

# ANNUAL PROGRESS REPORT

VPA Implementation  
Ghana-EU

2009-2010



Common efforts to ensure  
and promote legal timber  
trade and good stewardship  
of the forest sector



# INTRODUCTION AND BACKGROUND

## FEBRUARY 2005

Informal consultations begin



## MAY 2005

National workshop confirming interest in entering into negotiations



## DECEMBER 2006

Formal request to EC to initiate negotiations



## MARCH 2007

First negotiation session held in Accra

In between these two dates there were negotiation sessions and video conferences



## JULY 2008

Final negotiation session in Brussels



## SEPTEMBER 2008

VPA initialised



## NOVEMBER 2009

VPA signed



## DECEMBER 2009

Entry into force of VPA



## JANUARY 2010

1st JMRM



## NOVEMBER 2010

2nd JMRM

Ghana has approximately 2.6 million hectares of forest reserves dedicated to production, about 500,000 hectares of unreserved forests, as well as an additional 2 million hectares of crop land that also produce timber.



*Signing of the Ghana-EU VPA, November 2009*

Independent studies estimate the annual timber production of Ghana to be about 3.5 million m<sup>3</sup> of round wood, half of which is destined for export markets. In 2010, the European Union (EU) accounted for almost 30% of the total value of Ghana's timber exports. Key markets included Italy, France, Germany, the United Kingdom, Belgium, Spain, Ireland and the Netherlands. Although this market share is significant, it is has dropped from 50% in 2005, with this decline largely being attributed to a downturn in the construction industry due to the global economic crisis. As a result of the drop in demand from the EU, Ghana has expanded market share in Asia and Africa but remains keen to regain market share in the EU.

On November 19th 2009, Ghana became the first country to sign a Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the European Union (EU). The agreement is a public document and may be viewed and/or downloaded from the website of the European Commission or the Ghana Forestry Commission.

The signature of the agreement was a key milestone in a process that began with informal consultations in Ghana in February 2005. As the first country to conclude negotiations, Ghana had set a high standard for others to follow, both in terms of the scope of their agreement and the process through which it had been negotiated.





## INTRODUCTION AND BACKGROUND CONT.

Furthermore, Ghana had placed dealing with illegal logging to supply domestic demand firmly on the agenda during negotiations and in doing so, had broadened the scope of the agreement beyond the expectations of the EU.

Moving beyond the requirement to verify the legality of timber products being exported to the EU, Ghana had also committed to applying the same legality standards to all timber exports, regardless of their destination. It had also extended the list of products to be covered by the agreement to cover the full range of timber products exported, rather than restricting themselves to the minimum number of products described in the FLEGT regulation.

Furthermore, Ghana had placed dealing with illegal logging to supply domestic demand firmly on the agenda during negotiations and in doing so, had broadened the scope of the agreement beyond the expectations of the EU. The level of ambition of the agreement reflects the Government of Ghana's intention to use the VPA as a means of supporting their wider sector reform agenda and for using the verification of legality of timber as a stepping stone towards the certification of sustainable forest management.

Further commitment to strengthening forest governance was demonstrated by the approach that Ghana took to managing negotiations. Support to the negotiating team had been provided by a multi-stakeholder steering committee that included representation from both civil society and the private sector. Each of the technical working groups created to focus on particular elements of the agreement also included representation from non-Governmental

institutions within civil society and the private sector. Finally, to offer reassurances to these stakeholder groups that what was being agreed through these processes was what was being presented during negotiations, Ghana invited participation from these groups as observers to the negotiation sessions.

Moving from negotiation into implementation, there is high expectations of what the agreement can and will deliver. Article 20 of the VPA on 'Reporting and Public Disclosure' commits the Joint Monitoring and Review Mechanism (JMRRM), the body established to facilitate monitoring and review of the agreement, to be "as transparent as possible" in its workings. In this regard, it requires the publication of an annual report and stipulates a list of information that must be reported upon.

This report is the first annual report for the Ghana-EU VPA produced by the Secretariat of the JMRRM and agreed at the fourth JMRRM in March 2012. It covers the period November 2009 to December 31st 2010. As the FLEGT licensing system did not become operational during this period, there are a number of areas of required reporting, relating to the issuance of FLEGT licenses for which there is currently no information. The approach taken for these areas in this first report is to describe the rationale for these sections and the nature of information that will be provided in subsequent reports.

