

Hidden forestry revealed



Characteristics, constraints and opportunities for small and medium forest enterprises in Ghana

Paul Osei-Tutu, Kwabena Nketiah, Boateng Kyereh,
Mercy Owusu-Ansah, Joseph Faniyan



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In Ghana, Tropenbos International (TBI) Ghana was identified by IIED as an ideal partner with whom to develop these broader project aims. But an initial scoping visit identified a critical preliminary step: the need to gather accurate information about the SMFE sub-sector as a whole such that future efforts had a firm foundation in fact. This report is the outcome of that research process. The report complements and draws on a parallel report funded by the Rights and Resources Initiative which sought to develop business models for small and medium forest-based enterprises in some Western and Central African Countries including Ghana.

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Acronyms and abbreviations

AGI	Association of Ghana Industries
ASNAPP	Agribusiness in Sustainable Natural African Plant Products
BAC	Business Advisory Centre
BUSAC	Business Sector Advocacy Challenge Fund
CBUD	Centre for Biodiversity Utilisation and Development
CFMP	Community Forestry Management Project
CIDA	Canadian International Development Agency
CREMA	Community Resource Management Area
CRI	Crop Research Institute
DANIDA	Danish Ministry of Foreign Affairs
DFID	UK Department for International Development
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
FAO	Food and Agriculture Organization of the United Nations
FC	Forestry Commission
FLEGT	Forest Law Enforcement, Governance and Trade
FORIG	Forestry Research Institute of Ghana
FRI	Food Research Institute
FS	Forest Services
FSD	Forest Services Division
GEPC	Ghana Export Promotion Council
GPRS	Ghana Poverty Reduction Strategy
GRATIS	Ghana Regional Appropriate Technology Industrial Service
IIED	International Institute for Environment and Development
ILO	International Labour Organization
ITTU	Intermediate Technology Transfer Units
KNUST	Kwame Nkrumah University of Science and Technology
NBSSI	National Board for Small Scale Industry
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
NREG	Natural Resources and Environmental Governance
NTFP	Non-Timber Forest Product
NWFP	Non-Wood Forest Product (used interchangeably with NTFP)
REDD	Reducing Emissions from Deforestation and Degradation
REP	Rural Enterprise Project
RGD	Registrar General's Department
RMSC	Resource Management Support Centre
SDC	Swiss Agency for Development and Cooperation
SPSS	Statistical Package for Social Scientists
SRA	Social Responsibility Agreement
SME	Small and Medium Enterprise
SMFE	Small and Medium Forest Enterprise
TBI	Tropenbos International
TIDD	Timber Industry Development Division
TUC	Timber Utilisation Contract
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VPA	Voluntary Partnership Agreement
WD	Wildlife Division
WFP	Wood Forest Product
WITC	Wood Industry Training Centre

Executive summary

The forest sector in Ghana is the country's fourth largest foreign exchange earner. The formal forest sub-sector, characterised by regulated timber and timber product industries, is the main contributor. The informal sub-sector, characterised by small and medium forest enterprises (SMFEs), is largely left out of forest statistics, planning and management. SMFE in this context refers to forests and forest product enterprises that employ less than 30 people. They are characterised by low level capital, informally trained workers and having the potential for value addition. SMFEs serve as the main, additional or alternative income source for about three million people in Ghana, and may even outweigh the formal forest sub-sector in terms of their contribution to livelihoods and resource sustainability. This is largely because SMFEs tend to accrue wealth locally, empower local entrepreneurship and seek local approval to operate. In addition to engaging many more people than the formal sector, SMFEs directly benefit local people and can therefore serve as an important vehicle to reduce poverty in Ghana.

Although they are difficult to put into distinct groups, forest enterprises in Ghana can be broadly classified into three categories: wood forest product (WFP) enterprises, non-wood forest product (NWFP) enterprises and forest service (FS) enterprises. SMFEs in the WFP category include small scale carpentry, chainsaw milling (outlawed at present), charcoal production, wood carving (including canoes) and the trading of these products. In the NWFP category, SMFEs include the collection, processing and sale of products like shea nuts, cola, chewing sticks/sponges, gum arabic/resins, spices, honey, edible and wrapping leaves, oily and edible seeds, baskets/hats/mats, bamboo and rattan products, snails, mushrooms, medicinal products, palm wine and bush meat. SMFEs in the FS category include ecotourism and plantation development.

SMFEs operate both in urban and rural areas, sometimes with complex production and marketing chains. Generally, the workforce in the SMFE sub-sector is composed of proprietors, family members, paid workers and trainees or apprentices. Proprietors, mostly women (especially in Northern Ghana) generally have low levels of education. Most SMFEs are seasonal in nature, with factors like fluctuations in demand, raw material and labour availability determining the period of engagement in the various activities. However, proprietors involved in manufacturing/processing and trade who have workshops or permanent locations operate full-time and on a commercial basis. Most proprietors operate in isolation and existing associations are mostly inactive. There exist linkages between the SMFE sub-sector and the formal forest sub-sector. For instance, some charcoal producers depend on sawmills for their supply of raw material in the form of off-cuts, slabs and other wood residues, and some chainsaw millers deliver their lumber to conventional sawmills for further processing.

There are ongoing international initiatives that have implications for SMFEs in Ghana. Key among the initiatives are the Voluntary Partnership Agreement (VPA) under the Natural Resources and Environmental Governance (NREG) programme in Ghana, and the Reducing Emissions from Deforestation and Degradation (REDD) initiative. Efforts must be made to utilise opportunities offered by these initiatives and deal with the challenges presented by

them. For instance, the VPA, which promotes legality of enterprises, has the potential to put the mostly informal and unregistered SMFEs out of business. This situation could be avoided if the definition of 'legality' is broadened enough to include the interests of SMFEs. This may require a review of some of the current forest policies and legislation. Isolated SMFEs may also need to be organised into associations and assisted to register their enterprises and conduct their operations in a legal and sustainable manner.

The state continues to lose revenue by neglecting the SMFE sub-sector through non-registration and non-payment of permit fees and taxes, illegal and unstable operations, and the less than optimal contribution of the sub-sector to people's livelihoods and poverty reduction. SMFEs lack the organisation through associations, business registration, legality and tenure security that is characteristic of enterprises in the formal forest sector. Though they have high start-up rates, the majority survive for only a short period. There is little linkage between individuals engaged in SMFEs and organisations promoting these enterprises. People engaged in SMFEs are faced with problems like excessive bureaucracy, unfavourable policies and legislation, insecure tenure, poor market access and information, lack of access to credit, poor infrastructure, inadequate technology, weak bargaining power and insufficient business know-how. Furthermore, the sub-sector is plagued by depletion and/or seasonality of raw materials and an influx of alternative imported products on the market. There is a high level of arbitrariness and general weakness in the implementation of the few supporting policies that exist.

Despite this, the amenability for domestication of most forest products, the emergence of new local and international marketing opportunities and the existence of some support programmes and institutions offer good prospects for the promotion of SMFEs. Addressing the institutional challenges with an emphasis on networking, research, capacity building, information and technology transfer, access to capital (microcredit facilities) and participation in decision making processes could greatly enhance the contribution of the sub-sector to the improvement of local livelihoods and resource conservation.

With the current decline in formal forest industry activities, attributable to the dwindling resource base, revenue generation from the formal sub-sector is expected to decline. If given the necessary attention, SMFEs have the potential for revenue generation. Paying attention to SMFEs would be a positive step for Ghana.

Introduction

Ghana is a tropical West African country bordered by Togo to the east, Côte d'Ivoire to the west, Burkina Faso to the north and the Gulf of Guinea to the south. It covers a land area of 23.95 million hectares. Ghana's forests are found in the southern one-third (8.2 million hectares) portion of the country (Figure 1). The remaining two-thirds of Ghana's land area is covered by savannah vegetation. A band of transition zone separates the high forest zone from the savannah zone. Within the forest zone, 214 forest reserves cover a land area of about 1.634 million hectares (Kotey *et al.*, 1998). A forest reserve condition scoring by Hawthorne and Abu-Juam (1993) put only three of the reserves in the 'Excellent' class and 25 reserves in the class 'Good-Okay'. The remaining reserves fell into varying classes of degradation. Degradation of forests outside the reserved forest areas over the years has led to a decline in their contribution to Ghana's timber production, from 70–80% between 1960 and 1980 (Kotey *et al.*, 1998) to 19–27% between 2003 and 2006 (Hansen and Treue, 2009).

Forests play a crucial role in the socioeconomic wellbeing of the people of Ghana. They are particularly important to the rural population, which constitutes about 60% of Ghana's population (Ghana Statistical Services, 2000). Forests provide fruit, vegetables, spices and other food items, as well as fuel wood, raw materials for building and making household items like mortar and pestles, chew sponges (for dental care) and medicinal products. Vines, twines, leaves, bamboo and rattan are all forest products that serve one need or another of a large section of the Ghanaian populace. In addition to their role in protecting and enriching soils, forests also provide a site for eco-tourism and recreation. Many of these forest products and services have been commercialised to some extent as small or medium forest enterprises (SMFEs) and provide a cash income for many people, particularly in rural communities.

In terms of significance to people's livelihoods and resource sustainability, SMFEs may outweigh the formal forestry and wood-use sub-sector. This is because they tend to accrue wealth locally, empower local entrepreneurship and seek local approval to operate. The SMFE sub-sector engages many more people than the formal sub-sector and directly benefits local people. They can therefore serve as an important vehicle for poverty alleviation in Ghana. Unfortunately however, most forest policies, programmes and analyses have focused on the formal and often large-scale forest industries to the neglect of the SMFEs, creating a situation often referred to as the 'timberisation' of the forestry sector. The potential of the SMFE sub-sector to contribute to local poverty reduction and sustainable forest resource management has therefore not been fully harnessed.

Figure 1. Vegetation map of Ghana



1.1 Purpose of this review

This diagnostic study was undertaken to review the status of SMFEs in Ghana. It provides information on the various issues confronting the sub-sector and identifies mechanisms for harnessing the potential of SMFEs to effectively contribute to poverty reduction and sustainable forest management in Ghana. The study was commissioned as part of the Forest Connect alliance project, dedicated to tackling the isolation of small forest enterprises. Forest Connect partners aim to prevent deforestation and reduce poverty by fighting for local forest sovereignty and better linkages between sustainable small forest enterprises, markets, service providers and policy processes such as National Forest Programmes. The Forest Connect alliance is currently involved in action plans in 13 countries: Burkina Faso, China, Democratic Republic of Congo, Ethiopia, Ghana, Guatemala, Guyana, India, Laos, Malawi, Mali, Mozambique and Nepal. A broader network of supporters in 58 countries are linked by an international social networking site (<http://forestconnect.ning.com>).

1.2 Methodology

The study employed the methodology described below:

Desk study: relevant documents on SMFEs in Ghana and other countries were studied.

Preparation of questionnaires: semi-structured questionnaires were designed and used for collecting data on SMFEs in the country.

Questionnaire administration: considering the exploratory nature of the study, a sampling technique was used in which the respondents were persons and groups involved in or concerned with SMFE activities. The questionnaires were administered in five of the ten administrative regions of Ghana, namely: Ashanti, Brong-Ahafo, Western, Northern and Upper West Regions. To capture proprietors involved in the forest products trade, market surveys were also conducted in the district capitals and other urban centres.

Discussions with key institutions: in addition to administering the questionnaire, discussions were held with the following key institutions:

- ◆ the Forest Services Division
- ◆ the Wildlife Division
- ◆ the District Assemblies in the study areas
- ◆ the Business Advisory Centre (Rural Enterprises Project)
- ◆ the Registrar General's Department
- ◆ the Department of Cooperatives
- ◆ the National Board for Small Scale Industries
- ◆ the Association of Ghana Industries
- ◆ the Science and Technology Policy Research Institute
- ◆ Empretec Ghana Foundation

The purpose of these discussions was to obtain information from stakeholders on policies regarding SMFEs, their perception of the impact of SMFEs on livelihoods, the environment and revenue generation, and other stakeholder-specific information.

