeijer and Wiersum, 2009):

- A major challenge is how to combine the legality-based approach of the VPA with a rights-based approach towards combating deforestation and forest degradation. The first approach focuses predominantly on the need to replace illegal logging practices with a practice based on accountable legality standards. The second approach focuses predominantly on the need for a more just and equitable distribution of forest benefits.
- The VPA focuses on the (EU-) export market, while there is also a considerable national market. The Ghana economy is doing quite well so domestic demand for timber is high. Illegal chainsaw operations are generating a lot of employment. If the ban on these chainsaw logging activities is going to be better enforced (through the VPA) this may lead to a potentially loss of income for poor income groups. However there is still little known about possible linkages between the 'illegal' and 'legal' sector (Rozemeijer and Wiersum, 2009).
- Underlying drivers of illegal logging include several aspects related to the socio-economic position of poor people (Hansen, pers. comm):
 - Inappropriate benefit sharing mechanism. For example: trees on farm land owned by farmers, do not belong to them, the trees are vested in the state and given out by the Forestry Commission. The farmer nurses the trees but does not get the benefits.
 - Timber rights are skewed towards large companies (discretionary allocation of timber rights).
- Illegal logging is seriously threatening the maintenance of the permanent forest estate (Hansen, pers. comm.)
- It is necessary to deconstruct the term 'community' or the 'poor' (Ramciklovic, pers. com.), since within communities there are significant differences in economic and social situation.

Slesazeck (2008) did research on timber exploitation by Ghanaian farmers in Ghana's high forest zone. He found that when timber extraction has a role in livelihoods of

farmers (57%), this role is minor but significant. The role is minor because hardly any time is spent on this activity and income is very small, only 7% of all households indicated to gain small amounts of money from timber exploitation. Despite the small role of timber exploitation in livelihood income, chainsaw lumbering on farmlands is the main source of timber for domestic use for 82% of the households. However, there is also a group of persons who live on the chainsaw business on a daily basis.

Conclusions on social safeguards

The term 'social safeguard' is hardly elaborated in the VPA. Although the conceptual thinking on 'social safeguards' in theory and practice seems limited, there are some clues for its elaboration against negative social impacts of the VPA. The following is recommended in this regard:

1. Take into consideration the original communication of the European Commission on FLEGT/VPA to create positive impact on poverty reduction;
2. Conduct socio-economic research amongst farmers and illegal chainsaw operators, paying particular attention to vulnerable groups and deconstructing the term 'forest-dependent community';
3. Focus on elements that, based on interviews and meetings with stakeholders, have potential to result in a considerable impact on local people;
4. Especially consult persons affected by a possible enforcement of the ban on illegal chain saw operations and provide them opportunities to participate in planning and monitoring of a mitigation program;
5. Look into the issue of rights and benefit sharing of trees on farm land;
6. Support commercial harvesting by small-scale landholders, local communities or entities under joint forest management; and
7. Look into the relationship between the domestic and international markets and try to harmonize the two.

Final remarks

Governance concepts depend on underlying paradigms. A paradigm that sees the forest sector most of all as a market would be a weak basis for the development of the VPA. In order to be able to tackle the very complex issues, a more inclusive paradigm needs to be adopted that stresses mutual dependencies of actors in the sector. In earlier sections the conclusion was drawn that there is a clear relation between 'governance' and 'social safeguards'. In fact 'social safeguards' can be considered as aspects of 'governance'.

In this paper various options regarding 'governance' and 'social safeguards' have been proposed to be integrated in the VPA process. The identification of these options does not imply a negative judgment of the VPA process as it has developed so far. The options rather elaborate the potential role of 'governance' and 'social safeguards' in the VPA process. It is essential that the government and stakeholders who are active in the forest sector define together which of these options should be implemented, and which one have priority status. The implementation of measures regarding 'governance' or

'social safeguards' means *change*. However, change will only happen if all stakeholders feel a *sense of urgency* that the current situation - dwindling forests that produce less and less environmental services and products - is no longer acceptable for the health of the Ghanaian forest sector.

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3.4 GOVERNANCE FOR SUSTAINABLE FOREST-RELATED LIVELIHOODS IN GHANA'S HIGH FOREST ZONE

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Abstract

This paper presents preliminary results of research carried out under the TBI Ghana/University of Amsterdam/KNUST 'Governance for sustainable forest-related livelihoods in Ghana's High Forest Zone' programme. The paper starts out by presenting the objectives and components of the programme and the methods employed in the studies carried out thus far. After that, the main features and challenges of the forest governance process are presented. Moreover, it shows that in spite of the intention to promote co-management with participation of forest fringe communities, the prevailing mode of governance is still hierarchical, characterised by vertical relationships between the state and non-state actors in forest governance.

Against this governance context, the authors perform a detailed analysis of the actors involved in forest governance and livelihoods, distinguishing between statutory, customary, market, civil society and hybrid governing structures. Actors use forest and tree resources for their livelihoods in various ways. A more detailed examination is carried out of the contribution of two major forest-related activities to rural livelihoods, namely non-timber forest product extraction and farming under the Modified Taungya System. The last part of the paper outlines different kinds of forest and tree-related conflicts that inevitably arise due to the multiple governing structures and wide variety of actors and their conflicting interests.

The authors present three 'fishbone' or cause-effect diagrams, which clarify the kind and causes of such conflicts occurring, respectively, in (1) forest reserves, (2) off-reserve areas and (3) both forest and off-reserve areas. The authors conclude that various cross-links exist between the TBI-Ghana/UvA/KNUST programme and the EU Voluntary Partnership Agreement as regards combating illegal logging, with both aiming to improve livelihoods and governance. Key to these improvements is reducing

forest and tree-related conflicts, reconciling interests and creating partnerships between the various actors involved in forest governance and management.

Overview of the Governance for Sustainable Forest-Related Livelihood Research in Ghana: Background to the project

A review of forest research in Ghana reveals that information on forest-related livelihoods is still scarce. Most research tends to focus on parameters for sustainable forest management of timber resources and on ecological processes. With her study on non-timber forest products, Julia Falconer (1992) set the stage for the recognition of the importance of forest resources for forest-adjacent communities, which had hitherto been neglected in policies characterised by a focus on industrial forest users and timber-based forest management.

Several studies have subsequently been carried out to review the possibilities of involving communities in forest management and these paid attention to co-management (Brown 1999), community-based natural resource management (Leach *et al.* 1999) and adaptive management (Mayers and Kotey 1996). More recent research has focused on environmental policies and governance arrangements that are needed to enhance the role of forest resources in rural livelihoods (Amanor 1999, Amanor and Brown 2003, Wiggins *et al.* 2004), including those related to forest tenure (Owubah 2001, Boakye and Baffoe 2007, Zhang and Owiredu, 2007). However, hardly any knowledge is available on the role of forest resources in the livelihoods of forest-adjacent people, the governance arrangements that hinder or enhance the poverty-alleviating potential of forest-related livelihoods and the conflicts that occur as a result of conflicting interests between various forest users.³⁸ Yet, such knowledge is not only indispensable to improve forest-dependent livelihoods, but also to curb the potential negative effects on people's livelihoods of the implementation of the Voluntary Partnership Agreement (VPA) which is intended to combat illegal logging.

The 'Governance for sustainable forest-related livelihoods in Ghana's High Forest Zone' programme – a cooperative effort between Tropenbos International Ghana, the University of Amsterdam (UvA) and Kwame Nkrumah University of Science and Technology (KNUST) – aims to fill this gap. In so doing, this programme aims to contribute to TBI Ghana's objective to generate and promote knowledge to improve forest-dependent livelihoods and conservation for rural poverty reduction. This paper presents the characteristics of this programme, as well as some preliminary results.

³⁸ In the TBI Ghana programme, a PhD study has been realised on forest conflicts (Marfo 2006), but this focused on actor-response processes, power relationships and actor empowerment, rather than on livelihood-related conflicts.

Components of the project

The 'Governance for sustainable forest-related livelihoods in Ghana's High Forest Zone' programme was initiated in 2008 with a view to generating insight into and formulating recommendations on governance arrangements that enhance forest and tree-related livelihoods. Its research component³⁹ encompasses two PhD studies and several MSc studies. The PhD studies deal with:

- Forest governance and conflict management: understanding forest-related livelihood conflicts from different stakeholders' perspectives (2008-2011) (researcher: Mercy Derkyi, UvA/AMIDSt)⁴⁰;
- Governance arrangements and innovations for improved forest-related livelihoods in Ghana's High Forest Zone (2008-2011) (researcher: Thomas Insaadoo, KNUST).

MSc studies, carried out by students of International Development Studies at the University of Amsterdam, deal with related themes to complement the studies carried out by the PhD students. In 2009, two MSc students – Andy Bell and Jennie Ledger – carried out studies on the importance of non-timber forest products (NTFPs) and the Modified Taungya System (MTS) for rural livelihoods in the High Forest Zone. New studies are being prepared on the role of bush meat trade and the contribution of commercial plantation development to rural livelihoods.

The studies encompass the following components:

1. *Actor analysis*: Which actors have a stake in the resources in Ghana's High Forest Zone, and what are their characteristics and interests?
2. *Policy analysis*: What policies are relevant for securing and enhancing forest-related livelihoods and how have these changed in the past decades?
3. *Institutional analysis*: Which formal and traditional institutions regulate people's access to forest resources, *i.e.* their rights to own, to use, and to have a say in the allocation of these resources?
4. *Livelihood analysis*: What livelihood options exist in Ghana's High Forest Zone?
5. *Conflict analysis*: What forest livelihood-related conflicts can be discerned in Ghana's High Forest Zone and what are their characteristics in terms of actors, resources and interests involved?

The outcome of these components will be integrated into a synthesis study to be published in 2011. This synthesis will encompass recommendations for improved (i) forest-based livelihood options, (ii) forest governance arrangements, and (iii) conflict resolution mechanisms.

Below, we present some preliminary results, related specifically to (a) the nature of the governance process in Ghana's High Forest Zone (actors, modes and challenges), (b)

³⁹ The programme also includes a training component, with 1-2 Ghanaian MSc students per year receiving 3 month training at the University of Amsterdam.

⁴⁰ Due to a merger AMIDSt – the Amsterdam research institute for Metropolitan and International Development Studies – was dissolved to form a part of the Amsterdam Institute of Social Science Research (AISSR) as from 1 January 2010.

prevailing forest and tree-related livelihood portfolios, (c) the contribution of two specific forest land uses to rural livelihoods, i.e. NTFP extraction and the Modified Taungya system (MTS), and (d) forest and tree-related livelihood conflicts (types, causes, and conflict management arrangements). Finally, this paper looks into the links that exist between this research project and the on-going European Union-Ghana Voluntary Partnership Agreement (VPA).

Methodology

The research was carried out from June –September, 2009 in some selected areas of Ghana’s High Forest Zone in Nkawie, Asankrangwa, Sefwi and Sunyani Forest Districts. We used different research techniques such as semi-structured questionnaires and focus group discussions among both forest fringe communities and forest governors and experts. The Poverty-Forests Linkages Toolkit developed under the Programme on Forests (PROFOR)⁴¹ – hereafter referred to as the PROFOR toolkit – was used to assess the relative contribution of forest and tree-related activities to people’s livelihoods. PROFOR developed this tool because the importance of forests to rural livelihoods⁴² is often overlooked in national development processes such as poverty reduction strategies. This hiatus is due to inadequate evidence documenting how forests sustain the poor and the PROFOR toolkit was designed to facilitate relevant data collection and analysis with regard to ways in which forests sustain the poor (<http://www.profor.info/profor/node/60>).

Tool 4 was used in this research to analyse livelihoods, using ranking and looking at the components that make up both the cash and non-cash income of people in forest fringe communities. Analytical tools such as SPSS, Excel and fishbone diagrams were useful in our analyses of the data collected. The fishbone diagram is an analysis tool that provides a systematic way of looking at the effects and causes that create or contribute to those effects. Due to the function of the fishbone diagram, it can be referred to as a cause-and-effect diagram. The design of the diagram resembles the skeleton of a fish. Therefore, it is often referred to as the fishbone diagram and, since it was invented by Dr Kaoru Ishikawa, a Japanese quality control statistician, it is also referred to as the Ishikawa diagram (<http://quality.enr.state.nc.us/tools/fishbone.htm>). In addition, we made use of relevant literature and secondary data such as official documents and laws within the forestry sector. The preliminary findings were shared during the Illegal or Incompatible project workshop held in Ghana in October 2009.

⁴¹ The Programme on Forests is a multi-donor trust fund financed by the Department for International Development (DFID) of the United Kingdom, the Finnish Department for International Development Cooperation, the Japanese International Forestry Cooperation Office and Swiss Development Cooperation (SDC). The German Government is an in-kind contributor. Set up by the United Nations Environmental Programme (UNEP) in 1996, PROFOR has been hosted by the World Bank since 2002 (<http://www.profor.info>).

⁴² PROFOR uses as a basis the frequently quoted World Bank (2001) estimate that an estimated 1.2 billion people worldwide rely on forests for some part of their livelihoods.

Preliminary Results

Governance modes and challenges

This study takes the notion of ‘interactive governance’ developed by Kooiman and Bavinck (2005: 17) as a starting point. This concept is defined as “the whole of interactions taken to solve societal problems and to create societal opportunities; including the formulation and application of principles guiding those interactions and care for institutions that enable and control them’. Based on research on fisheries, Kooiman and Bavinck (*ibid.*, p. 21-22) identified three styles or modes of governance:

- *Self-governance* – a situation in which actors take care of themselves, out of sight of government;
- *Hierarchical governance* – which is a top-down style of intervention and interaction between the state and its citizens, in which steering, planning and control are the key concepts, expressed in instruments such as laws and policies;
- *Co-governance* – a collaborative way of governing in which responsibilities are shared between the State and societal parties with a common purpose in mind. This mode of governance is characterised by horizontal relationships, with no actor being solely in control.

In the Ghana situation we can say that Ghana’s forest sector has a blend of hierarchical and co-governance modes of governance. The hierarchical mode of governance - with the Forestry Commission (FC) being the main responsible agency for forest management – is a legacy of British colonial rule. The co-governance arrangements are rooted in the 1994 Forest and Wildlife Policy and its legislative instruments, especially the provisions and guiding principles relating to community forestry. However, in practice the hierarchical mode of governance prevails over co-governance and it can be argued that this applies to both statutory and customary governance arrangements (Derkyi, forthcoming).

In addition to the prevalence of the hierarchical mode of governance, despite intentions to move towards co-governance, forest governors and experts on Ghanaian forest governance identified the following governance challenges for Ghana’s forest sector:

- Laws being insufficiently differentiated for forest reserves and off-reserve areas whereas contexts and actors are different;
- Conflict analysis and management are not part of the training of the resource manager;
- Inadequate staff and logistics for the Forestry Commission, especially at district level;
- A clash between customary and statutory laws with the former being less readily recognised in the forest conflict management process.

Solutions for these problems lie in a decentralised and interactive approach to forest governance with feedback loops during implementation, differentiated laws and regulations adapted to the specific on-reserve and off-reserve conditions, sufficient funding of the Forestry Commission and capacity building, with due attention to conflict

management for forest practitioners in academic curricula as well as a clearly defined role for customary laws in conflict management.

Actors in forest governance and livelihoods

Actors involved in forest and tree governance and livelihoods include individuals, households, associations, companies, institutions, NGOs, traditional authorities, local communities and government officials that have roles, responsibilities and interests or are involved in (a) forest and tree resource use, (b) forest and tree resources management, (c) forest and tree resource conflicts and/or (d) resolving or managing forest and tree resource conflicts. It also includes people who have a share in benefits or who influence decision making or implementation.

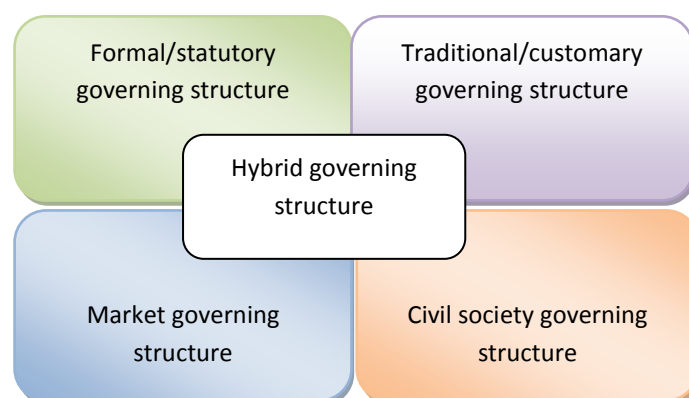


Figure 1: Categories of actors in forest governance, forest and tree-related livelihoods, conflicts and conflict management in Ghana's High Forest Zone

As illustrated in Figure 1, the actors involved in forest governance and forest and tree-related livelihoods and conflicts, can be grouped into five main categories: (i) actors in the formal/statutory governing structure, (ii) actors in the traditional or customary governing structure, (iii) actors in the market governing structure, (iv) actors in the civil society governing structure, and (v) actors in the hybrid governing structure. We examine these actors in more detail below.

Actors in the formal/state governing structure

The institutions which are legally mandated to manage forest and tree resources are termed forest governors. These include the Ministry of Lands and Natural Resources (MLNR), which is responsible for designing appropriate governance principles and guidelines enshrined in policy and laws as well as for monitoring and directing the policies. Under MLNR, the two most important institutions with regard to forest and tree-related livelihoods are the Forestry Commission (FC) and the Administrator of Stool Lands (Figure 2). The FC is made up of three key divisions namely the Forest Services Division (FSD), the Wildlife Division (WD) and the Timber Industry Development Division (TIDD) (Figure 2). The FC's responsibilities include ensuring effective implementation of the policies and laws and effecting management goals

related to sustainable forest and wildlife management and development of the timber industry. The Administrator of Stool Lands – established by the 1992 Constitution and 1994 Stool Lands Act (Act 481) – is in charge of the management of stool lands on behalf of the communal land owners.⁴³

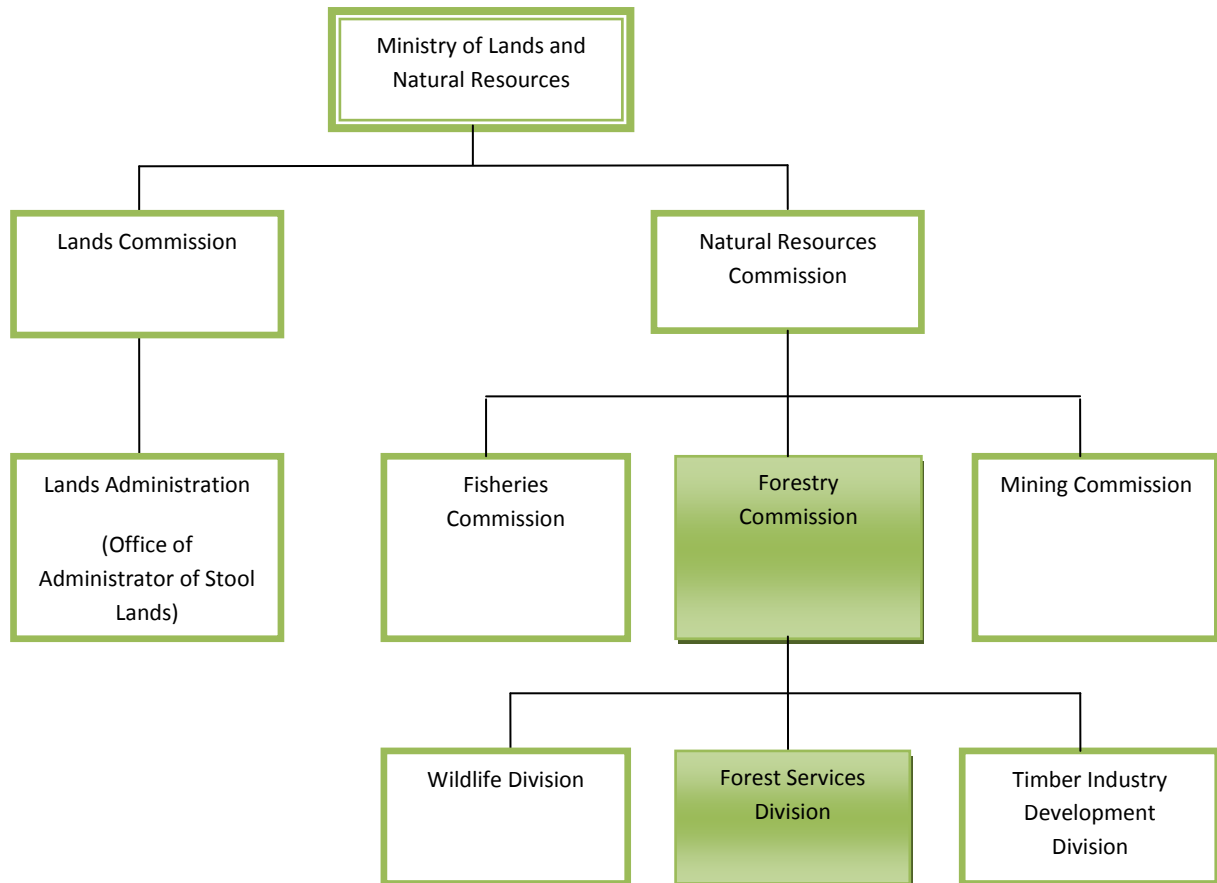


Figure 2: Structure of the Ministry of Lands and Natural Resources

In addition to the forest governors, other relevant actors in the formal/statutory governance structure are those in charge of the distribution of revenues and law enforcement, being the District Assemblies, the Ghana Police & Military and the Judiciary.

