Background to the research

This country note presents Chatham House’s assessment of the likelihood of illegality in the supply chains of the main wood-based products exported by Ghana. It was prepared to inform our analysis of illegal trade at the international level which has been published as part of the report ‘Establishing fair and sustainable forest economies: lessons learned from tackling illegal logging’. This is the most recent in a series of reports on governance and legality in the forest sector, an issue that Chatham House has been monitoring since 2008.

The country note has been published as a background document to explain how the international estimates of illegal trade were made. Thus, it is not intended to provide a comprehensive review of all the available data and information on forest sector legality for Ghana. International and national experts in Ghana’s forest sector provided feedback on preliminary versions of the country note.

Overview of exports

Ghana’s exports of timber sector products have fluctuated during the last 20 years, but there has been an overall reduction in the last decade. The country’s domestic market for timber has grown in the last 20 years.¹

The scope of the country’s Voluntary Partnership Agreement (VPA) with the EU covers all export markets and end-usage within Ghana. The VPA has contributed to the considerable progress that Ghana has made in forest governance and related law enforcement. This is due, in particular, to improved transparency and enforcement resulting from the development of an electronic wood-tracking system. This took 10 years to develop and was fully implemented in 2019.

Figure 1. Ghana’s exports of timber sector products (by destination, 2000–2019)

* Standard conversion rates to estimate roundwood equivalent volume have been adopted for all countries, because of a lack of published data for many countries. The rates adopted are as follows: 1.8 sawnwood, 1.9 veneer and mouldings, and 2.3 plywood. ‘Sawnwood’ is defined herein as ‘air-dried lumber’ and ‘kiln-dried lumber’ and excludes ‘chainsaw lumber’. 
Figure 1 indicates that the primary destinations for Ghana’s recorded exports of timber over the last 20 years have been Africa (almost all within the Economic Community of West Africa States, ECOWAS), China, the EU (including UK), India and the US. Exports to Africa, which are predominantly of plywood for Nigeria, have been on a downward trend since 2010, and exports to the US were also much lower in the last decade.

It is likely that Ghana exports substantial, unrecorded volumes of chainsaw lumber (implicitly illegal), across its northern border with Burkina Faso, primarily supplying this country and also Niger, Mali and Nigeria. The only estimates that have been made of those volumes pertain to a period 10 or so years ago, but these were similar in volume to reported exports of sawnwood at this time. There are indications that this trade has persisted. Those exports are not included in Figure 1, as this trade is not included in official statistics.

Almost all Ghana’s exports of teak, which is plantation grown, are destined for India and comprise almost all the timber that Ghana exports to the country. Plantation-grown teak now accounts for the majority of Ghana’s exports of logs and sawnwood.

Excluding sawn teak and rosewood, Ghana’s exports of sawnwood, plywood and ‘other timber sector products’ (most of which comprises veneer and mouldings) greatly declined during the last two decades. A small number of companies supply the great majority of Ghana’s exports of those products. Some of these have logging concessions that meet the Forest Stewardship Council’s ‘controlled wood’ standard.

**Methodology for estimating illegal logging and trade**

The analysis considers five categories of illegal practices common across all countries. These categories are listed below, with examples given of the types of illegal activity that they can include in different countries and regions:

- **Customary tenure & resource rights**
  - FPIC not obtained from any affected people or communities
  - The rights of any affected people or communities not adequately taken into consideration and addressed in the process of allocating permits or developing management plans; and any loss of rights not adequately compensated

- **Award of permits**
  - EIAs not conducted in accordance with legal requirements
  - Decision-making process for the award of permits does not follow legally required process; e.g. calls for tenders not published; technical requirements for selection of bids not followed; evidence of corruption in the process

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4 Acheampong, E., and Maryudi A. (2020), ‘Avoiding legality: Timber producers’ strategies and motivations under FLEGT in Ghana and Indonesia’, Forest Policy & Economics, 111: 102047, doi.org/10.1016/j.forpol.2019.102047. This paper reports that in interviews undertaken with timber producers it was noted that large volumes of timber products are exported to neighbouring countries.

5 These exports include what some refer to as lumber or flitches.

• Use of proxies where the beneficiary would be ineligible

○ Forest management & harvesting
  ○ Management plans not developed or implemented; e.g. plans do not meet legal requirements; logging in restricted areas; overharvesting of particular species; etc.
  ○ Health & safety and/or labour laws not complied with; e.g. no provision of safety equipment; employment of illegal immigrants; non-payment of salaries or of minimum legal wage
  ○ Environmental legislation not complied with; e.g. logging of protected areas or species; non-compliance with requirements for protection of wildlife; pollution of water courses

○ Forest sector payments & financing
  ○ Relevant royalties, fees, taxes and fines not paid
  ○ Benefit-sharing agreements with local communities not complied with
  ○ Fraudulent financing / money laundering by concessionaires or in relation to mills
  ○ Transfer pricing

○ Transport & trade
  ○ Export bans or quotas for certain species or products are breached or exceeded
  ○ False declarations made; e.g. misdeclarations of species, value, source
  ○ Non-compliance with CITES

Based on a review of the available data, the likelihood of each of the five categories of illegal practice was assessed for the main exported products. This was classified either as low (<10 per cent), low to medium (10–30 per cent), medium to substantial (30–60 per cent) or substantial (>60 per cent).

