

FAO - EU FLEGT PROGRAMME



ASSESSMENT OF THE ATTRACTIVENESS OF GHANA'S FOREST SECTOR TO INVESTMENTS

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EXECUTIVE SUMMARY

Ghana is a signatory to the Voluntary Partnership Agreement (VPA) with the European Union. This Agreement enjoins Ghana to place only “FLEGT licensed timber” which is deemed to be legal on the European timber market. This partnership initiative was largely influenced by the country’s resolve to curb the illegal exploitation of forest products, strengthen sustainable and legal forest management, promote forest development, value creation and trade in legally produced timber. Promoting viable forestry development, employment creation, value addition to forest products and increasing revenue based both on wood production and related processing and trade will equally hinge on private investments from both domestic and international sources into the forest sector as much as government financing is needed. However, consumers of FLEGT licensed timber and relevant stakeholders, especially those in the European market, need to be better informed and understand Ghana’s forests sector’s attractiveness to investments to induce their interest in the sector.

This document, through a detailed desk research which reviewed sector specific published reports, lays bare the facts and figures which support the attractiveness of Ghana’s forest sector to investment as part of the Ghana FLEGT License Communication Strategy. The report highlights critical points of interests for investment attractiveness such as the resources (natural and human) as well as governmental system, investment policies, laws and legal systems, infrastructure, utilities, standard and quality of services that support investment.

Ghana is considered one of the best business/investment destinations on the African continent owing to a booming economy, entrenched political stability and rule of law, welcoming traditions and culture, extensive and developed physical infrastructure, rich human and natural resource base as well as favourable tax regulations, property rights and government regulations. These attributes result in Ghana’s enviable business-friendly climate for investment. The good business climate is continually affirmed by the remarkable performance obtained during periodic worldwide investment climate assessments and indicators. Ghana ranks highest as the safest investment destination for protecting minority investors in the ECOWAS sub-region. Currently, the World Bank ranks Ghana as the second choicest investment destination in the ECOWAS sub-region and one of the choicest in Sub-Saharan Africa. Ghana is also considered as the most competitive economy in the West African sub-region and tenth in Sub Saharan Africa. The stable politico-economic environment has made the country a safe haven for international entities reflecting in the sustained year-to-year increase in foreign direct investments. Between 2003 and 2018, the net flows of FDI commitments markedly increased by 25.9 times from US\$136.75 million to US\$3,540.73 million. The 2018 EY Attractiveness Index ranks Ghana as the second FDI destination in West Africa and seventh in Sub-Saharan Africa.

Its strategic geographical position means that the country is accessible to Europe and America at average of eight (8) hours of flight through West Africa's best International Airport (Kotoka International Airport) according to the Airport Service Quality Benchmark of the Airport Council International (ACI) in 2019. Ghana also boasts of a good network of domestic airports and airlines facilitating speedy movement of people, goods and services. The country has two main seaports (Tema and Takoradi Harbours) and is also home to West Africa's third largest and busiest sea port (Tema Harbour) with a Liner Shipping Connectivity Index of 20.14. Ongoing multimillion-dollar expansion projects at both ports promises a further increase in the capacity to handle millions of TEUs as well as enhanced customer service delivery. Ghana has an extensive road infrastructure which also enables movements of people, goods and services both within the country and the ECOWAS thereby fostering intra-regional trade among 390 million people in the sub-region. According to the 2018 Logistics Capacity Assessment, Ghana was ranked first among 23 countries in Africa by the Economic Commission of Africa (ECA) for implementing most road safety action plans developed within the framework of the United Nations Decade of Action for Road Safety (Decade) initiative.

Further, Ghana has a large pool of competitive, educated and trainable labour force protected by relevant labour regulations such as competitive minimum wage benchmarks, fair wages and social security frameworks to ensure equity in the welfare of its workforce. The country is also rated highest in terms of adult literacy rates (79% adult [15+] literacy rate) in the ECOWAS sub-region and one of the highest in Africa according to the 2019 World Population Review. Chief among Ghana's credentials as one of the choicest destinations for investment is the stable political environment which offers security for lives and property through peace, good governance and the rule of law. In 2018, the Africa Benchmark Country Report ranked Ghana as the most stable political environment within the West African sub region and fifth in Africa. Another governance index, the Mo Ibrahim Index of African Governance (IIAG), ranked Ghana 6th overall best in terms of governance in Africa in 2018.

The forest sector offers positive and stable business environment that supports the efficient export of forest products. This is one major avenue where investors can take advantage of the broader conducive business climate. On the average, the sector now contributes about 1.5% of the nation's GDP. In export value terms, the total export of Ghana's wood products in 2017 was 339,226.605 cubic metres in volume valued at €189,892,298.57 albeit at 15.59% decrease in value and 14.55% in volume respectively compared to 2016. Ghana's forest sector depends on a wide forest cover is approximately 39% of the total land mass. The sector is defined by well-structured legal and regulatory framework supervised by the Forestry Commission under the auspices of the Ministry of Lands and Natural Resources. The sector has several actors along the value chain including over 200 logging and milling companies, 110 sawmill and other wood processing companies number of small, medium, and large processing facilities, which manufacture over 18 different timber and wood products for exports. Given the sector's

importance and the need for sustainable management and utilization of forest resources, Ghana through the National Forest Plantation Development Programm (NFPDP) and the **Ghana Forest Plantation Strategy (GFPS)**, ensures the replenishment of forest resources. By 2018, Ghana had gained 167,773 ha of additional tree cover through these programmes.

Ghana has committed to and been implementing progressive policies that reduce the general cost of doing business and the forestry sector is no exception. A number of general and sector-specific regulations which cover critical investments aspects such as entry, admission, and protection of investment, investment guarantees, employment, and compliance, are in place to create a robust environment for investments in the sector to thrive. Among these laws and regulations include the Ghana Investment Promotion Centre Act, 2013 (Act 865, GIPC Act), Companies Act 2019 or under the Incorporated Private Partnerships Act, 1962 (Act 152), Bilateral Investment Treaties (BIT) and Double Taxation Agreement (DTA), Ghana Copyright Act - 2005 (Act 690), Ghana Free Zone Act 1995 (Act 504), Forestry Commission Act of 1999 (Act 571), The Forest and Wildlife Policy of 2012, Forest & Plantation Development Act of 2000 (Act 583), The Forest Protection (Amendment) Act, 2002 (Act 624), Timber Resources Management and Legality Licensing Regulations of 2017 (LI 2254) etc. The laws and regulations assures a range of high-level to more specific sectoral investment incentives and guarantees which includes; customs duty exemptions, tax holidays, tax rebates/location incentives and insurance against non-commercial risks among others.

Ghana has also competitive forest sector with a plethora of profitable investment opportunities along the forest value chain including the establishment of ecotourism plants and facilities, establishment of Small and Medium Enterprises (SMEs) and plantations, farm forest woodlots, pulp paper and panel industries, plantation based construction grade timber and fibre supply, provision and supply of tree seedlings for plantation species, cultivation of medicinal plants and establishment of processing factories for wood and other forest products.

LIST OF ACRONYMS

ABCR	Africa Benchmark Country Report
ADR	Alternative Dispute Resolution
AEIM	Spanish Association of Trade and Wood Industry
AfDB	African Development Bank
AII	Africa Investment Index
AT&P	African Timber and Plywood Company
BIT	Bilateral Investment Treaties
BLLC	Bibiani Logging and Lumber Company Limited
CET	Common External Tariff
CFC	Community Forest Committees
DTA	Double Taxation Agreement
ECOWAS	Economic Community of West African States
EU	European Union
FAA	Federal Aviation Administration
FAO	Food and Agriculture Organisation
FC	Forestry Commission
FDI	Foreign Direct Investments
FIP	Forest Investment Program
FLEGT	Forest Law Enforcement, Governance and Trade
FORIG	Forestry Research Institute of Ghana
FOSA	Forestry Outlook Study for Africa
FSC	Forest Stewardship Council
GDP	Gross Domestic Products
GFMC	Ghana Forest Management Certification
GIPC	Ghana Investment Promotion Centre
GMT	Greenwich Mean Time
GSLI	Global Services Location Index
HDR	Human Development Report
IASA	International Aviation Safety Audit
IATF	Inter-Agency Task Force on Financing for Development
ICCO	International Cocoa Corporation –
IIAG	Index of African Governance of African Governance
IMF	International Monetary Fund
ITTO	International Tropical Timber Organisation
JCM	John Bitar and Company Limited
KIA	Kotoka International Airport
LI	Legislative Instrument
MIGA	Multilateral Investment Guarantee Agency
MNLR	Ministry of Lands, and Natural Resources
NTFP	Non-Timber Forest Products
PNDC	Provisional National Defence Council
SMFE	Small Medium Forest Enterprises
TAH	Trans-African Highway

TEU	Twenty-foot Equivalent Units
TIDD	Timber Industry Development Division
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
VPA	Voluntary Partnership Agreement
WJP	World Justice Projects

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1.1 Background

A favorable business climate is critical for economic development, job creation and poverty reduction. It impacts on activities in various sectors of the economy including the forest sector's activities such as tree growing, wood processing and product marketing. The rationale is that positive business climate accelerates forestry investments, promotes good governance, generates rural employment, improves overall sector competitiveness and creates wealth¹.