1.3 Data processing

Data analysis: the data collected were subjected to analysis using the Statistical Package for Social Scientists (SPSS), and deductions were made.

1.4 Expert panel workshop

A two-day expert panel workshop on SMFEs was organised to discuss the draft study findings and other issues relating to SMFEs in Ghana. It was attended by 58 participants and 18 media personnel. The participants consisted of SMFE proprietors, promoting organisations, relevant state agencies, non-governmental organisations (NGOs) and experts. The workshop provided an avenue for validating the study findings, generating new information on SMFEs in Ghana and discussing the way forward for the Forest Connect project in Ghana.

1.5 Structure of the report

This report has eight chapters. The introductory chapter, of which this section forms part, gives the general background, objectives and methodology of the study. The second chapter discusses the current situation of SMFEs in Ghana. Chapters three to six review the policies affecting SMFEs, market and finance issues, enterprise links/association and labour issues. Chapter seven contains a critical look at the threats to and opportunities for development of SMFEs in Ghana. The final chapter discusses the general conclusions of the study and makes some recommendations for the development of SMFEs in Ghana.

Current status of SMFEs

2.1 Overview of forest enterprises in Ghana

Forest enterprises are enterprises based on the forest, forest services or forest products. It is difficult to put these enterprises into distinct groups, but in general they fall into three broad categories: wood forest product (WFP) enterprises, non-wood forest product (NWFP) enterprises and enterprises based on forest services (FS).

Forest enterprises can also be categorised into formal and informal enterprises. Formal forest enterprises refer to those whose economic transactions are captured within the boundaries of state and formal economic structures. They are recognised by and deal directly with the Forestry Commission. Prominent among the formal forest enterprises is the timber industry, characterised by timber companies registered in accordance with the Timber Resource Management Act (Act 547). Act 547 requires that a timber company demonstrate sufficient financial, technical and infrastructural capacity to harvest and process timber efficiently. Informal forest enterprises on the other hand refer to those forest enterprises that operate outside the boundaries of state and formal economic structures. These include both subsistence and commercial scale enterprises in non-wood forest products, wood forest products and forest services. The Forest Connect project focuses on these informal forest enterprises.

2.2 Definition and scope of SMFEs in Ghana

Enterprises are normally categorised as small, medium or large based on their asset base, number of employees and turnover (Aryeetey, 2008). The actual categorisation however may be relative and sometimes very subjective or even arbitrary. In Ghana, the National Board for Small Scale Industry (NBSSI) defines small scale enterprises as those that employ up to 29 people and have a capital outlay of up to US\$ 100,000 (excluding land and buildings). The other categorisations are defined in Table 1.

Table 1. Categorisation of enterprises in Ghana

Category	No. of employees	Capital outlay, US\$	Remark
Micro	Up to 5	Up to 10,000	Excluding land and buildings
Small	6 to 29	Up to 100,000	
Medium	30 to 99	Above 100,000	
Large	Over 100	Not specified	

Source: National Board for Small Scale Industries.

By this categorisation, many of the enterprises studied fall into the micro and small enterprise groups. However for the sake of consistency, this report shall use the term 'small and medium forest enterprises' (SMFEs). SMFEs are defined as forest enterprises employing less than 30 people, characterised by low level capital, informally trained workers and the potential for value addition. They cover enterprise activities involving the production, processing,

manufacturing, transportation and trading of wood-based and non-wood forest products, and enterprises based on forest services. In this study, conventional logging companies and sawmills were not considered to be SMFEs.

SMFEs were found in each of the three broad categories of forest enterprises. Table 2 gives a list of SMFEs identified by the study under the three categories.

Table 2. SMFEs found in Ghana		
Wood forest products	Non-wood forest products	Forest services
Small scale carpentry Chainsaw operation Charcoal production and trade Canoe/wood carving and trade Household utility items (mortar and pestle) production and trade Lumber trade Fuel wood production and trade	Shea butter Cola Chewing stick and sponge Gum arabic/resins Spices (black and white pepper, prekese) Edible and wrapping leaves Essential oils Edible seeds Honey production Dyes Baskets/hats/mats Bamboo and rattan products Snails Mushrooms Medicinal products Bush meat trade Palm wine tapping	Ecotourism Plantation growers



Photo: Duncan Macqueen

Discussing the origin of logs for small sawmilling businesses

Table 3 presents a catalogue of some major products of SMFEs in Ghana identified by the study.

Table 3. Description of SMFE products	
Product name	Description
Wood forest products	
Carpentry	Purchase and processing of lumber into finished products.
Chainsaw operation	Sawing timber into lumber using a chainsaw and selling the lumber.
Charcoal	For household and industrial purposes – cooking, heating and drying.
Fuel wood	For household and industrial purposes – cooking, heating and drying.
Hoe and mattock	Farm implement for creating mounds and removing weeds.
Lazy chair and bed	Made from sticks and branches of young trees.
Lumber trade	This may include the purchase and re-processing of lumber (beams and boards) into the required dimensions for sale.
Pestle	Household implement used to pound 'fufu' and oil palm nuts.
Chewstick	The common commercial varieties include Nsokor (<i>Garcinia epunctata</i> and <i>G. afzelii</i>) and Tweapea (<i>G. kola</i>).
Wood carving	May include canoes, mortars and other woody artefacts for sale.
Non-wood forest products	
Akpeteshie	Distilled from the fermented sap of <i>Raphia</i> and oil palms.
Baobab (<i>Adansonia digitata</i>)	Fresh baobab leaves used for cooking.
Baskets	Made from straws, canes and <i>Raphia</i> for use by traders, households and for agricultural use.
Bush meat	Edible animal hunted, trapped or gathered and traded as fresh carcasses, or in processed (smoked) form. They include mammals, reptiles, birds, snails and crabs.
Calabash (<i>Lagenaria siceraria</i>)	Dried and carved hollow into a utensil for serving porridge, water and a locally brewed drink called pito. It is also used for making musical instruments.
Cane products	Climbing palms used for a variety of products such as cane furniture, fish traps and other household items. Unprocessed canes are also sold in bundles by the gatherers. The common commercially traded canes are Dammere (<i>Calamus deeratus</i>), Eye (<i>Lacosperma opacum</i>) and Mfia (<i>Erasmopatha spp.</i>).
Chewsponge	Very popular among the Gas, Ekuapems and Kwahus. The most common varieties include Asorma and Dokure (<i>Acacia kamerunensis</i>).
Cola (<i>Cola nitida</i>)	Dry and preserved cola seeds.
Dawadawa (<i>Parkia clappertoniana</i>)	Balls of processed dawadawa seeds are sold to consumers for soup preparation. The ground yellowish powder of dawadawa fruits is also sold to consumers.
Mats	Made from <i>Raphia</i> and/or cane and straw. They include sleeping mats and drying mats.

Medicinal products	Gathering and trading of products, traditional herbal medicine production and export of such medical products as voacanga and giffonia. Products include barks, seeds, fruits, leaves, roots, etc. that are used directly as medicine, additives to medicines and spices for food. Bark: nyamedua (<i>Alstonia boonei</i>), kokrodua (<i>Pericopsis elata</i>) Roots: kakapenpen (<i>Rauvolfia vomitoria</i>) Resin: ehye (<i>Guibourtia ehye</i>) Fruits and seeds: esro wisa (<i>Piper guineensis</i>), fam wisa (<i>Aframomum spp</i>), hwentia (<i>Xylopiya aethiopicay</i>)
Shea tree (<i>Vitellaria paradoxa</i>)	Dry shea nuts are collected and sold after eating the fleshy part of the fruits. Shea butter is extracted from shea nuts and used for several purposes.
Sponge	Made from several species of forest lianas for washing and cleaning. The most common species used include Bekye (<i>Cyphostemma spp</i>), Ahinsa (<i>Momordica angustisepala</i>) and Asoma (<i>Parkia bicolor</i>).
Wrapping leaves	Leaves used for wrapping fish, vegetables and cooked food sold at the market. They are used mainly for preserving cola nuts. The most common types include: Ntretrema – <i>Marantochloa spp</i> . Anwonomo – <i>Thaumatococcus danillii</i> , <i>Megaphrynium spp</i> . Suahahan – <i>Halopgea azurea</i>
Other forest foods	Fresh palm wine, 'prekese' fruits (<i>Tetrapleura tetraptera</i>), snails, mushrooms, honey, etc.



Photo: Tropenbos International Ghana

Carved canoes on a truck

The WFP category could be extended to include timber companies in Ghana as most of them employ less than 30 people. However, since the focus of the Forest Connect project is on informal forest enterprises, the study was limited to the enterprises listed in Table 3.

Enterprises in the WFP category face several major challenges. The decline in wood stocks and difficulty in accessing what is available affects many proprietors. Wood carvers in the Ashanti Region of Ghana for instance now travel longer distances to access wood and are also beginning to use non-traditional wood species (Osei, 2009). Another major concern is their lack of secure and legal access to wood. The majority of WFP enterprises depend on illegal sources (e.g. chainsaw-milled lumber) for their raw material supply (Nketiah, 2005). Although there is a legislative provision for formal sawmills to supply the domestic wood market with 20% of their lumber production, many refuse to comply, preferring to sell all their wood products on the more profitable export market. The public perception that enterprises like chainsaw milling and charcoal/fuel wood production are major contributors to forest destruction in Ghana also poses a problem for WFP enterprises. Actors in WFP enterprises believe they are playing a vital role in the nation's economy, yet because they are seen as environmentally destructive, they believe their positive contributions are going unrecognised and their interests overlooked. Canoe carvers for instance said their need for large 'Wawa' trees has not been considered or protected in timber yield allocations. Interviewees claimed they were prepared to play their part in ensuring sustainability of the nation's forests if the nation were to give them due recognition and the opportunity to play their part.¹

The NWFP category engages the greatest number of people in the SMFE sub sector. These enterprises are mostly run by individuals and currently export products like cola, honey, spices, crafts, snails, wild animals and medicinal products. The main actors are producers (those who collect/harvest and process the raw materials for sale), traders (merchants, wholesalers and retailers) and users/consumers. A substantial number of rural households engage in the collection of one or more NWFPs, either on a commercial or subsistence basis (Falconer, 1992). Research shows that NWFPs can contribute up to 95% of a household's annual income and provide a safety net when other livelihood activities fail to provide income (Owusu-Ansah, 2008). NWFPs also represent one of the few income opportunities for women in rural communities, mostly through the collection and processing of the products.

Challenges for enterprises in this category include poor organisation and a lack of clear policies regarding access, utilisation and commercialisation of products. This has led to non-compliance by product collectors who believe they have customary tenure rights over the forest. These tenure rights, as well as ineffective permit systems, destructive harvesting practices, overexploitation, and a lack of appropriate measures to ensure cultivation and/or regeneration have all led to the rapid depletion of the resource base. As a result, product exporters are unable to gather enough product of the desired quality to meet the demands of the export market. Proprietors and actors need to harness local marketing opportunities and develop medium to long term measures to produce large quantities of sufficient quality. This will require cultivation/domestication, which field studies have shown to be possible for most products. While enterprises that deal in honey production, snail production, grasscutter (cane rat) rearing and production of spices have expanded over the years as a result of an increase in

1. These views were expressed at the Expert Panel Workshop on SMFEs in Ghana.

training and assistance, enterprises such as rattan processing and game hunting are declining due to the overexploitation of wild sources. Given the necessary attention, enterprises in this category could offer bright prospects for rural poverty alleviation and improved livelihoods, as they serve as an important vehicle for the economic empowerment of women and the socially-disadvantaged (Aryeetey, 2008).

The forest services category consists mainly of ecotourism and plantation establishment. Forest reserve maintenance involving local communities under contract arrangements with the Forest Services Division (FSD) also fall in this category. When completed, the Clean Development and Reducing Emissions from Deforestation and Degradation (REDD) initiatives will offer opportunities for forest enterprises to establish and maintain forest stands for ecosystem services (carbon sequestration and conservation), for which payment will be made.