Actors that are closely related to the formal/statutory structure but that are not officially part of it are those at national and international level that sponsor and support forestry development, research and capacity building. At national level these include academic institutions (e.g. the Faculty of Renewable Natural Resources (FRNR) at KNUST) and research institutions (e.g. the Forest Research Institute of Ghana - FORIG). At international level these are donors representing foreign governmental organisations (e.g. the UK Department for International Development, DFID) and inter-governmental organisations such as the Food and Agriculture Organization of the United Nations.

⁴³ URL: <http://www.ghanalap.gov.gh/index1.php?linkid=88> accessed 23 January 2010.

Traditional or customary governing structure

The traditional or customary governing structure consists of communities and customary institutions.

Communities are interpreted in this study as groups of people that share a particular geographical space (usually a village) and its natural resources, but that are not necessarily homogenous in terms of interests and socioeconomic positions. Asare (2000) – who defines ‘community’ as a conglomeration of people with identifiable characteristics and common or differing interests – distinguishes the following five categories of communities related to forests:

1. People with ownership rights over the forest;
2. People living within or close (1-5 km) to the forest estate;
3. People who use forest products such as timber, NTFPs or bush meat;
4. People who are affected by changes in the forest environment or negatively affect the forest environment;
5. People who provide resources towards forest management.

In terms of supporting forest resource management, communities have been mandated to help control and prevent wildfire and protect the national plantation schemes in return for 5% of the final proceeds as well as social responsibility agreements in timber utilisation contract operational areas.

Customary institutions are mostly found in community settings depending on the level of hierarchy. The village chief (locally called *Odikro*, which literally means ‘owner of the village’) resides near the forest resources, even though he is not the landowner. The *Odikro* is normally appointed caretaker chief at village level by the divisional chief (*Ohene*) under whose jurisdiction a number of *Odikros* serve. In turn, the *Ohene* serves under the head of the traditional state (*oman*), the paramount chief (*Omanhene*)⁴⁴ (Mayers and Kotey 1996, Kasanga 2003, Kendie and Guri 2006).

In Southern Ghana, chiefs at all levels have a council of elders to assist in administrative functions. Traditional councils around a paramount chief – the *oman* level – are made up of the *Omanhene* and *Ohemaa* (queen mother) and all divisional chiefs (*Ohene*). At the divisional level the *Ohene* and his *Ohemaa*, all subdivisional chiefs (*Apakanhene*) and all clan heads (*Abusaupanyim*), make up the council of elders. At village level the council of elders is called *besuanfo*, which means committee of seven, referring to the seven heads of clan (*Abusaupanyim*) that form the council (Asare 2000, Kendie and Guri 2007). The traditional councils, based on a combination of statutory and customary law, often hold the landholding authority in the High Forest Zone (Mayers and Kotey, 1996). In Ghana,

⁴⁴ The female counterparts of the *Omanhene* and *Ohene* are referred to as *Ohemaa* (queen mother) whereas the female counterpart of the *Odikro* is the *Obaapanyin*. The latter can be the chief’s mother, his mother’s sister, sister, a mother’s sister’s daughter or a sister’s daughter (Kendie and Guri 2006).

78% of the land is in the hands of customary land holders (Sasu 2004: 2). An important traditional authority in this respect is the stool. The stool (or in Northern Ghana: skin) is the symbol of chieftaincy at all levels. In statutory law a stool (or skin) is defined as any person or body of persons having control over community land, including family land, as a representative of a particular community (Kasanga 2003: 144). The stool can only hold land in trust for communal landowners but has no say in the management of forest resources, which is under the jurisdiction of the FC. The management of stool lands is in the hands of the Administrators of Stool Lands, which body is part of the formal/statutory governing structure.

Market governing structure

The timber industries are the most important actors that make up the market governing structure with different categories and sub-categories of actors. Owusu (2009) reported four key sub-groups namely: loggers, buyers, millers and the downstream wood processors which include furniture makers, lumber sellers (vending wood from both legal and illegal sources) and carpenters of all sorts. The only actors active in logging with legal recognition are Timber Utilization Contract (TUC) or concession holders, Timber Utilization Permit (TUP) holders that extract timber for non-commercial uses and salvage permit holders that extract wood from areas to be transformed for development purposes such as road construction, expansion of human settlement or cultivation of farms (Marfo 2010). Each of these holders may belong to one or both of two main bodies, namely the Ghana Timber Association (GTA) and the Ghana Timber Miller Organisation (GTMO).

Mayers and Kotey (1996) assert that the main interest of this group of actors is to access logs from marketable species at the lowest possible prices with a view to converting them to high-value processed lumber for sale at high prices. The means available to these actors to achieve their interests are the strong influence they have at policy level as well as the *de facto* control over large forest areas. Other actors in this group are investors in commercial timber plantations and traders in NTFPs and bush meat.

Civil society governing structure

The civil society governing structure in the forestry sector consists of national and international environmental organisations as well as NGOs that contribute to capacity building, forest restoration and ensuring legality. Examples are national organisations engaged in advocacy such as Forest Watch Ghana (FWG) and the Rural Youth Development Association. The international actors in this arena include Tropenbos International Ghana for research and capacity building, Care International for humanitarian aid and the Forest Stewardship Council which promotes certification of sustainably managed forest lands.

Hybrid mode of governing structure

The research carried out under the TBI-UvA-KNUST programme revealed three hybrid

modes of governance. The first one is at community level and is a blend of statutory and customary influences. The reason for this is that these structures were initiated by the formal sector engaging people from the traditional governing structure. Specific actors in this arena are (i) Modified Taungya System (MTS) farmers, (ii) Community Forest Committees (CFCs), (iii) Community Biodiversity Advisory Groups (CBAGs), (iv) Fire Volunteers Squads and (v) Unit Committees (see Table 1).

Table 1: Community-based institutions in the hybrid governing structure

Institution	Mandate
<ul style="list-style-type: none"> • Modified Taungya System (MTS) committees 	<ul style="list-style-type: none"> • Allocate cropping rights to MTS farmers who are allowed to plant crops in reforestation schemes in return for tending the seedlings and saplings and a share in the proceeds.
<ul style="list-style-type: none"> • Community Forest Committee (CFCs) 	<ul style="list-style-type: none"> • Enhance community empowerment and participate in resource management
<ul style="list-style-type: none"> • Community Biodiversity Advisory Groups (CBAGs) 	<ul style="list-style-type: none"> • Act as social fencing to protect Globally Significant Biodiversity Areas within forest reserves • Prevent and combat wild fires
<ul style="list-style-type: none"> • Fire Volunteers Squads 	<ul style="list-style-type: none"> • Stimulate local development using communal labour and village fundraising to build schools, clinics, wells and latrines
<ul style="list-style-type: none"> • Unit Committees 	

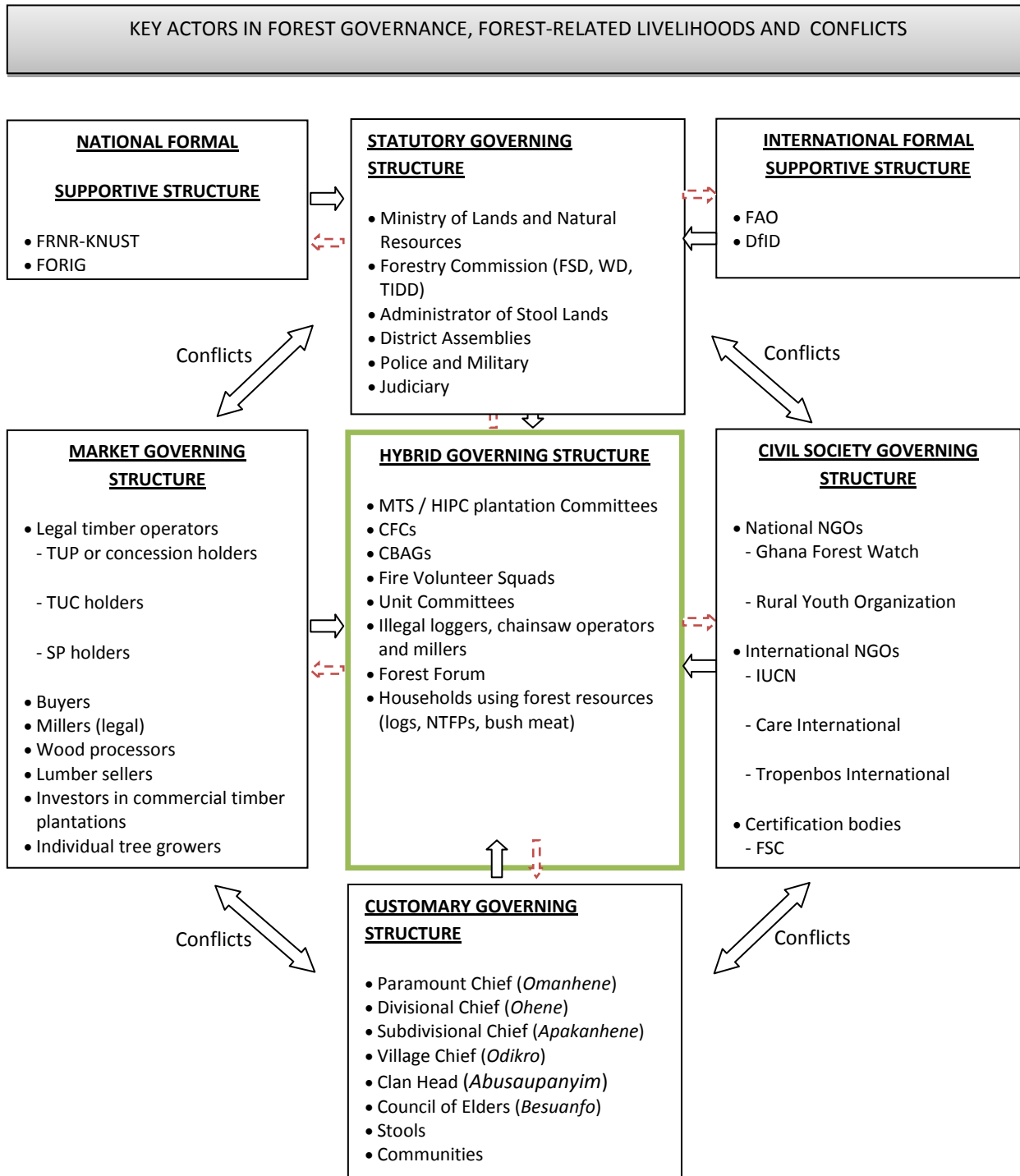
Sources: Mayers and Kotey 1996; Kasanga 2003; World Bank 2006.

The second hybrid mode refers to illegal logging, chainsaw lumbering and illegal lumber selling. This is a hybrid arena because the actors operate at multiple levels of scale, ranging from micro (the community) to macro (the government) in Ghana's geopolitical settings. The actors in this mode also come from a blend of formal, market and traditional governing structures. Actors in this hybrid mode include illegal chainsaw operators, illegal timber loggers and illegal lumber sellers. Each actor in the hybrid structure has a specific role in forest management.

The third group in the hybrid governing structure is the Forestry Forum. This is a forum made up of representatives from the customary, state and the market governing structure, including communities and timber operators. The Forestry Forum is functional at national and regional levels and in some districts of Ghana.

Figure 3 gives an overview of the key actors in forest governance, livelihoods and conflicts in Ghana's High Forest Zone.

Figure 3: Key actors in Ghana’s forest sector



Acronyms in alphabetical order: CBAGs = Community Biodiversity Advisory Groups, CFCs = Community Forest Committees, DfID = Department for International Development (UK), FAO = Forest and Agriculture Organization of the United Nations, FORIG = Forest Research Institute of Ghana, FRNR-KNUST = Faculty of Renewable Natural Resources of Kwame Nkrumah University of Science and Technology, FSC = Forestry Stewardship Council, FSD = Forest Services Division, HIPC = Highly Indebted Poor Countries, IUCN = International Union for the Conservation of Nature, MTS = Modified Taungya System, NGOs = Non-governmental organisations, NTFP = Non-timber forest products, SP = Salvage Permit, TIDD = Timber Industry Development Department, TUC = Timber Utilization Contract, TUP = Timber Utilization Permit, WD = Wildlife Division

Forest and tree-related livelihood portfolios and components

The forest and tree resources within the High Forest Zone serve as a source of cash and non-cash income in both rural and urban livelihoods. The forest and tree-related components in the livelihood portfolios identified in this research include:

- Planted trees on farmlands;
- Timber tree nursery establishment;
- Commercial timber plantations;
- Plantations established with HIPC funds;
- Timber logging (either legal or illegal) and benefits from the Social Responsibility Agreement;
- Nurturing of naturally grown timber trees on farmlands;
- Compensation payment for logging damage on farmland;
- Modified Taungya System (MTS) farming; and
- Non-timber forest product extraction (both for domestic and commercial purposes).

Different governance and benefit-sharing arrangements have been designed for each of these activities, as shown below:

Planted trees on farmlands

If a landowner plants trees on farmland, 100% of the crops (all types) and 100% of the tree benefits are for the landowner. However, if the farmer is not the owner of land, the arrangement – observed in Asankrangwa Forest District – is that the farmer receives 67% and the landowner 33% of the tree and permanent crop benefits, whereas the supporting timber company has the first option when it comes to buying the mature timber at prevailing market prices. This arrangement applies to off-reserve areas where trees are planted on farmland and involves farmers, landowners and a timber company.

Timber tree nursery establishment

Tree seedlings are produced in nurseries on the basis of two main systems. One system applies to the MTS and HIPC schemes, with the FC (FSD) being responsible for supplying the farmer groups and/or workers with good quality seedlings. To that end, the FSD contracts individuals and groups to produce timber tree seedlings. These people and groups may or may not be directly involved in the MTS or HIPC schemes. The FC purchases the tree seedlings from the producers and supplies them to the participants in the MTS and HIPC planting schemes. The other system applies mainly to the commercial and on-farm tree planting schemes, where the investor or farmer is responsible for producing his/her own tree seedlings. Small-scale on-farm tree planters receive these seedlings mostly free of charge from supporting institutions. Examples of such organisations are SAMATEX, a timber company in the Asankrangwa Forest District, and Recerca e' Corporazione (RC), an Italian NGO that used to promote on-farm tree planting in the Sefwi Forest District.⁴⁵ The FSD is supposed to supervise the tree seedling production activities.

⁴⁵ Research is continuing to clarify where the commercial plantation developers get their seedlings from.

Commercial timber plantation development

Where commercial timber plantations are established, a land lease agreement is signed between the landowner and investor before any plantations are established. The investor and/or employees from the adjacent community plant timber trees in the degraded forest reserves that were allocated to them. In most cases, they intercrop with annual agricultural crops during the first three years of plantation establishment. The benefits from the plantation trees are shared on the basis of 90% for investor, 6% for landowners, 2% for the Forestry Commission and 2% for adjacent communities – with the proceeds from the crops going to the planter of these crops. The arrangement applies to degraded forest reserve areas where commercial plantations are being established. The actors involved include investors (local and expatriate), the Forestry Commission, adjacent communities and stools.

Plantations established with HIPC funds

The same arrangement applies when plantations are established with so-called HIPC funds – a fund established under the Highly Indebted Poor Countries (HIPC) plantations initiative which aims to improve the living conditions of deprived citizens of Ghana by serving as a source of short-term employment opportunities. Workers, who are mostly community members, receive monthly wages. This scheme is also meant to increase the tree cover of the degraded forest reserves. Under this programme, contracts are given to plantation supervisors (non-staff of FSD) who supervise the workers as regards planting trees in degraded forest reserves (sometimes in addition to cultivating their food crops under the same conditions as those governed by the MTS farming system).

Timber logging and benefits from the Social Responsibility Agreement

In case of legal timber logging, timber contractors negotiate with local communities adjacent to Timber Utilization Contract (TUC) / concession areas about the provision of goods and services to a maximum of 5% of the value of stumpage fees. This arrangement, referred to as the Social Responsibility Agreement (SRA), applies to both on-reserve and off-reserve areas. The scenario is different with respect to illegal logging or chainsaw lumbering operators who may come from both inside and outside the villages.⁴⁶ Within the communities, the illegal operators establish various informal arrangements with selected community members, including (i) tree spotters, who help the operators to identify trees, (ii) lumber carriers or loading boys, (iii) chainsaw operators and (vi) informants and spies. In the informal arrangement no SRA benefit goes to the communities or royalties to the chiefs because no tree stumpage fees are paid to the Forest Services Division.

Nurturing of naturally grown timber trees on farmlands and compensation payments

⁴⁶ A recent study by Adam *et al.* (2007) cited in Marfo (2010: 12) found that people involved in chainsaw operations come from a range of backgrounds, with the majority including farmers (48%), unemployed youth (16%), previous timber company workers (7%) and traders (6%), as well as mechanics, masons and labourers.

On-farm tree nurturing generates no direct benefits for either the farmer or the communities who often do tend and protect naturally grown economic trees. Revenues from tended trees are shared between the Forestry Commission (60%), District Assembly (DA) (20%), landowner or traditional authority (TA) (15%) and the administrator of stool lands (ASL) (5%), with the farmer receiving only compensation payment in case of logging damage to crops on farmlands.

Modified Taungya System (MTS)

The MTS is a legally-binding land lease and benefit sharing agreement for tree-planting schemes in which farmers receive parcels of degraded forest reserve areas earmarked for conversion to plantations to produce food and vegetable crops⁴⁷ and help replant the degraded forest area. Intercropping is carried out during the first three years of plantation establishment, after which only tree growing is allowed. Under this scheme, the farmers are considered co-owners who are guaranteed 100% of the agricultural crop proceeds. The benefits from the trees are shared on the basis of 40% for farmers, 40% for the Forestry Commission, 15% for the land owner and 5% for adjacent communities. This arrangement applies to degraded forest reserve areas and involves MTS farmers, the Forestry Commission and stool authorities.