Ghana has a long history of forestry development, forest management, processing and trade in timber and timber products. The sector continues to require financial, human capital and the technology for new development, renewal and expansion of existing facilities. It is recognized that in order to scale up viable forestry development, create employment, add value to forest products and increase revenue based both on wood production and related processing and trade, private financing flows from domestic and international sources must be attracted. However, unsustainable practice such as illegal logging has been a persistent negative phenomenon, with grave consequences on the environment. One of the means to address the menace of illegal logging was by strengthening sustainable and legal forest management, improving governance and promoting trade in legally produced timber. Hence, the European Union introduced the Forest Law Enforcement, Governance and Trade (FLEGT) Programme of which Ghana signed a Voluntary Partnership Agreement (VPA) with the European Union, in 2009 that enjoins Ghana to place only "FLEGT licensed timber" which is deemed to be legal on the European timber market.

The concept of FLEGT licensing is fairly new, and there exist important differences in its scope compared to other, more familiar sustainability instruments such as FSC certification. Consumers of FLEGT licensed timber and relevant stakeholders, especially those in the European market, require better information and understanding of the scope and specific implications of FLEGT licensed timber. The success of Ghana's FLEGT licensing will depend to a large extent on a clearly written, concise and specific communication strategy that details how markets for FLEGT licensed products will function. It is therefore necessary to consider the

¹ Castrén, T, Katila, M. and Lehtonen P. (2014): Business Climate of the Forest Industry: A survey. Program on Forests (PROFOR) Report. <https://www.cbd.int/financial/doc/wb-busclimateforst2014.pdf>

messages that should be communicated before, during and after the launch of the FLEGT licensed timber from Ghana.

The Food and Agriculture Organisation – European Union (FAO EU FLEGT) Programme is therefore supporting a project to develop Private Sector Focused Messages for a “Ghana FLEGT License Communication Strategy” that highlights existence of a vibrant forestry sector. Consequent to the success of the of the Ghana’s FLEGT License Communication Strategy, is the need to develop a detailed document which proffers facts and figures on attractiveness of the Ghana forest sector for investment. It is against this background that a study was conducted to highlight the investment attractiveness of the Ghanaian forestry sector. The ultimate achievement of a sustainable and legal forest management, improving governance and promoting trade in legally produced timber in Ghana and interest in the forestry sector of Ghana rely on a well-thought out and all-encompassing communication strategy that informs stakeholders on the investment attractiveness of the sector.

1.2 Study Method

The work was carried out basically through desk study approach. The desk study outlines facts and data that can be communicated to present Ghana as attractive for forest sector investment. Based on the scope of the study, a three-phased work process was designed as follows: (1) start-up/preparatory activities and desk study (2) compilation of relevant internal and external sources of information concerning the subject matter, including published and unpublished data and (3) drafting of the report. The study reviewed existing reports and publications to determine broader business environment and attractiveness of Ghana’s forest sector for investment.

Information sources utilized included trade and investments publications in the forest sector as well as from the Ghana Investment Promotion Centre (GIPC), Bank of Ghana, Ghana Statistical Service, World Bank and relevant sources of information and data. Available unpublished data were also sourced to augment the facts and figures in this report.

2.1 Overview of the Business and Investment Climate in Ghana

The investment climate of a country is affected by many factors, including macroeconomic and political stability, traditions and culture, physical infrastructure, availability of capital, human resources, institutional policy, regulatory factors², crime, national security, taxes, rule of law, property rights, government regulations, government transparency, and government accountability.

Since independence, Ghana has made strenuous efforts to enhance its business climate so as to attract investment interest in the various sectors of the economy. The efforts made have improved the attractiveness of the country for investments through changes brought about in economic, socio-cultural and political conditions. Ghana is the second largest economy in the West African sub-region and the sixth largest economy in Sub-Saharan Africa, with gross domestic products (GDP) increasing from US\$ 59 billion in 2017 to US\$ 65.56 billion in 2018. At a GDP growth rate of 7.5% in 2019 (as projected by the International Monetary Fund), the size of the economy is expected to sustain its expansion momentum to US\$66 billion³, thereby making Ghana one of the fastest growing economies in the world⁴ as it strives to simplify its business regulations and make it more friendly.

As at 2017, Ghana was ranked as the 18th most attractive economy for investments in Africa by the Quantum Global Independent Research Lab, through the Africa Investment Index (AII). An assessment of the outlook of the country's business and investment climate (Ease of Doing Business 2019 Index) by the World Bank ranks Ghana as the second choicest investment destination in the ECOWAS sub-region and one of the choicest in Sub-Saharan Africa⁵.

² Inter-Agency Task Force on Financing for Development – IATF (2016). The Investment Climate. International Finance Corporation (The World Bank Group). Issue Brief. <https://www.un.org/esa/ffd/wp-content/uploads/2016/01/The-Investment-Climate-IFC-World-Bank-Group-IATF-Issue-Brief.pdf>

³ World Bank (2019). GDP (current US\$) – Ghana <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=GH>.

⁴ IMF (2019). World Economic Outlook (2019). World Economic Outlook, October 2019. Global Manufacturing Downturn, Rising Trade Barriers: <https://www.imf.org/en/Publications/WEO/Issues/2019/10/01/world-economic-outlook-october-2019>

⁵ World Bank (2019). 2020 Ease of Doing Business Fact Sheet: <https://www.doingbusiness.org/content/dam/doingBusiness/pdf/db2020/DB20-FS-SSA.pdf>

Notwithstanding the recent drop in Ease of Doing Business ranking from 114 in 2018 to 118 in 2019, the country has shown a progressive outlook towards creating a business-friendly environment, and attracting and protecting foreign investors. Ghana is rated as the safest investment destination for protecting minority investors in the ECOWAS sub-region. That is, in West Africa, Ghana is recognized to implement the strongest minority shareholder protections against misuse of corporate assets by Directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse⁶. The favourable business climate of Ghana is attributed to the presence of an entrenched constitutional democracy where the rights to freedom and justice, among others, are upheld. Ghana has enjoyed a progressively stable and deepening democratic governance since the 1990s, evidenced by seven successful elections. The country's credentials as a stable multiparty constitutional democracy is cemented by a vibrant legislature, an independent judiciary and a pluralistic media. Ghana is the most politically stable country in West Africa and has strong public institutions with a solid track record of good governance; relatively sound infrastructure and markets that are comparatively well regulated⁷.

The stable politico-economic environment has made the country a safe haven for international business entities seeking a conducive business environment, committed and progressive government-private sector participation, political stability, transparent regulations and a dynamic private sector ready for partnerships. Political stability has strengthened the effectiveness of key national institutions, boosted investor confidence and secured the economy in an environment for positive growth. This has resulted in a sustained year-to-year increase in foreign direct investments (FDI). Net flows of FDI commitments increased markedly from US\$136.75 million in 2003 to US\$3,540.73 million in 2018 (25.9 times larger than in 2003). The upward trend in FDI commitments is forecasted to continue as more and more multinational companies show interest in Ghana⁸. More importantly, the enhanced milieu facilitates investments through transparent economic, political/legal and social factors, including intercultural dimensions and

⁶ World Bank (2019). Economy Profile of Ghana: Doing Business 2020: Comparing Regulations in 190 Countries: <http://documents.worldbank.org/curated/en/595681574942119851/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies-Economy-Profile-of-Ghana.pdf>

⁷ GIPC (2017). Doing Business in Ghana: To Know and Invest in Ghana. https://www.jica.go.jp/ghana/english/activities/c8h0vm00004bps0w-att/ghana_01.pdf

⁸ GIPC (2018). Ghana Attracts Over US\$3.5 BN FDI in 2018. <https://www.gipcghana.com/press-and-media/680-ghana-attracts-over-us-3-5-bn-fdi-in-2018.html>

technology⁹. These interdependent factors thus support the following reasons to invest in Ghana, as spearheaded by the Ghana Investment Promotion Center (GIPC).

⁹ Helmut Birnleitner, (2014). Attractiveness of Countries for Foreign Direct Investments from the Macro-Economic Perspective. A chapter in *Proceedings of FIKUSZ '14*, 2014, pp 29-40

Table 1. The ease of doing business in Ghana: Details of the business/investment climate.