Rearing giant snails for local consumption and sale

Box 1. Kakum National Park: case study of ecotourism in Ghana

Kakum National Park in the Central Region remains a focus of Ghana's ecotourism programme. Forest elephants, seven species of primate and high antelope and bird diversity provide tremendous potential for ecotourism. The Kakum canopy walkway, perched 30 metres above the ground, gives a unique bird's eye view of the rainforest and is the first of its kind in Africa.

The canopy walkway opened in 1995, and acts as a site for tourism and scientific research, as well as a source of revenue for conservation activities. The number of visitors increased from 20,000 in 1995 to 59,000 in 1998, while revenue from the walkway rose from US\$ 10,000 to US\$ 108,000 for the same period. A portion of the revenue from park admission fees reverts to the Ghana Wildlife Department, part of the Forestry Commission, which manages the park. The remainder accrues to the newly created Ghana Heritage Conservation Trust, a local NGO that will use the funds to support continued operation of the walkway, conservation activities and sustainable development projects in the communities around Kakum.



Photo: Tropenbos International Ghana

Source: Ghana Forestry commission – Wildlife Division, pers com.

Ecotourism is expected to earn US\$ 1.6 billion in annual revenue generation by 2010, and tourism will likely become the number one foreign exchange earner in the national economy in the foreseeable future. Table 4 gives a list of frequently visited ecotourism sites in Ghana.

2.3 Registration of SMFEs

Currently, most SMFEs in Ghana exist as isolated activities undertaken by individuals and households. They could thus be registered as sole proprietorship businesses by the Registrar General's Department (RGD), the body that registers all enterprises in Ghana.

However, with few associated incentives, business registration and renewal are unpopular among small to medium businesses in Ghana. The situation is even worse in the SMFE sub-sector. Of the approximately 3,106 businesses registered with the RGD between January and April 2009, only about 2% could be classified as up to medium scale forestry/agriculture enterprises. Similarly, only about 8% of the 1,196 registered members of the Association of Ghana Industries could be classified as forest enterprises, and the majority of these are logging companies or sawmills, veneer and plywood producers and firms producing furniture parts and other wood products for export. SMFE proprietors perceive the business registration process to be bureaucratic and an additional burden in terms of cost and tax obligations (see Table 5), without any tangible benefits.

Table 4. Frequently visited ecotourism sites, their special attractions and location in Ghana

Ecotourism site	Special attractions/products	Region
Amedzofe	Gbadzeme waterfall, Gemi mountain, hiking	Volta
Liate Wote	Afadzato mountain, Tagbo waterfall, hiking through the forest	Volta
Tafi-Atome Monkey Sanctuary	Sacred Mona monkeys	Volta
Xavi	Bird watching and canoeing	Volta
Boabeng-Fiema Monkey Sanctuary	Mona monkeys, Black and White Colobus monkeys	Brong-Ahafo
Tano Boase Sacred Grove	Hiking through towering rock formations in a semi-deciduous forest	Brong-Ahafo
Tongo Hills	Natural caves in a landscape of granite rock formations	Upper East
Paga Crocodile pond	Crocodiles	Upper East
Wechiau Hippo Sanctuary	Watching hippo populations from a canoe on the Black Volta river, bird watching, mountain biking, night on a platform built at the top of a silk cotton tree	Upper West
Bobiri Forest and Butterfly Sanctuary	Butterfly sanctuary with over 500 species, Anurans (frogs), arboretum	Ashanti
Bomfobiri	Unique vegetation of transition zone, waterfall	Ashanti
Bunso Arboretum	Plant genetic resource in the extensive variety of plants, trees and herbs, more than 100 species of birds and a butterfly sanctuary	Eastern
Domama Rock shrine	Cave, bats	Central
Ankasa	Biodiversity, 43 mammal species, 10 primates species	Western
Bia	Elephants, chimpanzees	Western
Bui	Pigmy hippos, canoeing, hydro-electric power station	Brong-Ahafo
Kakum	Canopy walkway, varied wildlife with some 40 species of large mammals, 400 species of butterflies	Central
Mole	Wildlife, savannah vegetation, over 90 mammal species, 4 primate species and 300 bird species	Northern
Kalakpa	Animal viewing, hiking, mountain trails	Volta
Shai Hills	Monkeys, coastal savannah vegetation	Greater Accra
Nzulenzu	Unique wetland ecosystem, stilt village	Western

Source: Ghana Tourist Board, 2006.

Table 5. Basic costs and fees for business registration at the RGD office

Type of fee	Cost
Application forms	GH¢ 6.5 (US\$ 8.00)
Stamp duty	0.5% of stated/paid-up capital
Filing fees	GH¢ 10.0 (US\$ 12.00)
Incorporation fees	GH¢ 56.0 (US\$ 64.00)
Auditors' fees	Varied

Source: Ghana Investment Promotion Council, 2008.

2.4 Raw material sources and consumption

The different types of ownership/custodianship of land in Ghana are depicted in Table 6.

Table 6. Land ownership/entitlement in Ghana

Land category	Ownership	Area (1,000 km ²)	Percent (%)
Forest reserve	Stools and Skins	26	11
Wildlife reserves	State	12	5
Off reserve forest	Communities	5	2
Tree crops	Communities	17	7
Annual crops	Communities	12	5
Bush fallow and others	Communities	60	25
Savanna woodland	Stools/Skins/Community	71	30
Unimproved pasture	Communities	36	15
Total		239	100

Source: Ministry of Lands and Forestry, 1999.

In the majority of cases, SMFE actors collect their raw materials from areas outside of the reserved areas (i.e. from farms and fallow lands). Proprietors operating on a commercial scale also obtain their raw materials from reserved forests using permits issued by the FSD. The decreasing availability of raw materials to SMFEs constitutes one of the main problems in the sub-sector. This decline is due to competition among proprietors and lack of effective regulation, leading to harvesting of products beyond sustainable levels. Proprietors indicated that the clearance of forests for agriculture, wildfire damage and changing climatic conditions are also reasons for the decline in raw material availability.

2.5 Seasonality of products/enterprises

The activities of many proprietors are seasonal. This is the case for products such as snails, honey, mushrooms, wrapping leaves, bush meat, baskets, mats, fuel wood, charcoal, carpentry and *Raphia* thatch production. Factors influencing this seasonality include fluctuations in demand, raw material availability/accessibility and labour availability. Agriculture affects the seasonal availability of labour, particularly in the northern part of the country for such activities as fuel wood collection and charcoal production. Engagement in some enterprises is influenced by more than one factor. Table 7 summarises information on the seasonality of SMFEs.

Table 7. Reasons for marked seasonality of some selected SMFEs in Ghana

Product/enterprise	Season (period)	Reason for seasonality
Lumber	All year round	Regular supply of illegal chainsaw lumber on the domestic market slightly affected by rainfall
Baskets/mats	Aug – Dec	High demand during the cocoa harvesting season
Bush meat	Jan – Mar, June – Aug	Availability and access to wild fauna; the Forestry Commission places a ban on bush meat hunting between Aug and Dec (breeding season) every year
Carpentry	Sep – Dec	High demand from schools around this time due to commencement of new academic year
Charcoal/fuel wood	Sep – Mar	Labour availability and also raw material availability through land clearing for farming purposes
Dawadawa	Mar – Apr	Availability of raw material and labour
Honey	Feb – Apr	High production of honey at the end of long dry season
Mushrooms	March, April	Availability of mushrooms after the early rains
<i>Raphia</i> thatch	May – July	High demand to fortify roofs against storms and rains
Snails	May – Sep	Availability of snails during the rainy season
Sponge/chew-sponge	Nov – Feb	Availability of labour, as considered activity of “last resort” (Townson, 1995)

2.6 Links among SMFEs

Enterprises within the informal forest and wood use sector exhibit a complex interconnection between each other and with the formal sector. For instance, there are arrangements between some informal charcoal producers and formal sawmills for the charcoal producers to purchase off-cuts, slabs and other wood residues for charcoal production. The formal wood production sector offloads low grade lumber that does not meet export requirements to the local informal lumber market for further processing and/or sale. Moreover, due to unreliable supply from the formal sector, formal tertiary wood processing companies acquire chainsaw lumber from the informal sector.

Within the informal sector, there is a common ground market place where collectors of raw materials, manufacturers of finished products, merchants, retailers and consumers meet on specific days of the week to transact. Due to transportation difficulties, merchants (middlemen/women) often travel to villages to buy forest products from rural collectors or producers at cheaper prices and convey them to the market centres to sell to consumers, retailers, wholesalers and processors.



Photo: Duncan Macqueen

Medium size sawmill in Kumasi, Ghana

2.7 Some estimates of SMFEs in Ghana

Tables 8 and 9 provide estimates of numbers of wood, non-wood and forest service SMFEs respectively. A conservative estimate suggests that SMFEs provide direct employment for about three million people in Ghana (breakdown provided in Tables 8 and 9). Table 10 provides some estimates of annual export earnings from NWFPs for 2006 and 2007. It must be noted that some of the estimates (like the turnover for bush meat and fuel wood) are potential/costed figures and not realised revenues.

Table 8. Indicative estimates of numbers of some wood and non-wood SMFEs in Ghana and their turnover

Stakeholders	Numbers of organisations/people and annual turnover or other key value derived from forests
Wood SMFEs	
Independent (non-integrated) loggers – small scale loggers without sawmills	About 503 companies in the Ghana Timber Association with a turnover of US\$ 32 million.
Chainsaw operators – gangs of machine operators and their assistants	About 17,000 chainsaw milling crews, each with an average of 6 people in the logging operations.
Trade hands and porters – porters who carry chainsaw lumber, truck loaders, truck owners/drivers and assistants	About 264,000 people involved in the chainsaw-milled lumber haulage sector.
Informal sector timber wholesalers and retailers	About 21,000 people involved in re-sawing chainsaw-milled lumber. About 1,300 chainsaw lumber brokers each engaging about 3 people. Total turnover is about US\$ 58 million.
Small scale tertiary operations and artisans – furniture, windows and doors, carpenters, wood carvers, canoe carvers, handicrafts	About 30,000 small scale carpenter firms (41,000 members in the Woodworkers Association of Ghana) employing about 200,000 people. About 5000 woodcarvers and 1500 canoe carvers.
Fuel wood and charcoal production	An estimated 16 million m ³ of wood valued at approximately US\$ 200 million is consumed in various forms as energy per annum. This accounts for more than 75% of all energy consumed in Ghana. In rural communities, wood fuel makes up more than 95% of energy consumption. It is also estimated that the total traditional fuel collected from the forests for domestic use amounts to 2.2% of the gross domestic product (GDP) (Agyeman <i>et al.</i> , 2004).
Non-wood SMFEs	
Herbal medicine	The value of plants and animal products from the forest used in traditional medicine and cultural practices are estimated at US\$ 13 million (Ankudey, 2002).
Shea nut	Over 600,000 women in Northern Ghana collect about 130,000 metric tonnes of nuts yearly, about 40% of which is exported. This contributes about US\$ 30 million annually to the national economy (Bakaweri, 2009). ²
Live animal and plant product exports	21 recognised wild animal exporters and 30 wild plant product exporters; each exporter uses an average of 10 collectors. Total estimated annual national turnover of wild product export for 1997 and 2003 were US\$ 12.9 million and US\$ 18 million respectively.
Bush meat: hunters, traditional chop bar operators (food vendors)	300,000 hunters at the local community level producing between 220,000 and 380,000 tonnes of bush meat valued at between US\$ 210 million and US\$ 350 million for domestic consumption annually (Ankudey, 2002).

Source: Mayers *et al.*, 2008.

2. Mr. Chris Bakaweri, the Upper West Portfolio Coordinator of the Shea nut producers association made this known at an association forum in Wa, Upper West Region in July 2009 (July 14, 2009 Edition of the Daily Graphic).