Non-timber forest product extraction

Villagers – both male and female - in forest-adjacent communities use various kinds of non-timber forest products, with the most important being pestles, canes, palm, spices and chewing sticks. If extraction takes place further away, on hilly terrain or involves some risk of getting caught by the FC officials, NTFPs are extracted mainly by men, and they also take primary responsibility for hunting. Women mainly extract herbs and spices as well as medicinal plants for their own use. Extraction can take place for both domestic use and for sale. Permits – acquired from the Wildlife Division for animal products and with the Forest Services Division for plant products - are required when products are extracted from the forest reserve for commercial use. No permits are required for the extraction of NTFPs for domestic use, either from on-reserve or off-reserve areas. Incomes (either cash or non-cash) from NTFP extraction function primarily as a safety net. Benefits for the government take the form of a permit fee when products are extracted for commercial purposes.

Understanding the contribution of NTFPs and Modified Taungya System to local peoples' livelihoods

Having reviewed the governance arrangements, the actors and the activities related to forest and tree-related livelihoods, the question arises of how important these activities are to people's livelihoods. To answer that question, several case studies have been (and are being) carried out by International Development Studies MSc students at the

⁴⁷ Farmers are allowed to plant maize, plantain and coco yam, but not cassava (staple food in the region) which is thought to compete with the trees for nutrients.

University of Amsterdam. Below we present the results of the application of PROFOR tool 4 in the studies on NTFP extraction and the MTS respectively.

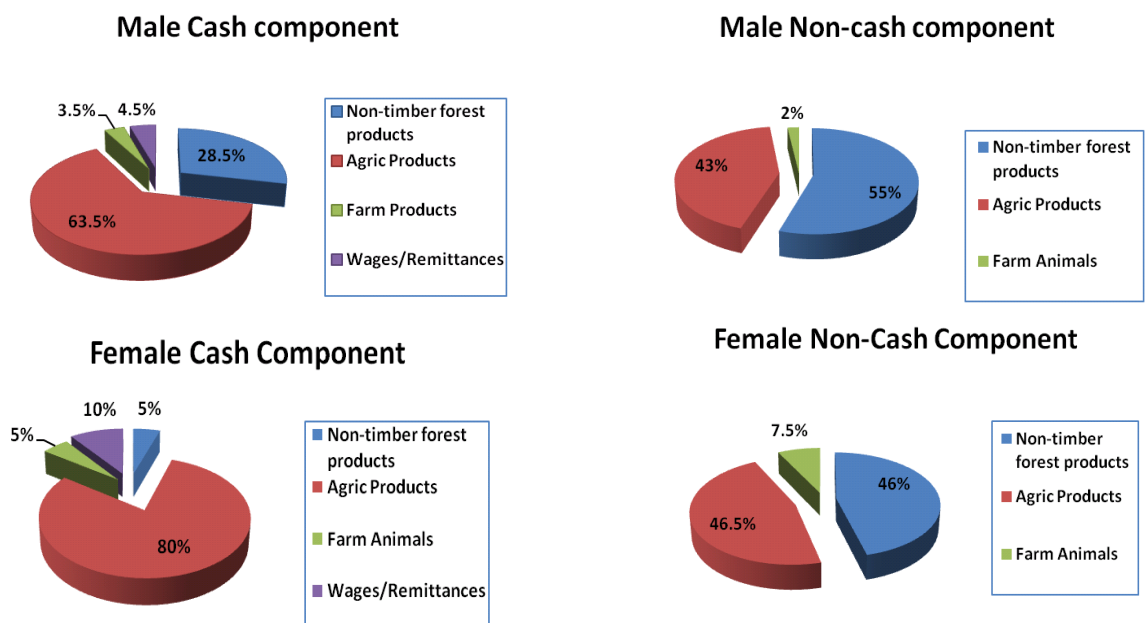
Analysis of NTFPs contributions to local people’s livelihoods

Figure 3 shows the results of the ‘PROFOR’ exercise in Kyekyewere, a so-called ‘Admitted Village’ in Tano Offin Forest Reserve. Based on a group exercise with 10 males and 10 females, respectively, the pie charts present the cash and non-cash benefits for both sexes, with a focus on non-timber forest products.

Female CASH component and male CASH component: It is evident that, while both groups earn most income from agricultural products, the male group earns far more from NTFPs than the female group (28% compared to just 5%). The question is why is there such a large difference? Household surveys show that many of the respondents claimed that men were the ones who primarily went into the Forest Reserve to collect NTFPs because it was either too dangerous (risk of being caught without a permit) or because many of the products are simply too large to carry out of the reserve. Of the NTFPs that were taken and used by the women in Kyekyewere, most were small, such as herbs and spices, and small plants used for medicinal purposes.

Female NON-CASH component and male NON-CASH component: What is most noticeable here is that both NTFP figures not only stood out but are actually closer together this time (46% and 55%), unlike the CASH component. The annual non-cash component of a household’s livelihood was described to the participants as things they benefit from and use daily, but do not receive income from. It is evident here that NTFPs contribute quite a lot to people’s livelihoods. Almost every participant, from both the

Figure 3: Cash and non-cash benefits according to gender, with a focus on the importance of non-timber forest products in KyeKyewere, an ‘Admitted Village’ in the Tano Offin Reserve, HFZ Ghana



female and male groups, rated things like mushrooms, pestles, canes, bush meat, snails and chewing sticks.

To summarise, it can be said that the study revealed diverse livelihood profiles for both sexes, ranging from agriculture (food/cash crops and animal products) to wages/remittances and non-timber forest products. The analysis revealed that, in terms of cash, men benefit more from NTFPs than women, but that the non-cash benefits did not exhibit distinct differences. It could be said that neither of the sexes access NTFPs for their livelihoods, but that women use their products for domestic rather than for selling purposes.

Analysis of the contribution of the MTS to local people's livelihoods

Dotiem, which is on the fringe of the Tano Offin Forest Reserve, was the second village from which data was collected using the PROFOR tool. Here the focus was on the contribution of the Modified Taungya System to the livelihoods of the villagers. The male and female groups, each of which is made up of 10 MTS farmers, were asked to divide their yearly income (both in non cash and cash terms) according to the area they derived most of it from. In this way they could chose between products derived from the natural forest, crops from the MTS, agricultural products from land exclusively used for farming and products from fallow lands.

Female CASH and NON-CASH income: Figure 4 highlights the relative importance of the MTS, particularly in terms of its cash and non-cash contribution to the livelihoods of women, which is 50% and 54% respectively. In this case, hardly any income is

Figure 3: Cash and non-cash benefits according to gender, with a focus on the importance of non-timber forest products in KyeKyewere, an 'Admitted Village' in the Tano Offin Reserve, HFZ Ghana

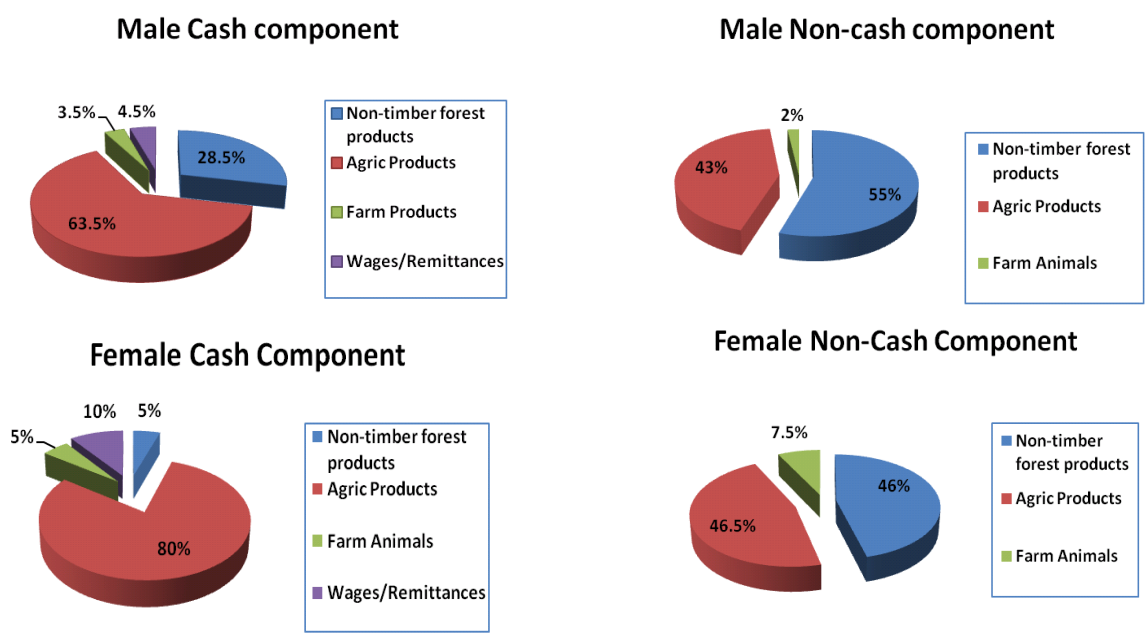
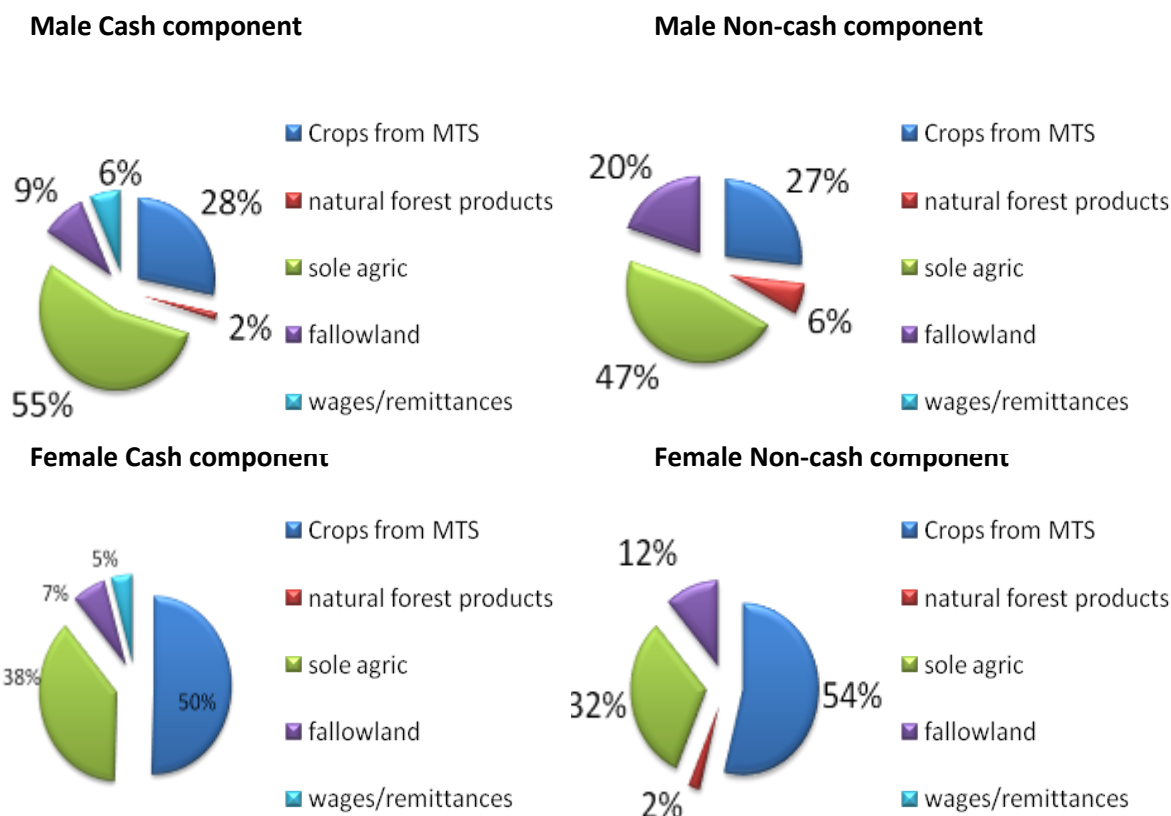


Figure 4: Cash and non-cash benefits according to gender, with a focus on the importance of crops under the Modified Taungya System in Dotiem village bordering the Tano Offin Reserve, HFZ Ghana



generated from products harvested from the natural forest (0% cash; 2% non-cash) or from fallow lands (7% cash; 12% non-cash). It transpires that, once the women sign the MTS agreement, they use the crops derived from it - cocoyam, plantain, maize and, to a lesser extent, tomatoes, pepper and firewood - as their main source of income (both cash and non cash).

Male CASH and NON-CASH income: When the men in the village participated in the livelihood ranking it became evident that, although they rely on the products derived from MTS as a source of cash and non-cash income (28% and 27% respectively), they derived the major proportion of their income from land exclusively used for farming (55% of cash and 47% of non-cash income). As is the case with women, products derived from natural forest and fallow lands were of minor importance.

To summarise, it is clear that both groups are reliant on MTS as a source of income but that in this case women derive a higher proportion of cash and non-cash income from agricultural products cultivated under the MTS. As in the analysis of the NTFPs, the MTS analysis in Dotiem also revealed a diversity of livelihood portfolios.

Forest and tree-related conflicts and prevailing management strategies

The above sections clearly showed that several actors are involved in the various forest and tree-related livelihood options and arrangements surrounding them. This inevitably leads to conflicts due to diverging interests. We categorised forest governors and experts' views on forest and tree-related livelihood conflicts in the High Forest Zone into three (3) main scenarios:

1. Conflicts prevalent in Ghana's gazetted forest reserves;
2. Conflicts prevalent in off-reserve forest management areas; and
3. Conflicts prevalent in both off and on forest reserves management areas.

These scenarios are presented in adapted Fishbone diagrams with the smaller bones representing deeper causes of the larger bones they are attached to. Each bone is a link in a cause-and-effect chain that leads from the deepest causes to the targeted problem.

The target problem is the prevalence of forest and tree livelihood conflicts in Ghana gazetted forest reserves in the High Forest Zone. This problem is affected by six different livelihoods conflict categories as depicted above, with each category being contributed to by single or multiple driving factors. Each category contains different actors with competing claims. The actors commonly involved in on-reserve conflicts include:

- Local communities & FSD
- Admitted farm owners and FSD
- NTFP collectors and FSD (forest guards)
- MTS farmers and leaders
- Among MTS farmers
- MTS farmers and illegal farmers

Conflicts usually evolve around illegality issues (NTFP extraction, expansion of admitted farms, and illegal farming), the allocation and use of MTS land, and competing land uses (e.g. mineral mining versus farming or conservation versus productive uses) (Figure 5).

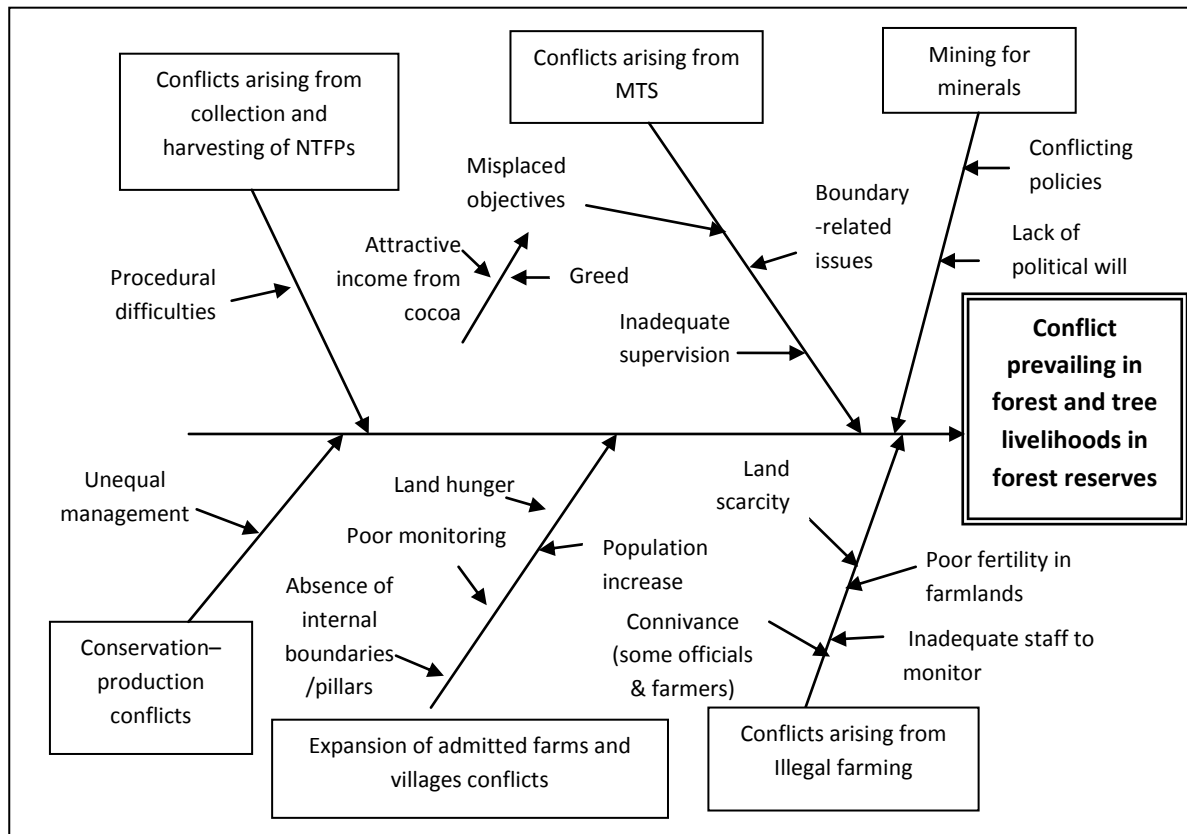


Figure 5: Fishbone diagram depicting the different conflict categories and causes prevalent in forest reserves of Ghana (Source: Fieldwork March – August 2009).

Respondents revealed four (4) key conflict categories in the off-reserve forest management areas with each category having a multiplicity of contributing causes. The key actors within this scenario include:

- FSD vs. timber operators
- FSD vs. farmers
- Fulani herdsman vs. farmers
- Farmers vs. timber permit holders/chainsaw operators
- Tree planters vs. FSD

Off-reserve conflicts typically evolve around competing land uses (pastoralism versus farming; farmers versus timber operators) and conflicts between users of off-reserve forest land and resources (farmers, timber operators, tree planters) and the FSD (Figure 6).