Enhanced investment factors	Reasons supporting factors	Details
➤ <i>Economic</i>	Ease of doing business	<ul style="list-style-type: none"> • Ranked second best place for doing business in West Africa according to the Ease of Doing Business Report 2020 (11th in Africa and 118th globally) • Best destination in Sub-Saharan Africa (<i>A.T Kearney Global Services Location Index (GSLI), 2017</i>) • Most competitive economy in the West African sub-region and 10th in Sub Saharan Africa, (<i>World Economic Forum Global Competitiveness Index 2018</i>) • Ranked 2nd FDI destination in West Africa & 7th in Sub-Saharan Africa (<i>EY Attractiveness Survey 2018</i>)
➤ <i>Social</i>	Accessibility	<ul style="list-style-type: none"> • Geographically closer than any other country to the center of the planet. An average of 8 hours of flying time to Europe and the Americas (<i>World Population Review, 2019</i>). • Refurbished world class international airport within the West African sub region serving numerous flights from within the continent, Europe and the rest of the world. KIA considered best international airport in terms of Airport Service Quality benchmark in West Airport (<i>Airport Council International, 2019</i>). A network of domestic airports and airlines facilitating speedy movement of people, goods and services. • Possesses two major harbours/ports (Takoradi and Tema). Tema Harbour is West Africa's third largest port (and it is currently being upgraded to handle 3.5 million TEUs) centrally located in West Africa with a Liner Shipping Connectivity Index of 20.14 (<i>UNCTAD, 2019</i>)

➤ Political/Legal		<ul style="list-style-type: none"> • Good network of trunk roads linking main cities, towns and villages. A greater proportion of (trunk, urban and feeder) roads in good condition. Ranked first among 23 countries in Africa by the Economic Commission of Africa (ECA) for implementing most road safety action plans developed within the framework of the United Nations Decade of Action for Road Safety (Decade) initiative (<i>Logistics Capacity Assessment, 2018</i>). • A re-invigorated and well-capitalized financial sector underpinned by reforms in the banking sector. Ghana's banking sector is the second-largest in the West African Monetary Zone (<i>Baaye and Sanny 2019</i>). • Ease of inter-regional trade. Immediate access to the over 390 million market of the Economic Community of West African States (ECOWAS). (<i>UNDP, 2019</i>)
	Growing population and middle class	<ul style="list-style-type: none"> • Growing population growth rate of 2.2% p.a. with increasing urbanization and growing middle class (19.8%) – composed of individuals with a daily income of at least \$8.44 (<i>AfDB, 2011; UNDP, 2019</i>)
	Strong resource pool	<ul style="list-style-type: none"> • The 2nd largest cocoa producer in the world and Africa's biggest gold miner (<i>International Cocoa Corporation - ICCO, 2018; World Gold Council, 2018</i>).
	Stable democratic governance	<ul style="list-style-type: none"> • Ranked as the most stable political environment within the West African sub region and fifth in Africa, Ghana has established multi-party democratic institutions and systems to ensure good governance and rule of law in the country - <i>Africa Benchmark Country Report (ABCR, 2018)</i> • Among the best judicial systems in Africa (1st in West Africa and 6th in Africa) <i>World Justice Projects (WJP) Rule of Law Index 2019</i> • Ranked 2nd in West Africa (<i>Global Peace Index 2018</i>).

<p>➤ <i>Intercultural Dimensions</i></p>	<p>Competitive and educated labour force</p>	<ul style="list-style-type: none"> • Availability of educated, skilled and trainable labour force with well-established minimum wage benchmarks, fair wages and social security frameworks and relevant labour regulations ensuring equity in the welfare of workforce (<i>GIPC, 2017</i>). • One of the most competitive minimum wages in the West African sub region at an annual average rate of \$689 (<i>ILO, 2019</i>). • The highest literacy rates (79% adult [15+] literacy rate) in the West African sub-region and one of the highest in Africa (<i>World Population Review 2019; UNESCO Institute for Statistics, 2019</i>).
<p>➤ <i>Technology</i></p>	<p>Other International Benchmarks</p>	<ul style="list-style-type: none"> • Ranked 6th overall in Africa - Mo Ibrahim Index of African Governance of African Governance (<i>IIAG, 2018</i>). • Ranked 1st in West Africa and 5th in Africa for Human Development Report (<i>HDR, 2019</i>) • Ranked 48th in the World and 6th in Africa for World Justice Project (WJP) Safety and Rule of Law Index (<i>WJP, 2019</i>)

Source: Adapted and modified from GIPC (2019).

3.1 Overview of the forest sector and its economic importance

Ghana is known to be rich in natural resources and tropical biodiversity. As at 2015 Forest cover area was approximately 9,337,000 ha (39%) of the land, 13,459,651 (56%) other land and 1,100,000 ha of water. Of the forest area, 4.2% (395,000 ha) are classified as highly biodiverse and carbon dense primary forest, 1,161,000 as naturally regenerated and closed forest, 7,781,000 ha as naturally regenerated forest and open forest.¹⁰ As with other sectors of the economy, the Ghanaian forestry sector is structured and regulated by key government institutions such as the Ministry of Lands, and Natural Resources (MNLR) which is responsible for policy direction and monitoring of programmes towards achieving national goals; the Forestry Commission (FC) which is responsible for advising the sector Minister on policies to regulate the management and utilization of forest and wildlife resources¹¹ and the Forestry Research Institute of Ghana (FORIG) whose mandate is to undertake demand-driven research, build capacity and promote the application of technologies for sustainable management of forest resources for the benefit of society¹². FORIG hosts a modern timber test laboratory which facilitates research and development activities towards solving problems relating to the forestry sector. Other actors in the forest sector include private institutions or entities consisting of land owners, communities, clans and individuals on whose behalf the government manages the forest and wildlife resources. More than 200 logging and milling companies operate timber concessions to supply raw materials to about 110 sawmills¹³ and other wood processing companies that convert the timber into secondary products mainly for the export markets also play key roles in the forest economy of Ghana.

The Ghanaian forest industry is made up of a number of small, medium, and large processing facilities, which manufacture over 18 different timber and wood products for exports. The forest is also highly valued as sources of natural medicines, which are essential components of

¹⁰ National Forest Plantation Development Programmes. 2016 Annual Report.

<https://www.fcghana.org/userfiles/files/Plantation%20Annual%20Report/FC%20AnnualReport%202016.pdf>

¹¹ Forestry Commission (n. d.): Service Charter - Introduction & Function:

<https://www.fcghana.org/page.php?page=199§ion=22&typ=1&subs=258>

¹² FORIG (n. d) About us: <https://csir-forig.org.gh/about-us>

¹³Marfo, Emmanuel. 2010. *Chainsaw Milling in Ghana: Context, drivers and impacts*. Tropenbos International, Wageningen, the Netherlands. xii + 64 pp

indigenous health treatment. The small processors are often community based forest operations that operate through community forest committees (CFCs). CFCs have become a collaborative forest management unit of the Forestry Commission.

The sector is regulated by the Forestry Commission (FC) through three (3) major divisions, ensuring a balanced and sustainable management, utilization of the forest resources and the coordination of policies related to them¹⁴. The major divisions and units under FC are as pictorially summarized in Figure 1:

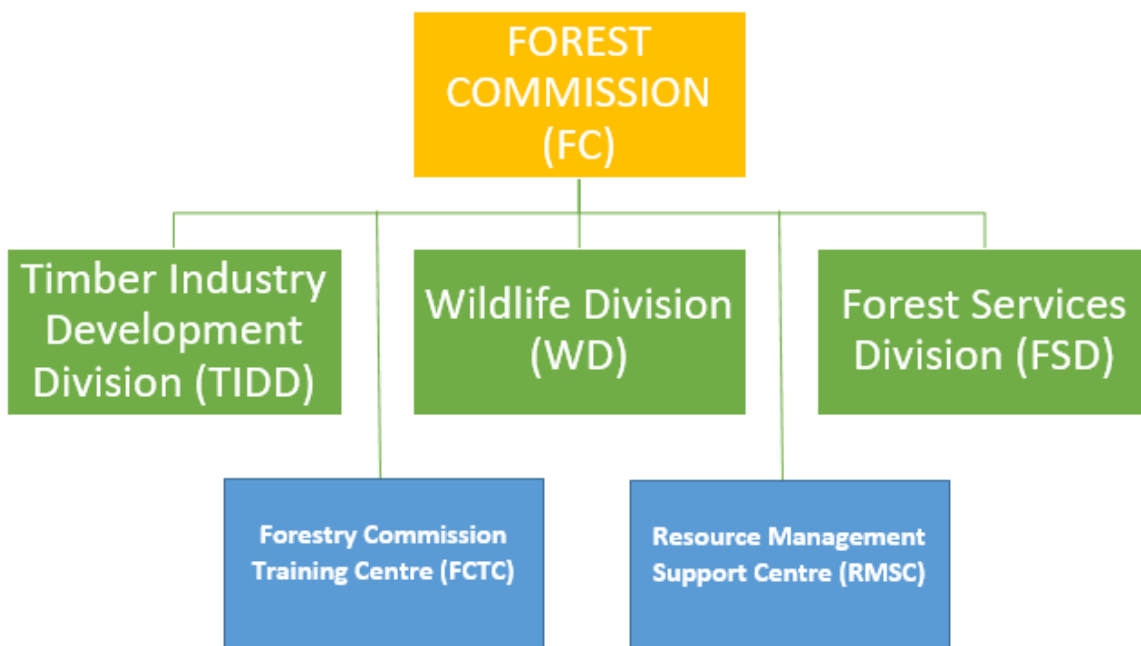


Figure 1. Regulatory structure of Ghana's Forest Sector.