Beehives owned by local honey entrepreneurs in forest areas to supplement rural income

Table 9. Indicative figures on some forest service SMFEs in Ghana

<p>Forest plantation development</p>	<p>The Community Forestry Management Project (CFMP) employs about 2,500 beneficiary farmers at the local community level. The total planting target for the project period (2005-2009) is 7500 ha. A total of 6,165 ha of on-reserve plantations, and 262 ha out of a projected 1,500 ha off-reserve plantations have been developed (MLFM, 2007). Ghana National Plantation project, which started in 2002, has employed over 20,000 beneficiary farmers at the community level. The projected planting target is 20,000 ha per annum. The private sector has an estimated 29,200 ha of plantations comprising 8,000 ha from individuals and tree grower associations and 21,200 ha from industry (Agyeman <i>et al.</i>, 2004).</p>
<p>Community Resource Management Areas (CREMA)</p>	<p>A total of 164 professionals have been trained in the establishment and management of CREMAs including 68 wildlife officers, 60 forest officers and 36 NGO personnel throughout Ghana (Living Earth, 2006). Currently there are 3 certified CREMAs and about 15 more are at various stages of the certification process.</p>

Source: Mayers *et al.*, 2008.

Table 10. Annual export earnings from non-wood forest products for 2006 and 2007

Product	2006		2007	
	Weight (kg)	Value (US\$)	Weight (kg)	Value (US\$)
Oil, seeds and nuts				
Shea nuts	104,757,253	27,248,779	57,165,806	27,008,556
Cashew nuts	34,961,878	11,975,289	23,616,401	10,779,329
Cotton seeds	5,367,028	3,212,053	5,337,229	3,009,694
Oil seeds	7,615,150	2,899,898	786,021	401,128
Cola nuts	944,447	140,564	6,753,184	1,295,744
Nuts	411,232	49,403	40,978	38,318
Medicinal plants and parts	2,041,133	2,080,704	4,916,142	4,066,879
Sub-total	156,098,121	47,606,690	98,615,761	46,599,648
Spices				
Spice mixtures	185,088	280,841	261,787	326,403
Pepper (ground)	55,159	44,584	50,275	83,059
Sub-total	240,247	325,425	312,062	409,462
Dairy products (raw)				
Natural honey (considered as a dairy product in Ghana)	1,233	573	1,372	483
Sub-total	1,233	573	1,372	483
Wood products				
Items of wood	13,253,203	6,440,617	16,901,973	6,382,086
Wood charcoal/waste	11,313,190	2,835,445	22,975,868	5,249,889
Wooden boxes/cases	39,563	103,360	112,416	144,343
Sub-total	24,605,956	9,379,422	39,990,257	11,776,318
Game and wildlife				
Live animals	1,676,174	868,939	844,822	194,703
Snails	8,811	12,187	6,426	9,348
Sub-total	1,684,985	881,126	851,248	204,051
Handicrafts				
Statuettes	924,540	3,136,799	883,444	1,304,983
Baskets	35,692	51,845	39,419	123,161
Mats	-	-	14,083	66,768
Bamboo/cane furniture	59,157	20,492	49,562	17,268
Handicraft items	2,057	8,064	10,789	23,222
Straw products	1,078	398	28,940	5,638
Traditional musical instruments	235,190	378,076	122,694	186,173
Bamboo	-	-	24,059	12,753
Rattan	-	-	3,333	969
Sculpture	228,119	604,624	-	-
Sub-total	1,485,833	4,200,298	1,176,323	1,740,935
Essential oils				
Essential oils	17,942	17,851	4,211	3,137
Dye extracts	11,083	584,879	3,484	7,981
Nuts and seeds prepared	14,314	9,942	988	2,172
Twine, cordage, rope	96,070	74,940	549,090	108,480
Miscellaneous products	1,148,432	250,677	488,183	78,601
Sub-total	1,287,841	938,289	1,045,956	200,371
Grand total	185,404,216	63,331,823	141,992,979	60,931,268

Governance issues

3.1 Forest policies and institutions

The mandate for forest governance in Ghana is vested in the Ministry of Lands and Natural Resources, which is responsible for policy formulation and coordination of sectoral programmes such that they contribute to the attainment of national goals. These programmes are carried out by the semi-autonomous Forestry Commission. The Forestry Commission was created outside the civil service to replace the previous Forestry Department, Wildlife Department, Forest Product Inspection Bureau and the Timber Export Development Board in 1999 through the Forestry Commission Act No. 571/99. This institutional change arose from the Structural Adjustment Programme.

The Forestry Commission of Ghana is responsible for the management of forest and wildlife resources, which includes the conservation, sustainable management and utilisation of those resources and the coordination of policies related to them. It encompasses the various public bodies and agencies that were individually implementing measures to protect, manage and regulate forest and wildlife resources. It has five divisions: Forest Services Division (FSD), Wildlife Division (WD), Timber Industry Development Division (TIDD), the Wood Industry Training Centre (WITC) and the Resource Management Support Centre (RMSC).

Ghana's ongoing strategy to address the challenges of natural resource management is largely embodied in the National Environmental Action Plan (1990-2000), Forest and Wildlife Policy (1994), Forestry Development Master Plan (1996-2000), National Land Policy (1999), Science and Technology Policy (2000), Action Plan for Science and Technology Management and the Ghana Poverty Reduction Strategy (GPRS).

The Forest and Wildlife Policy (1994) provides a basis from which to develop a national forest estate and timber industry able to supply the full range of benefits required by society in a manner that is ecologically sustainable and conserves the country's environmental and cultural heritage. It has the following key objectives:

- ◆ management and enhancement of Ghana's permanent estate of forest and wildlife resources;
- ◆ promotion of viable and efficient forest-based industries, particularly in secondary and tertiary processing;
- ◆ promotion of public awareness and involvement of rural people in forestry and wildlife conservation;
- ◆ promotion of research-based and technology-led forestry and wildlife management, utilisation and development;
- ◆ development of effective capability at national, regional and district levels for sustainable management of forest and wildlife resources.

The Timber Resources Management Act of 1997 (Act 547) aimed to consolidate and replace all existing forestry legislation and introduced an innovative instrument for acquiring timber rights, namely the Timber Utilisation Contract (TUC) (FAO, 2004). Act 547 requires that TUCs are awarded through competitive bidding and that contract holders enter into a Social Responsibility Agreement (SRA) with the communities in their contract areas. Only a registered corporate entity, demonstrating enough financial and technical ability to efficiently process timber, and with a professional forester as its forest operations manager, can apply for a TUC. This makes it difficult, if not impossible, for any SMFE to acquire a TUC. However, the non-compliance by the formal sector to supply the stipulated 20% of lumber production to the domestic lumber market has resulted in a shortfall in lumber supply to the domestic market. This is being met by informal small to medium forest enterprises in the form of illegal chainsaw milling. A ban was placed on chainsaw lumber production in 1998, but lack of participation in the enactment of the ban has resulted in chainsaw milling remaining the main source of lumber for the domestic market. The annual revenue loss to the state through non-registration and non-payment of permit fees and taxes amounts to millions of dollars. Consequently, a task force has been set up to stop illegal chainsaw operations. This takes a major portion of the Forestry Commission's budget and has been a source of conflict and corruption in the sector.

The small and medium enterprise (SME) sector in Ghana generally lacks defined policies. Two policy documents on SMEs that are currently at the draft stage are:

- ◆ a draft policy paper on Micro and Small Enterprise development, being developed by the National Board for Small Scale Industries (NBSSI);
- ◆ an SME Charter being developed by the Association of Ghana Industries (AGI).

The very slow pace at which these two documents are being drafted constitutes an obstacle to development of the country's SME sector. The sector needs clear and coherent policy guidelines and necessary government support before it can begin to create jobs and revenue.

There are ongoing international initiatives that have implications for the Forest Connect project, such as the Voluntary Partnership Agreement (VPA) and the REDD initiative. Efforts must be made to utilise the opportunities offered by these initiatives and to deal with the challenges presented by them. For instance, the VPA, when completed, will require that Ghanaian lumber products bound for the EU lumber market come from legal sources. Furthermore, to achieve the objective of sustainable forestry in partner countries, the VPA will encourage partner countries to ensure that lumber supply to the domestic market also comes from legal sources (Elson, 2008). The implication is that stringent implementation of VPA requirements in Ghana will put an SMFE like chainsaw lumber production out of business. This would also be the fate of local wood processing enterprises that depend on chainsaw-milled lumber and many other unregistered SMFEs that operate outside of the prescribed procedures. These potential negative impacts of the VPA on SMFEs could be avoided if 'legality' is defined in such a way that it encompasses the concerns of SMFEs. This may require a review of some of the current forest policies and legislation. Isolated SMFEs may also need to be organised into associations so that they can be assisted to register their enterprises and conduct their operations in a legal and sustainable manner.

3.2 Land policy

In 1999, the Ministry of Lands, Forestry and Mines (now Ministry of Lands and Natural Resources) developed the Ghana Land Policy which seeks to address some of the fundamental problems of land administration in the country. The problems include insecurity of land tenure, indeterminate boundaries for land owning groups, which creates conflicts and litigation, multiple sales of the same piece of land, and weak capacity and fragmentation of existing land agencies. The document includes important sections covering wetlands, national parks and reserves.

There are some informal arrangements that operate outside the control of the state. For instance, a migrant farmer may rent a piece of land for a period of time, but not have rights to use the trees on the land. If he wishes to use the trees, for example for charcoal production, he has to buy them from the landowner. If the farmer cannot pay for the cost of the wood upfront, it is common practice for the proprietor and the land owner to come to an arrangement where they share the profits according to an agreed ratio. This occurs for both WFPs and NWFPs on farms and fallow lands. It must be noted that though these informal arrangements for access to trees on-farm exist in the country, all naturally regenerated trees are by law vested in the state. As such, their management and control is the sole responsibility of the Forestry Commission.

3.3 Land tenure and permit system

Extractive enterprises like those in the forest sector need secured resource rights and investment incentives to flourish. These are available in the formal forest sub-sector in the form of clear policy guidelines on resource allocation and provisions for resolving disputes. There is even a state liaison provision by which the state (the Forestry Commission) can intervene legally on behalf of registered timber companies. These provisions are non-existent for the SMFE sub-sector. Legal access to both timber and non-timber forest products (NTFPs) is difficult for SMFEs due to an absence of clear policy guidelines (Kyeretwie, 2009).

Two categories of NTFP exploiters are recognised in the country. These are:

- ◆ people who collect, gather or exploit NTFPs for domestic use. These people have communal/customary rights, which include the right to use products for meeting subsistence needs, with a Native Authority permit issued by a forest officer. These exploiters do not have to pay any fee for the products they exploit;
- ◆ people who collect products for commercial use, such as those who sell the raw materials to consumers or processing enterprises as well as those who collect and process the products themselves. Where products are collected from reserved forest areas, permits are issued by the Forestry Commission. The amount of permit fee paid depends on the type, quality and quantity of products to be harvested. Permits are not monitored effectively, which has led to unregulated harvesting and depletion of NTFPs in many areas. Where NTFPs are collected from off-reserve areas, permission is obtained from chiefs who are the custodians of these areas. A fee which varies from place to place and/or a bottle of gin is often paid to the chiefs where the product exploiters are non-natives. Natives do not pay any charges (adapted from Oteng-Amoako *et al.*, 2002).

3.4 Environmental policies

The Environmental Protection Agency (EPA) is mandated under the EPA Act 1994 (Act 490) to promote environmentally sound and sustainable development in the country and to ensure that planning and execution of all development activities comply with EPA requirements. The EPA is responsible for involving the public and other relevant actors in the review of development activities in a number of ways. Environmental Impact Assessments (EIAs), established in 1995, provide an avenue for the public to assess and review proposed undertakings, and ensure that the concerns and needs of any affected populations are addressed. Projects are required to put together an Environmental Impact Statement (EIS), and the EPA invites comments from interested and affected parties by publishing 21-day public notices of an EIS in newspapers. Where strong public concerns are raised over an undertaking or where the potential impacts are extensive and far reaching, the EIA procedures provide for a public hearing to be conducted as part of the review of the project's EIS.