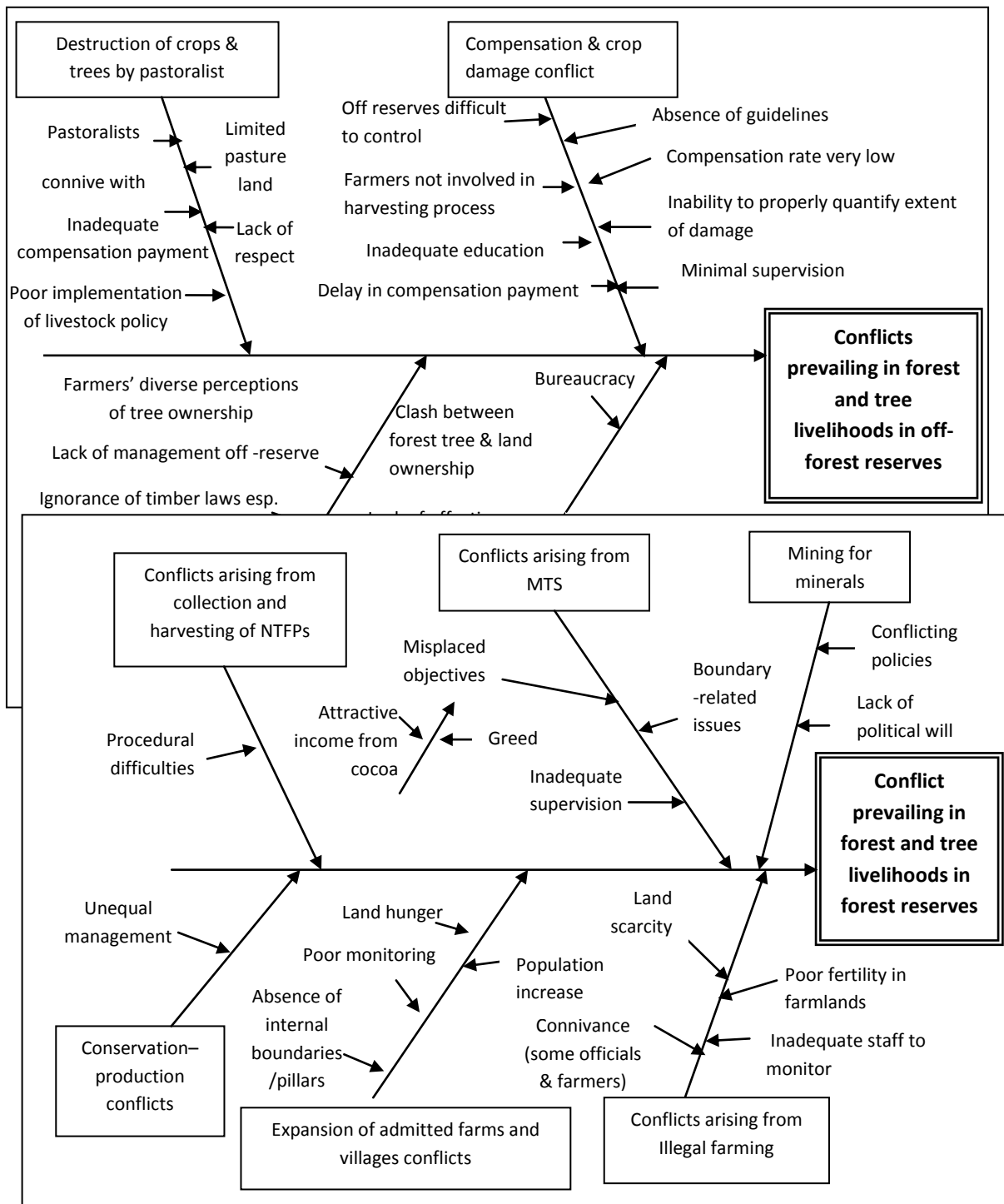


Figure 5: Fishbone diagram depicting the different conflict categories and causes prevalent in forest reserves of Ghana (Source: Fieldwork March – August 2009).

With regard to conflicts prevailing in both off and on management areas of the High Forest Zone, forest governors and experts identified three categories (Figure 7). These categories are also being triggered by multiple factors, with the underlining cause being their competing and differing interests between various actors engaged in timber exploitation. Among those identified are:

- Community members vs. community elites; communities vs. timber operators
- Chainsaw operators vs. farmers or Forest Services Division (FSD)
- Among chainsaw operators
- Timber operators vs. Timber Industry Development Department(TIDD)/FSD;
- Farmers vs. timber operators

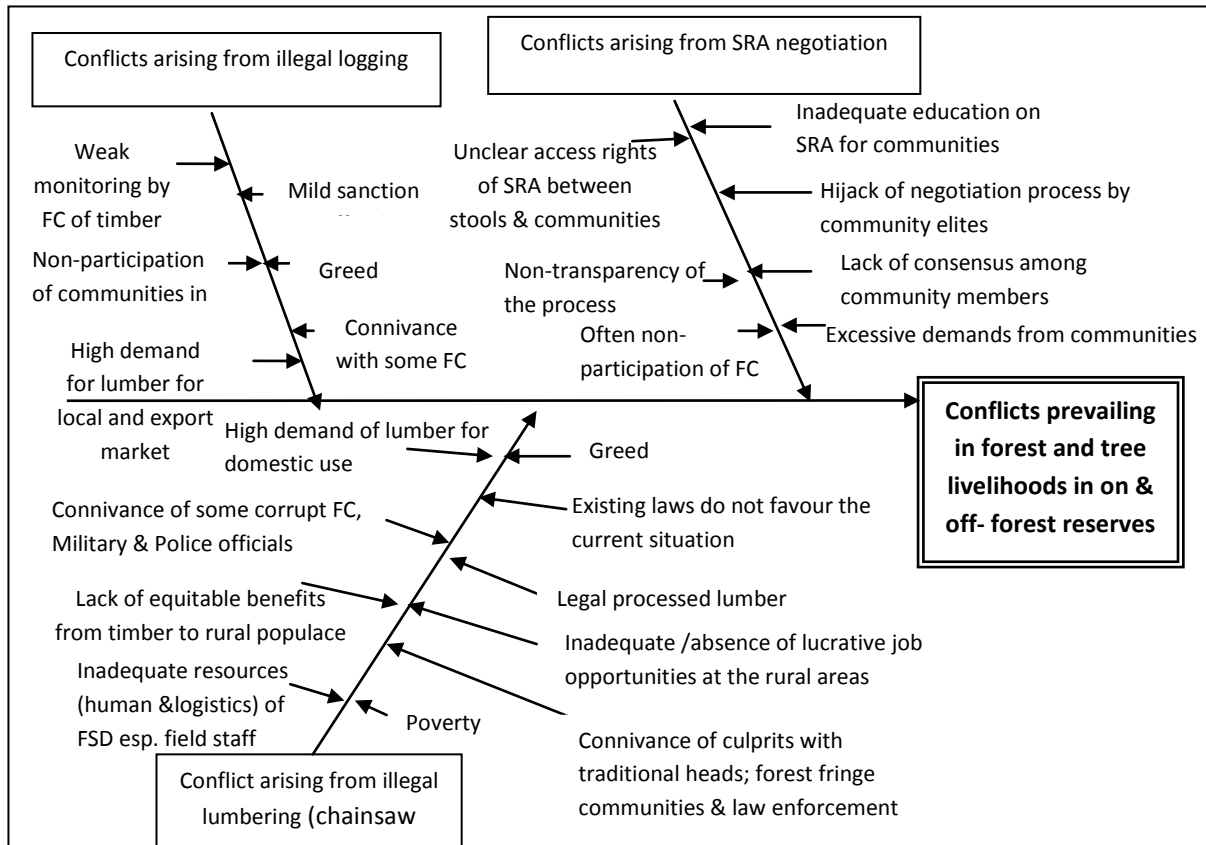


Figure 7: The Fishbone diagram depicts the different conflict types and causes prevalent in the on-reserve and off-reserve forest areas of Ghana (*Source:* Fieldwork March – August 2009).

With a view to the need to solve the numerous forest and tree-related livelihood conflicts, several case by case approaches of managing conflicts have been applied such as (i) administrative coping strategies by the FSD (coercion, committee setting, fines, destruction of illegal farms; military /police patrols); (ii) negotiation and mediation in SRA processes and (iii) applying the legislative framework negotiation, adjudication and arbitration). Despite these approaches, forest and tree-related conflicts are still ubiquitous.

Conclusions

The preliminary results outlined in this paper reveal several links between the 'Governance for sustainable forest-related livelihoods in Ghana's High Forest Zone' programme under the TBI Ghana programme and the EU-Ghana Voluntary Partnership Agreement (VPA) to combat illegal logging. Both programmes focus on:

- ways to improve governance with a view to creating a conducive environment for sustainable and pro-poor forestry;
- ensuring conducive strategies (implementable policies and legislations) to improve people's livelihoods in forest-adjacent communities;
- ways to minimise conflicts based on advocating constructive mechanisms to minimise or resolve conflicts arising from competing claims to forest and tree resources (e.g. law enforcement, institutionalising constructive CRM in forest policy and legislations, building the capacity of forest governors and actors in conflict management, etc.);

One thing that is key to both improved livelihoods and improved governance is a reduction in forest and tree-related conflicts, the reconciling of interests and the creation of partnerships between the various actors involved in forest governance and management.

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PRESENTATIONS ON EFFECTS OF VPA IMPLEMENTATION ON LOCAL LIVELIHOODS

3.5. THE POTENTIAL IMPACTS OF VPA IMPLEMENTATION ON LIVELIHOODS WITH RESPECT TO THE FORMAL TIMBER INDUSTRY

By Mr. Gene Birikorang⁴⁸, HAMILTON Resources and Consulting p.l.l.c.

Background

Political Dilemma

The formal forest industry accounted in 1999 for a labour force size of 103,000. This included about 20% in logging and 25% in primary and secondary wood processing. This level of employment is dependent upon the overharvesting of timber and, therefore, unsustainable. The industry's timber consumption of 2million m³ in 1999 (and close to that since) was deemed to be necessary, from its own perspective, in order to break-even. This suggested the industry was economically inefficient, but sustained employment so long as overharvesting existed. Political decisions on forest governance in the first decade of the new millennium had stayed away from critical reform measures of appropriate pricing and effective regulation of harvest for fear of causing unemployment.

Government of Ghana Annual Budgets make reference to government's Millennium Development Goals (MDGs) which include recognizing and promoting the private sector as an engine of growth, facilitating private sector initiatives and participatory approaches to natural resource management and conservation; and creating an enabling environment for development. These MDGs sufficiently suggest that government's intention is not to forgive inefficiency. However, industries in the natural resource sector dwell sufficiently on cost vulnerability to lower volume availability and increased prices to prevent political decisions in the right direction. When fiscal reforms are earmarked, the threat of unemployment prevents their implementation. There is no evidence that the option of doing nothing has tended towards a long term hard landing with consequences of unemployment and loss of livelihoods. The consequence is an emerging pressure on government to use its own budgetary resources to fix the social and political problem. The alternative option of implementing reforms causes the efficient industries to survive at the expense of the inefficient ones and make them "pay" for the scarce resource; adverse consequences occur also, but not to the full extent of the long term consequences of doing nothing. For a decade, policy makers have missed the political opportunity offered by fiscal reforms: the surviving industry helps government to finance the cost of adjustment from its own pocket, while the government saves scarce budgetary resources. Solving the political dilemma needs to be seen in this context

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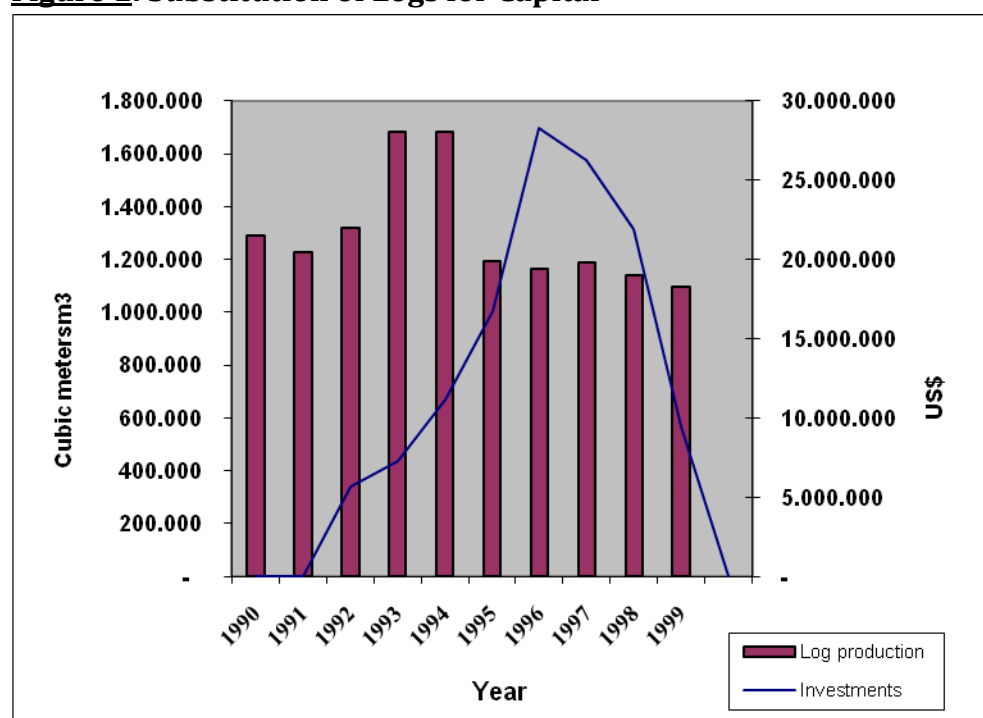
The Legality Challenge

The industry is characterized by a high break-even point, even among the large scale companies. A comparison of trends in investments in the forest industry and log production suggests that industry investment decisions in the 1990s were largely influenced by its perception about the availability of the raw material. The forest sector has long been characterized by poor timber pricing policy that is generating the wrong incentive for development. The Forestry Commission (FC) is trying to correct this. As a result of the policy deficiency, the industry has increased in investments (basically in the form of expansion of capacity), and substituted logs for capital as well (**Figure 1** on next page). It is observable from available data that the decision to invest in any current period in the 1990s was actually taken about 2 years earlier when there was a lot of wood available. So in 1999 when employment was about 103,000 it was regarded as based on unsustainable log inputs.

From research conducted in 2001, it was established that in the 1990s, Ghanaian timber companies seeking to increase production will always put in more logs to achieve the target output. Comparing that with an European company that wants to achieve the same aim in production, the latter puts in innovation and/or increased capital to achieve the output. Increased throughput for a technically inefficient (high break-even point) industry therefore poses a challenge to guaranteeing a sustainable resource for a sustainable industry, given the high production costs under a scenario of low volume under enforced legality.

An industry consolidation is happening and it is occurring more in primary processing. The industry already begun to experience the consequences of a “Hard” Landing as it reports to have retrenched about 50 % of its labour force in 2004. This has occurred under a governance environment characterized by policy failures: wrong timber pricing combined with a forest regulatory system that does not constrain supply of timber; inefficient timber utilization at all levels of industry integration; and consumption behavior characterized by propensity to consume “too much wood at affordable prices.”

Under its commitment to the VPA process, Government through the FC commissioned a VPA Impact Assessment Study (VPAIAS). The study was intended to examine the policy options available to it under implementation of a VPA.

Figure 1: Substitution of Logs for Capital

The study firstly examined three scenarios and their implications in the future development of the forest sector in Ghana. These comprised a *Baseline* scenario: the current situation projected into the future; a *Legitimate timber* scenario: portraying legality assurance for export and domestic markets; and a *Sector reform* scenario: consisting of a transition to improved forest governance. Secondly, it assessed the potential impacts of policy measures within these scenarios for three main points in time: taking stock of the present, and projecting to the years 2012, and 2020.

VPA Scenarios and Their Impacts

The Baseline scenario

Under this scenario, the current level of national harvest (3 million m³) is sustained through to 2012. Depletion of the high demand species reduces the annual national volume availability to about 2.5 million m³ in 2020. The informal illegal chain sawing may still retain its existing production, while the formal sector's production may decline to 500,000m³, with no high demand species.

The scenario is also characterized by short term profits for existing industry, chainsaw lumbering and short term employment in the primary and secondary forest industry. But these benefits are not sustainable. The industry faces a hard landing under this scenario. The decline in volume of timber will increase industry retrenchment and consolidation. The level of employment in the formal timber/primary Processing Industry could reach a low of 10,000. It is estimated that about 80% of logging and primary processing staff have been lost since 2000. A future industry survival would depend on timber imports and a higher willingness to pay price determined by import

decision rather than by domestic pricing policy initiatives. Sector revenues will decline in the long term. FC might be tempted to include in yield allocations more of high valued species already under pressure in order to protect its short term revenues. Deforestation and degraded ecosystem services: foregone carbon payments; soil erosion and water quality problems; and loss of biodiversity. An informal tertiary sector is expected to survive but will be dependent on illegal chain sawn wood.

The Legitimate Timber Scenario

This scenario represents a decline in national harvest volume to 2.1 million m³ in 2012 and 1.4 million in 2020. The formal sector will contribute 700,000m³ (33%) and 600,000m³ (40%) to national harvest in 2012 and 2020 respectively. The deterioration of the Legitimate Timber Scenario in 2020 compared to 2012 is due to continuing governance and policy failures, particularly as it relates to control of illegal chain sawing.

The scenario presents a case of a softer landing for a downsized sector and an improved formal sector resource management. Revenues decline significantly in response to declining volumes and depletion of higher and moderate demand species Lower revenues. Substantial numbers of companies close down with employment losses. Forest degradation occurs but at lower rates than the baseline. Sustainability of volumes under the scenario is threatened by policy failure to address illegal chains sawing on account of the current structure of incentive underlying its engagement. Even with a legitimate timber regime: the forest resource will be substantially degraded, forest industry will make a smaller contribution to the economy, there will be no significant impact on development of the tertiary sector largely dominated by small scale operators and communities will remain with no interest in forest management and hence condone illegality. A VPA alone is not enough. The process will need to stimulate and support further bold measures towards good forest governance for improved sustainability and livelihoods thus the VPA can act as catalyst for sector reforms.

The Sector reform scenario

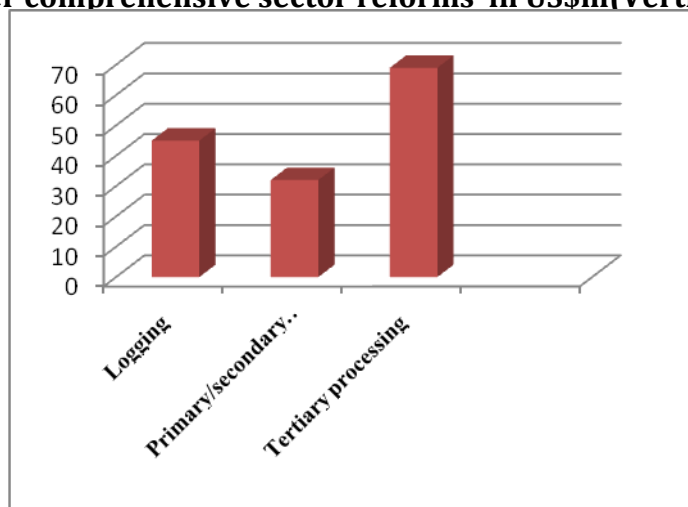
The Sector Reform Scenario results in a higher and sustainable supply of wood to the formal sector, possibly 835,000 m³ (cf. a current 1.6 million m³) according to the VLTP sustainable cut estimate, half of which could be moderate demand species. Basically, the scenario will consist of an enforcement of a biological allowable cut limit and responsible management of on and off reserve with maintenance of ecosystem services resulting in a stabilized productive forest sector, sustainable revenues and value addition opportunities. It will encourage carbon storage, watershed and biodiversity protection.

A smaller but higher productivity (value added) yielding integrated processing forest sector contributes a larger share of timber economic rent to resource owners. In

contrast to a lower (but sustainable) employment levels at primary and secondary processing levels, the potential employment to be generated from tertiary sector is higher from deliberate (reform) policy measures that open wood supply opportunities to small scale tertiary operators

Deductions from an independent study shows that tertiary processing has a high potential of generating value addition and with it increased employment under future reforms. Using data on performance of the various levels of industry integration and availability of wood under the Sector Reform scenario, potential value added estimates for the three stages have been calculated and presented in Figure 2. The presentation suggests logging added more value than primary processing, and both do not match the potential value addition contribution of tertiary processing. This result supports the proposition that employment generation should give priority to tertiary processing in which Small and medium forest enterprises dominate in numbers. There is the general notion that primary processing creates more wealth from a political view point but economically it is the tertiary processing enterprises that do better and has the highest potential to contribute to employment and livelihoods.