Over the years, Ghana's forest sector has been a major contributor to GDP (the fourth largest foreign exchange earner after cocoa, minerals and oil exports)¹⁵ and is at 1.5% as of 2019¹⁶. Until about a decade ago the sector has employed about 100,000 people in the formal and informal sectors, mostly in the timber processing industry. The lucrative nature of the sector has

¹⁴ Forestry Commission Act, 1999 Act 571

¹⁵ Ministry of Lands and Natural Resources (2012). Ghana Investment Plan for the Forest Investment Program (FIP): https://www.fcghana.org/assets/file/Programmes/Forest_Investment_Plan_fip/Ghana%20%20FIP%20Final.pdf

¹⁶ Ghana Statistical Service (2019). Rebased 2013-2018 Annual Gross Domestic Product. April 2019 Edition.

given rise to the negative phenomenon of illegal logging and forest exploitation (mostly by the informal players of the forest sector) however, in order to curb the situation and create a sustainable forest management regime, Ghana has taken proactive steps to protect its forests by widely engaging local and foreign stakeholders including Development Agencies and the export market to develop internationally accepted framework similar to forest certification standards named as the Ghana Forest Management Certification (GFMC) in 2014. Thus, Ghana has its own credible and internationally recognized accreditation framework for assessing sustainably managed forests. Further, Ghana signed the Voluntary Partnership Agreement (VPA) with the EU on 20 November 2009 which will soon place FLEGT licensed timber products on the EU market.

This VPA aims to ensure that all timber imports into the EU from Ghana have been legally acquired, harvested, transported and exported¹⁷. According to the Spanish Association of Trade and Wood Industry (AEIM), Ghana is one of the most advanced countries in Africa in terms of sustainable management of its forest resources and one of the few countries in the area, which has played a leading role in achieving forest certification. Significant investments and influence of European countries, especially United Kingdom, makes the country one of the most advanced in Africa in terms of guaranteeing its sustainable forest management and legality of timber products¹⁸.

In light of the sector's importance, successive governments have initiated and promoted policies and interventions to ensure sustainable management and utilization of the forest resources. Ghana's forests, as at the end of 2018, covered approximately 6,357,876.03 ha, are managed for production and protection functions. Out of the total forest cover, about 1.8 million ha are protected areas (forest reserves) for timber production, biodiversity and other protective functions, while the rest (4,545,294.84 ha) are assigned for agricultural and timber productive functions. Significant efforts continue to be made in the area of re-afforestation to replenish the

¹⁷ Forest Legality Initiative (2013). Risk Tool: Ghana: <https://forestlegality.org/risk-tool/country/ghana#tab-resources>

¹⁸ AEIM (2011). Fichas de Evaluación De Riesgo Por Países. Ghana: FLEGT: Suscrito acuerdo de Asociación Voluntaria. (VPA). <http://www.maderalegal.info/fichas>

forest resources by the forestry regulators¹⁹. Through efforts such as the National Forest Plantation Development Programmes and the Ghana Forest Plantation Strategy, Ghana gained 167.773 ha of tree cover by 2018²⁰

Demand for forest products keep rising and is projected to continue into the foreseeable future. The Forestry Outlook Study for Africa (FOSA) report on Ghana indicates that aggregating the export and domestic demands, the total future demand for round wood is equivalent to 3.35 million cubic metre annually²¹. Even though the contribution of forest to the national accounts is captured mainly from the formal sector consisting of regulated industries in timber and timber products, the informal subsector, which is characterized by Small and Medium Forest Enterprises (SMFEs), broadly covering wood products, non-wood forest products and forest services are not directly catered for in the national accounts, although it is an alternative income source to over 3 million Ghanaians²².

Investment in the SMFEs do accrue wealth locally; they empower local entrepreneurship. In addition to engaging many more people than the formal sector, SMFEs are directly accessible; they benefit the local people and therefore serve as an important source of human resource or capital for the forest sector. The SMFEs include small scale carpentry, charcoal production, wood carving (including canoes) and the trading of other non-timber forest products (NTFPs). Aside timber and timber products, non-timber forest products (NTFPs) are equally of economic significance and potential in Ghana. According to the Ghana Forest Investment Plan (FIP), the estimated economic value of some NTFPs for commercial and household purposes may locally outweigh that of timber²³. On the other hand, emerging demand in ecotourism in Ghana, comprising of touring forest reserves and conservation sites such as the Kakum National Park, Mole National Park, Tafi Atome Monkey Sanctuary, Buaben- Fiema Monkey Sanctuary, Wechiau Hippo Sanctuary and the Amansuri Wetland Sanctuary, Wli and Boti Waterfalls, Bia and Bui National Parks and Resource Reserve/Biosphere Reserves, among others, is expected to

¹⁹ FC (2019). Rejoinder: The World Lost a Belgium – sized Area of Primary Rainforest Last Year.

<https://www.fcghana.org/news.php?news=142>

²⁰ Ghana Forest Plantation Strategy . 2018 Annual Report.

<https://www.fcghana.org/userfiles/files/Plantation%20Annual%20Report/FC%20AnnualReport%202016.pdf>

²¹FAO (1999). Forestry Outlook Study for Africa: Ghana <http://www.fao.org/3/ab567e/AB567E04.htm>

²² [https://www.fcghana.org/userfiles/files/MLNR/FDMP%20Final%20\(2\).pdf](https://www.fcghana.org/userfiles/files/MLNR/FDMP%20Final%20(2).pdf)

²³ Ministry of Lands and Natural Resources (2012). Ghana Investment Plan for the Forest Investment Program (FIP):

https://www.fcghana.org/assets/file/Programmes/Forest_Investment_Plan_fip/Ghana%20%20FIP%20Final.pdf

significantly contribute to a projected fiscal contribution of US\$ 885million from tourism by 2022²⁴. According to the National Tourism Development Plan 2013 – 2027, Ghana currently has 32 ecotourism destinations. Table 2 shows details of all the forest products and services in Ghana.

Table 2. Forest products in Ghana

Wood Forest Products	Non-wood Forest Products	Forest Services
1. Small scale carpentry 2. Chainsaw operation (illegal) 3. Charcoal production and trade 4. Canoe/wood carving and trade 5. Lumber trade 6. Fuel wood production and Trade	1. Shea butter 2. Cola 3. Chewing stick and sponge 4. Gum Arabic/resins 5. Spices (black and white pepper, <i>prekese</i>) 6. Edible and wrapping leaves 7. Essential oils 8. Edible seeds 9. Honey production 10. Dyes 11. Baskets/hats/mats 12. Bamboo and rattan products 13. Snails 14. Mushrooms 15. Medicinal products 16. Bush meat trade 17. Palm wine tapping	1. Ecotourism 2. Plantation growers

Source: MLNR, Annual Report (2015)

3.1.1 Existing legal and regulatory framework for optimized forestry investment

Ghana has been committed to and is implementing progressive policies that reduce the general cost of doing business and the forestry sector is no exception. In Ghana, investment activities are regulated by the Ghana Investment Promotion Centre Act, 2013 (Act 865, GIPC Act). The Act covers the regulations on investment activities in almost every sector including entry, admission, protection of investment, investment guarantees, employment, and compliance. Fundamentally, to participate at any stage of the Ghana forestry sector value chain requires incorporation either

²⁴ National Tourism Development Plan 2013 – 2027. <https://www.ghana.travel/wp-content/uploads/2016/11/Ghana-Tourism-Development-Plan.pdf>

under the Companies Act 2019 or under the Incorporated Private Partnerships Act, 1962 (Act 152)²⁵. The Investment Act also guarantees protection including guarantee against expropriation, investment guarantees, transfer of capital, profits and dividends and personal remittances, as well as dispute resolution. Investment activities can also be under a Free Zone Act, 1995 (Act 504)²⁶.

Table 3. Investment related laws and regulations in Ghana

SN	Law/Regulation	Scope/Purpose
1	Ghana Investment Promotion Centre Act, 2013 (Act 865, GIPC Act).	Regulating investment activities in almost every sector including entry, admission, and protection of investment, investment guarantees, employment, and compliance within an enhanced, transparent and responsive environment ²⁷ .
2	Multilateral Investment Guarantee Agency (MIGA) Membership	Ghana is a member of MIGA. MIGA guarantees protection of investments against noncommercial risks and can help investors obtain access to funding sources with improved financial terms and conditions. Thus MIGA guarantees political risk insurance and credit enhancement for cross-border private sector investors and lenders.
3	Bilateral Investment Treaties (BIT) and Double Taxation Agreement (DTA)	Ghana has signed over 21 BIT and 8 DTAs agreements with countries across Europe, Asia, and other African countries. Countries enter into DTAs so that their citizens resident and earning income in another country are protected from being subjected to two different tax regimes for the same activity ^{28, 29} .
4	Ghana Copyright Act - 2005 (Act 690)	Protects intellectual property rights ³⁰ . Ghana also subscribes other international copyright laws such as the Universal Copyright Convention and Patent Cooperation Treaty.
5	Ghana Free Zone Act 1995 (Act 504)	Outlines economic development through export promotion by enhancing the value with local raw materials ³¹

²⁵Incorporated Private Partnerships Act, 1962 (Act 152): <https://www.cedidollar.com/incorporated-private-partnerships-act-1962-act-152-2/>

²⁶ GIPC (2017). Doing Business in Ghana: To Know and Invest in Ghana.

²⁷ GHANA INVESTMENT PROMOTION CENTRE ACT, 2013(ACT 865) <https://www.gipcghana.com/press-and-media/downloads/promotional-materials/3-gipc-act-2013-act-865/file.html>

²⁸ <https://www.gipcghana.com/invest-in-ghana/why-ghana/faqs.html?catid=0>

²⁹ UNCTAD (n.d.). Ghana: International investment agreements. <https://investmentpolicy.unctad.org/country-navigator/80/ghana>

³⁰ COPYRIGHT ACT - 2005 (ACT 690): <http://laws.ghanalegal.com/acts/id/114>

³¹ GIPC (2017). Doing Business in Ghana: To Know and Invest in Ghana.