Due to the informal and mostly unorganised nature of SMFEs in Ghana, SMFE activities are not subject to EIA procedures.

3.5 Trade policies

Ghana operates in a free market environment under a popularly elected civilian government. Since 1983, Ghana has pursued an economic reform agenda aimed at reducing government involvement in the economy and encouraging private sector-led development. This has made Ghana one of the best examples of an open-market economy in the sub-region. However, this situation is having a stifling effect on SMEs. Due to public preference for imported goods, locally-made products are unable to compete with imported alternatives. Although Ghanaians seem aware that some imported products, especially those from China, are of inferior quality – only 14% of respondents perceived imported products to be of a higher quality than locally-made ones (AGI, 2008) – they still prefer to buy imported goods because they look better and cost less. Some industries like the textile industry have suffered massively from trade liberalisation, for example there are now cheaper imported versions of traditional prints such as 'kente' cloth available on the market. In the SMFE sub-sector artefacts made locally from bamboo, rattan and wood compete with similar imported products.

Finance and market issues

4.1 General prospects of SMFEs in Ghana

The formal forest industry sub-sector, which produces timber and other wood products, has been the main source of forest sector revenues. However, with the decline in the country's timber stocks, a corresponding decline of the timber industry and forest sector revenues is inevitable. However, the neglected informal sub-sector, made up of SMFEs, has the potential to play a crucial role in forest sector revenue generation, improvement in local livelihoods and maintaining the sustainability of forest resources. This is because SMFEs tend to accrue wealth locally, empower local entrepreneurship and seek local approval to operate. It is therefore imperative that the informal sub-sector is strengthened, streamlined and increasingly formalised such that it can unlock its potential and fill the gaps being created by a shrinking timber products industry.

Generally, SMFEs in Ghana offer opportunities for:

- ◆ **Commercialisation:** experiments and research have shown that many products collected from the wild can be cultivated on a commercial scale to meet demand from consumers and processing enterprises (Owusu-Ansah, 2008). Bee keeping, snail rearing, mushroom cultivation and grasscutter rearing have received reasonably high patronage after research revealed that they could be domesticated and commercialised. Cola and black/white pepper have the potential to assume an economic status on the international market comparable to cocoa.
- ◆ **Value addition:** most SMFE products can be further processed and finished into products of higher value. The current processing methods for many products are crude, calling for improvements in processing technology. Another area that could increase customer satisfaction and add value is product packaging and labelling. The following are processed SMFE products available on the Ghanaian market:
 - ◆ Shea nuts (*Vitellaria paradoxa*) – shea butter/oil for cooking and cosmetic products
 - ◆ Prekese (*Tetraplural tetraptera*) – prekese tea bags, syrup as medicine and spices
 - ◆ Dawadawa (*Parkia clappertoniana*) – dawadawa spices

4.2 Finance – cash flow, access to credit and bank finance

Financing of SMFEs is a key challenge facing the sub-sector (Obirih-Opareh and Essegbey, 2006). Start up capital for SMFEs normally comes from the proprietor's own savings or from family members, money lenders and sometimes from government or donor-funded projects. On the whole, these informal financial sources have a low capital base and thus insufficient funds to give to SMFEs. In the case of money lenders, their interest rates are far above what is appropriate for SMFEs. Banks are often unwilling to lend funds to SMFEs due to their perceived lack of sustainability and low repayment of loans. In addition, banks are unable to assess the loan-worthiness of SMFEs due to a lack of records on SMFE activities, and the majority of proprietors do not have acceptable collaterals (Adu, 2009). To avoid the risk of business collapse and defaulting on loan repayments, SMFE proprietors should start their enterprises

on a small scale using self-generated funds, and build up experience before attempting to access loans or microcredit of any kind.

Access to loans is often facilitated when SMFE proprietors apply as a well organised group. Such a group/association should have an executive body, written constitution, bank accounts and records of association activities. For example, the Brotherhood Rattan and Cane Works Association in Accra has been able to secure a loan from a rural bank.



Photo: Duncan Macqueen

Rearing grasscutters for sale

4.3 Insurance

There are several insurance companies in Ghana offering numerous products and services to the general public. However, due to the question of sustainability of SMFEs, there is limited scope, if any at all, for the proprietors in the sector to get their enterprises insured. Out of necessity, most of the enterprises have formed associations where monthly dues are collected so that in case of any disaster or emergency, the association can help its members.

4.4 Business and marketing support programmes

There are a number of institutions and programmes offering support services to small to medium enterprises in Ghana.

The National Board for Small Scale Industries (NBSSI) is the apex organisation set up by the Ghanaian Government to promote and develop the small scale industrial sector. The NBSSI was established by an Act of Parliament (Act 434, 1981) and is governed by a board of directors. The Government makes nominations to the board, headed by an executive director who sees to the day-to-day running of the organisation. The NBSSI is funded mainly by the Government. Act 434 recognises the contribution that SMEs can make to the economic development of Ghana, and gives the NBSSI the specific function to promote and develop such enterprises. The board however lacks the necessary funds to achieve its aims. Workers are poorly remunerated, leading to low morale among staff. The NBSSI collaborates with and receives support from the Friedrich Ebert Foundation, the German Development Services, the GRATIS (Ghana Regional Appropriate Technology Industrial Service) Foundation, the World Bank, the International Labour Organization (ILO) and the United Nations Development Programme (UNDP) (Adu-Amankwah, 2006).

The Rural Enterprise Project (REP), implemented by the Business Advisory Centre (BAC) of the NBSSI, forms a key component of the Government's development programme to reduce poverty in rural areas. The project rationale is to provide rural poor families with productive assets and enable them to contribute towards accelerated national economic growth. Project services include training in employable skills for small business creation, apprenticeship training, technology transfer and rural financial services including savings mobilisation and credit delivery. Other activities include providing support to local trade associations, engaging in inter-sectoral policy dialogue and building partnerships to promote SMEs. Proprietors of SMEs must register their enterprises with the various District Assemblies to access these support services.

GRATIS was established as a project in 1987 by the Government of Ghana under the Ministry of Environment, Science and Technology to promote small-scale industrialisation and provide employment opportunities, improve incomes and enhance the development of Ghana. GRATIS disseminates appropriate technologies by developing and demonstrating marketable products and processes for SMEs. It operates through a network of Intermediate Technology Transfer Units (ITTU) established in the ten regions of Ghana. The project is funded by the Government of Ghana, which provides buildings for GRATIS and the ITTU in the ten regions. The Government also pays employees and bears all administrative costs. GRATIS provides training and technical assistance to artisans in metal machining, foundry works, welding and fabrication, basket-weaving and batik tie-and-dye. GRATIS collaborates with the European Union (EU), the Canadian International Development Agency (CIDA) and TECHNOSERVE who provide equipment, computers and other logistics support (Adu-Amankwah, 2006).

The Centre for Biodiversity Utilisation and Development (CBUD) has helped build capacity in SMFE start-up and development. Bee keeping, mushroom cultivation, grasscutter rearing and snail rearing are some of the enterprises being promoted by CBUD.

The AGI, a non-profit organisation registered in 1958 with a membership of about 1,200 enterprises, is recognised as a leading voice of the private sector in Ghana. A good proportion of its members are SMEs, including wood processing enterprises, herbal medicine enterprises and agribusinesses. The association provides services for its members in the form of:

- ◆ business information and market research
- ◆ policy forums and workshops
- ◆ technical and management training
- ◆ business networking events
- ◆ trade promotions
- ◆ industrial exhibitions
- ◆ financing packages

[Source: AGI Leaflet, www.agighana.org]

The Department of Cooperatives, under the Ministry of Manpower and Social Welfare, facilitates the formation of cooperatives and provides training and arbitration services for registered members. About 60% of the registered cooperatives are agribusinesses.



Photo: Duncan Macqueen

Small carpentry workshop producing beehives for local honey entrepreneurs

Empretec Ghana Foundation offers support services for SMEs in the form of entrepreneurial training, microfinancing and consultancy services.

The Business Sector Advocacy Challenge Fund (BUSAC) aims at enabling the private sector, including business membership organisations, trade unions and the media, to influence public policy by undertaking appropriate research, developing evidence based policy positions and advocating those positions with government and other private sector institutions. BUSAC was originally launched by the Danish Ministry of Foreign Affairs (DANIDA) as part of broader support to the business sector, but it now attracts support from DFID and USAID. The fund is accessible through a competitive, demand-driven mechanism and transparent selection of the best advocacy actions proposed by associations within the private sector. BUSAC finances, through grants, up to 90% of the cost of the advocacy actions that are selected in each 'Call for Application' [www.busac.org/mainsite/abtBUSAC/index.php].

In addition to all these institutions and programmes, several NGOs in Ghana provide support to SMFEs in terms of technology transfer, capacity building, financial and material resources, research, dialogue, community mobilisation, consultancy and advocacy.

With respect to marketing support, market information is very limited, and the few business advisory centres in the country receive very little patronage.

Enterprise links and associations

5.1 SMFE associations in Ghana

A number of associations of SMFE proprietors exist in Ghana, ranging from informal/local community groups to producer associations to semi-formal cooperative groups. The reasons for the formation of associations vary for the various categories of enterprises but the basic reasons are to secure access to resources through negotiations with resource owners/managers and to enhance profitability and sustainability of enterprises by determining and regulating prices and market value (see Boxes 2-4).

Box 2. National Black Pepper Farmers Association

The National Black Pepper Farmers Association was established with the help of an agricultural extension officer in 1995 to promote the cultivation of black pepper. While black pepper was once collected from the wild, destructive harvesting practices and indiscriminate logging had depleted these sources. The purpose of the association is to establish large scale plantations and to aggregate large volumes of black pepper to meet local and export demand. The association has a membership of 502 registered farmers with a well-structured executive body. However, the association has recently become inactive due to the challenges of tenure insecurity, inadequate market information and price control, and low level of promotion and use of black/white pepper by Ghanaians. The members hope to receive support to help realise their vision and for the association to receive recognition nationally and internationally.

Source: interview with national president of the association, 2008.

Box 3. Aprozumasi Women's Group

Aprozumasi Women's Group harvests and processes forest lianas into chew and washing sponges. The association was formed for the purpose of negotiating with the Forest Administration and acquiring the right to manage and sustainably exploit the portion of the forest where these lianas grow. The association was successful in securing access to the resource. There were approximately 50 members comprising producers who harvest and process the lianas into the finished product and local merchants who buy the sponges and transport them to the urban market centre for sale. With the depletion of the resource base, the association sought rights to a piece of land on which to plant the lianas. However, due to a lack of effective collaboration with the forestry office for extension services, coupled with a lack of training in association management, the association is now inactive.

Source: interview with assistant district manager, FSD – Oda.

Box 4. Timber and Woodworkers Union (TWU)

TWU began efforts to organise self-employed woodworkers in the informal sector in 1988 after the TWU quadrennial conference adopted a resolution to that effect the previous year. The objectives for organising were:

- ◆ to promote the interests of all self-employed workers and to secure united action on all issues affecting or likely to affect those interests;
- ◆ to regulate their operations through education; and
- ◆ to secure both national and international recognition of their socio-economic role in national development.

The first group of self-employed workers targeted included the power chainsaw operators, fuel wood cutters, charcoal burners and canoe carvers, whose activities are carried out in the forest. TWU organised

the **National Sawyers Association (NSA)** to represent them, which has been operating independently since 1991. The NSA continues to be affiliated with the TWU and is represented on its National Executive Council by two people. The TWU finances NSA conferences.

The union has employed one of its members as a full-time official responsible for the informal sector. There are 12,000 members spread over six regions in the southern portion of the country, although there are very few in the Northern Region. The union provides training and education to members, which has enabled them to register their businesses with the Registrar General's Department, the Internal Revenue Service, the District Assemblies and the Forestry Department, a prerequisite to obtaining a felling permit.

Small-scale carpenters are also organised into a **Small-Scale Carpenters' Association**. Members are carpenters, joiners and furniture workers, who all use the products of chainsaw operators. According to the union, a recent national survey estimated the number of these workers at 1.5 million. The union has a 30,000 strong membership nationwide, concentrated in Kumasi and Accra. They are spread across all the ten regions at local, district and regional levels.