Figure 2: Tentative Potential Economic Value added estimates of forest industry segments under comprehensive sector reforms in US\$m(Vertical scale)



Summary of Adverse Impacts of VPA and Potential Positive Impacts with Sector Reforms

Adverse impacts of VPA: Forest industry and markets face decline in wood availability from domestic origin. The changes in availability of species would affect the export sector volume (at least in the short to medium term) more than it will the domestic as the latter is more flexible with choice. There are increased cost implications from reduced volumes, species change and enforcement. VPA brings further decline in levels of employment already under way, and could cost US\$ 10 million annually in lost job opportunities as logging and primary processing capacities are further consolidated.

Potential impacts of VPA with sector reforms: Protecting the wealth of the nation cannot be achieved under a VPA alone. Sector reforms must accompany VPA to generate and protect wealth. Sector reforms will support long term sustainable economic growth and mitigating adverse consequences of climate change as well as sustain industry turnover and state revenues. Employment in primary stages of industry processing can be safeguarded and sustained even though at a lower level. Promoting governance will at the same time increase opportunities for higher industry value addition among small and medium scale tertiary operators.

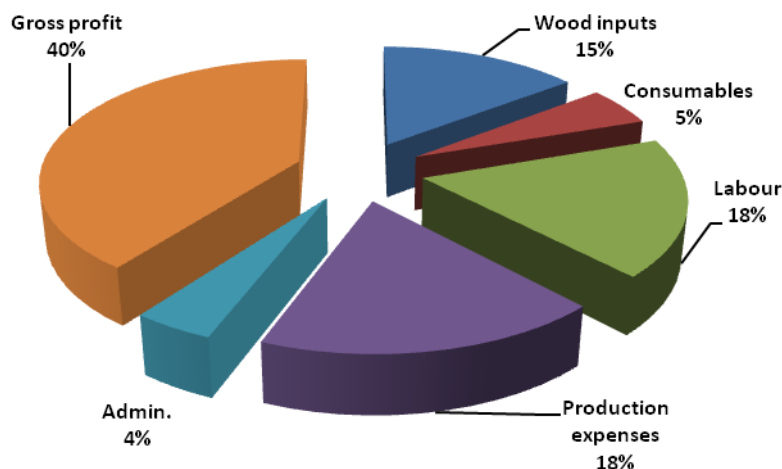
Recommendations

The VPA should seek to adopt practical measures that are technically feasible and politically acceptable. The goal should be to create “win-win” situations. The following key strategies and measures are recommended as the Way Forward”

Mitigating adverse social consequences: This will comprise short to medium term cash livelihood support for retrenched labour with or without agreement with enterprise owners on plant shut down. The State then assumes payment of decommissioning sums to labour in lieu of terminal benefits payable by enterprise owners. This should be an incentive for enterprise owners to close down. Studies under the Validation of Legal Timber Programme (VLTP) suggest that there is sufficient net economic benefit to accommodate a financing of livelihood loss over a transition period of 4 years. The process will however require transparency to be successful.

Promoting tertiary processing and development: Focus of this strategy will be on realizing the key economic and social attributes of Tertiary processing. A recent case study of a small-scale tertiary forest enterprise suggests that such enterprises have the potential to pay economic price and add value, compared with formal sector primary processing (HRC, 2008). In this case study, the significance of wages in total value added, amounting to 18% was recognized as shown in Figure 3.

**Figure 3: Significance of wages in value proposition
(Tertiary Case Study)**



A shift from Big Timers to Direct SFME access to future plantation timber can promote realization of SFME economic and social attributes. Teak plantation has been sold at US\$200 p.m³ (cf. US\$80 p.m³ stumpage) to large scale operators. But the cash ended up in illegal pockets, as the state did not have effective means to monitor. In addition to this, policy can facilitate the importation of intermediary wood products for further processing. Poverty reduction and livelihood improvements must be pursued along such approaches which provide improved access to markets by SMFEs. In these approaches, the state removes cash from illegal private pockets to share with the SFMEs and informal sector operators, while the state and resource owners keep an increased portion of the economic rent.

Aligning fiscal reform to research: Future stumpage value will be tied to cost of developing utilization potentials of LUS/LKS as these will be factored into production costs. This raises questions for technical efficiency and hence the role and impact of Research Institutions.. In this vein, FORIG must be adequately funded. It must also make its programmes more “demand driven.”

Institutional reform to complement industry restructuring: WITC has the potential to build upon its cluster technical training of tertiary sector SMFEs and to provide middle-level technical management training to the formal wood processing sector. But the Centre must be one step ahead of and not behind the wood industry as is currently the norm. It must also improve its present staffing of professionals as instructors.

WITC needs to undergo reforms, under which the state’s command and control approaches must give way to private forest industry participation backed by an asset restructuring into which the industry negotiates a share holding and assumes responsibility for installing a management team. . WITC has huge “hibernating” assets: Institutional structure of WITC must change as part of the reform to part-transfer ownership to the industry.

Complementary Donor support to domestic effort: This will be an inevitable component of a programme designed to advance long term implementation of a VPA under which steps are taken to minimize adverse effects of adjustment and anticipated risks adequately managed. Priority support can be expected to make maximum impacts in the following areas:

- (a) Financial and technical support in trade development: This will include
 - (i) assisting to improve governance (transparency and equity) in trade practices between advanced country buyers and local export enterprises; and
 - (ii) A transitional (short-term only) support in funding cost of trade arbitration
- (b) Institutional and Capacity building: Priority areas can best be supported through:
 - (i) EU assistance (Grant/soft loan) to support recapitalization of WITC;
 - (ii) Financing of 5-year Technical Assistance for WITC;
 - (iii) Technical and financial assistance in trade association development, including Private Graders Body;
 - (iv) Specific technical assistance to build capacity of SFMEs; and
- (c) Co-financing a revised Forestry Development Master Plan. The existing Master Plan has no financial plan. A financial plan should be incorporated in a revised Master Plan. This could help identify specific contribution of EU Assistance to financing the overall technical assistance component as the Plan may envisage.

The VPA recommendations presented under this paper can be summarized in short term and medium term perspectives as outlined by the VPAIAS. In the short term (two years), emphasis is recommended to be placed on (a) capacity building, (b) mitigation of some key negative impacts, (c) catalyzed industry capacity reduction, and (d) incentives for downstream processing. Medium term (four years) policy should focus on (a) facilitating investment in small enterprises and (b) capacity building for implementing policy measures.

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3.6 POTENTIAL IMPACT OF VPA IMPLEMENTATION ON LIVELIHOODS DEPENDENT ON THE INFORMAL TIMBER SECTOR IN GHANA: A PRELIMINARY EVALUATION

By Dr. Emmanuel Marfo, Forestry Research Institute of Ghana (CSIR)

Introduction

The Voluntary Partnership Agreement (VPA) between Ghana and the European Union as a trade agreement related to the establishment of legality assurance scheme for timber exports to the EU market has been reached. The VPA basically seeks to establishing a system of legality assurance and licensing of legal timber in a country like Ghana with communities and informal timber sector largely involved in 'illegal' harvesting, use and trade of timber. 'Throwing away' illegality means throwing away livelihoods dependent on the informal timber sector which is largely involved in illegal chainsaw operations. Fortunately, the VPA, as per Article 17, sections 1 and 2 has a commitment to understanding this social impact and to mitigate any adverse impacts.

At the same time, there are some efforts to develop alternative to illegal CSM and address supply of legal timber to domestic market. Two of such initiatives are the ongoing Multi-Stakeholder Dialogue process under the EU chainsaw project and the study of domestic market (demand & supply situation and policy interventions) under the Natural Resource and Environmental Governance Programme (NREG).

Through the country case study of illegal chainsaw milling in Ghana (see Marfo, Adam and Obiri, 2009), there is some information about the extent of livelihood dependence of local communities on illegal chainsaw operations. Moreover, the TIDD/FORIG study on the domestic market situation informs us that the illegal chainsaw milling is the main supplier of timber to the domestic market. If VPA seeks to deal with illegality, how can our understanding of the livelihood dependence of illegality inform the VPA implementation on potential adverse impacts? Particularly, how can the socio-economic impact of the VPA implementation envisaged under different policy directions or scenarios being discussed to deal with addressing illegal chainsaw milling and the domestic timber supply issues help formulate and implement appropriate mitigation measures. This paper draws on these recent studies to provide some overview in the light of the suggested policy directions being considered by the MSD platform.

Who is affected by VPA at the local level?

Figure 1 shows the main forestry stakeholders at the local areas in Ghana. These have different interests and rights. For example, a better managed forest can provide additional royalty to chiefs and District Assemblies from the stumpage fees collected from legal loggers/concessionaires. Local people, especially the youth, who participate in illegal chainsaw operations to support their livelihood will be affected if VPA succeeds to stimulate full enforcement to rid the market of chainsaw lumber.

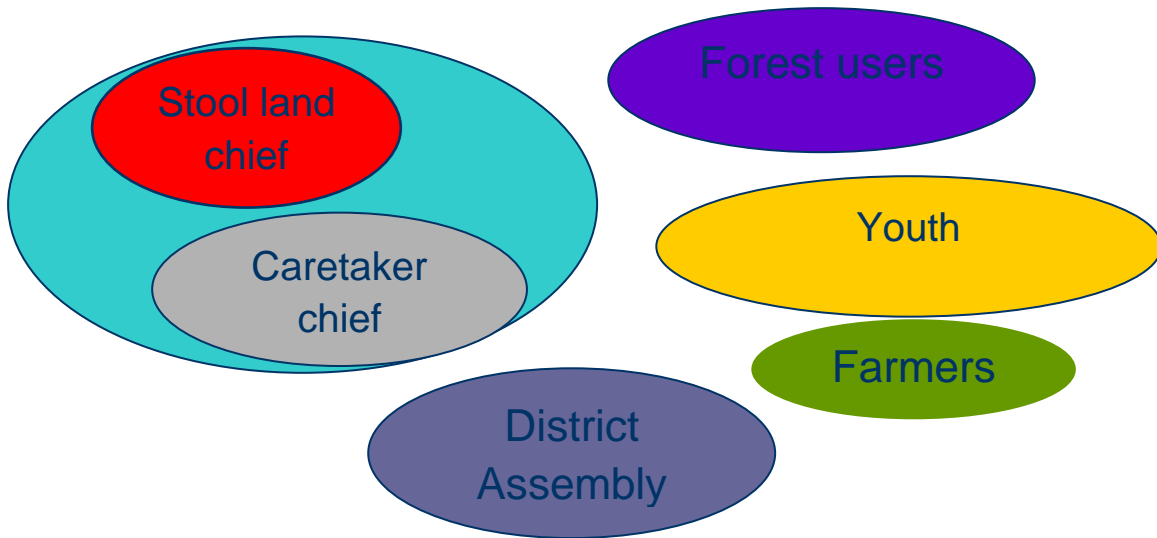


Figure 1: Stakeholders at forest-fringe communities who may be affected by VPA

The informal timber sector consists of actors who are involved at various levels of operations; production of timber, processing, retailing and users (figure 2). Communities are particularly involved in the production of timber, working as operator boys, tree spotters, carriers/porters and loading boys.

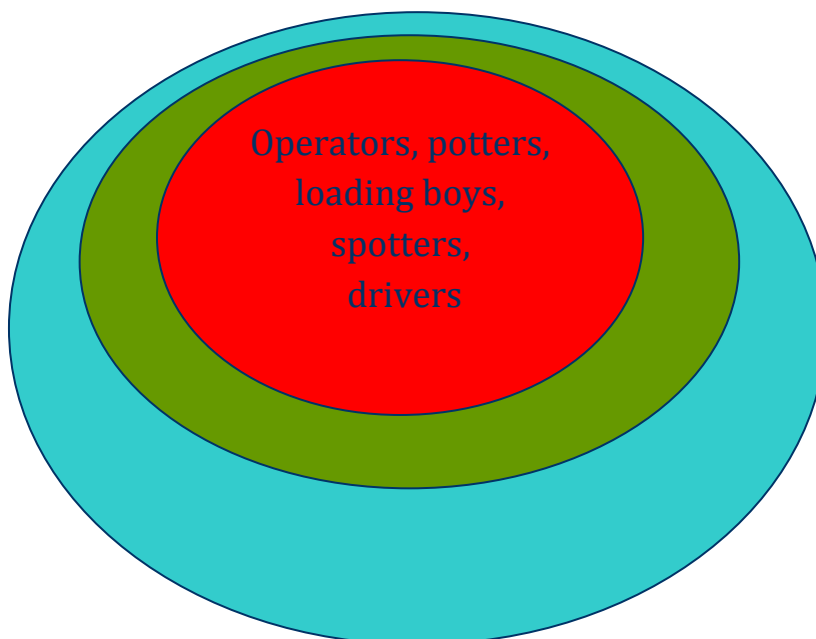


Figure 2: Actors involved at various levels of operations in the informal timber sector

Access to timber or benefits

An assessment of the potential impact of VPA on livelihoods should be made against the backdrop of the fact that the existing benefit sharing arrangement is largely criticised as inequitable (Marfo, 2009; TBI, 2007, 2009).

Table 1: summary of types of forest benefits to communities and constraints to equitable access to timber and other economic incentives for local people

Type of forest benefit	Sharing arrangement	Remarks
Royalty from stumpage, land rents etc	25% to chiefs, 20% to Traditional Authorities, 55% to District Assembly.	Farmers and other social groups out. No statutory demand for accountability to the people. Violation of fiduciary principle as provided in Article 37 of the Constitution.
Social Responsibility Agreement (SRA)	Less than 5% of timber value	Elite capture; <i>de facto</i> extension of royalty (see Ayine 2008) Conflict between native and migrants (see Marfo 2004) Involvement of community stakeholders in negotiation is uncertain (see Marfo 2004; Ayine 2008)
Timber Utilisation Permit (TUP)	Timber for community development	Focus on collective than individual? Does not secure individual access to timber for domestic purposes

Therefore, to a large extent, access to legal timber or benefits to compensate for loss access in the form of financial benefits from the forest is constrained by unaccountable representative structures, elite capture of benefits and insecure tree tenure system.

There is increasing evidence that the chainsaw milling is the main source of timber to local people and the operation largely accounts for the illegal timber supplies to the domestic market (see TIDD/FORIG, 2009; Marfo 2010). In addition to timber for domestic use, local people benefit tremendously from illegal chainsaw operations in various ways, suggesting that a full VPA regime to cut off illegality will have some adverse impact on local livelihoods.

For example, from a recent study (see Marfo, Adam and Obiri, 2009), it is reported that:

- Over half of chainsaw operators obtain 80% of household income from CSM
- Chainsaw operation provide among other things employment (see figure 3)

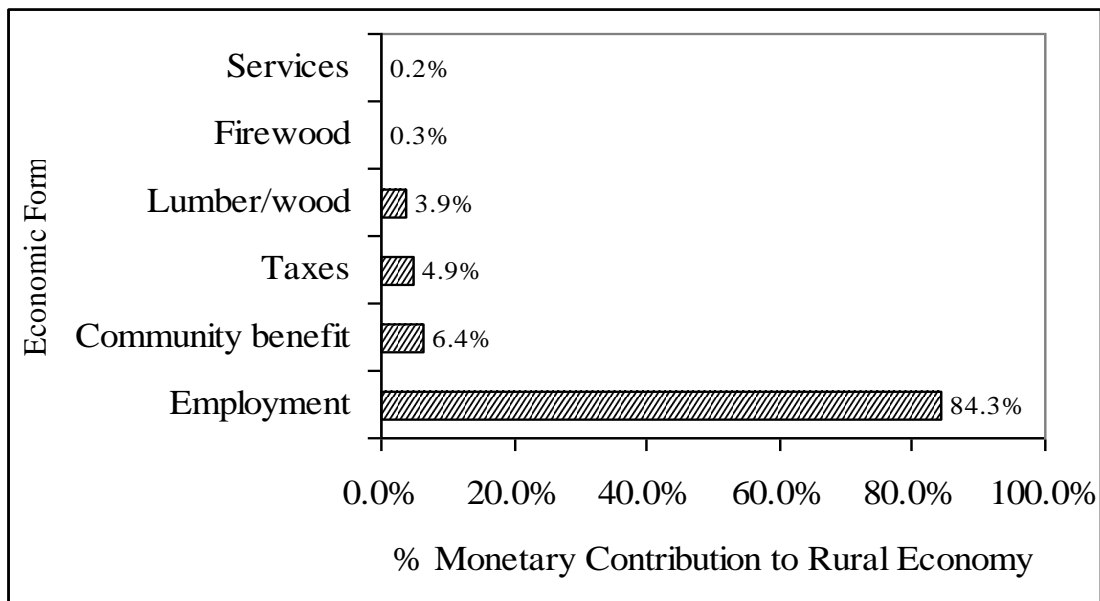


Figure 3: Economic contribution (%) of chainsaw milling to rural economies (2004-2008) (adapted from Marfo, Adam and Obiri, 2009)

For example, from stump site operations, carriage, transport, re-sawing to retailing of chainsaw products, nearly 140,000 people are estimated to be directly involved in chainsaw milling. Adding indirect jobs and projecting by the livelihood dependency rate suggest that about 700,000 people (more than 3% of Ghana's 4.1 million workforce in 2000) support their livelihood from illegal chainsaw related activities (see Marfo, 2010).

Moreover, it is also reported that income from chainsaw operations at the community level is about 23 times to the best alternative source of income (Obiri and Damnyag, 2009). It is also estimated that about US\$ 7 million was directly paid to farmers in a year as prices for sales of trees on their farms to operators. In addition to this, farmers, operators and timber dealers alone were reported to have received US\$ 7.5 million, US\$ 37 million and US\$ 53 million respectively as their share of the gross revenue from sales of illegal chainsaw lumber (Marfo, 2010). Thus, it can be inferred that illegal chainsaw operations in the informal timber sector provide substantial social and economic benefits to rural folks, especially the youth involved in operations and farmers with timber trees on farmlands.

Potential impact of VPA under different policy scenarios

Addressing the domestic timber supply issue is an important agenda in the forestry sector and particularly so because the VPA implementation requires that illegality in the domestic market is also given attention. The EU chainsaw project through a series of regional and expert meetings has given three broad policy directions as a first step to addressing illegal chainsaw operation in the light of meeting the supply of legal timber to the domestic market (TBI 2009). The options are that:

1. Sawmills alone to supply the domestic market with legal timber
2. Sawmills and other players to supply the domestic market with legal timber
3. Artisanal millers alone to supply the domestic market with legal timber.

In the light of the socio-economic impacts of illegal chainsaw operation, the likely social impacts under the recommended scenarios can be suggested. Admittedly, understanding the full impacts will require a more rigorous analysis than that offered here. However, this gives a preliminary overview for an initial appreciation of the livelihood implications of the implementation of VPA under such policy regimes.