For the earlier years (2000, 2008 and 2013), the likelihood of illegality was determined based on Chatham House analyses in 2010 and 2015, with updates where additional data have since become available. The assessment for 2018 builds on this analysis, using available data and information to assess changes in legal compliance in the last five years of the study period. This included recent Chatham House research into governance reforms, analysis of trade data and the results of perception surveys, as well as a review of reports and data from other organizations.

Overview of trends in illegality

Illegal logging was widespread in Ghana in the first decade of the century and harvesting far exceeded the annual allowable cut. Since then illegality has declined markedly for export markets, although it remains a widespread problem for the domestic market.

Ghana’s digital wood tracking system is generally accepted as having transformed forest governance and to have reduced illegal activity in the sector. This has taken place over the last decade, with the piloting and development of the system, in concert with broader institutional and legal reforms. These changes have resulted in better oversight by the government, with improved enforcement and

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7 This analysis focuses on a limited number of products, these were selected according to three criteria: the scale of trade and rate of change in this, trade flows in which high proportions of illegal timber have been documented, and examples of particular types of illegality.


increased collection of forest revenues. The recognition of community rights and company compliance with benefit-sharing requirements has also been strengthened. Enhanced levels of compliance have also been helped by legal and policy reforms, as well as efforts to improve understanding among all stakeholders (government officials, the private sector and communities) of community rights and the legal requirements related to social responsibility agreements, and, in recent years, the roll-out of community monitoring.

In 2013, problems with the process of allocating logging permits were highlighted. This issue was discussed within the framework of the VPA and new legislation in 2017 provided a means to resolve this through the conversion of leases to timber utilization contracts (although the process to convert titles is still under way).

This picture of improvement was reflected in the findings of an expert perception survey undertaken in 2019 as part of research to examine the impact of the VPA on Ghana’s forest sector. Respondents considered that there had been a decline in illegal logging since the period before implementation of the VPA. Illegal practices are still found in a number of areas, however, including in relation to harvesting permits and management plans, the payment of taxes and fees, and harvesting of protected species.

Ghana prohibits the export of logs other than from plantations and has frequently banned the logging of rosewood, although the trade in rosewood has persisted. Thus, while Ghana reports low volumes of exports of logs from natural forest, China reported annual imports of roughly 140,000 cubic metres of logs from Ghana from 2014 to 2018, most of which comprised rosewood. Ghana is presumably reporting such exports as sawnwood, but there remains a significant discrepancy between the total volume of logs and sawnwood reported as exports by Ghana compared to the total

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14 The average response for estimated levels of illegal timber for export markets was 52 per cent pre-VPA and 31 per cent post-VPA, and on the domestic market, the respective figures were 67 and 50 per cent; Cerutti, P. O., Goethgebuer, T., Leszczynska, N., Newbery, J., Breyne, J., Dermawan, A., Maquoy, C., Tabi, P. F., Tsanga, R., Van Der Ploeg, L. and Watheliot, J-M. (2020), Collecting Evidence of FLEGT-VPA Impacts for Improved FLEGT Communication, CIFOR & ADE, https://www.cifor.org/knowledge/publication/75666.


18 Reasons for the discrepancy are unclear. Some logs might have been in transit through Ghana from neighbouring countries, but these might first have been smuggled from Ghana into those countries.
reported as imports by China. This has declined in more recent years with improved enforcement and because of a reduction in the standing stock of rosewood.

For sawnwood and plywood, legality is likely to have improved, particularly in the latter decade due to the improvements in governance seen. In addition, there has been a decline in demand for these products and the few remaining mills are owned by companies that have been among the most committed to legality.

There have been some reports over the last 20 years of illegal practices in plantations in the timber sector, including illegal harvesting and fraud related to exports. More recently, these may have been compounded by problems associated with carbon offset projects.

India imports almost all the logs and sawnwood of teak (all plantation-grown) that Ghana exports. However, large discrepancies between the quantities reported as exports to India by Ghana and those reported as imports from Ghana by India have long been apparent. India records the great majority of its wood imports from Ghana as teak logs, whereas Ghana reports them as teak sawnwood. In addition, India tends to import a greater volume of teak from Ghana than Ghana records as teak exports worldwide. The reasons for this are unclear, but they could be indicative of fraudulent practices either in Ghana or India.

In this document, logs and sawnwood refer to products classified under customs codes 4403 and 4407 respectively.

Sources of trade data are: for Ghana, TIDD, Forestry Commission of Ghana, ‘Report on Export of Wood Products’; for China, General Administration of Customs of the People’s Republic of China; for India, UN Comtrade and India’s Department of Commerce.

However, if a reason is fraud, and if this pertains to the imports (rather than the exports), then the illegality does not pertain to Ghana’s exports.
Summary of estimates

The following table presents an overview of the likelihood of illegal practices in the production of the country’s main exported wood-based products. The ‘overall likelihood’ column reflects all the types of illegal practice and is thus the most pessimistic assessment of the categories for a given year.

Table 1: Estimated likelihood of illegality for Ghana’s main exported wood-based products

<table>
<thead>
<tr>
<th>Tenure and resource rights</th>
<th>Award of permits</th>
<th>Forest management</th>
<th>Revenue and finance</th>
<th>Transport and Trade</th>
<th>Overall likelihood of illegality</th>
</tr>
</thead>
</table>

Likelihood of illegality in the supply chain

- Low (<10%)
- Low to medium (10-30%)
- Medium to substantial (30-60%)
- Substantial (>60%)