# 1 LEGALITY ASSURANCE SYSTEM (LAS)

## 1.1 DEVELOPMENT OF LAS

The licensing of verified legal timber to the EU and other markets will rely on the successful development and implementation of a credible LAS. The foundation on which this system is built is the definition of legality around which there is multi-stakeholder consensus.

The LAS also comprises a wood tracking system that tracks the wood product from forest to port and a series of verification protocols that ensure that all other laws in the legality definition have been complied with. The following sections provide an update on the progress made in 2009/2010 with the development of the LAS.

### 1.1.1 WOOD TRACKING SYSTEM: DEVELOPMENT

As described above, a wood tracking system enables the establishment of a chain of custody from forest to port for those wood products destined for either export or the domestic market. When entering into negotiations, Ghana's wood tracking system was paper-based. Since 2005 however, with support from the Embassy of the Kingdom of the Netherlands, Ghana had been running a 'verification of legal timber programme', the objective of which was to support the design of a more robust electronic WTS. Consequently, the description of the WTS included in the Annex V of the VPA, makes reference to the use of Information Technology (IT) at various points in the supply chain, to enable electronic reconciliation of information at critical control points.

To support the development of an electronic system, in July 2009, a contract was signed between MLNR and Helveta Ltd. The initial contract period was for 18 months and the main objective of this contract was to develop and pilot an electronic WTS with a number of small, medium and large companies, from forest through to port, so that this system could then be scaled up and rolled out for national coverage in a subsequent contract.

At the time of concluding negotiations in September 2008, Ghana had hoped to be able to issue their first FLEGT license by December 2010. During 2010 however, it became apparent that the development of this electronic system was proving more challenging than anticipated and that this initial pilot phase would not be complete by the end of the year. At the second meeting of the JMRR in November 2010 it was agreed that it would not be possible to announce a revised date for the issuance of a FLEGT license until such time as all elements of the LAS had been fully tested. »»»



### 1.1.2 LEGALITY VERIFICATION PROTOCOLS

In Annex V of the VPA, describing Ghana's LAS, there is a table that sets out the control procedures to be undertaken by various institutions in order to verify compliance with the legality definition set out in Annex II. During the development of the LAS, the outputs of these control procedures will be verified through the creation of a set of verification protocols or a 'legal timber verification manual'.



*Image Credit:  
Kofi Affum Baffoe  
FC staff explaining  
forest inventory  
process*

In 2010, the Forestry Commission began work on the development of this manual, which aims to describe the verification methodology, field procedures and instructions for collection of objective evidence to ensure legal compliance. Once finalised, this document will be published on the FC website.

### 1.1.3 LICENSING PROCEDURE

The licensing procedure for timber exports is also described in Annex V of the agreement. The Timber Industry Development Division (TIDD) of the Forestry Commission is the designated licensing authority but they will rely on information from the Timber Validation Department (TVD) to confirm legal compliance. During the period under review, given that the LAS was being piloted, work to develop and test licensing procedures was deferred until a later date. Once the licensing system is operational, this section will report in greater detail on how this licensing procedure operates.

### 1.1.4 COMPLAINTS SYSTEM

Under the VPA, the purpose of the complaints system is to provide a mechanism for those who have concerns about the functioning of the LAS to seek redress. In Annex V of the VPA, it was agreed that a multi-stakeholder 'Timber Validation Council' (TVC) would be established to provide oversight to the functioning of the TVD and that it would be this Council that would receive and deal with complaints. The details of the complaints and resolution procedure will also be covered in the verification manuals currently under development.

Once the licensing system is operational, this section will report on the number and nature of complaints received and will also provide information on how these complaints were resolved.

### 1.1.5 NON-COMPLIANCE MECHANISMS

In the issuance of FLEGT licenses, the basic assumption is that where non-compliance with any element of the legality definition is observed, a license will not be issued for that product until such time as this non-compliance has been addressed. It is therefore essential that for the efficient working of the LAS, there are clear and effective procedures for dealing with cases of non-compliance as and when they are identified. Procedures for dealing with non-compliances and the formulation of corrective action requirements will be addressed in the verification manual currently being developed. Once the licensing system is operational, this section of future reports will describe the nature of any non-compliance identified and actions taken to address these.