The Wood Working Machine Owners' Association is the third group of organised self-employed operators. Their operations are centred in the six forest regions of Ghana. An estimated 6,000 workers operate in the sector; the union's effort at organising them is proceeding steadily with 3,000 already under coverage.

The Cane and Rattan Workers' Association is made up of suppliers and weavers in the sector. The union's organisational activities started in this sector in February 1996 and are ongoing. The union now covers the Greater Accra and Eastern Regions where about 1,000 workers have been signed on. The union will soon be organising wood carvers in Accra and Aburi.

The members of TWU have a sense of common purpose, supporting the union in its struggle against unfavourable government legislation and policies. In return, the union offers its members social protection. The union has assisted some members in improving their working conditions through better arrangement of tools and benches in their shops (e.g. carpenters), wearing of nose masks, aprons and boots, and improving electrical arrangements and fittings. Since joining the union, woodcarvers and cane/rattan workers have reported an increase in income, particularly by accessing the tourist market, where buyers offer high prices. Some carpenters have also been exposed to the international market through trade fairs.

The bargaining strength and ability of TWU to represent its members has increased even though there is no direct relationship between the union and individual members. The union generally deals with individual members through their associations, but will assist members who seek direct help from the union.

TWU has provided a platform for engagement of its members with relevant institutions like the Timber Export Development Board (TEDB), the Ministry of Lands and Natural Resources, and parliament. TWU negotiates with District Assemblies and the Internal Revenue Service (IRS) on tax rates for members. It also negotiates with District Assemblies for land to resettle displaced members.

TWU intervenes to settle members' cases out of court. For instance, when a chainsaw operator was implicated in an illegal operation felling timber, the union intervened to have the case settled outside court. Similar assistance was given to a group of carpenters when a contractor refused to pay the cost of jobs he sublet to them. The union also provides members with education and training in tree planting, felling, harvesting and extracting techniques, health and safety, timber laws and regulations, forest management, marketing, and financial and business management.

A major constraint to TWU's activities is that most of its members have no previous experience of union organisation and do not readily see its value. Another significant constraint is the absence of a ready package of benefits to attract members.

Source: Adu-Amankwah, 2006. See: <http://www.streetnet.org.za/english/ghana.htm>

5.2 Institutional linkages

Generally, SMEs in Ghana face many obstacles in their development and this is often linked to the lack of a credible policy framework and distinct interventions to promote their growth and expansion (Aryeetey *et al.*, 1994). There is a lack of effective coordination between various institutions and agencies that have a stake in the SMFE sub-sector. According to Aryeetey and Ahene (2004), the landscape for the regulation of SMEs is confusing. Aside from the difficulty in identifying the regulatory functions of the public agencies in charge of them, it is difficult to tell which public institutions have clear regulatory functions and which ones do not.

Effective collaboration with all stakeholders is essential for the promotion of the SMFE sub-sector. Table 11 presents a list of stakeholders compiled by the study with which the SMFE sub-sector needs to collaborate and their roles.

Table 11. Stakeholders with which the SMFE sub-sector needs to collaborate, their roles and contact details

Stakeholder	Role/mission	Contact details
Institutions		
Financial institutions (the rural banks, Sinapi Aba Trust and other savings and loans service providers)	Financial support to proprietors, microcredit	Rural banks in the various districts, Sinapi Aba Trust branches nationwide
Microfinance and Small Loans Centre (MASLOC)	Financial support to enterprises and proprietors	Designated banks in the various administrative regions
Ghana Microfinance Institutions Network (GHAMFI)	Financial support to enterprises and proprietors	47 Blohum Street, Dzorwulu P. O. Box AH 1392 Achimota-Accra Tel: +233 21 769961/ 770322 Fax: +233 21 769962 Email: mfinet@ghana.com admin@ghamfin.org Website: www.ghamfin.org
Government schemes e.g. Poverty Alleviation Fund, UNDP Microfinance Project, Social Investment Fund (SIF), Community-Based Rural Development Programme, etc.	Financial and technical support to enterprises and proprietors	District level government institutions like the District Assemblies
Agribusiness in Sustainable Natural African Plant Products (ASNAPP)	Helping create and develop successful African agribusinesses through environmentally and socially conscious practices to produce high quality natural products for local, regional and overseas markets	ASNAPP Ghana Accra, Ghana Tel/fax: +233 21 505617 Email: dan@asnapp.org.gh asnappwest@yahoo.com
Tropenbos International – Ghana (TBI-Ghana)	Research, capacity building, advocacy, collaboration	P. O. Box UP 982 KNUST – Kumasi Tel: +233 51 60310 Email: tropenbos@idngh.com Website: www.tropenbos.org

Ghana Regional Appropriate Technology Industrial Service (GRATIS)	Dissemination of appropriate technologies by developing and demonstrating marketable products and processes for micro and small to medium enterprises	P. O. Box CO 151, Tema-Ghana Tel: +233 22 204243/207610 Fax: +233 22 204374 Email: gratis@ighmail.com executivedirector@gratisghana.com
Rural Enterprises Project	Providing rural poor families with productive assets to enable them to contribute to accelerated national economic growth	Business advisory centres in the administrative districts of Ghana
Department of Cooperatives	Facilitates formation of cooperatives and provides training and arbitration services for registered members	Regional offices of the Department of Cooperatives
Association of Ghana Industries (AGI)	Promoting growth and development of industries in Ghana and creating a business climate to allow Ghanaian companies to be internationally competitive	2nd Floor, Addison House Trade Fair Centre, La - Accra, P. O. Box AN - 8624 Accra North - Ghana Tel: +233 21 779023/2 Fax: +233 21 7773143/763383 Email: agi@agighana.org Website: www.agighana.org
Forest Services Division (the managers of the forest)	Issuance of permits and licences, monitoring of forest operations	District Forestry Offices
Environmental Protection Agency (EPA)	To co-manage, protect and enhance the country's environment, as well as seek common solutions to global environmental problems	P. O. Box M.326 Accra, Ghana
District Assemblies	Registration of associations and revenue collection for the government	District Assembly offices
National Board for Small Scale Industries	Business advisory services and coordination of SME sector activities	In the regions
Research Institutions (FORIG, CRI, FRI, etc.)	Research to develop improved knowledge and technology for product development	Council for Scientific and Industrial Research P. O. Box M32, Accra, Ghana Tel: +233 21 777651-4 Fax: +233 21 77655 Email: csir@ghana.com Website: www.csir.org.gh
Academic Institutions (KNUST-College of Renewable Natural Resources, Department of Pharmacy)	Research and teaching of topics relating to SMFEs	Kwame Nkrumah University of Science and Technology, Kumasi, Ghana Website: www.knust.edu.gh
Ghana Standards Board	Develop and ensure compliance with standards for all products	Tel: +233 21 500231, 500065/6, 506992-6 Fax: +233 21 500092/500231 Website: www.ghanastandards.org
Ghana Export Promotion Council (GEPC)	Facilitate market access for export companies, provide technical advisory services on export product development, trade information services, export related human resources development	P. O. Box M146, Accra, Ghana Tel: +233 21 683153 Fax: +233 21 683153 Website: www.gepcghana.com

Forestry and environmental NGOs		
Africa Environmental Regeneration Movement (AFERM)	Reforestation, nursery and seedling production, plantation establishment, community sensitisation and education, technology transfer	Daniel Fianu-Dezor P. O. Box HP177 Ho, Volta Region Tel: +233 91 27534
Friends of the Earth-Ghana (FOE-Ghana)	Biodiversity and forest conservation, climate change and energy use, combating desertification, sustainable fisheries, agriculture, mining and gender issues	PMB, General Post Office, Accra Tel: +233 21 512312 Email: foe@ghana.com foeghana@africaonline.com.gh
Ghana Association for the Conservation of Nature (GACON)	Rehabilitation of sacred groves, protection and conservation of threatened, rare and endangered species, environmental campaigns and awareness creation, capacity building	Joseph Mmwaura P. O. Box KS12790 Kumasi, Ghana Tel: +233 244 217074 Email: gacon_gh@hotmail.com
International Network for Bamboo and Rattan (INBAR)	Technology transfer, awareness creation, development and promotion of the bamboo and rattan industry	P. O. Box UP982, KNUST – Kumasi Tel: +233 51 60310 Email: inbar@africaonline.com.gh Website: www.inbar.int
Kumasi Institute of Technology and Environment (KITE)	To influence policy formulation in favour of sustainable development through research, training, project development and implementation in energy, technology and environmental issues	Solomon K. Quansah P. O. Box KS 6534, Adum, Kumasi Tel: +233 51 36568/9 Fax: +233 51 33824 Email: info@kiteonline.net Website: www.kiteonline.net
Nature Conservation Research Centre (NCRC)	To develop a network of community owned and operated conservation areas, multi-circuit network of ecotourism destinations in Ghana, capacity building	P. O. Box KN 925 Kaneshie, Accra Tel: +233 21 231765 Email: nrcr@ghana.com Website: www.ncrc.org.gh
Ricerca E Cooperazione	Integrated rural development, environmental protection, community forestry, institutional strengthening and capacity building	P. O. Box LG 348, Legon, Accra Tel: +233 21 782090 / 783969 Fax: +233 21 761369 Email: rcghana@ghana.com Website: www.ricercaecooperazione.org
Rural Development Youth Association (RUDEYA)	To improve living standards through implementation of programmes designed to sustainably manage natural resources and enhance reproductive health	P. O. Box BP 14 Bohyen, Kumasi Tel: +233 51 37031 Email: rudeya2000@yahoo.com rudeya@africaonline.com.gh
Savannah Eco-tourism Foundation	Wildlife conservation, livelihood support, education and sensitisation and reforestation	P. O. Box 608, Obuasi, Ghana
SNV Ghana – Netherlands Development Organisation	Technical assistance in community-based natural resources management, capacity building and partnerships with similar organisations	P. O. Box KA 30284 Accra, Ghana Tel: +233 21 7012440-1 Fax: +233 21 772332 Email: netmail@snvghana.org Website: www.snvworld.org

5.3 The 'Forest Connect' working group

Based on discussions at the panel workshop on SMFEs in Ghana, a Forest Connect working group has been created. The 13-member working group is composed of nominees from carefully selected state and non-state institutions as listed below:

1. Tropenbos International Ghana: represented by two nominees: Mr. K.S. Nketiah, the Programme Director and Dr. Kyereh Boateng, the Scientific Coordinator
2. Forestry Commission: represented by Mr. Oti Awere
3. Ministry of Lands and Natural Resources: represented by Mr. Joseph Osiakwan
4. Supporting NGOs: represented by Mrs. Juliana Asante-Dartey of ASNAPP
5. Research/Academia: represented by Dr. Emmanuel Acheampong of the Faculty of Renewable Natural Resources, Kwame Nkrumah University of Science and Technology
6. National Board for Small Scale Industries: represented by Mr. Sam Bansa
7. SMFE Practitioners: represented by two nominees; Mr. Wellington Baiden of the Portal Sustainably Managed Forest Estate and Mr. Kwasi Afena of the Brong-Ahafo Regional Grasscutter Farmers Association (BARGFA)
8. The Rural Enterprises Project: represented by Mr. Attah Antwi
9. Association of Ghana Industries: represented by Mrs. Akua H. Adusei-Hebstain of Akuaba Ltd
10. The Kumasi Wood Cluster: represented by Mr. Gustav Adu
11. The Energy Commission: represented by Mr. Wisdom Ahiataku

The broad representation of relevant institutions on the working group will help to aggregate efforts of the different institutions with the common aim of promoting resource sustainability and poverty reduction through ecologically sound, economically viable and socially acceptable forest enterprises. The general objective (mandate) of the working group is to help SMFEs in Ghana reach their potential for local sustainable development by learning from experience, developing plans and steering action for policy/legislative reform, and providing support networks, enterprise organisation and market restructuring. The working group will:

- ◆ ensure that SMFE concerns are adequately captured in an ongoing forestry sector policy/legislative review
- ◆ develop networking and communication strategies for SMFEs
- ◆ identify training and capacity building needs and institutions that can offer them
- ◆ develop a framework to ensure SMFEs contribute to sustainable forest management
- ◆ link SMFEs to existing natural resource management platforms in Ghana

The working group has developed an action plan for achieving its mandate (Table 12).