Aside from the broad legal investment framework, GIPC Act 865, there are a number of well-established sector specific regulations that effectively promotes investments with several statutory bodies overseeing same. The Ministry of Lands and Natural Resources (MLNR) oversees the country’s management of land, forest, wildlife and mineral resources. Its work includes reviewing, updating, harmonizing and consolidating existing Ghanaian legislation and policies on lands and natural resources. The Forestry Commission of Ghana is the subdivision under this Ministry and is responsible for the sustainable development and management of Ghana’s forests and wildlife. Table 3 summarizes the various major forest laws in Ghana. These laws and regulations ensure the protection and sustainability of Ghana’s forest resources as well as industry players for the well-being of economy.

Table 4 Existing major (forest) laws and regulations in Ghana

SN	Law/Regulation	Scope/Purpose
1	Forestry Commission Act of 1999 (Act 571)	Established the Forestry Commission of Ghana to be responsible for the regulation of the utilization of forest and wildlife resources, the conservation and management of those resources and the co-ordination of policies related to them ³²
2	The Forest and Wildlife Policy of 2012	Aims at advancing Ghanaian conservation initiatives and furthering sustainable development of natural resources to benefit multiple sectors of Ghanaian society ³³ .
3	Forest & Plantation Development Act of 2000 (Act 583)	Established the Forest Plantation Development Fund, which provides for the grants to develop private forest plantations on lands suitable for commercial timber production as well as for research and

³² Forestry Commission Act, 1999 Act 571.

http://www.fcghana.org/library_info.php?doc=44&publication:Forestry%20Commission%20Act,%201999%20Act%20571%20&id=15

³³ Ghana Forest and Wildlife Policy 2012:

<http://theredddesk.org/sites/default/files/Revised%20Forest%20and%20Wildlife%20Policy.pdf>

		development for those already involved in commercial forestry plantations ³⁴ .
4	The Forest Protection (Amendment) Act, 2002 (Act 624)	Establishes higher penalties for forest misconduct, including fraudulent taking, marking, destruction, etc. of timber or trees ³⁵
5	Timber Resource Management Act, 1997 & 2003 (Act 547)	Ensures sustainable management and use of Ghana's timber resources over time. Established Ghana's Timber Utilization Contracts (TUCs), which are used for timber harvesting and to enhance benefits for landowners and farmers for harvesting of trees on their land. It also provides for payment of timber related royalties. Establishes competitive bidding system for the grant of timber harvesting rights ³⁶ .
6	Timber Resources Management and Legality Licensing Regulations of 2017 (LI 2254)	Provides a distinction between small-scale and large scale timber rights and establishes streamlined provisions and guidelines for the identification of lands for the grants of timber rights for small and large scale TUCs, including qualification requirements based on technical and financial capabilities, regulatory compliance, proposed one-off timber rights fee and a proposed social responsibility agreement ³⁷ .

The prevailing investment laws and regulations are well-established as a panacea for increased foreign investment into the Ghanaian economy and protect investment funds. All investment related laws in Ghana, (GIPC Act, Free Zone Act, Forestry Commission Act etc.) clearly stipulate dispute resolution for investment protection. Ghana also accedes to international framework with the New York Convention (NYC), the United Nations Commission on International Trade Law (UNCITRAL), and BITs which provide dispute settlement procedures for investment activities. Majority of investors prefer to use Alternative Dispute Resolution

³⁴ Forest & Plantation Development Act, 2000. Act 583

http://www.fcghana.org/library_info.php?doc=50&publication:Forest%20&%20Plantation%20Development%20Act,%202000.%20Act%20583&id=15

³⁵ The Forest Protection (Amendment) Act, 2002. Act 624.

http://www.fcghana.org/library_info.php?doc=51&publication:The%20Forest%20Protection%20&28Amendment%20%29%20Act,%202002.%20Act%20624&id=15

³⁶ Timber Resources Management Act 617 (Amendment) Act, 2002

http://www.fcghana.org/library_info.php?doc=47&publication:Timber%20Resources%20Management%20Act%20617%20&28Amendment%29%20Act,%202002&id=15

³⁷ Timber Resource Management and Legality Licensing Regulations, 2017

<https://www.documents.clientearth.org/wp-content/uploads/library/2017-11-03-timber-resource-management-and-legality-licensing-regulations-2017-l.i-ext-en.pdf>

(ADR) to resolve issues³⁸. Ghana's enactment and practice of the Alternative Dispute Resolution Act, 2010 (Act 798) assures of a more detailed dispute resolution processes by stating arbitration agreement, mediation of disputes, customary arbitration, alternative dispute resolution centre, financial, administrative and miscellaneous provision³⁹.

3.1.2 Resource availability for Forest Investment Promotion

Commercial forest land for on-reserve and off-reserve timber production as estimated by the FAO Global Forest Assessment, 2015 to be 715,000 ha on-reserve natural forest and 325,000 ha off-reserve natural forest. Estimation of 325,000 ha plantation forest for 2015 however has to be reviewed to 138,879.4 (Plantation Department of the Ghana Forestry Commission)

The species-packed forests are located in the southern one-third of the country, while the rest is primarily savannah vegetation. Ghana brings to the market place legal timber species that have such attributes of intriguing grain structures, broad colour palette and natural durability fit for all architectural designs⁴⁰.

Ghana sells timber with a purpose to continue to output only legal timber from sustainable sources, adhering to the EU and International Tropical Timber Organisation (ITTO) principles. To ensure a sustainable management of Ghana's forest resources and responsible timber production, there has been significant progress in tackling practices which pose severe threats to the sector such as illegal logging. Ghana is the first country to sign a voluntary partnership agreement (VPA) with the EU and is currently implementing a national timber tracking system for the control, verification and licensing of legal timber. A public procurement policy for timber and timber products has also been drafted⁴¹.

³⁸ Invest in Africa (2010). Dispute Resolution in Ghana. <https://www.investinafrica.com/detail/113>
<https://www.investinafrica.com/Uploads/contentuploads/c2997281-63f6-41f0-8843-4f341ab47380/file.pdf>

³⁹ <https://www.wipo.int/edocs/lexdocs/laws/en/gh/gh036en.pdf>

⁴⁰ http://www.ghanatimber.org/upload/news/file/12_FCL-Article2.pdf

⁴¹ Chatham House (2014). Illegal logging and related trade Indicators of the global response: Ghana. <https://indicators.chathamhouse.org/explore-the-data/ghana>

Further, the National Forestry Plantation Development Strategy (2016-2040)⁴² has been launched with the aim of developing a sustainable forest resource base that will satisfy future demand for industrial timber and enhance environmental quality. The programme is currently being implemented under three main strategies. The first of these involves the establishment and management of 625,000 ha of forest plantations by the Forestry Commission in partnership with farmers for benefit sharing, in that farmers are allowed to plant food crops alongside taking care of the tree crops. At age of maturity the farmer, the government and the community receive their fair share of their return on investment. Other strategic actions of this programme includes the enrichment planting of 100,000 ha of poorly-stocked and degraded forest reserve compartments, facilitating the incorporation of trees within farming systems (trees-on-farms) covering 3.75 million (ha) of agricultural landscapes, of plantations, maintaining and management of small, medium and large scale forest plantations, create employment opportunities and sustainable livelihoods in rural communities through forest plantation development, increase investments in research and development, extension, training and capacity building for forest plantation development, timber utilization and marketing and improving governance in the regulation and management of forest plantations using best practice principles⁴³.

With over a 100 years of exporting wood and wood products⁴⁴, Ghana's forest sector has a wealth of experienced human resource both in the formal and informal sector ranging from a solid work force involved in logging, primary processing, secondary processing as well as tertiary processing. According to the 2015 Ghana Labour Report, skilled agricultural, forestry and fishery workers constitute the largest occupational group in the country with relatively higher average monthly income than service and sales workers. Ghana has a large pool of skilled and trainable English speaking labour and competitive labour costs⁴⁵. It is covered by the

⁴² GHANA FOREST PLANTATION STRATEGY: 2016-2040:

<https://fcghana.org/userfiles/files/Plantation%20Annual%20Report/ghana%20forest%20plantation%20strategy.pdf>

⁴³ GHANA FOREST PLANTATION STRATEGY: 2016-2040:

<https://fcghana.org/userfiles/files/Plantation%20Annual%20Report/ghana%20forest%20plantation%20strategy.pdf>

⁴⁴ Dumett, R. E. (2001). *Tropical Forests and West African Enterprise: The Early History of the Ghana Timber Trade*. *African Economic History*, (29), 79. doi:10.2307/3601708.

⁴⁵ Ghana Statistical Service (2016). Labour Force Report.

http://www2.statsghana.gov.gh/docfiles/publications/Labour_Force/LFS%20REPORT_fianl_21-3-17.pdf

Greenwich Mean Time (GMT zone central) location, easily accessible to all regions of the world at relatively shorter distances to cover.

3.1.3 Infrastructure, utilities and available quality services to support forest investment

Land

Ghana has a wide expanse of land around the country that can be acquired with little difficulty through appropriate agencies and owners. Land ownership in Ghana is characterized by various stool/skin lands, families or clans, which are the allodial owners (80%) and government lands (20%)⁴⁶.