### 1.2 INDEPENDENT MONITOR

The role of the independent monitor (IM) is to periodically audit the procedures and control measures within the LAS, thereby providing assurances of the credibility of the licensing system as a whole. Annex VI of the VPA describes in detail, the Terms of Reference (ToR) for the IM, from the tasks to be carried out to their reporting requirements. With the development of the LAS still in a pilot phase in 2010, the procurement of the services of an IM was deferred until 2011.

Once operational, the IM will issue two reports. The first will be a full and detailed report on the functioning of the LAS for review by the JMRRM. The second report will be a public summary based on the more detailed report that summarises key findings and any systems failures identified during the audit.

## 2 LEGISLATIVE REFORM

The objective of the VPA is not simply to verify the legality of timber exports to the EU, but to also strengthen forest governance more broadly. Through the process to reach national consensus on a legality definition, a number of areas were identified where legislative reform would be required. Annex II of the VPA describes a two-tiered approach to this reform process.

Annex II of the VPA describes the approach to this legislative reform as having “two tiers” each of which is described in more detail in the following sections.

The timeframe for this second tier was estimated at 3-5 years. By the end of 2010, the Forestry Commission had contracted the services of a legal consultant who had begun work on drafting a new Forestry Bill

### 2.1 SHORT TERM REFORMS

The first tier of legal reforms envisaged in the agreement were those not requiring extensive reform and that could be effected through subsidiary legislation within the first year after signature of the VPA. These reforms were mainly focussed on the necessary legal backing to enable the functioning of the FLEGT licensing scheme.

### 2.2 MEDIUM TERM REFORMS

The second tier of reforms were those requiring extensive consultations and possible constitutional amendment and included areas such as tree tenure, the strengthening of stakeholder rights, a review of benefit sharing arrangements, and policies and supporting legislation to deal with illegal logging to supply the domestic market. The timeframe for this second tier was estimated at 3-5 years. By the end of 2010, the Forestry Commission had contracted the services of a legal consultant who had begun work on drafting a new Forestry Bill that would consolidate existing forest and wildlife legislation.

# 3 DOMESTIC MARKET

When negotiating the VPA with the EU, there was strong support from both the private sector and civil society for the decision to include the issue of illegal logging to supply the domestic market in the VPA.

Although chainsaw milling for commercial purposes has been banned since 1998, the scale of the problem has increased. A recent publication<sup>1</sup> on the issue cites the following facts:

## CHAINSAW MILLING

- »» Contributes an estimated 84% of lumber to the domestic market
- »» Supplies lumber that is 12-74% cheaper than sawmill lumber depending on species, dimensions and quality.
- »» Recovers only 30% of tree volume
- »» Accounts for the annual harvesting of 2.5 million m3 (the annual allowable cut for the formal industry is just 1 million m3).
- »» Provides jobs for an estimated 130,000 and livelihood support for a further 650,000

Taking into consideration these facts, it is not difficult to understand why tackling this problem has proven challenging, but also why this is an issue that must be addressed if Ghana is to use the VPA as a stepping stone towards the certification of sustainable forest management.

*Image Credit:  
Tropenbos  
International,  
Ghana  
Chainsaw milling*



In 2010, considerable progress was made in the process to determine a strategy for dealing with the domestic market. Through a collaborative approach between the Forestry Commission, the Forestry Research Institute of Ghana (FORIG) and Tropenbos International, consultations have been held with a wide range of sector stakeholders. At a workshop held in October 2010, consensus was reached that the legal supply of timber to the domestic market would come from sawmills and artisanal millers. This policy option requires further elaboration in order to inform the development of a comprehensive policy to tackle the domestic market. It is hoped that considerable progress will be made in the elaboration of this policy during 2011.

## 3.1 PUBLIC PROCUREMENT POLICY

With estimates that approximately 84% of domestic supply is from chainsaw milling, the Government of Ghana stated its intention in Annex II of the VPA, to develop a public procurement for verified legal timber. Although work on this policy has yet to begin, once in place, this section of the annual report will reflect on the effectiveness of this policy at eliminating chainsaw lumber from the supply chain of government-funded contracts.