A number of project proposals are being developed from the finalised action plan and the working group will seek funding for implementation.

Table 12. Action plan of the Forest Connect working group

Specific mandate	Actions needed	Responsible party
1. Ensure that SMFE concerns are captured in ongoing policy reviews	1.1 Identify policy concerns of SMFE actors through study of available information, forums and consultancies 1.2 Identify gaps in the existing policy document 1.3 Compile and submit policy recommendations to the policy review committee 1.4 Seek participation and participate in policy review process	Working Group (WG), Project Secretariat (PS) PS PS WG, PS
2. Develop networking and communication strategies for SMFEs	2.1 Develop a catalogue of SMFE associations and service providers, building on existing information with the AGI, NBSSI, Department of Cooperatives, Registrar General's Department, etc. 2.2 Create awareness of the catalogue, develop to encourage usage 2.3 Help create an association of SMFE practitioners 2.4 Ensure proper networking and information flow among SMFEs, between SMFEs and service providers, and among WG members	PS, WG WG, PS WG, PS PS
3. Identify capacity building needs and institutions that can offer them	3.1 Undertake capacity building needs assessment through study of available information 3.2 Commission study on capacity building needs of SMFEs and institutions that can offer them	WG WG
4. Develop framework for SMFEs to contribute to sustainable forest management	4.1 Study existing SME frameworks for contributing to the Ghanaian economy, e.g. tax and levy arrangements 4.2 Propose a framework for the SMFE sub-sector 4.3 Encourage proper record keeping on SMFE activities to provide good basis for taxation	PS, WG PS, WG PS, WG
5. Link SMFEs to existing natural resource management platforms in Ghana	5.1 Create national awareness of SMFE association 5.2 Create awareness of natural resource management platforms and programmes in Ghana among SMFE association members 5.3 Promote participation of SMFE association in resource management platforms and programmes	PS, WG PS, WG PS, WG

Source: Forest Connect working group.



Photo: Duncan Macqueen

Planting trees in degraded forest areas

Labour issues

Several factors influence the engagement of proprietors in SMFEs at the various levels of operation. These include raw material availability, ease of starting, influence from family members/friends and lack of an alternative source of income. The majority of proprietors gather the raw material or combine gathering with processing and/or trade. Generally, the workforce in the SMFE sub-sector is composed of the proprietors, family members, paid workers and trainees or apprentices.

In rural communities, the majority of proprietors, especially women, engage in enterprise activities as a supplementary source of income to their main livelihood activities (mostly farming and petty trading). The decline in raw material availability coupled with the seasonality of some products means most proprietors no longer engage in enterprise activities on a commercial scale. However, proprietors in the manufacturing/processing and trade categories who have workshops or permanent locations operate full-time and on a commercial basis.

Only a small proportion of SMFE proprietors have received formal education beyond the primary level. This observation was also made by Obirih-Opareh and Essebey (2006). The high level of illiteracy in SMFE proprietors, specifically those in NWFP enterprises, needs serious attention in any future development of the sub-sector. One important factor that could contribute to the low level of education of proprietors is that SMFE activities tend to take place in isolated and dispersed communities where the educational infrastructure in terms of schools is less developed.

Studies into forest and forest dependent livelihoods have mostly focused on enterprises in the southern high forest zone of Ghana. This study sought to explore SMFEs in the northern (savannah vegetation) part of Ghana as well as generate a complete list of SMFEs in Ghana. Out of a sample of 200 respondents from communities in Northern Ghana, a vast majority (85%) had no formal education whilst the remaining 15% had received some form of education but none beyond the secondary level. Figures 2, 3 and 4 show the prevailing circumstances regarding education, age and gender distribution of SMFE proprietors in Northern Ghana as revealed by the interviews conducted during the study. Over 50% of proprietors were above the age of 40 years (Figure 3). The key SMFEs found in Northern Ghana are shea butter extractors and 'dawadawa' processors.

There is gender imbalance in the SMFE sub-sector in the northern part of the country in favour of women (Figure 4). According to information gathered during the interviews, the men in this part of the country engage in farming activities during the rainy season together with their households. At the end of the farming season, part of the harvested crops is sold to generate income and the rest stored for the household's food needs. During the dry season, it behoves the women to engage in any income generation activity to supplement the household's food requirements. This explains the predominance of women in SMFE activities.

Figure 2. Levels of education of SMFE proprietors in Northern Ghana

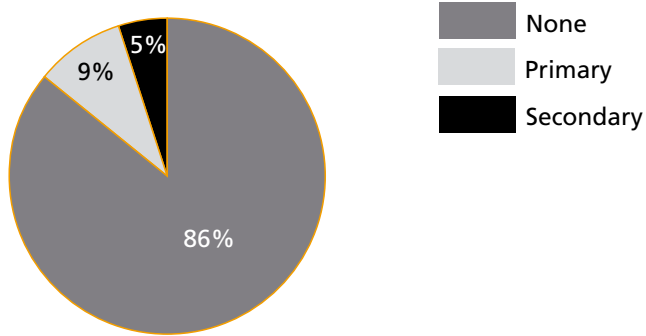


Figure 3. Age distribution of SMFE proprietors in Northern Ghana

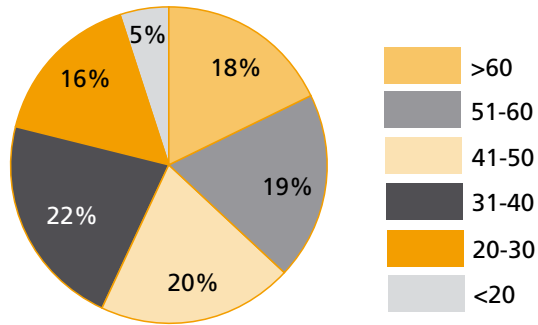
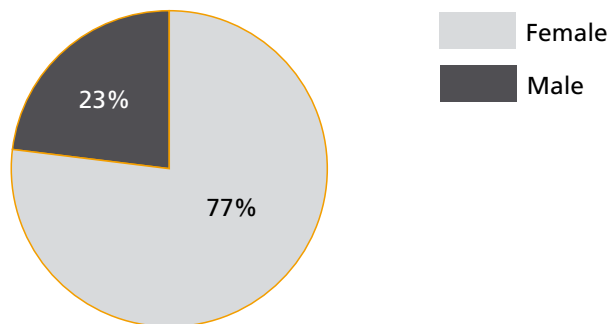


Figure 4. Gender distribution of SMFE proprietors in Northern Ghana



Challenges and opportunities for promoting SMFEs in Ghana

A diagnostic study of SMFEs in Ghana shows that the SMFE sub-sector is a complex system with challenges and opportunities. These threats and opportunities need critical attention in any support programme.

7.1 Key challenges

Among the key challenges identified by the study are:

Lack of requisite skills for effective business management: Most SMFEs in the informal forest sector are family-based and proprietors have low literacy levels. Hence, the proprietors generally lack proper business management skills.

Dwindling resource base: Destructive harvesting practices, indiscriminate logging and clearing of source areas for agriculture have destroyed the country's stocks of timber and non-timber forest products. As a result, proprietors have to travel long distances to collect raw materials, making harvesting costs high and returns low. Given the current rate of deforestation, it is feared that all the country's natural forests and its products could be lost in the next decade.

Limited access to market and market information: Proprietors are mostly not abreast of market trends and the changing taste of consumers since the majority live in remote areas and are mostly illiterate. Access to markets is minimal, either because of poor infrastructure or because the markets are far away and transportation costs are high.

Limited access to financial services: The inability of SMFE proprietors to access large enough loans on good terms to finance their activities constitutes a key challenge. Proprietors find it difficult to expand their businesses due to their limited capital base.

Crude product processing and packaging: Most proprietors use crude and indigenous methods of processing and packaging products for the market, resulting in poor finishing of products. This limits product acceptability on the local market, where they are out-competed by imported alternatives.

Low bargaining power: The individualistic manner of operation and inability to properly cost activities results in SMFE proprietors having low bargaining power. Financial returns from SMFE activities are therefore low and that constitutes a key challenge to the development of economically viable SMFEs in Ghana.

7.2 Opportunities

A number of opportunities exist for dealing with the challenges identified above. These include:

Existence of support institutions and programmes: The institutions and programmes identified in Section 4.4 and Table 11 offer opportunities for imparting technical and business management skills to SMFE proprietors. Many SME associations have already benefited from the technical and managerial training offered by these institutions and programmes.



Photo: Duncan Macqueen

Forest gardens used to domesticate products that have become scarce with deforestation

Through the Forest Connect project, Tropenbos Ghana could become an important information hub for the SMFE sub-sector, through which SMFE proprietors and other actors can access information on marketing, linkages and support networks.

The ability to domesticate many forest products: Studies show that several of the products traditionally collected from the wild can now be cultivated to supplement dwindling collections from the wild. Prominent among them are grasscutters, snails, honey, mushrooms, black pepper, forest lianas and trees. Product domestication has become even more necessary in view of the decline in wild stock. Many existing associations have indicated that if granted secured tenure over forest resources, they would be willing to embark on domestication/cultivation of resources to guarantee raw material availability and hence sustainability of supplies.

Emergence of new marketing opportunities: The new supermarkets springing up in Ghana offer opportunities for marketing SMFE products domestically (Adu, 2009). SMFE proprietors need to develop proper business ethics and proper packaging and labelling to be able to take advantage of this new marketing opportunity. Globalisation has also offered opportunities for marketing SMFE products internationally. There is a need to aggregate large quantities of products and adopt quality standards in order to meet the demands of the international market.

Readiness to form associations: There is a demonstrated readiness of SMFE proprietors to form associations to give them higher bargaining power in selling their products, access to loans and external support, a voice in decision making processes and the ability to develop synergy for improvement in livelihoods. To enhance sustainability of such associations, members should be trained in group dynamics and management, proper documentation and conflict management.

Conclusions and recommendations

8.1 Conclusions

The importance of SMFEs in Ghana can be seen in terms of their scale, diversity and ability to support people who otherwise have few livelihood opportunities. The potential of SMFEs to contribute to local livelihood improvement, forestry sector revenue generation and resource sustainability in Ghana is enormous given their unique characteristics. However, the unsustainable manner of operation of some SMFEs and huge financial loss to the national economy through non-payment of permit fees and taxes require national attention. It is imperative that the SMFE sub-sector is strengthened, streamlined and increasingly formalised to fully take advantage of its untapped potential and fill the gap being created by a shrinking timber industry.

The formation of SMFE associations and strengthening of existing ones needs to be encouraged to achieve state recognition, efficiency in support programme delivery, access to financial services and credit facilities, sustainable resource exploitation practices, product aggregation, higher bargaining power and a voice to partake in forest governance.

8.2 Recommendations

It is recommended that:

- ◆ There should be effective coordination between relevant organisations in the sub-sector to allow information sharing and prevent unhealthy competition for resources and duplication of efforts.
- ◆ Capacity building should focus on enterprise proprietors and their associations to ensure their sustainability.
- ◆ Formation of producer associations should be coupled with efficient market information systems and networks to reduce the frustrations producers experience when marketing their products.
- ◆ Effort should be channelled towards creating the right policy environment for the development and streamlining of SMFEs into formal forest planning and management.



Photo: James Mayers

A boy carrying chainsaw lumber

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Annexes

Annexes 1-3 present summaries of presentations given at the Tropenbos-IIED workshop on SMFEs held in Accra, 26-27 March 2009.