Option 1

- No chainsaw milling (CSM) and timber industry will be required to supply about 590,000m³ of lumber to the domestic market.
- 140,000 direct jobs will be lost, bearing in mind that the best alternative jobs at community level yield income 23 times less.
- At least 500,000 people's livelihoods will suffer, with potential social consequences.
- US\$ 199 million may be lost to the economy; US\$26.5 profit to financiers lost to saving 2.4 million m³ of trees.
- The triple constraints to benefit sharing cannot help mitigate impacts on communities even if industry is to be allowed to cut 1.6 million m³ to feed the domestic market (NB: mean recovery efficiency of industry 38%).
- Relative deprivation may lead to increased social tension and conflicts.
- Possibility of wood import may deepen deprivation; and impacts.
- Wood prices may go up, noting that CS lumber is 12-74% cheaper than industrial lumber.

Option 2

- Difficult to project as market quota, source of timber for CSM, size of organised gangs etc are not certain.
- Simplistic analysis will say those community and informal sector actors now gaining may lose by half and those losing may gain by half.

Option 3

- CS operators organised and given 1.8 million m³ of trees to be processed for domestic market.
- US\$ 32 million saved from informal payments and invested in business.
- Farmers may continue to benefit if captured under benefit sharing: tenure reform is crucial.
- Wood prices may still go up depending on nature of fiscal regime, e.g. stumpage from US\$8.6 – US\$ 22.5.

- Alternative livelihood support scheme still envisaged; not all may get to the Promised Land!!

In conclusion, an effective enforcement of VPA will have adverse effects on communities and the informal sector, especially if adequate attention is not paid to social mitigation measures. However, policy reforms especially those related to regularising the informal sector may help mitigate the potential negative impact while providing opportunity for innovation and growth in resource development and utilisation.

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3.7 POTENTIAL IMPACT OF VPA IMPLEMENTATION ON RURAL LIVELIHOODS: A CASE OF THE JUASO AND NKAWIE FOREST DISTRICTS.

A presentation of the results of the TSPA 2009 Project

By Virry Schaafsma

Introduction

National and international level efforts have been made to address the problem of degrading forest and increasing illegality in the timber sector. A recent development is the introduction of the Voluntary Partnership Agreement (VPA) between Ghana and European Union (EU) to govern timber trade. Ghana was the first country to sign this agreement in September 2008. It committed itself to implementation of the VPA for the export market to tackle illegal logging and associated trade and to promote legal lumber for domestic market. Illegal logging is considered the main cause of deforestation in Ghana (Hansen & Treue, 2008). It is estimated that about seventy percent of Ghana's national timber harvest of 3.3 million m³ may be illegal (Mayers *et al.*, 2008).

As part of the EU Forest Law Enforcement, Governance and Trade (FLEGT) action plan, timber producing countries enter into VPAs with the EU. By this, producer countries commit to export only legally harvested timber to the EU (MLFM, 2007). Under the VPA, a Timber Licensing Scheme (TLS) has been created as part of the broad Legality Assurance System (LAS) for timber. The implementation of the TLS is to enable better law enforcement that should lead to better regulation of the utilisation and sustainable management of forest resources. The licensing scheme will ensure that all timber consignments leaving the country, specifically to the EU, are issued with licenses attesting to their compliance with all laid down regulations (Dowuona, 2008).

Stricter law enforcement is envisaged under the VPA and this is expected to affect local livelihoods (Mayers *et al.*, 2008). In the high-forest zone of Ghana, forest fringe communities use the forest to support their livelihoods. In general enforcing forest management laws often restricts forestry activities of rural households, such as small-scale timber production, collection of fuel wood, medicinal herbs and mushrooms and hunting. Still, as of now, it is not yet known what the specific impact of the implementation of the VPA on the livelihoods of those living close to conserved forest areas will be. These studies provide some insight in the possible effects of the VPA on forest fringe communities in Ghana.

Trans-disciplinary Student Platform Approach

This presentation is a synthesis of the results of two research projects conducted during the Trans-disciplinary Student Platform Approach (TSPA) program in May to August 2009. In the TSPA project two research teams were formed to study the relation between the VPA and local livelihoods. The interdisciplinary research teams consisted

of 9 Ghanaian and 7 Dutch students from the Kwame Nkrumah University of Science and Technology (KNUST) and various universities in the Netherlands⁴⁹. TSPA is supervised by the College of Agriculture and Natural Resources (CANR) of KNUST, Tropenbos International Ghana (TBI Ghana), University of Amsterdam (UvA), Wageningen University and Research Centre (Wageningen UR), International Centre for development oriented Research in Agriculture (ICRA) and Nuffic.

Research Objective

Two separate studies were undertaken with a slightly different scope. The overall objective of the studies was *to identify the possible effects of the VPA on the livelihoods of forest fringe communities*. Specific objectives included the following:

- To determine the current status of forest dependent livelihoods.
- To assess possible effects of stricter law enforcement under the VPA on forest dependent livelihoods.
- To find ways to build upon identified opportunities and mitigate the negative effects of stricter law enforcement on forest dependent livelihoods.

The DFID Sustainable Livelihoods Framework (1999) served as theoretical framework. The usefulness of this framework lies in its attention to different assets people can have (human, physical, natural, financial and social) as well as to external environments, shocks and trends that influence their livelihood assets.

Research Area

One research was conducted in Nkawie Forest District in two forest fringe communities (FFCs), Apenimadi and Akota. The research area for the second study was Juaso Forest District: two FFCs, Atiemo Nkwanta and Krofofom, and one town, Obogu.

Research Methodology

Secondary data were collected through literature study on forest management laws, VPA and livelihoods. Primary data were collected through questionnaire administration, focus group discussions and interviews with representatives of institutions. In total, 247 questionnaires were administered. Seven focus group discussions were held in the communities, three with chainsaw operators and four with community members in general (two male, two female). The following institutions were also interviewed to solicit their opinions on the implications of the VPA on local livelihoods: the Forest Services Division (FSD), the



⁴⁹ Utrecht University, Roosevelt Academy, University of Amsterdam

Timber Industry Development Division (TIDD), the Collaborative Forest Management Unit (CFMU) of the Resource Management Support Centre (RMSC), the Ghana Timber Association (GTA), Woodworkers' Associations of Ghana (in Kumasi and Obogu,) the Ghana Police Services, and a timber contractor.

Findings

Current livelihood activities

The main occupation in the forest fringe communities is farming, subsistence and cash crops. Community members indicated that it is difficult to obtain enough financial capital from farming. In some instances, the yield from the farmland is not enough, and in others the availability of farmland is not enough. Apart from farming there are few other employment opportunities in the forest fringe communities. Collection of non-timber forest products (NTFPs) such as snails or mushrooms is mostly done for domestic purposes.

Chainsaw operation is a financially attractive alternative to farming, despite the risks involved. In the forest-fringe communities, those working in illegal chainsaw operations have acquired some occupational skills that they could not put to use due to a lack of funds and the lack of demand for their skills in their current environment. Farming as the common occupation is not attractive to the youth and therefore illegal chainsaw operations are the next best option in terms of financial gains. Illegal logging occurs in the vicinity of the communities but is not adequately addressed, due to several factors. Poor cooperation between different institutions such as the FSD, the TIDD and the police impedes effective law enforcement. Lack of capacity also makes it difficult for these institutions to control chainsaw lumbering. Furthermore, community members reported officials taking bribes when encountering illegal chainsaw operations or trucks, instead of arresting them.

Communities in this study did not benefit from Social Responsibility Agreements (SRAs) with timber contractors. Timber contractors also did not employ them. Inadequate compensations for destroyed farms generated a negative perception of timber contractors amongst community members.

The pressure on farmland coupled with illegal chainsaw lumbering point to the difficulty for community members to secure their livelihoods. The main challenge for the livelihoods of community members is employment and the lack of financial capital, driving some of them into illegal chainsaw lumbering. In addition, the condition of the natural environment is declining due to deforestation and yields on farmland are reducing. Community members are not confident that their current livelihood activities can be sustained in the near future.

Effects of stricter law enforcement on forest dependent livelihoods

For these communities, the implementation of the LAS on the domestic market, and consequently the reduction of illegal chainsaw operations, is going to affect them negatively. The enforcement of VPA for export-oriented trade will not affect the forest-fringe communities severely. This might be due to the fact that these community members did not have close contact with timber contractors nor were timber contractors present in the communities. Other features related to the VPA, such as strict enforcement of SRAs, improvements in the Modified Taungya System (MTS) and better design and implementation of forest management plans might be beneficiary to communities.

When the LAS is strictly implemented on the domestic market, the effects will vary for different groups in the community. One research team found that, confronted with a scenario of what VPA would mean, FFC members not involved in chainsaw operations expected the impact to be positive on almost all of their livelihood assets. Chainsaw operators perceived the impact to be negative, especially in terms of financial, human and natural capital (see Figures 1 and 2). The other research team did not find these positive results. However, it is clear that not all community members are involved in chainsaw lumbering. Furthermore, some farmers also stated that chainsaw operators destroy their farms, and are not always from within the community. This team found that the effect of the VPA will be more pronounced in Obogu, the rural town.

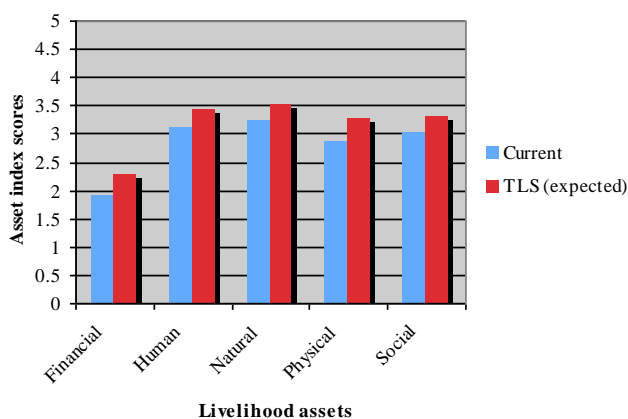


Figure 1. Current and expected livelihood asset indices for community members not involved in chainsaw operations

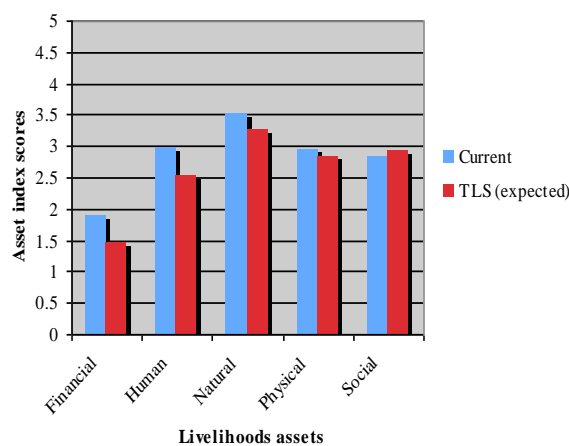


Figure 2. Current and expected livelihood asset indices for community member involved in chainsaw operations

Chainsaw operators will be severely affected because they will lose their means of income. However, others dependent on their activities such as carriers, or those who depend on income from chainsaw business will also experience problems. Communities also depend indirectly on chainsaw operations: farmers sell trees on their farmland to chainsaw operators, community members provide food for them and community members earn some money for doing small jobs, such as carrying the logs or assisting in the felling. These benefits will be lost when timber legality standard is enforced.

In Obogu, the VPA will have a major impact because of a reduction on supply of lumber to the timber market. If no avenues are found to supply the local needs of lumber, it will mean severe loss of jobs for carpenters, millers, transporters, etc. According to focus group data, about 90% of inhabitants depend directly or indirectly on timber.

Building upon opportunities and mitigating negative effects

As shown above, the most prominent effect of the VPA will be job loss for chainsaw operators and people with timber-related occupations such as carpenters, carriers and transporters. Illegal chainsaw operations provide a fairly high income. For this reason, even though illegal chainsaw operation is risky, it still engages people in it. When looking for alternatives to chainsaw operations, this fact should be taken into consideration. The difficulty is to find alternatives that are just as profitable. Without alternatives present, attempts to strictly enforce the ban on illegal chainsaw milling might only increase risk and conflict for both enforcement personnel and operators, but will not dissuade chainsaw operators. Some respondents propose that chainsaw operations should be legalised and organised. This would provide legal employment opportunities and a reduction of insecurity for those involved in the activity. It would also bring revenue to the government. However, this option would need intensive monitoring. Furthermore, chainsaw milling is very wasteful and this problem would still need to be solved. Another alternative proposed is to employ chainsaw operators in the formal forestry sector.

With regard to the provision of alternative livelihoods, it was found that in some communities, requisite skills for a new occupation was lacking, secondary occupations to build on were few and feasible alternatives were unattractive to them. In other communities, there were existing skills that could be strengthened to provide alternative livelihoods, but there was lack of capital. Therefore, opportunities for alternative livelihoods depend on the particular needs of the community. In some communities, focussing more on education and skills training might be appropriate; in others, micro-credit support would be required.

Community members recognized that current livelihood activities are unsustainable due to depleting farmland and unchecked illegal logging. They also identified that “something has to be done” to reverse this trend and are willing to cooperate with the government to find solutions. Most respondents are however hesitant to change to a new or alternative livelihood. Some ask for assistance to expand their farms and to make farming activities more sustainable. These findings are consistent with the assertion by Ireland *et al.* (2004) that individuals in high poverty may prefer enhancement strategies to alternative strategies that carry high risks. In light of this idea, it is expected that any attempts under the VPA to ensure sustainable use of the forest through enhancing current farming activities and making farming more profitable would be particularly successful in the forest fringe communities. The provision of incentives such as farm implements, fertilizers and credit facilities can help to further

intensify farming activities, making farming more lucrative and a more attractive employment opportunity for community members as compared to chainsaw lumbering.

Recommendations

There should be capacity building in alternative livelihoods for those who would be affected by the VPA, and support for rural communities in farming activities. To successfully introduce alternative livelihoods it is necessary to focus more on education, skills training and micro-credit support in forest fringe communities. The application of participatory approach to developing alternative livelihood programs may also be required. Adequate employment should be provided for chainsaw operators, either through employment in the formal sector or institutionalization of unions or associations of chainsaw operators so that they can legally bid for concessions.

Communities should be educated on forest management policies and made aware of their rights, benefits and responsibilities in sustaining the forest. Communal rights to timber and other forest resources should be increased and regulated to motivate community involvement in reducing illegal logging. Furthermore, proper governance of the SRAs and the MTS is needed to benefit all in the community. Information flow in communities should be improved to create awareness of rights to SRAs.

Much attention has been given to the illegal felling of the trees, while the problem of illegal logging encompasses malfunctioning institutional structures. Therefore, weaknesses in governance should be given as much attention as illegal felling activities. More cooperation between stakeholders is imperative.

Recommendations for further study

Not only forest fringe communities will experience the effect of the VPA but also urban livelihoods that depend on the timber industry. This effect was initially not expected, and it calls for further research into the linkages between chainsaw operations and urban markets. A more extensive study should be conducted on both rural forest fringe and urban communities to determine the post-implementation effects of the VPA.

Further research can also focus on livelihoods at other stages of the chain of custody of timber products. Presently, the link between illegal timber and the domestic timber industry is established. Therefore, this study predicts that the job losses for the domestic market will be severe when the VPA is implemented on the domestic market. However, the link between illegal timber and the export industry is not clear. Further research into the link between local livelihoods and the timber export industry is therefore recommended.

Lastly, for further research on this topic it is recommended to incorporate the views of local traditional authorities and the Community Forest Committees. This will give more insight into the dynamics of the relations between different stakeholders.

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Further information

For the reports of the research teams see www.vpa-livelihoods.org/publications.aspx.

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4.0 DISCUSSIONS

4.1 QUESTIONS (Q), RESPONSES (R) AND COMMENTS ON TECHNICAL PRESENTATIONS

Mr. Chris Beeko's presentation

Questions from participants

Q: Can any EU country re-export the lumber it imports under the agreement?

R: EU countries have the permission to reprocess imported wood and export within the EU.

Q: Why is there no provision in the agreement to improve technology used at the sawmill for efficiency?

R: There is such provision in the agreement under supportive measures for the industry retooling.

Q: Are timber products from private plantations included in the agreement?

R: Private plantation developers who want to export have to show documents to confirm the origin of the products. They do not have to go through the entire licensing scheme but they need to show the supply chains.

Q: How does the FLEGT licensing scheme consider trees planted by farmers on their farms as well as those in off-reserves?

R: The agreement does not cover trees outside reserves but this is being considered under the implementation phase.

Q: Law enforcement continues to be a challenge to sustainable forest management in Ghana as highlighted in the presentation. How is this being dealt with by the VPA?

R: This is something Ghana has to do on her own in-country with the help of the agreement.

Participants' comments

1. The VPA does not seem to take interest in resource creation as a long term measure to check deforestation but rather concentrates on the appropriation of available resources.

2. Article 16 of the agreement states "Ghana *where feasible shall* endeavour to encourage stakeholder consultation in the implementation of the Agreement." Participants' were not happy with the phrase "*where feasible shall*" since in their opinion, it does not suggest that high premium has been placed on stakeholder consultation.

3. Stakeholders in research and academia should link up with the National Forest Forum (the highest national, multi-stakeholder platform for dialogue) on crucial issues for discussions and also make use of the forum as their mouthpiece.

4. VPA will impact negatively on chainsaw operation, hence, a safeguard measure is required; otherwise the smooth implementation of the VPA can be affected.
5. Others were of the view that research into chainsaw lumbering was necessary. TBI Ghana and the Forestry Research Institute of Ghana have already conducted a number of studies into chainsaw lumbering issues in Ghana. The results have been published and can be downloaded from www.tropenbos.org

Dr. Mirjam A.F. Ros-Tonen's presentation

Question from a participant

Q: Why is the percentage of NTFPs collected by men more than that collected by women?

R: Men have more influence over NTFPs than women because the forest is seen as dangerous, the products collected are heavy and also, these products are collected with permits. It is the men who usually apply for and receive permits.

Participants' comments

1. In terms of conflicts surrounding livelihoods, it is important to consider the Act of Parliament that established the Forestry Commission and the government's decentralization system.
2. An issue to look at is the farmlands or admitted farms in the forest reserves, because as the community expands their farmlands will also expand and this will affect both food security and the forest. There is the need to either allow for farmland expansion or stop altogether admitted farms in forest reserves.
3. There have been suggestions about relocating admitted farms and communities but this will require lots of money and there is the need to research into better ways of managing such communities.

Mr. Gene Birikorang's presentation

Questions from participants

Q: What interventions are made for efficient and optimal utilization of resources such as off cuts?

R: To improve the utilization of wood, funding will be needed to research into efficient ways of using wood so that wood of high economic value is not poorly utilized.

Q: Why spend time looking at how to trade and manage the resource available other than creating the resource for a long term benefit?

R: There is the need to find gaps now in forest management and take decisions on them rather than to create the resource and later have no use or buyer for it.

Q: How is VPA considering forest community access and livelihoods since TUPs are not considered valid contract?

R: TUPs have been taken out of the VPA and not the law because the timber industry was using TUPs for commercial purposes. This is why TUPs are objected to by civil society.

Participants' comments

1. We need clear answers as to how much timber can be committed to VPA and the EU markets after meeting our own local demands.
2. There is the need to place taxes on lumber exported under the VPA since this does not allow for local processing.
3. Local communities are not aware of their share of revenues accruing from timber royalties and that there should be legislation on how administrative district assemblies should share and use timber revenues.
4. If the EU does not insist that all wood products entering their market are from sustainably managed forests, Ghanaians can sell wood to China and India who have no such restriction at higher prices. They may in turn re-export to the EU. When this happens, the goal of the VPA will be defeated.
5. The development of social safeguards should not only be for timber concerns but also for non-timber forest products and ecological resources.
6. VPA legality issues are dependent on statutory laws and not customary laws. This will raise conflicts between statutory and customary laws which will affect the implementation of the VPA.