<sup>1</sup> Marfo, E. (2010) Chainsaw Milling in Ghana: Context, drivers and impacts, Tropenbos International and CSIR FORIG

# 4 TRADE IN FLEGT LICENSED TIMBER

As stated in article 1 of the Agreement, a key objective of the VPA between Ghana and the EU is to ensure that “all imports into the Community from Ghana of timber products covered by this Agreement have been legally produced”.

Once the FLEGT licensing system is operational, this section of the annual report will focus on reporting statistics relating to the trade in FLEGT licensed timber products. Information reported upon will include:

- » Volume of FLEGT licensed timber exported from Ghana to the EU
- » Volume of FLEGT licensed timber received in the EU
- » The number of FLEGT licenses issued by Ghana
- » The number of FLEGT Ghana licenses received by EU
- » EU License verification processes
- » Details of any Problem cases



*Image Credit:  
Tropenbos  
International,  
Ghana*

## 4.1 EU AND OTHER INTERNATIONAL MARKETS

In October 2010 the EU adopted Regulation No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market, commonly known as the “EU Timber Regulation”. By explicitly recognising FLEGT-licensed timber as meeting its requirements, the Regulation creates a strong market advantage for such products.

# 5 INSTITUTIONAL STRENGTHENING

## 5.1 CAPACITY BUILDING

The implementation of the VPA is a responsibility shared by Government, the private sector and civil society. The nature of capacity building required to support each groups covers the spectrum from awareness-raising on the requirements of VPA, to training in new skills necessary to effectively implement the LAS.

The following sections describe in further detail, the support provided to each group during the period under review.

### 5.1.1 CIVIL SOCIETY

A number of capacity building programmes were instituted by civil society organisations with support from a variety of sources. It is not the intention in this section to provide an exhaustive list of all initiatives funded but rather to highlight a selection of those that took place during 2010 in order to illustrate the nature of capacity building support being provided by these initiatives.

During 2010, the EU FAO-ACP FLEGT Facility funded three projects in Ghana, two of which also supported community capacity building. One of these projects, managed by the Collaborative Resources Management Unit (CRMU) at the Forestry Commission's Resource Management Support Centre (RMSC) in Kumasi, sought to identify the role of communities and grassroot NGOs in the implementation of the LAS and consequently their capacity building requirements in order to fulfil this role.

Through funding from the European Commission, Tropenbos International facilitated 'multi-stakeholder dialogue' (MSD) platforms. These platforms were used to effectively engage a range of stakeholders in discussions on how to deal with the domestic market.

With funding from the EU, CARE Ghana also continued implementation of their 'Governance Initiative for Rights and Accountability in Forest Management' (GIRAF). Included in the project objectives are increasing public awareness of forest governance in Ghana; strengthening capacity of civil society organisations in advocacy and promoting transparency at forest districts level.

Other organisations providing support to civil society during this period included Global Witness through their 'Making the Forest Sector Transparent' project, IIED through their Forest Governance Learning Group, FERN, and IUCN funded by grants from the EU, UK and the Netherlands.



### 5.1.2 INDUSTRY

Industry trade associations such as the Ghana Timber Millers Organisation (GTMO), the Ghana Timber Association (GTA) and the Forest and Wood Woodworkers Association of Ghana (FAWAG) assumed a pro-active role in preparing their membership for the VPA.

Through funding from the EU FAO-ACP FLEGT facility, the Kumasi Wood Cluster worked with its members to identify capacity building requirements for the private sector to implement the LAS and sought to develop relevant training modules to support this capacity building. A number of workshops aimed at sensitising as well as identifying concerns of the producers were organised at the key timber producing centres of the country. Based on the initial interactions, further workshops and question and answers documentation have been planned to further enhance the understanding and participation of industry in the VPA.

### 5.1.3 FORESTRY COMMISSION

Staff sensitisation on the VPA continued across the regional offices in the country. Participation of targeted staff in the LAS pilot areas also served to raise the awareness on basic competencies required to operate an electronic wood tracking system. Capacity building included, among others, training of staff on the use of the new technical implements (hand-held data logging devices, bar-codes as tracking device) that would be deployed when the system goes operational country-wide.