There are also public lands, forming the remaining 20 percent, which is made up of state lands and vested lands. State lands mean that the state holds this area by acquisition from traditional allodial owners. Land ownership and related issues are governed by the Land Title Registration Act, 1986 (PNDC Law 152) and the Land Registry Act, 1962 (Act 122)⁴⁷.

Land for economic development (agricultural, commercial or industrial purposes) can only be done as a lease-hold agreement (not a free hold outright or permanent ownership agreement) with a maximum renewable ownership duration of 50 years. Despite the apparent disincentive with regards to land holding rights for forestry development, the existing laws make provision for an almost seamless and very friendly ownership renewal processes of ground rent and covenant payments. Land acquisition by foreign companies can be achieved through four main approaches; (i) contact landlords for negotiations independently (ii) allow the Lands Commission to do an introduction to available lands (iii) an introduction to the land registered in the Land Bank of GIPC (iv) negotiate with the Ghana Free Zone Board on leasing the land in their free zones. Acquisition of forest concessions is however different. Timber rights are granted through a timber utilization contract based on the dictates of the Timber Resource Management Act of 1997 (Act 547) and the Timber Resources Management and Legality Licensing Regulations of 2017 (LI 2254).

⁴⁶ Appiah, M. (2011). Land Disputes Resolution in Ghana- The Role of Customary Land Secretariats (CLS). Case of Gbawe Customary Land Secretariat. *Lambert Academia Publishing*

⁴⁷ Transparency International (2010). Land Laws and Policies in Ghana. <https://www.tighana.org/assets/Uploads/Land-Laws-and-Policies.pdf>

Road and Rail

Ghana enjoys a strategic position in serving intraregional trade (east-west and north-south) including the overseas trade of landlocked countries within the sub-region and therefore has an extensive stretch of road linking and connecting many parts of the country. Majority of the five existing road corridors – Coastal, Central, Eastern, Western and Northern - is completed and work is briskly on-going to complete the remaining stretches⁴⁸.

- ❖ The east-west, Abidjan-Lagos corridor (Highway corridor)
- ❖ The north-south routes from Tema to landlocked countries (Burkina Faso, Mali, Niger) including a 795 km rail link to provide a connection with Burkina Faso
- ❖ Accra to Lagos through Lomé and Cotonou by rail.

These major roads support trade facilitation between Ghana and its neighboring countries – Togo, Cote d’Ivoire, and Burkina Faso – as well as other countries in the ECOWAS sub-region. Due to economic integration, movement of goods and services, including forest products across member countries experience relatively minimum interruptions. The most popular means of transporting forest products to the local market or for export is by road (96% of passenger and freight traffic in Ghana and about 97% of passenger miles⁴⁹). About 4,426km of the roads are national roads linking the national capital and regional capital; 6,203 km are routes of inter-regional importance; 2,738 km of regional roads linking district capitals to their respective regional capitals, other nearest district capital and major industrial, trade or tourist centres and; 680 km of town roads. Ghana’s vision of becoming the topmost investment destination fuels its commitment to massive road infrastructure developments, the most important of them being the Trans-African Highway (TAH), a multi-country road network made of nine continental corridors⁵⁰. In a similar vein, there are plans to develop sub-regional railway network with potential for enhanced regional connectivity. Ghana’s rail system has traditionally and predominantly been used to transport humans and minerals (timber, cocoa, bauxite, manganese, gold among others.) to our ports, however, with the renewed interest by the government to

⁴⁸ Ministry of Roads and Highways (2011). Statistical and Analytical Report, Transport Indicator Database,

⁴⁹ <https://www.gipcghana.com/invest-in-ghana/why-ghana/infrastructure/transportation-infrastructure.html>

⁵⁰ Ghana Highways Authority Strategic Plan 2015-2017; Ministry of Finance and Economic Planning (2010). Integrated Transport Plan for Ghana 2011-2015 Volume One.

rehabilitate rail networks, improve speed and axle load capacity and replace worn-out rolling stock, opportunity to diversify transport of forest products to export outlets is renewed⁵¹.

Seaports

Ghana has become a maritime trading hub for the West African sub-region and beyond. Ghana has two main seaports – the port of Tema, which is the largest stretching over 3.9 million square metres of land area and located in the east and 30 km away from Accra (the capital city of Ghana); and the port of Takoradi in the western part of the country and approximately 230 km away from Accra. These ports offer one of the best cargo handling services, state-of-the-art maritime technology and a paperless/electronic system for processing trade and customs documents⁴³. Total cargo traffic for both ports (Tema and Takoradi) grew from 19,459,834 tonnes in 2016 to 22,086,626 tonnes in 2017, registering a 13 per cent increase. Transit cargo in both ports also increased from 944,081 tonnes in 2016 to 1,249,336 tonnes in 2017, a rise of 32 per cent. Container traffic for both ports rose from 942,463 twenty-foot equivalent units (TEU) in 2016 to 1,009,755 TEU in 2017, registering a 7% increase⁵².

Tema port, the third leading container port in the ECOWAS sub-region and one of the busiest in Africa⁵³, handles 13.4 million tonnes and receives an average of over 1650 vessel calls annually. Over 50 Shipping lines and agencies provide both direct and indirect shipping services to and from the Port of Tema. Currently, there is a 1.5billion dollar expansion project by Ghana Ports and Harbours Authority in collaboration with the Meridian Port Services which when completed will expand the capacity of the port to handle 3.5 million TEUs and allow the port to accommodate bigger vessels from shipping lines⁵⁴.

At the Port of Takoradi, an off-dock terminal with a capacity of about 8,000 TEU became operational in February 2017 thereby boosting the port's container handling capacity while freeing up much-needed space in the port for other business. In addition, a similar multimillion

⁵¹ Ghana Highways Authority. Strategic Plan 2015-2017

⁵² Ghana Ports Handbook 2018-2019.

<https://www.ghanaports.gov.gh/Files/TEMAPORT/GPHA%20SAFETY%20INSTRUCTIONS%20FOR%20VISITORS%20AND%20CUSTOMERS.pdf>

⁵³ Kakpo (2018). Lomé's port becomes West Africa's leading container port, overtaking Lagos'.

<https://www.togofirst.com/en/logistics/2910-1898-lome-s-port-becomes-west-africa-s-leading-container-port-overtaking-lagos>

⁵⁴ Ghana Ports and Harbours Authority (n.d.). Our Services:

<https://www.ghanaports.gov.gh/page/index/19/575VSCW2/Our-Services>

dollar expansion project is ongoing at the Takoradi port. IbisTek, a wholly owned Ghanaian company, has been granted a 25-year concession to develop the proposed container multipurpose terminal at a cost of US\$ 370 million. Takoradi port has ready and easy access to receive and ship forestry products. The rail line and road networks terminates right at the port and the safety of operations in special designated zones is assured. The port is located in a modern and growing city that could support relatively good quality of life for families and businesses, with abundant human capital that would provide experienced labor force⁵⁵.

Air-travel

The country is at the hub of an extensive international (and national) airline network that connects Ghana to Africa and the rest of the world. There are seven domestic and one international airports in Ghana, including Kotoka International Airport (KIA), Accra with regular connect to Europe, Asia and North America, and the regional airports namely Kumasi, Tamale, Sunyani and Sekondi-Takoradi along with other air transport infrastructure in Wa, Navrongo and Yendi⁵⁶. According to the Airport Council International (ICA Africa), KIA is currently the best airport in West Africa and among the best in Africa in terms of Airport Customer Service Quality Index⁵⁷. Ghana operates an open skies policy, which frees an air space regulator from the constraints on capacity, frequency, route, structure and other air operational restrictions. In effect, the policy allows the Ghana Civil Aviation Authority (GCAA) to operate with minimal restrictions from aviation authorities, except in cases of safety and standards and/or dominant position to distort market conditions. KIA remains the leading and preferred airport in the sub-region, having attained Category One status by the US Federal Aviation Administration (FAA) audit as part of their International Aviation Safety Audit (IASA) programme⁵⁸.

3.2 The Timber Industry

Ghana has traditionally established itself mainly as a producer and exporter of logs (only as teak), lumber, plywood and veneers; with small quantities of floorings and moldings also contributing to total timber exports. According to Ghana Forestry Commission, the timber

⁵⁵ Ralby M. I (2017) DOWNSTREAM OIL THEFT: Global Modalities, Trends, and Remedies

https://www.atlanticcouncil.org/wp-content/uploads/2017/01/Downstream_Oil_Theft_web_0327.pdf

⁵⁶ Ministry of Finance and Economic Planning (2010), Integrated Transport Plan for Ghana 2011-2015 Volume One

⁵⁷ <https://www.myjoyonline.com/business/2019/October-15th/kia-is-the-best-in-west-africa.php>

⁵⁸ <https://www.gipcghana.com/invest-in-ghana/why-ghana/infrastructure/transportation-infrastructure.html>

industry is characterized by logging companies, sawmilling, veneering and plywood companies, furniture and woodworking enterprises in the formal and informal sector. Figure 2 pictorially summarizes the structure of the timber industry showing upstream (including harvesting of trees, transport and milling of logs) and downstream activities (involving manufacturing of finished and semi-finished timber products). Timber exports are well diversified as it involves export of wood at varying levels of processing – primary processing, secondary processing and tertiary products – however, majority of the timber exports (88.7% (2018) of the total exports of timber products) are secondary processed wood.