Dr. Emmanuel Marfo's presentation

Questions from participants

Q: Did you consider the fact that the resource is depleting and that VPA is in to help?

R: No, this is based only on the recommendations for policy direction. In scenario two provided by the EU chainsaw project, the Mobile Recovery Mill has to be piloted to see its outcomes.

Q: Do chainsaw operators make so much that they will not want to shift to another livelihood?

R: There is data on the willingness of chainsaw operators to shift to other livelihoods. The shift may be difficult for the youth at the community level because they are obliged to make up for the loss.

Participants' comments

1. In the light of this presentation, there is a need for further research into livelihoods of communities. For example, more attention is needed in micro-financing initiatives to see how best to manage and give monies for livelihood development.
2. There is the need to research into the skills and training that ought to be given in livelihood development. Investigation into the market value and volume for such skills and training is needed to avoid the provision of inutile skills over time.
3. What is commonly known as alternative livelihoods are not alternative enough because such livelihoods are not equally lucrative? Some alternative livelihoods are introduced without better cost-benefit analysis.

4. Recommendation to policy makers on sustainable forest management should take into consideration the amount of wood that can be taken from the forest at any point in time.
5. In the deconstruction of communities living in forest reserves, there is a need to consider the issue of migrants and indigenous inhabitants.
6. The notion that VPA will have negative effects on rural livelihoods is not wholly true; it is also likely to affect urban livelihoods looking at the chain of chainsaw operation.

Ms. Virry Schaafsma

Questions from participants

Q: Did you consider the fact that the resource is depleting and that VPA is in to help?

A: No, this is based only on the recommendations for policy direction. In scenario two provided by the EU chainsaw project, the Mobile Recovery Mill has to be piloted to see its outcomes.

Q: Do chainsaw operators make so much that they will not want to shift to another livelihood?

A: There is data on the willingness of chainsaw operators to shift to other livelihoods. The shift may be difficult for the youth at the community level because they are obliged to make up for the loss.

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1. In the light of this presentation, there is a need for further research into livelihoods of communities. For example, more attention is needed in micro-financing initiatives to see how best to manage and give monies for livelihood development.
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3. What is commonly known as alternative livelihoods are not alternative enough because such livelihoods are not equally lucrative? Some alternative livelihoods are introduced without better cost-benefit analysis.
4. Recommendation to policy makers on sustainable forest management should take into consideration the amount of wood that can be taken from the forest at any point in time.
5. In the deconstruction of communities living in forest reserves, there is a need to consider the issue of migrants and indigenous inhabitants.
6. The notion that VPA will have negative effects on rural livelihoods is not wholly true; it is also likely to affect urban livelihoods looking at the chain of chainsaw operation.

4.2 SWOT ANALYSIS ABOUT SOCIAL SAFEGUARDS FOR DIFFERENT ACTOR CATEGORIES

The workshop identified the following four main categories of actors whose livelihoods are potentially affected by the FLEGT/VPA process:

1. Forest fringe communities
2. Chainsaw operators
3. Micro and small forest enterprises
4. The formal timber industry.

Four groups made SWOT analyses of each of these actor categories respectively. During this analysis, first, the types of social safeguards needed were identified. Next, the strength and weaknesses of the VPA in dealing with possible adverse effects and achieving the safeguards were assessed. Subsequently, the opportunities and threats in the policy environment for accomplishing Article 17 of the Ghana FLEGT/VPA agreement, which identifies the need for social safeguards, were identified. Finally, a confrontation matrix of the strength/weaknesses versus opportunities and threats was prepared. In this matrix four different types of policy strategies were identified: i.e. an offensive strategy, a strengthening strategy, a defensive strategy and an avoiding strategy.

The results of these SWOT analyses are presented below. From these analyses it is clear that in order to implement Article 17 of the FLEGT/VPA agreement conscious policy decisions have to be made about the precise issues to be considered as well as the most appropriate (mix of) strategies to follow.

Social safeguards for forest fringe communities

Social safeguards (probably) needed:

1. Safeguard interests in jobs and revenues.
2. Safeguard interests of specific groups, taking intra-community differences into account (age, gender, socio-economic status).
3. Safeguard community-based institutions (e.g. CFCs, traditional institutions) and deconstruct them (whose interests are behind them?).
4. Safeguard against biased implementation of 'legality'; make sure that 'legality' is everyone's legality and that its contents are clear to all.
5. Safeguard against exclusion through monitoring: prevent that questions about legality and illegality are used to control or exclude certain groups from natural resource use.
6. Safeguard against the loss of legal jobs (as a result of being based on partial use of illegal timber).

Strengths of VPA in dealing with adverse effects (ranked in order of importance)

1. Recognition of the need to monitor adverse impacts on forest-fringe communities.
2. Emphasising livelihoods (communities, timber operators, illegal loggers).
3. Its flexibility (possibility to add additional measures to address adverse impacts).
4. Encourages reflection.
5. Improved recognition of statutory rights (e.g. VPA will enhance the implementation of SRAs and consultation of the landowner).

Weaknesses of VPA in dealing with adverse effects (ranked in order of importance)

1. VPA does not guarantee a well-institutionalised, participatory consultation process, nor representativeness or accountability towards different stakeholder groups.
2. The definition of legality is an assembly of existing statutory laws rather than actual practice (i.e., the definition of legality is short-sighted and decisions on legality were not well-informed by realities).
3. Lack of recognition of intra-community differences.
4. Possible loss of economic opportunities (jobs and revenues), both legal and illegal, while not considering the creation of alternative opportunities for the communities (i.e., its scope should be expanded).
5. The VPA is likely to increase illegality.

Opportunities in the environment that enable achieving these safeguards (ranked in order of importance)

1. The VPA may encourage good governance and interactive governance and partnerships between communities and external actors.
2. The VPA may create awareness of the need to manage natural resources in an environmentally benign way.
3. The VPA may promote better environment management and enhance traditional management practices (e.g. sacred groves management).
4. The VPA may encourage plantation development and woodlots by the communities as a collective and by individuals in the communities in order to meet the need for legal timber.

Threats in the environment that constrain achieving these safeguards (ranked in order of importance)

1. A significant portion of the community may lose out with the VPA process which will increase resistance against the process;
2. Reduced supplies of timber will threaten local small-scale processing industries, carpentry, etc.;
3. Local elites in the community may hinder accountability and other aspects of good and interactive governance because that is not in their interest.

Confrontation matrix

	<p>Strength Recognition of the need to monitor adverse impacts on forest-fringe communities</p>	<p>Weakness VPA does not guarantee a well-institutionalised, participatory consultation process, nor representativeness or accountability towards different stakeholder groups</p>
<p>Opportunity The VPA process may encourage good and interactive governance as well as partnerships between communities and external actors</p>	<p>Offensive strategy Empowerment to respond and challenge negative impacts</p>	<p>Strengthening strategy Strengthen representativeness and accountability, formalising not yet recognised institutions</p>
<p>Threat A significant portion of the community may lose out with the VPA process which will increase resistance against the process</p>	<p>Defensive strategy Monitor impact and create equally lucrative economic opportunities</p>	<p>Avoiding strategy Monitor impacts on different groups and their participation and create mechanisms for timely and quick responses to deal with the weakness and threat</p>

Social safeguards for chainsaw operators

Social safeguards needed?

1. Assure livelihoods for chainsaw loggers/operators (income, food, employment).
2. Legalize or mainstream chainsaw logging/operation.
3. Ensure efficiency by transforming chainsaw operations into artisanal use.
4. Guarantee a place in the market.
5. Assure access to the resources.

Strengths of the VPA agreement in achieving these safeguards

1. Article 17: Minimize possible adverse impacts to develop a better understanding of livelihoods, taking steps to address any adverse impact.
2. Article 15: VPA to tackle the challenges of growing domestic demand.
3. Article 16: Regular consultation with stakeholders on the implementation of Agreements.

Weaknesses of the VPA agreement in achieving these safeguards

1. The need for law reforms is not provided-then there is no room for chainsaw loggers.
2. Agreements geared towards the export market –Tools for export market not work for domestic markets.
3. Agreement talks more about law enforcement and less about governance.

Opportunities in the environment that enable achieving these safeguards

1. 80% of the domestic market is chainsaw logging so they are needed and small scale timber processing is dependent on them.
2. Implementing the VPA for the domestic market will be extremely difficult and unlikely to succeed because of the complexity of the issue.
3. There are initiatives like the EU-chainsaw project.
4. FC is gradually shifting position to recognize the need for multi-stakeholder involvement (1994 Forest and Wildlife Policy stressed stakeholder involvement).
5. Chainsaw operators are now likely to cooperate with FC.

Threats in the environment that constraint achieving these safeguards

1. Scarce timber resources dwindling already
2. Political and Institutional will
3. External pressures to implement VPA too quickly
4. So many issues that are unresolved that need better understanding

Confrontation Matrix

	Strength Article 17: Minimize possible adverse impacts to develop a better understanding of livelihoods, taking steps to address any adverse impact	Weakness The need for law reforms that could take care of chainsaw is not provided, hence there is no room for chainsaw loggers
Opportunity 80% of the domestic market is chainsaw logging so they are needed and small scale timber processing is dependent on them	Offensive strategy Legalize with strict enforcement conditions for securing access to the forest resource	Strengthening strategy Conduct Scenario studies e.g. Review of law to a) Legalize chainsaw b) Ensure timber companies supply legal lumber
Threat Scarce timber resources dwindling already	Defensive strategy Review tree tenure Establish more plantation Promote use of LUS Improve efficiency of the industry	Avoiding strategy Scenario studies (Ghana has no forests)

Social safeguards for micro and small forest enterprises (MSFE)

Definition of MSFE:

- less than 30 people employed
- Up to US\$100,000 capital outlay
- services: forest products

What social safeguards are needed?

1. Ensure access to legal timber.
2. Retooling of MSFE e.g. education, training, improved equipment.
3. Alternative livelihood schemes.

Strengths of the VPA agreement in achieving these safeguards

1. Commitment to monitoring adverse impact and taking mitigation actions.
2. Commitment to legislative reform.
3. Agreement addresses access to legal timber.
4. Law enforcement.
5. Commitment to strengthen sector governance and legal framework.

Weaknesses of the VPA agreement in achieving these safeguards

1. Agreement largely on intent rather than action.
2. No earmarked funds for social safeguard.
3. Commitment for stakeholder involvement is weak.
4. Weak mechanisms for monitoring.

Opportunities in the environment that enable achieving these safeguards

1. International pressure.
2. Increasing awareness of dwindling resources.
3. Strengthened process with stakeholder dialogue.
4. NREG framework.
5. Enabling environment through other initiatives.

Threats in the environment that constraint achieving these safeguards

1. Political economy

Confrontation Matrix

	Strength Commitment to monitoring adverse impacts and taking mitigation measures	Weakness Agreement largely intent rather than action
Opportunity International Pressure	Offensive strategy Evidence based advocacy	Strengthening strategy Develop implementation plans, budget, roles and responsibilities
Threat Political economy	Defensive strategy Agitate for Action (robust monitoring mechanism)	Avoiding strategy Business as usual

Social safeguards for the formal timber industry

What social safeguards are needed?

1. Assurance of legal timber.
2. Maintenance of skilled labour.

Strengths of the VPA in achieving these safeguards

1. Access to legal timber with verified sources from other countries.
2. Clarity on requirements on legal timber.
3. Assurance of support for increased knowledge on lesser-known species.

Weaknesses of the VPA in achieving these safeguards

1. Legality of approved exploitation in itself does not automatically result in sustainable supplies.
2. No attention to sustainable employment in the timber industry.
3. VPA only applies to the EU and not to the 'Eastern' countries.

Opportunities in the environment that enables achieving these safeguards

1. More business through increased trust amongst consumers.
2. Possibility to import legal timber with verified sources.
3. Acceptable progress to certification.
4. Security to invest in resource creation.

Threat in the environment that constrains achieving these safeguards

1. Leakage as a result of trade of illegal timber between other countries.
2. Shifting standards on legality and regulation.
3. Non-enforcement of illegality of chainsaw logging.
4. High cost of compliance.

Confrontation Matrix

	<p>Strength Access to timber with certified source from other countries</p>	<p>Weakness Legality of timber exploitation does not automatically result in sustainable supplies</p>
<p>Opportunity More business through increased trust amongst consumers</p>	<p>Offensive strategy Aggressive marketing of legal timber</p>	<p>Strengthening strategy Increased sustainability through resource creation and shift to lesser used species</p>
<p>Threat Leakage as a result of trade of illegal timber between other countries High cost of compliance</p>	<p>Defensive strategy Defend markets by requesting EU preferential procurement of legal timber</p>	<p>Avoiding strategy Avoid turning legal timber concessions to carbon concessions</p>

4.3 IDENTIFICATION OF RESEARCH AND DEVELOPMENT NEEDS

One important deliverable of the workshop was that participants identify research agenda and development issues required for managing the consequences of timber legality standards on local livelihoods, linked to Article 17 of the Ghana-EU VPA. The following proposals from participants resulted during a plenary session.

1. *Further insight into possible impact of VPA implementation on livelihoods should be sought by means of research.*
2. *Actors' possible response to enforcement of legality standards:* Article 17 of the Ghana-EC VPA pre-supposes that the application of legality standards may impact negatively on local livelihoods. Different actors such as chainsaw operators, labourers from timber enterprises or farmers may react in their own specific way. Research is needed to identify the different responses of actors being negatively affected, including options for remedial policies.
3. *Effective support to industry and timber trade-dependent communities:* One option for remedying negative impacts of legality standards is the stimulation of alternative livelihoods activities for affected actors. However, developing alternative livelihood options to people engaged in an outlawed, but lucrative economic activity is not a straight forward issue. What constitute effective alternative livelihoods? Which people need to be assisted to develop alternative livelihoods? Insights into needs and effective support for these actors are necessary.
4. *Instruments/institutions/mechanisms for monitoring and evaluation of the implementation of the VPA on local livelihoods:* Research is needed to be able to identify key indicators and important targets for aspects of monitoring and evaluation that will serve as a guide to those with such responsibility.
5. *Heterogeneity of local communities: In a local community, people have different needs and aspiration:* It is important to identify specific needs and interests of people so that in an attempt to address community needs, one simple package is not given to everybody but one that addresses specific needs of individuals or special groups in the community.
6. *Options for balancing the resource needs of the domestic and export markets:* The domestic market alone is capable of consuming all the legal wood produced in Ghana yet the nation also has a strong drive to export. Hence, research is needed to identify options for balancing these two opposing demands.
7. *Managing conflicts arising from decentralized forest law enforcement decisions:* As Ghana renews her interests and commitment to enforcing forest laws, many things would be happening at the district level where local stakeholders may clash over issues leading to possible conflicts among them. Research should be able to foresee some of these possible conflicts and offer suggestions for managing them.

8. *Potential challenges in implementing legality standards in off-reserve areas:* Off-reserve areas are very problematic areas in which timber resources are not well defined in the first place. Therefore, any attempt to implement legality standard may encounter serious setbacks. Hence, research is necessary to look into this and come up with some recommendations.
9. *Stakeholder perspectives on forest law reforms for mitigating the effect of VPA implementation on livelihoods:* The VPA document makes room for law reforms but there is also the need to ensure that these law reforms are fundamental and that, they reflect stakeholder beliefs and aspirations. Research is needed in this regard to be able to advise the process.

Participants' comments

Following the discussion on the 'Research agenda for managing the consequences of VPA implementation on livelihoods' participants made the following comments:

1. Research into what an acceptable alternative livelihood is also required.
2. WITC has been living up to expectation with regards to training technicians to sustain the wood industry. With the issue of impact of VPA on livelihoods becoming important, issues about VPA should be developed in a way that it can be treated in the training programme. Private sector participation in WITC for effective delivery of services is not an option.
3. The objectives of WITC should be properly spelt out but it would be much better if WITC sticks to institutional training programmes.
4. WITC is for training and must be kept that way. It can be made autonomous to make it more proactive with private sector represented on its management board. WITC also need refurbishing to make it the cutting-edge training institution required.
5. The level of private participation in the management of WITC should be hinged on the current problems facing the institution and the possible solutions identified.
6. WITC lost focus on training and went into lumber and furniture production, thus competing with the timber industry. Also equipment meant for training is outdated. The FC has not set in motion a restructuring process for the training institution.
7. The restructuring of WITC should take into consideration the need to promote quality furniture targeting the international market.
8. WITC has a function; unfortunately that function has been lost. WITC's competition with the private sector is wrong. WITC was established under a project and was handed over to the FC when the project ended. The FC as a public institution has procedures of releasing funds for activities. The problem is how WITC could be resourced to deliver on its core functions without competing with the private sector.
9. Stakeholder involvement in implementation of initiatives requires formation of new governance arrangements. From stakeholder discussions/negotiation platforms in the formulation phase, partnership arrangement in implementation phase should clearly identify implementation task for the different partners.

10. Stakeholder participation currently dwells on availability of funding and this can be very worrying. It is important to develop an environment where with or without funding stakeholder interests can be sustained.

11. Stakeholder participation in the Natural Resources and Environmental Governance (NREG) has been great. The NREG has provided funds for civil society groups, research and academia. The NREG support has also provided funds for NGO support including funding the forest forum, landscape restoration, provision of seedlings and coppice management with community-based organisations other community groups.

12. Forestry analysis facility must be extended for a comprehensive policy analysis to foster linkages and cross-cutting collaboration between state-owned institutions.

5.0 CHAIRMAN'S CLOSING REMARKS

By Mr. Gene Birikorang, (Chairman for the closing session)

The outcomes and way forward for VPA impacts on livelihoods are dealt with in the research topics. For each of the topics, a one paragraph narrative should be given to give direction to any researcher interested in carrying out the research. This workshop has been looking at chainsaw issues on a partial analysis side but analysis is needed on a demand and supply side as well.

On the demand side, we can look at new and efficient technologies so that the number of trees logged by chainsaw operators to produce small volumes of wood is reduced. From the market side the volume of timber extracted in terms of off-cuts should be investigated. The Resource Management Support Centre (RMSC) of the FC should take responsibility for digitizing all forests in the country, and this calls for a re-capitation of RMSC. In looking at political commitment in dealing with the chainsaw activity in the country, government should be ready to support compliance.

APPENDICES

Appendix 1: Summary of proceedings and key messages from the Netherlands seminar

Seminar "The FLEGT/VPA process in Ghana: legality and livelihoods" organised by the "Illegal or Incompatible?" research project at the Wageningen University, June 8, 2009

Introduction

The EU FLEGT (Forest Law Enforcement, Governance and Trade) Action Programme recognizes that the EU, as a significant consumer of tropical timber, shares responsibility with tropical countries to combat illegal logging and its associated trade. The programme proposes the development of Voluntary Partnership Agreements between the EU and individual tropical timber exporting countries to eliminate illegally-produced timber from the partner countries through a timber licensing scheme. A major challenge is how to combine the legality-based approach of the programme with a rights-based approach towards combating deforestation and forest degradation. The first approach focused predominantly on the need to replace illegal logging practices with transparent and accountable legality standards. The second approach focuses predominantly on the need for a more just and equitable distribution of forests benefits. The Illegal or Incompatible? research programme (<http://www.vpa-livelihoods.org/homepage.aspx>) addresses this challenge by assessing how the trade agreements impact on the livelihoods of forest dependent people, and searches for governance mechanisms to mitigate these impacts. This research and communication programme is a collaborative effort between various research and forest policy institutes in the Netherlands, Ghana and Indonesia.