### 5.1.4 OTHER GOVERNMENT DEPARTMENTS

There are a number of Government departments that will have a clear role to play once the LAS is operational. These include the Ministry of Trade, the Ministry of Finance and Economic Planning, Customs, Excise and Preventative Service, and the Environment Protection Agency. During the period under review capacity building of these institutions was not considered to be a priority. Once the design of the WTS has been finalised and the associated verification procedures have been elaborated and field-tested, capacity building support to the relevant institutions will be elaborated in consultation with their representatives.

## 5.2 INSTITUTIONAL STRUCTURES

To support the implementation of the LAS, it was necessary to create new institutional structures. The following sections describe the role of these structures and the current status of their development.

### 5.2.1 TIMBER VALIDATION DEPARTMENT

The Timber Validation Department is described in Annex V of the VPA as performing the following functions:

- »» Auditor in the operations of actors in the forestry sector. In this respect it will check on the status of implementation of regulatory function as prescribed by law and contained in the definition of legality framework
- »» Reconciliation of datasets generated through field operations within the sector for the purpose of enabling the issuance of system based licenses
- »» In 2010 the TVD was established as a Directorate at FC headquarters

### 5.2.2 TIMBER VALIDATION COUNCIL

The Timber Validation Council, also described in Annex V of the agreement, will include representation from the following stakeholder groups: Ministry of Lands and Natural Resources, Forestry Commission; judiciary; customs; police; civil society; and industry. The establishment of the TVC has been deferred until the LAS is in a more advanced state of development.

## 6 STAKEHOLDER ENGAGEMENT

Upon conclusion of the VPA negotiations, the Government of Ghana gained recognition from both the private sector and civil society as having worked to ensure effective consultation with all stakeholders to develop an agreement for which there was strong stakeholder support.

It was therefore important that in implementation, the same spirit of consultation should remain.

In 2010 a multi-stakeholder implementation committee (M-SIC) was constituted. Included on this committee are representatives of the Ministry of Lands and Natural Resources, the Ministry of Finance and Economic Planning, the Forestry Commission, Customs, civil society, and the private sector. The purpose of the M-SIC is to oversee the overall implementation of the VPA and co-ordinate the delivery of outputs to ensure that the objectives are achieved in line with the content and time schedule set out in the agreement. Additional responsibilities assigned to the M-SIC are as follows:

- »» Ensure that the implementation of the VPA continues to be linked to the national aspirations of forest and wildlife management as well as Ghana's obligations under other international conventions
- »» Maintain open communication channels with all stakeholder constituencies on the implementation of the VPA
- »» Prepare the grounds for the work of the Joint Monitoring Review Mechanism



Image Credit:  
Emelia Arthur  
Communities  
discussing forest  
degradation

# 7 COMMUNICATIONS

Although there are a number of projects and programmes that include communication on FLEGT and the VPA as one of their objectives, it is acknowledged that there is a need for the development and implementation of a coherent communication strategy for the VPA.

Such a strategy should include international as well as national communications. Work on this strategy will get underway in 2011.

## 7.1 PROMOTION OF VERIFIED LEGAL TIMBER

It has been agreed that once Ghana is producing FLEGT licensed timber, considerable work will need to be done to promote these products. With the LAS still in development, it was considered premature to begin work in this area. Once the licensing system is operational however, this section of the report will reflect on progress with promotional activities for FLEGT licensed timber products.

## 7.2 NATIONAL VPA COMMUNICATION EFFORTS

As described above, there are a number of FLEGT projects and programmes with support to carry out communication activities. During the period under review it was agreed that to ensure consistency and quality of communications on the VPA, these activities should be coordinated by the M-SIC.

In particular, the need for locally adapted briefing material for each of the key stakeholder groups has been identified and work will be carried out during 2011 to elaborate appropriate material.

## 7.3 PUBLICLY AVAILABLE INFORMATION

During the negotiation of the Ghana VPA, the inclusion of an annex on transparency/information disclosure was not discussed. Article 20 of the agreement however, states that the JMIRM shall record the efforts Ghana has made to be transparent by, inter alia, making publicly available information about harvest rights, areas designated for harvesting, harvesting schedules, timber rights fees, and harvest related payments, and information on social responsibility agreements and crop damage compensation awards. Future reports will include details of what has been done to collate and publish such information.