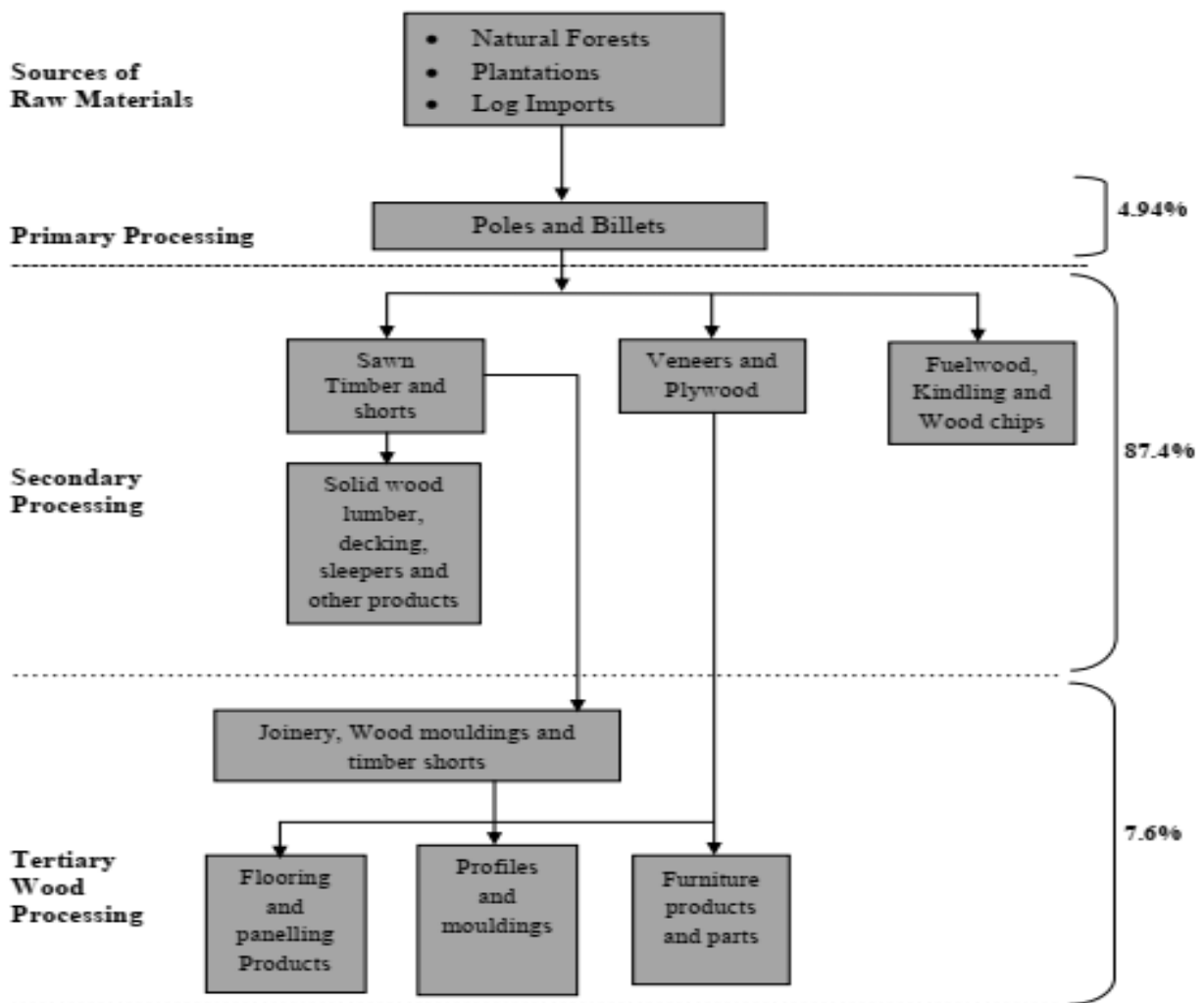


Figure 2. Structure of the timber industry in Ghana (TIDD, 2011)

As can be seen from Figure 2, the main activities of the timber industry in Ghana includes;

- **Logging:** This is undertaken by both small and medium operators but activities of logging companies are governed through existing legislation such as the Forestry Commission Act of 1999, the Timber Resource Management Act 1997 and the Timber Resource Management and Legality Licensing Regulations LI 2254, 2017. The Forestry Commission is the institution mandated by law to regulate and effectively manage the forest resource to ensure sustainability.
- **Primary/secondary processing:** This involves the logging and sawmilling companies and producers of lumber, plywood, veneers, blockboards etc. Primary/secondary processing accounts for a major part of forest activities and is a major employer and largest export earner in the industry.
- **Tertiary processing:** This involves producers of profile lumber, flooring and dowels. Comparatively tertiary processing adds the highest value to but accounts for lowest in total timber export value due to the sheer number of actors at this stage. Opportunities for increased participation exists. It is known that with proper investment in timber processing, export sales can reach billion dollars as is the case of Malaysia.

The Ghanaian timber industry involves the timber exporters as key players who export of sixteen (18) different wood products (including poles, billets, air-dried lumber, kiln lumber, boules, veneers, blockboards, plywood, kindling, dowels, flooring, processed lumber, profile boards and furniture parts) in thirty-four (37) species to thirty-three (33) different countries including China, India, United Arab Emirates, Germany and United States of America and other markets in UK and Asia and the West Africa (ECOWAS) regions⁵⁹. The total export of Ghana's wood products in 2017 was 339,226.605 cubic metres in volume valued at €189,892,298.57. Aside the assured export market, there is substantial local demand for wood and wood products and in recent times, due to the growth in building and construction of homes, there is an emerging competitive local demand which offers a good opportunity for participation in the market with an estimated size of 756,815 cubic meters annually⁶⁰. On the other hand, regional export markets (Nigeria, Senegal,

⁵⁹ Forestry Commission (2017). Report On Export of Timber and Wood Products November, 2017.

⁶⁰ Marfo, Emmanuel. 2010. Chainsaw Milling in Ghana: Context, drivers and impacts. Tropenbos International, Wageningen, the Netherlands. xii + 64 pp

Niger, Togo, Burkina Faso, Benin, Gambia, Sierra Leone and Mali) are clearly becoming more attractive to timber operators; with the added benefit of reduced transactional costs and improved cashflow cycles. Between 2005-2010, the volume of timber exported to the ECOWAS region increased by about 74% (from 48,180 cubic meters to 184,000 cubic metres).

4.0 Investment opportunities and incentives

Ghana has been an influential leader for Africa hence, there are lots of competitive investment opportunities, guarantees and incentives available to investors interested in the forestry sector of Ghana. Guarantees against expropriation of private investments provided under law are buttressed by the Ghanaian Constitution⁶¹. Incentives for investment range from a high-level to more specific sectoral investment incentives. In addition to the incentives available to any other enterprise under the GIPC Act, forestry sector businesses registered under GIPC benefit from the following specific incentives summarized in Table 3:

Table 3. Tax incentives, guarantees and for forestry sector investment

SN	Forestry sector incentives
1	Custom duty exemption for agricultural, and industrial plant, machinery and equipment imported for investment purposes
2	Newly listed companies enjoy 25% corporate tax for the first three years
3	Location Incentives (tax rebate) for manufacturing industries located in the regional capitals outside of Accra/Tema.
Forest Sector Guarantees	
1	Free transferability of capital, profits and dividends
2	Insurance against non-commercial risks ¹
3	Rationalize tax obligations of investors in order to prevent double taxation ²

¹ Ghana is a signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA) Convention

² DTAs have been signed and ratified with selected countries.

Source: GIPC (2019)

Foreign investments also enjoy benefits and incentives that are applicable to an enterprise of similar nature under the following: (i) Internal Revenue Act, 2000, (ii) Value Added Tax Act,

⁶¹ GIPC (n.d.). Ghana Incentives Inventory. <http://www.gipcghana.com/press-and-media/downloads/promotional-materials/33-ghana-incentives-inventory/file.html>

1998, and (iii) the relevant chapters of the Customs Harmonized Commodity and Tariff Code Schedule. Under the tax holiday policy, Government of Ghana guarantees only 1% chargeable income over a period of 10 years for investments (from start of operation) into the tree cropping sector including coffee, oil palm, shea-butter and coconut. Ghana offers location tax incentives as guaranteed under the Income Tax Act, 2015. Manufacturing businesses located and operating outside regional capitals enjoy reduced tax rate of 12.5% whereas those located in regional capitals apart from Accra/Tema enjoy 18.75%. Those in Accra/Tema are taxed at the rate of 25%. The rates slightly vary after an initial 5-year tax holiday period⁶². Furthermore, industrial plants, machinery or equipment and parts thereof used in forest value addition processing are exempted from customs import duty under the ECOWAS the Common External Tariff (CET)⁶³. An enterprise whose plant, machinery or equipment and parts are not zero rated under the Customs, Excise and Preventive Service Management Act, 1993 may submit an application for exemption from import duties and related charges on the plant, machinery or equipment or parts of the plant, machinery or equipment to the Centre⁶⁴.