Objective of the Seminar

The objective of the seminar was to review the present state of knowledge on the scope of timber legality vis-à-vis the (anticipated) development and livelihood impact of the FLEGT/VPA process in Ghana and to identify key issues for further research and policy development.

Programme of the Seminar

The Seminar consisted of two parts. The first concerned a series of public presentations and discussions. This seminar was attended by 35 persons from Ghana, UK, Denmark, Finland and the Netherlands. The following presentations were given⁵⁰:

1. B. Arts: The Illegal or Incompatible project, where are we?
2. D. Brown (VERIFOR): Experiences with policy developments on timber legality: the VERIFOR project

⁵⁰ The powerpoint presentations can be found on the project website: <http://www.vpa-livelihoods.org/homepage.aspx>

3. A. van Driel & W. van Esch (DGIS): Combining timber legality and livelihood issues: a policy view
4. C. Beeko (WUR PhD researcher): The FLEGT/VPA process in Ghana: experiences and challenges
5. C.P. Hansen (University Copenhagen): The FLEGT process in Ghana: creating a dichotomy between legal export timber and illegal timber for local markets?

This series of public presentations was followed by an expert workshop attended by 18 persons. During this workshop the presentations and discussions of the public meeting were further elaborated on the basis of the results of three project studies as well as results of related projects on the interface between legality, governance and livelihoods.

Summary of presentations and discussions

International perspectives

Ghana was the first country to conclude a Voluntary Partnership Agreement with the EU (ratified by GoG in June 2009). The Ghana FLEGT/VPA process can be considered as the first step towards achieving FLEGT objectives. Although FLEGT is perceived to contribute to economic viability, social equity, environmental sustainability and respect for tenure rights, the precise implications of the FLEGT “Governance” perspective on forest conservation, use and management are not always clear and should be further developed in practice (*DGIS presentation*). The FLEGT objectives are in line with and supported by the Netherlands policies on Tropical Rainforests (1992); the MDGs and the current Netherlands policies “Our Common Concern” (2007-2011) and “Biodiversity Works” (2008-2011). In Ghana the development of good governance processes are not only encouraged by the FLEGT process but also by the multi-donor Natural Resources Environmental Governance (NREG) programme. The NREG aims to play a catalytic role in the further change processes in forest governance including further adaptation of the legal frameworks. Securing livelihoods of communities dependent on the forest sector and full engagement of the civil society in the process is part of the anticipated change (*DGIS presentation*).

The Ghana FLEGT/VPA process

The problems regarding illegal timber cutting and forest degradation in Ghana are huge and complex:

- There exists a dual forest economy consisting of a more-or-less modern export timber oriented sector and an informal domestic timber sector;
- Current harvesting is predominantly illegal (notably in the informal domestic timber sector based on illegal chainsaw sawing) and beyond sustainable rates;
- The forest cover is rapidly decreasing;
- The contribution of the forestry sector to (rural) development is less than optimal.

Many of the problems are due to policy failures leading to inefficiency in the production system, market distortions, corruption and inequitable access to resources.

The preparation of the VPA was based on extensive participation of the main stakeholders from the Ghanaian forest and timber sector and consultation with other interested parties. With this preparation an important step was made to identify the necessary instruments to guarantee legality of export timber production as a condition for export to the EU (*the VPA objective as identified in article 1 of the VPA⁵¹*). It was also recognised that further forest policy reforms are needed, especially in respect to social safeguards (*article 17 of the VPA*): “the Parties agree to develop a **better understanding** of the livelihoods of potentially affected indigenous and local communities as well as the timber industry, including those engaged in illegal logging” and will “**monitor the impacts of this Agreement on those communities** and other actors, while taking **reasonable steps to mitigate** any adverse impacts”.

As illustrated by these articles, the VPA focuses primarily on legality issues. Social change issues such as forest rights and benefits are added to this agenda but play a subsidiary role. The FLEGT/VPA process so far is based on three key assumptions that need vigorous testing (*presentation Brown*):

- By addressing the symptom of illegal timber production it will be possible to contribute towards remedying the cause (poor governance) of unsustainable timber production;
- There is scope for using a timber trade agreement as a vehicle for wider political reforms related to forestry;
- The legality reforms can deliver “co-benefits” such as good governance, equity in access to resources and biodiversity conservation.

The FLEGT/VPA process as governance process

During the design phase of the VPA in Ghana (2005 – 2008) important steps were made to anchor the process in a multiple stakeholder debate on legality of timber and options for supporting policy changes. In this discussion and negotiation process on the VPA standards, a variety of government agencies, forest and timber organisations, environmental groups, and civil society organisations were involved. Civil society organisations also organized a series of consultation meetings with community groups. The discussions in this design phase took place in five working groups that predominantly focused on technocratic issues such as:

- Definition of legal standards
- Design of licensing and verification systems
- Assessment of fiscal issues
- Review of related legislation
- Assessment of the Chain of Custody
- Assessment of a domestic market study.

⁵¹ The full text of the Ghana-EU VPA as signed in September 2008 and ratified by the Parliament of Ghana in June 2009 can be read on the project website: <http://www.vpa-livelihoods.org/homepage.aspx>

No specific attention was given to ex ante poverty and social impact assessment.

The process can be characterized as “an opening-up of the policy arena” (*presentation Beeko*). More specifically it is claimed that “fringe actors” have been empowered to participate in the policy process and that there have been opportunities for capacity building of the various actors. The importance of this multiple stakeholder dialogue driving the design of the VPA was acknowledged by several presenters. The discussions between the various stakeholders also resulted in a “recognition of the need for existing legislation to undergo significant reforms to be able to address existing inadequacies as well as respond to emerging issues in the sector that borders on the principles of good governance” (*presentation Beeko*).

However, the question was posed to what extent this multiple stakeholder engagement can be sustained during the VPA implementation phase. Chances are that with the signing of the Agreement the stakeholder discussions will come to an end and that the VPA implementation will remain with the forestry authorities, meeting only their institutional interests. The question therefore is whether the implementation phase will result in “a reduction of the momentum in the journey from government to governance” (*presentation Beeko*).

Remaining challenges for the FLEGT/VPA process in Ghana

It is generally acknowledged that the VPA/Ghana process so far is principally focused on timber legality issues, and not so much on forest sector reform which is deemed absolutely necessary to address the underlying problems of illegal forest use (*presentations of Hansen and Brown*). There are three major challenges that need further consideration:

a) The underlying problems of illegal forest use and forest degradation are currently not addressed by the VPA. The *presentation of Hansen* highlighted the following:

- High timber demand from consumer countries;
- Overcapacity in timber industries caused by former international pressure under the aegis of structural adjustment to invest in timber sawmills, low forest fees and favourable corporate taxation;
- High economic growth rate and high population growth rate in Ghana resulting in high domestic timber demands;
- Inappropriate timber benefit sharing mechanisms;
- Discretionary allocation of timber rights; and
- Low level of law enforcement.

Many of these factors can be characterised as “policy failures” rather than failures in law enforcement. They often emerged and persisted not only because of ignorance or low capacity, but also because the political elite in Ghana has used the forest resource as a

means to serve other purposes than forest conservation, including personal and party-political gain.

b) A second major challenge concerns the need to further assess the VPA impact on local livelihoods as this impact remains uncertain. It may vary depending on whether the formal export timber sector or the informal domestic timber 'sector' is considered. On the one hand, in the formal forest sector increased attention is given to the need for fair labour conditions and benefit sharing mechanisms with local communities (through the so-called social responsibility agreements). On the other hand, the chainsaw milling techniques used for informal domestic timber production is officially illegal. Consequently, the strict adherence to enforcing legal standards will most likely have negative impacts on the village economies. A substantial part of the population finds work and income from illegal forest use.

Although the VPA indicates the need for further policy reforms to further optimize the livelihood roles of forests (as pledged in annex 2 of the Agreement) it is still unclear how this will be accomplished in the VPA implementation phase.

c) A third major challenge concerns the question of how to further adapt the present emphasis on regulating timber cutting to improved forest management and tree growing. In view of the high rate of timber exploitation in natural forests it can be foreseen that the forestry sector will soon undergo major changes involving a shift from timber production in natural forests to timber production in man-made forests as well as agroforestry and tree plantations. The fact that the largest share of timber production already is produced on off-reserve forested lands rather than in formal forest reserves illustrates that it is incorrect to assume that timber production is only derived from legally-designated forests. Already a clear legal distinction is made between naturally-grown trees legally vested in the state, and planted trees owned by the planter. It remains to be discussed how legal policy frameworks can contribute towards the to-be-expected transitions in timber production processes.

In conclusion several challenges have to be faced before the VPA process can be expected to have a real impact on improving the overall forestry conditions in Ghana rather than the export timber sector only (*presentations of Hansen and Brown*):

1. The creation of transparency and accountability in export timber production and trade instruments in itself will have only limited impact on preventing forest degradation and improving local livelihoods. To obtain a more profound impact on sustainability of forests and forest-related livelihoods, a combination of promoting better export timber instruments and governance reforms is needed;
2. VPA/FLEGT measures need to give further attention to the analysis of underlying causes of illegal logging and to arrange for progressive improvements in forest policy; and

3. The success of VPA/FLEGT in Ghana in addressing both illegal logging and livelihood aspects is contingent on how successfully the programme accelerates governance reforms “from benefits to rights”.

Several of these issues are at present under consideration in policy discussion platforms that have recently been set up in Ghana. Most of these operate independent of the FLEGT/VPA process. Examples are the multi-donor NREG programme and the Tropenbos Ghana R&D project on illegal chainsaw sawing⁵². It remains a challenge to integrate the information from these various forest governance platforms in Ghana.

Conclusion: Legality and livelihoods

As demonstrated by the seminar presentations and discussion, the outcome of the VPA agreement on livelihoods of forest-dependent people, with or without subsequent governance reform is currently largely uncertain. There may be positive and negative impacts of the VPA process (*presentation of Arts*). On the positive side one may expect greater transparency and accountability in the forestry sector and less forest-based criminalization; improvement of conditions in forest reserves designated for export timber production; larger contribution of the sector to formal development (increased tax base); more options for formal forest-based enterprise development; and greater engagement of stakeholders in policy-related dialogue. On the negative side one may possibly expect an increasing emphasis on ‘anti-poor’ forest laws favouring trees over people; commercial forestry over community-based forestry; large scale over small scale industries; and constraining legal access to forest use (beyond timber) to forestry dependent people. Similarly, successful implementation of the VPA and concomitant application of all its technical instruments may empower (corrupt) forest officials rather than downstream users; and increase the power and economic position of enterprises and operators in the export timber sector as compared to timber-production operators in the informal sector.

Key messages for further research and policy debate

Issues for EU/donor policy debate

- The EU/FLEGT Action Plan is foremost focused on improving forest governance and legal export timber production. The VPA process in Ghana has exposed the potential of an effectively working policy environment. There remains the challenge of sustaining these dynamics given that the “deciding factors” in the VPA formulation phase (such as the need to have a participatory process in order to conclude the VPA and available donor funds to pay for the consultation

⁵² Terry Green (pers. comm.) mentions the following list of forestry-related projects with important stakeholder consultation processes: REDD, Ministry Policy Review, NLBI, KASA Civil Society Project (NREG - includes forestry); GIRAF Civil society Project (EU); National and district Forest Forums (FAO supported); Growing Forests Partnership; GoG/Donor Sector Group on Environment and Natural Resources; Tropenbos/FORIG/FC Chain saw project; WWF Forest Certification support; Global Witness - Forest Transparency Reporting; Pro-Poor REDD (IUCN/ Danida).

processes) are no longer effectively in place in the implementation phase. What are the options for building upon the process?

- The EU FLEGT Action Plan is a response to illegal logging and stresses legality issues more than rights issues. In essence it is not a pro-poor programme even though livelihood considerations have been added as points of attention. This basic character of the FLEGT programme is reflected in the Ghana/EU VPA. The impact of this trade instrument on the livelihoods of forest-dependent communities in Ghana is still under study. The impact will largely depend on the identification and implementation of further forestry reforms covering pro-poor forest rights and fair forest benefit-sharing mechanisms. The need to consider further forestry reforms over the next five years has been identified in the Ghana VPA, but the nature and outcome of such reforms are still very difficult to predict..
- The VPA formulation process in Ghana is generally regarded as a first step towards a broad forestry reform addressing the problems of illegal timber production and resulting forest degradation in a sector that is very much contested. How can it be ensured and monitored that in the VPA implementation phase not only attention is given to meeting legality standards, but that also attention is given towards furthering the VPA impact on improved forestry governance (including considerations for livelihoods of forest-dependent communities)?
- The EU/FLEGT process of policy consultations and debates is not the only international programme for stimulating improved governance of the forest sector. There are several related (international) policy development processes based on international standard setting ongoing, e.g. the REDD discussion, forest certification debates, etc. Moreover, in Ghana different donors have encouraged the formation of various national forest policy platforms. What are the opportunities and challenges of integrating the various policy processes?

Issues for further research

- The present distinction between a formal export timber production sector operating in reserved forests and subject to legality standards and an informal domestic timber 'sector' using illegal practices on off-reserve lands should be considered as a first approximation only. Still little is known about possible linkages between these two sectors.
- At present there is little knowledge about the relations between forest-related community practices and benefits in forest reserves and on off-reserve forested lands. There is an urgent need for further assessment of the different production systems and their livelihood impacts, as well as on the impact of legality standards on both kinds of timber production systems. This information is indispensable for further evaluating the need for possible further policy reforms. Recently several research projects have started to investigate this issue.
- When assessing the livelihood impacts of different timber production systems and legality standards, it is important not to assume homogenous forest-dependent

“communities” and “livelihoods”, but rather to consider specific actor groups such as long-term inhabitants belonging to traditional lineage and clan groups versus recent immigrants, local inhabitants versus temporary forest loggers, etc.

- In view of the large amount of already ongoing forest governance and livelihood-related research in Ghana, it is important to coordinate research activities and to encourage cooperation, complementarity and communication between thematically-related research projects⁵³.
- Considering the need for improved science/policy interfaces as one of the tools for improved forest governance, research on forest governance issues should not only be focused on forest and community-level practices and processes, but also on the practices and processes of forest policy discussion platforms involving different kinds of stakeholders including researchers.

⁵³ An overview of current (known) research activities on “VPAs and livelihoods” can be found on: http://www.vpa-livelihoods.org/links_on_related_research_activities.aspx

Appendix 2: Workshop Programme

Theme: Social Safeguards in the EU-Ghana VPA – Jointly Developing a Research & Development Agenda for Improved Forest Governance

DAY 1, 8TH OCTOBER, 2009

Time	Activity	Responsibility
8:00-8:30	Registration	Participants
8:30 - 8:50	Opening (Introduction to the workshop – objectives, set up, expected outputs)	Mr. Sam Nketiah (Facilitator)
8:50 – 9:10	Overview of IOI project, and results of the Wageningen seminar on “FLEGT/VPA process in Ghana: legality and livelihoods” (June 2009)	Prof. Dr. Bas Arts
9:10-9:40	Overview of Ghana/EU Agreement (VPA)	Mr. Chris Beeko
9:40 -10:00	Governance for sustainable forest-related livelihoods in Ghana’s high forest zone	Dr. Mirjam Ros
10:00-10:25	Potential impacts of VPA implementation on livelihoods and formal timber industry	Mr. Gene Birikorang
10:25-10:45	Discussions	Facilitator
10:45-11:00	Snacks	
11:00-11:20	Overview of research activities on VPA and livelihood in Ghana	Dr. Freerk Wiersum
11:20- 11.35	Impact of Forest Law Enforcement (under the VPA) on Livelihoods: Some case studies	TSPA Researchers
11:35-12:00	Discussions	Facilitator
12:00-12:20	Presentation on SWOT analysis	Prof. Dr. Bas Arts
12:20-12:40	Highlights of the Agreement	Mr. Chris Beeko
12:40-13:00	Formation of Working Groups	Facilitator
13:00 -4:00	Lunch	
13:30-16:00	Group work: SWOT analysis assessing strengths and weaknesses of the Ghana/EU VPA to deal with possible adverse effects on local livelihoods; and opportunities and threats in the	Group Leaders Bas, Kyereh, Chris and Freerk

	policy environment for realising the article 17 goals.	
16:00-17:00	Presentation of Group work	Group leaders
17:00	Closing	Moderator
	Synthesis of outcome of group work	LOC, IOI project team leaders, Rapporteurs.

DAY 2, 9TH OCTOBER, 2009

Time	Activity	Responsibility
8:00-8:30	Registration	Participants
8:30-8:40	Opening (Introduction to the workshop, objectives, set up, expected outputs	Dr. Paul Sarfo Mensah (Facilitator)
8:45-9:15	Presentation on good governance (broad application and the state of the art)	Dr. Arend-Jan van Bodegom
9:20-9:50	Impacts of VPA on local livelihoods, special emphasis on communities and informal timber industry	Dr. Emmanuel Marfo
9:50 -10:05	Snacks	
10:10-10:30	Presentation of synthesis proceedings of day 1	Prof. Dr. Bas Arts
10:35-10:50	Keynote address	Minister, MLNR
11:00–12:30	Discussion on the research & development agenda needed for implementing 'Article 17' of the VPA agreement	Dr Kyereh Boateng
12:30-13:00	Closing	Moderator
13:00	Lunch	
	Departure	

Appendix 3: List of Participants

1. Joseph Abbey	Ministry of Lands and Natural Resources
2. Fredua Agyemang	Ministry of Lands and Natural Resources
3. Mercy Owusu Ansah	Resource Management Support Centre
4. Alex Asare	Resource Management Support Centre
5. Edward Obiaw	Resource Management Support Centre
6. Valerie F. Nassah	Resource Management Support Centre
7. Kwamena Hadziel	Timber Industry Development Division
8. Beatrice Darko-Obiri	Forestry Research Institute of Ghana
9. Dominic Blay	Forestry Research Institute of Ghana
10. Emmanuel Marfo	Forestry Research Institute of Ghana
11. Chris Beeko	Forestry Commission
12. Oppon Sasu	Forestry Commission
13. David Kpelle	Forestry Commission
14. Samuel Afari-Dartey	Forestry Commission
15. Kojo Amanor	University of Ghana
16. Bas Arts	Wageningen University
17. Freek Wiersum	Wageningen University
18. Mirjam Ros-Tonen	University of Amsterdam
19. Arend-Jan van Bodegom	Centre for Development Innovation
20. Hans Vellema	Tropenbos International
21. Olivia Agbenyaga	College of Agriculture and Natural Resources, KNUST
22. Kyereh Boateng	College of Agriculture and Natural Resources, KNUST
23. Paul Sarfo Mensah	College of Agriculture and Natural Resources, KNUST
24. Kwame Antwi Oduro	PhD student, WUR/FORIG
25. Thomas Insaidoo	PhD student, KNUST/UvA
26. Mercy Derkyi	PhD student, KNUST/UvA
27. Virry Schafsmaa	MSc student, University of Amsterdam
28. Gene Birikorang	Hamilton Consulting
29. Alex Dadzie	Timber Industry
30. Chris Dadzawa	Furniture and Woodworkers Association of Ghana
31. Daniel Cudjoe Tecku	Woodworkers Association of Ghana
32. Akua Ansah-Eshon	ATWWAR
33. Mans Vroom	FORM International
34. Ton vander Zon	Royal Netherlands Embassy, Ghana
35. Claire Brogan	FFR
36. James Parker Mckeown	EU Chainsaw Project
37. K. S. Nketiah	TBI Ghana
38. Bossman Owusu	TBI Ghana
39. Michael Zusain	TBI Ghana
40. Jane Aggrey	TBI Ghana
41. Olivia Larbi Nyanteh	TBI Ghana