## 7.4 REPORTS AND STUDIES

During the period under review, a number of studies were carried out relating to various aspects of forest governance in Ghana. Those that are in the public domain can be downloaded from the Forestry Commission website at [www.fcghana.org](http://www.fcghana.org)

# 8 MONITORING

Each VPA includes a commitment to monitor impacts, and national impact monitoring frameworks will be developed at the country level for each VPA.

The purpose of impact monitoring will be to determine whether, through the implementation of the agreement, the desired changes in forest governance are being realised, and also to identify any negative impacts of implementation so that measures may be taken to mitigate these impacts.

During the period under review, Terms of Reference were developed for two pieces of work intended to inform the development of both global and national impact monitoring frameworks for VPA implementation. The first piece of work was to assess the potential of VPA implementation to alleviate poverty. The second piece of work was to develop a first draft set of impact areas and potential indicators for further discussion. Both pieces of work will be completed in 2011.

## 8.1 IMPACTS

Once the national monitoring framework has been developed and the FLEGT licensing is operational, this section will report on the key impacts being observed as a consequence of VPA implementation and also those measures being taken to mitigate any adverse impacts.

## 8.2 JMRRM

The Joint Monitoring and Review Mechanism (JMRRM) is tasked with monitoring and review of the implementation of the agreement. In other VPA partner countries, this body is referred to as the Joint Implementation Committee (JIC). Article 19 of the VPA sets out the responsibilities of the JMRRM. Among others, these include:

- »»» Review, agree and publish Annual reports (of which this the first)
- »»» Recommend the date upon which the FLEGT licensing system should become fully operational
- »»» Review reports of the independent monitor
- »»» Issue public summary reports based on the findings of the IM
- »»» If necessary, establish subsidiary working groups for areas of work requiring specific expertise

On the side of Ghana, representation to the JMRRM is led by the Minister of Lands and Natural Resources. On the side of the EU, representation is led by the Head of the EU Delegation in Ghana.

The inaugural meeting of the JMRRM took place in January 2010, with a second meeting taking place in November 2010. Aide memoires from both meetings are available to download from both the EU and FC websites. Rules of procedure relating to the workings of the JMRRM were discussed at both meetings and once finalised, will also be made publicly available.

# LIST OF ACRONYMS

<b>ACP</b>	Africa Caribbean Pacific
<b>EU</b>	European Union
<b>EUTR</b>	European Union Timber Regulation
<b>FAWAG</b>	Forest and Woodworkers Association of Ghana
<b>FAO</b>	Food and Agriculture Organisation
<b>FC</b>	Forestry Commission
<b>FLEGT</b>	Forest Law Enforcement Governance and Trade
<b>GIRAF</b>	Governance Initiative for Rights and Accountability in Forest Management
<b>GTA</b>	Ghana Timber Association
<b>GTMO</b>	Ghana Timber Millers Organisation
<b>IM</b>	Independent Monitor
<b>IIED</b>	International Institute for Environment and Development
<b>IT</b>	Information Technology
<b>IUCN</b>	International Union for the Conservation of Nature
<b>JIC</b>	Joint Implementation Committee
<b>JMRM</b>	Joint Monitoring and Review Mechanism
<b>LAS</b>	Legality Assurance System
<b>MLNR</b>	Ministry of Lands and Natural Resources
<b>M-SIC</b>	Multi-Stakeholder Implementation Committee
<b>TIDD</b>	Timber Industry Development Division
<b>ToR</b>	Terms of Reference
<b>TVC</b>	Timber Validation Council
<b>TVD</b>	Timber Validation Department
<b>VPA</b>	Voluntary Partnership Agreement
<b>WTS</b>	Wood Tracking System

This annual report was jointly prepared by the JMRM Secretariats of European Commission and Ghana to inform the public about progress in implementation of the Ghana-EU VPA.

---

**FORESTRY COMMISSION  
OF GHANA**

P. O. Box MB 434  
Accra-Ghana

**T** +233 (0) 30 2401210  
**W** [fcghana.org](http://fcghana.org)

**DELEGATION OF  
THE EUROPEAN UNION  
TO GHANA**

81 Cantonments road, Cantonments,  
P.O. Box 9505 KIA  
Accra, Ghana

**T** + 233 (0) 30 2774201