Ghana operates a Free Zones policy under the Free Zone Act 1995 (Act 504). Business located in the free zones benefit from a 10-year 100% tax exemption and only 8% tax after 10 years of operation. Tax exemptions under this policy cover import duties and levies, export duties, income and profit taxes, payment of withholding taxes from dividends arising out of free zone investments, relief from double taxation. For businesses operating in free zones, the Act also guarantees no import licensing requirements, minimal customs formalities, 100% ownership of shares by any investor (foreign or national), no restrictions on remittance, permission to operate foreign currency accounts with banks in Ghana. Up to 30% of annual production of goods and services of a free zone enterprise are authorized for sale in the local market and guaranteed against nationalization and expropriation⁶⁵.

Ghana has a vibrant and extensive forestry sector but there are many investment opportunities at every point or node along the Ghana forest products value chain as the sector continues to expand

⁶² Ministry of Trade and Industry. Tax Regime and Investment. <http://moti.gov.gh/taxincentives.php>

⁶³ ECOWAS (2017). The Common External Tariff (CET). Structure, Benefits, Challenges and the Way Forward of the CET. https://www.ecowas.int/wp-content/uploads/2016/06/CET_Factsheet_EN.pdf

⁶⁴ Ministry of Trade and Industry. Tax Regime and Investment. <http://moti.gov.gh/taxincentives.php>

⁶⁵ GIPC (n.d.). Ghana Incentives Inventory. <http://www.gipcghana.com/press-and-media/downloads/promotional-materials/33-ghana-incentives-inventory/file.html>

and attract new interests. For timber, investment opportunities range from raw material investment (forest plantations, log imports) to investment in secondary and tertiary processing. Table 4 summarises investment opportunities within the forest sector.

Table 4. Investment opportunities: Ghana forest sector

SN	Forest Sector Investment Opportunities
1	Establishment of Eco-Tourism Plants and Facilities
2	Establishment of Medium Enterprises (SMEs) and plantation
3	Establishment of Farm Forest Woodlots
4	Establishment of Pulp Paper and Panel Industries
5	Establishment of Plantation Based Construction Grade Timber and Fiber Supply
6	Provision of tree seedlings for plantation species e.g. native and exotic wood species
7	Cultivation of medicinal plants (in high demand at international and local markets) at scale, e.g. <i>Cola Nitida</i> , <i>Alchornea Cordifolia</i> , <i>Griffonia Simplicifolia</i>
8	Establishment of processing factories for wood and other forest products

Source: TIDD (2011)⁶⁶, GIPC (2019)

5.0 Success stories and examples of large-scale investments in the forest sector

There are a number success stories for foreign and local large scale investment in the forestry sector that can be highlighted.

Success story 1: *Bibiani Logging and Lumber Company Limited*

Bibiani Logging and Lumber Company Limited (BLLC), is a wholly Ghanaian owned limited liability company which has been in active operation since it was established 73 years ago. The Chairperson of the Board is a female with over 40 decades track record in managing a timber processing company. BLLC has four (4) Timber Utilization Contract (TUC) areas totalling 19,809ha from where timber is harvested for processing at its Kumasi factory. Its average log input per year is 22,000m³. BLLC's processing facility comprises of a sawmill, plywood and rotary veneer and a slice veneer factory. Monthly outputs are 600m³ kiln dried lumber, 1,200 m³ plywood and rotary veneer and 600,000m² sliced veneer. The company employs 380 workers. Over 80% of all products are exported to countries including Germany, United Kingdom, China, the United States of America and Nigeria. The company's main products include; rotary veneer and plywood, lumber (kiln dried) and slice veneer⁶⁷.

⁶⁶ TIDD (2011). Blueprint for Development of the Timber Industry.

⁶⁷ <http://www.kwcgh.org/members/bllc/>

Success story 2: *Samartex Timber & Plywood Company Limited*

Formally known as African Timber and Plywood Company (AT&P), Samartex Timber & Plywood Company Limited has been in existence since 1947 under the UAC group of companies. Samartex has substantial FDI capital and is currently the leading sustainable and socially responsible timber company in Ghana and is located in Samreboi, Western region. The company has a work force of over 2,000 employees with Accra and Takoradi offices⁶⁸. The company produces up to 1.000.000m² veneers monthly. Apart from wood processing, Samartex is also involved in the regeneration of the natural resources through the establishment of plantation and agro-forestry schemes. Samartex has evolved into the development of value-added products with non-timber forest products (NTFPs) like Thaumatin sweetener and downstream processing of wood pieces that would otherwise be considered waste, into carvings⁶⁹.

Success story 3: *John Bitar and Co. Company Ltd*

John Bitar and Co. Company Ltd (JCM) is another success story for the forest sector. The company was established in 1955 and has grown to become one of Ghana's top producers of premium quality wood products under the Free Zones enclave. The company specializes in the manufacture of various wood products including sliced veneers, rotary cut veneers, plywood, lumber, mouldings and various profiled sections, laminated and finger-jointed products and flooring. The company exports its products to Europe, North America, Middle East, Asia and Africa. Currently JCM is the making us the largest free zones timber processing company in Ghana and has earned a number of local and international awards including Euro Market Award for Export Excellence, Ghana-Africa Business Award for Contribution to Economic Co-operation and International Trade, several National Awards for Export Achievement and Builder's Woodwork, Most Important Exporter and Importer Award. The company undertakes plantation development and reforestation and are currently managing three projects at Acheampim, Manzan and Bia Tawya forest reserves. To this, JCM earned an award for Continuous Commitment to Environmental Stewardship in 2008⁷⁰.

CONCLUSION

⁶⁸ <https://www.samartex.com.gh/en/about-us/about-us.html>

⁶⁹ <https://www.samartex.com.gh/en/products.html>

⁷⁰ <https://www.johnbitar.com/>

Ghana has been exporting forest products to Europe for the past 130 years. In recent times, export has seen significant increase to the Asian market. In 2017 alone, Ghana the total of 38,690.894 cubic metres of wood products was exported amounting to €23,074,224.69. Export of forest products involve a variety of forest products including poles, billets, air-dried lumber, kiln lumber, boules, veneers, blockboards, plywood, kindling, dowels, flooring, processed lumber, profile boards and furniture parts, among other products. The sector has a robust participation of about 400 hundred registered forest harvesting companies, 110 sawmill and other wood processing companies number of small, medium, and large processing facilities, which manufacture over 18 different timber and wood products for exports and 60 active export companies such as BLLC, AT&P/SAMARTEX and JCM. Thus, Ghana boasts of a competitive forest sector with a corresponding high caliber of experienced work force along the forest value chain.

Ghana's forests cover constitutes 9,337,000 ha (39%) of the land, given the sector's importance and the need for sustainable management and utilization of forest resources, Ghana through an ambitious plantation development effort that was launched in 2016 as the "Ghana Forest Plantation Strategy (GFPS)" and planned for the period 2016 – 2040 is meant to promote high yielding and sustainable planted forests as Ghana's natural forest continues to dwindle. Under GFPS, 625,000 ha plantations would be established for 25 years at an annual rate of 25,000ha. Investments anticipated will constitute public investments to cover 10,000ha while public-private partnerships (PPP) are being sought for private plantation developers to undertake 15,000ha annually. Additionally, 235,000ha existing plantations will be maintained or rehabilitated.

The positive and stable political and business environment further supports the efficient export of forest products and makes it ideal for investment in the sector. Same is further enhanced by the introduction of the FLEGT licenses which availability of legal and quality forest products in accordance to local and international standards. Existing road, sea and airport infrastructure assures of expedite transportation of people, good and services (forest products) from production point to the ports and onwards to the designated export market.

Furthermore, the country has been committed to and implementing a number of progressive policies that reduce the general cost of doing business which equally affects the forest sector. Several general and sector-specific regulations which cover aspects such as entry, admission, and

protection of investment, investment guarantees, employment, and compliance, are in place to create a robust environment for investments in the sector to thrive. Among these laws and regulations include the Ghana Investment Promotion Centre Act, 2013 (Act 865, GIPC Act), Companies Act 2019 or under the Incorporated Private Partnerships Act, 1962 (Act 152), Bilateral Investment Treaties (BIT) and Double Taxation Agreement (DTA), Ghana Copyright Act - 2005 (Act 690), Ghana Free Zone Act 1995 (Act 504), Forestry Commission Act of 1999 (Act 571), The Forest and Wildlife Policy of 2012, Forest & Plantation Development Act of 2000 (Act 583), The Forest Protection (Amendment) Act, 2002 (Act 624), Timber Resources Management and Legality Licensing Regulations of 2017 (LI 2254) etc. More importantly these laws and regulations assures a range of high-level to more specific sectoral investment incentives and guarantees for investors.

In addition to Ghana's remarkable general business climate and robust forest sector, the sector possesses a plethora of profitable investment opportunities along the forest value chain which includes, the establishment of ecotourism plants and facilities, establishment of Medium Enterprises (SMEs) and plantations, farm forest woodlots, pulp paper and panel industries, plantation based construction grade timber and fibre supply, provision and supply of tree seedlings for plantation species, cultivation of medicinal plants and establishment of processing factories for wood and other forest products. These critical attributes about the business climate and the forest sector attractiveness positions it as an ideal place for investments.

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