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STRENGTHEN PUBLIC PRIVATE PARTNERSHIPS FOR ADVANCEMENT OF THE GHANAIAN FOREST PRODUCTS SECTOR

Public Private Partnerships: strategic investments for all-inclusive forestry sector development

High Tech Nursery for quality tree seedlings: APSD - Community PPP, Ghana

Dwindling stocks in natural forest estate as a result of poor governance, industry inefficiencies and inadequate fiscal incentives for active private sector involvement threatens the sustainability of forest sector of Ghana. Public Private Partnerships (PPPs) can strategically be leveraged to provide adequate investments in strengthening the capacity for efficient and economic competitive forest industry. Within the framework of the Ghana PPP and Forest Policies, PPPs are being harnessed largely for forest plantation development, i.e. primary production, although these policies do not clearly specify conditions for PPPs in the forest sector. By 2015, over 330 leased based agreements under7 kinds of contractual arrangements had established 185,527 ha of forests for timber, energy and carbon production with cascading beneficial effects on local forest economies (jobs and food production from young plantations). Wildfire and illegal logging are major risks to such PPP investments, as well as bureaucratic procedures for land acquisition and documentation of legal agreements. Best practice all inclusive models are Government-Company and Company-Community PPPs. However, a clear forestry PPP policy is needed to reduce technical and economic risks as well as broaden the scope of current PPPs to include secondary forestry production, i.e. processing. There are opportunities for ecotourism, pulp and paper, medicines, nursery, essential oils, etc. More essentially, there is need for higher value addition in secondary forest production including innovative schemes for Small and Medium Forest Enterprises to enhance economic competiveness of products for higher value markets. A top-down approach is needed to integrate local communities and other sector stakeholders in development of PPP policy or legal framework for governing forestry PPPs.

Context

Forest sector contribution to Ghana's GDP declined from 6% in the 1990s to 4% in 2014 as exports of timber and other forest products decreased from 11 to 1.3% of merchandize trade flows (Birinkorang et al., 2014), mainly due to declining natural forest stocks. Deforestation rate is high, at about 2% (FAO, 2010). Contributing factors include over dependence on natural forests for national economic growth (timber and mineral exploitation), poor forest governance (e.g. inadequate official capacity and poor representation of local people's rights in forest resources) and anthropogenic factors at the local level (like population growth, agricultural expansion, fuelwood cutting, illegal exploitation) as well as climate related adversities (e.g. drought and wildfire).

Sixty four percent of reserved forest is at risk of depletion from continued illegal-logging and agricultural clearing (RMSC, 2014). Forest plantation development undertaken from 1960s has added 8.6% to the national forest cover (Kudaar, 2016). However, this is inadequate to sustain industry. Timber milling firms are producing with a deficit of 1 million cubic meters annually against an installed capacity of 3 million cubic meters and recovery rates of 20-60% (Adam, 2017).

Also, inadequate policy and economic incentives for enabling efficient development of private forest sector enterprises, especially the Small and Medium Forest Enterprises (SMFEs) are limiting growth. Their economic competitiveness is constrained by rudimentary technologies, obsolete machinery and inadequate financial resources for value addition.

With the exception of exported timber, most forest products lack standards for international markets. Past policy and fiscal interventions had very limited impact on the forest industry (Birinkorang et al., 2014; Obiri et al., 2012). This policy brief highlights results from a study commissioned by the African Forest Forum to evaluate public and private sector contribution to the development of the forest product sector of Ghana.

The aim is to identify best practices for strengthening the capacity of the sector for all-inclusive development with gender perspectives included. To enhance forest product sector contribution to GDP and alleviate wood deficit problems, innovative public- private sector initiatives need to be adopted. Public Private Partnerships (PPP) could leverage strategic investments for sustainable and more rapid forest product sector development in the phase of inadequate resources for execution of existing sector interventions as emphasized in the Ghana Forest Sector Development Master Plan and Blue Print, REDD+ Strategy, FLEGT/VPA, Forest Plantation Development Strategy, and other national initiatives.

The potential for cost effective forestry PPPs in Ghana is enormous. Joint public-private partnerships have in the past been engaged for concession bid logging in natural forests and large-scale timber milling. New models of PPPs have recently emerged for plantation forestry development in Ghana for timber, energy and carbon production with over 330 Lease Based Agreements (LBAs) signed with both local and international firms from 1999-2015. Forest management plans and forest certification requirements mandate plantation developers to incorporate Social Responsibilities for inclusiveness, including gender issues to benefit local forest communities. Government-Company and Company-Community PPP models appear to be the most beneficial options for large scale operations that can incorporate local area development needs, including gender aspects.

However, it is important to invest in risk reduction strategies to contain wildfire, illegal logging and other conflicts in order to secure the viability of the PPPs (Obiri et al., 2017).The overarching goal of forestry PPPs in general is to promote responsible viable businesses that take into account social safeguard mechanisms for job creation and poverty reduction while securing environmental sustainability. PPP policies in forestry have been leveraged for sustainable forest management in many countries including Bolivia, Ethiopia, Indonesia, India, Nepal, Pakistan, South Africa, Papua New Guinea, among others (Mayers and Vermeulen, 2002; Shaheen and Khan, 2008). These are examples to learn from in south-south cooperation.

Reviewing 57 cases of community-company forestry partnerships in 23 countries around the world, Mayers and Vermeulen (2002) enumerated economic, social and environmental gains but also identified negative tendencies including conflicts, bureaucracy, among others, that may sabotage the success of such PPPs. Nevertheless, an enabling policy environment by governments facilitates the context for contractual arrangements. A detailed description of forestry PPP policy development guidelines are provided by Shaheen and Khan (2008) for Pakistan, based on 9 basic principles specified in the UN Millennium Development Goals. Under the current dispensation, forestry PPPs would need to take cognizance of the Sustainable Development Goals (SDGs), particularly SDGs 1, 2, 3, 5, 8, 10, 12, 13 and 15.

- The private sector is considered in national macro-economic policies as the engine for growth. Hence, policies for enticing the active participation of this sector in sustainable forest sector development must be a priority.
- Legal and viable PPPs could provide secured investments for sustainable advancement of the Ghanaian forest products sector
- Opportunities for forestry PPPs in Ghana are substantial. Despite the challenges, initial successes have been reported, e.g. by Shaheen and Khan (2008)
- In Ghana a variety of contractual arrangements are negotiable with government and local communities for large scale PPPs that promote inclusiveness with gender considerations.
- Experiences in Pakistan indicate a wide range of inclusive forest product enterprises and with increased benefit to local communities (Shaheen and Khan, 2008)

Public Private Partnership arrangements can play a critical role in strengthening the capacity for all-inclusive forest sector development. To enhance the advancement of PPPs in forest sector of Ghana it is imperative to:

1. Evaluate existing PPPs thoroughly to identify best practices that can be promoted and challenges that need to be alleviated to make these contractual agreements less risky but technically, economical and socio-culturally sound.
2. Involve relevant stakeholders to institute a clear forestry PPP policy to include modalities for both primary and secondary forestry production to incentivize and guide engagement of prospective investors in contractual arrangements with low transaction costs.
3. Promote PPPs beyond timber, energy and carbon to include ecotourism, high grade nurseries for quality planting material, medicines, pulp and paper, essential oils, etc. in international value chains.
4. Strengthen the capacity of Small and Medium Forest Enterprises (SMFEs) for efficient and competitive production. They are invisible in formal forest sector planning and management but serve as the main or additional source of income for more than three million Ghanaians.
5. Promote fiscal incentives for enhancement of forest commodity value chains.

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