Annex 1. Enterprise organisation and market restructuring – a presentation by Gene Birikorang, Hamilton Resources & Consulting

Importance of SMEs

Contrast:

- ◆ SMFEs are a major contributor to local economies and livelihoods: 60% of African work force and 25% of industrial output
- ◆ SMFEs play second fiddle in forest policy and Ghana's Poverty Reduction Strategy
- ◆ Revenue distribution as a source of poverty reduction is becoming an illusion

Definition of SMEs

- ◆ Various attempts do define SMEs according to their size, turnover, activity, ownership and legal status.
- ◆ The best definition is the size of employment: <100. Micro-enterprises (MEs) are a sub-set of SMFEs: <10 employees.
- ◆ Key characteristics:
 - Low level capital
 - Informally trained workers
 - Big potential for value addition
 - Majority of Ghanaian SMFEs are MEs operating in the informal sector

Market opportunities facing SMFEs

- ◆ Is the classical theory of comparative advantage still relevant?
- ◆ What are the emerging market opportunities for SMFEs?
- ◆ Major improvements could be made by grading timber and developing primary product controls (especially in the light of declining share of primary forests; capturing the value from such timber is critical)
- ◆ Processed timber exports, handicrafts and other wood work products offer big opportunities (there exists a threat from rival imported Chinese goods, but this could be addressed by targeting lower end value products and developing non-traditional species)
- ◆ Domestic market potential:
 - Agricultural development
 - Income elasticity
 - Construction sector critical
 - Future role of plantations
- ◆ NTFPs: can be produced for both domestic and export. But export remains a challenge (because of low volume and quality)
- ◆ Domestic market provides opportunities to develop entrepreneurial capacity

SMFE business organisation for markets

- ◆ Improving market position in the face of economic reforms, liberalisation and large domestic industry dominance is a challenge
- ◆ Enterprise level strategies need refinement
- ◆ Producer and trade organisations (market oriented) need development
- ◆ Cooperation to overcome “value chain gaps” is required
- ◆ Strategic alliances between public-private-civil society should be pursued
- ◆ Networking is critical for technical and legal advice, financial analysis, financial leveraging, etc.
- ◆ Clusters should be promoted (they work well in export processing zones in Kenya, Mauritius, Egypt, South Africa and Nigeria)

Critical constraints

- ◆ Tenure issues confront SMFEs and generate uncertainty and “short-termism”
- ◆ Market development is restricted by high SMFE risk profiles
- ◆ Alternatives to criminalisation of chainsaw lumbering are yet to be explored
- ◆ Unfair competition from illegal production makes ‘management’ tricky

Favourable government intervention: the big assumption

- ◆ Up-scaling of Modified Taungya Plantation System could help to address resource shortages
- ◆ Future plantation bidding should be reserved for SMFE tertiary processors
- ◆ Forest policy must outline specific strategies that target SMFE business growth
- ◆ Government must promote the establishment of specialist (reformed) institutions to support a market drive of SMFEs
- ◆ The Wood Industry Training Centre needs market repositioning
- ◆ Forestry should occupy its appropriate priority position in the Ghana Poverty Reduction Strategy
- ◆ NTFP inventories should be updated and their future management and conservation fully incorporated into sustainable forest management plans
- ◆ Community tenure should be retained as a long term agenda:
 - Forest communities to hold title to forest reserves
 - Holistic forestry practices
 - Expectation of benefits from future potential carbon trade and payments in respect of biodiversity offsets

Annex 2. Business support platforms for SMFEs in Ghana – a presentation by Gustav Adu, Kumasi Wood Cluster

1. Link to microcredit

Relevance of microfinance

- ◆ Government of Ghana has adopted microfinance as one of the strategies for poverty reduction and wealth creation.
- ◆ Its relevance is predicated on the fact that the formal financial sector has provided little or no services to low income people, creating a high demand for credit and saving services among the poor.
- ◆ 23 major banks reach only about 5% of households and capture 40% money supplies.
- ◆ The 2000 population and housing census projects that 80% of working population is found in the informal sector.
- ◆ NBFi (non-bank financial institution) loans to small businesses, individuals and groups moved from Gh¢50.97 in 2002 to Gh¢160.47 in 2006, whereas RCBs (rural and community banks) loaned out Gh¢20.68 and Gh¢115.10 over the respective periods (Research Department, Bank of Ghana, 2007).

SMEs' need for relevant finance

- ◆ Equity finance (own savings, relations, friends) is largely used for start-up/initial finance. Credit for start-up is rare, except with track record.
- ◆ Growth/expansion capital (internal generated, profits, credits – including suppliers).
- ◆ Working capital (bank loan, overdraft, supplier's credit, advances from customers, retained earnings).

Types of finance for SMEs

- ◆ Credit (commercial, development, rural/community banks, savings collectors, money lenders, semi-formal financial institutions).
- ◆ Customers' advances (wholesalers, retailers, etc.).
- ◆ Supplier's credit (equipment, material suppliers).
- ◆ Reinvestment of profits (owners).

Interventions to enhance microfinancing in Ghana

- ◆ (Government) subsidised credit.
- ◆ Establishment of 125 rural and community banks (RCBs).
- ◆ Liberalisation of the financial sector (PNDC Law 328, 1991) – allow establishment of non-bank financial institutions; savings and loans companies, finance houses, credit unions, etc.
- ◆ Large numbers of micro and small enterprises obtain credit under government/bilateral agency programmes (administered by banks) – special efforts to broaden access to finance and help to establish viable enterprises.
- ◆ However repayment rates are low – disincentive to banks that micro enterprise lending is profitable.

Categories of microfinance institutions

- ◆ Formal (commercial banks, RCBs, savings and loan companies).
- ◆ Semi-formal (credit unions, financial non-governmental organisations (FNGOs), cooperatives).

- ◆ Informal (susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCA and ASCA), traders, moneylenders, individuals).
- ◆ Informal lenders (due to low capital base, they are often unable to provide funds demanded by SMEs. They also cannot offer the low interest rates SMEs can afford).
- ◆ SMEs not receptive to equity partners. They fear loss of control over their businesses. Some would prefer equity investment from institutional investors rather than individuals.

Credit flow to micro-enterprises and SMEs in Ghana

Source	Examples of schemes
Financial institutions	Major banks, RCBs, NFIs, etc.
Donor/government credit schemes	GRATIS, FUSMED, NBSSI schemes
Donor-assisted SME loan projects	IFAD, DANIDA, CIDA, FAO, USAID, etc.
Informal financial NGOs, credit unions	Sinapi Aba Trust, CARE International, etc.
Government schemes	BAF, SIF (microfinance capitalisation), Poverty Alleviation Fund (PAF), EDIF, MPSD and PSI schemes, UNDP Microfinance Project, Rural Financial Services Project (RFSP), Social Investment Fund (SIF), Community Based Rural Development Project (CBRDP), Rural Enterprise Project (REP), Agricultural Services Investment Project (ASSIP), MOTI, MASLOC, etc.

Source: BOG Research Department

Structure and key stakeholders of microfinance in Ghana

(Source: Ghana Microfinance Policy)

- ◆ **Microfinance institutions**
 - ◆ Rural and Community Banks (RCBs)
 - ◆ Savings and Loans Companies
 - ◆ Financial NGOs
 - ◆ Primary Societies of Credit Union Associations (CUA)
 - ◆ Susu Collectors Association of GCSCA
 - ◆ Development and commercial banks with microfinance programmes and linkages
 - ◆ Micro-insurance and micro-leasing services
- ◆ **Microfinance Apex bodies**
 - ◆ Association of Rural Banks (ARB)
 - ◆ ARB Apex Bank
 - ◆ Association of Financial NGOs (ASSFIN)
 - ◆ Ghana Cooperative Credit Unions Association (CUA)
 - ◆ Ghana Cooperative Susu Collectors Association (GCSCA)
- ◆ **End users**
 - ◆ Economically active poor who are clients of microfinance products and services
 - ◆ Technical service providers
 - ◆ Business development service providers to MFIs and their clients

◆ **Supporting institutions**

- ◆ Microfinance and Small Loans Centre (MASLOC)
- ◆ The Ghana Microfinance Institutions Network (GHAMFIN)
- ◆ Development partners and international NGOs
- ◆ Universities, training and research institutions

◆ **Government institutions**

- ◆ Ministry of Finance and Economic Planning
- ◆ Ministries, Departments, Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs)

Challenges facing microfinancing

- ◆ Little incentives for banks to overcome difficulties in lending to SMEs.
- ◆ High failure rates exist among SMEs. But there is little information to assess viability and understand the causes or indicators of failure. No track records of entrepreneurs are kept.
- ◆ SMEs are not able to provide acceptable collateral; difficult proving legal enforceable title even where landed properties are owned.
- ◆ High costs of processing and monitoring loans due to lack of good financial accounts and longer periods to gather information and process application.
- ◆ Absence of sub-sector specific policy guidelines and goals, leading to slow growth, lack of direction, fragmentation and lack of coordination.
- ◆ Definition of relationships and roles of stakeholders in sub-sector confused.
- ◆ Capacity enhancement of staff and competence levels of key stakeholders and institutions; MASLOC, GHAMFIN, MMDAs, Service Providers, Apex Bodies, etc.
- ◆ Central microfinance fund from which MFIs can apply for on lending and capacity building support.

Facilitating SME access to bank financing

- ◆ Focus initially on working capital credit (as against investment loan). Will reduce high processing costs relative to small loan amounts.
- ◆ Investment lending for expansion for SMEs that have reinvested internally generated resources.
- ◆ Reduce risk by lending based on track record of entrepreneurs.
- ◆ Decentralise monitoring responsibilities.
- ◆ Use alternatives to property as collateral – personal guarantors, sales contracts, liens on equipment financed (provided there are legal systems to enforce contracts).
- ◆ Use NGOs to reduce cost of screening and monitoring.

2. Training / capacity building

Objectives

- ◆ Help owners of SMFEs to acquire new technical and business skills or improve their current skills.
- ◆ Help them to analyse and find solutions to problems.
- ◆ Training should be demand led and market oriented.
- ◆ Training programmes must serve the needs of both SMFE owners and their clients (should be based on market opportunities and demonstrate tangible benefits).

- ◆ Follow group training with one-on-one site visits to support production skills, new products, quality improvements, accessing markets.
- ◆ Use trainers with thorough knowledge and technical competence in sub-sector.

Formal Training

- ◆ JSS/SSCE
- ◆ Technical/Vocational (Craft Certificate/Intermediate Certificate)
- ◆ Polytechnic Day and Evening Schools (Bachelor of Technology/HND/Certificates)

Direct/Project Technical Training

- ◆ Management (Simple accounting/business management/marketing, etc.)
- ◆ Technical (Technician skill training and upgrading/apprentice/supervisors, etc.)

Programmes/projects

- ◆ MASLOC – NBSSI
- ◆ Carry out needs assessment
- ◆ Equip resource persons to develop and carry out training
- ◆ NBSSI monitor sustainability of technology and skills gained – trainees relapse in applying skills

Government sponsored

- ◆ Ministry of Employment and Social Welfare
- ◆ Integrated Community Centre for Employable Skills (ICCES)
- ◆ National Youth Employment Programme (NYEP)
- ◆ Rural communities train in livelihood opportunities
- ◆ Evaluate livelihood activities in communities that are not being applied
- ◆ Resource persons train to fill skill gaps (carpentry, snail rearing, etc.)
- ◆ Provide token start-up capital
- ◆ Beneficiary encourage to invest gains in expansion
- ◆ Lead them to other SME programmes

Specialised agencies

- ◆ Ghana Export Promotion Council – Export Trade Training
- ◆ Modules (Access to finance, Access to market/Trade facilitation, Project implementation)
- ◆ Value Chain Training – MOFA (farmers, extension officers, export documentation, transportation, financial management/custom developed)
- ◆ Export marketing fundamentals

Trade centres/networks

- ◆ Trade/On the Job
- ◆ Combine classroom tuition and on the job training
- ◆ Improve specific technological skills
- ◆ Use of appropriate technology to develop equipment for processing
- ◆ Customise training to suit community and its resources, gender, literacy levels, etc. Wood Industries Training Centre
- ◆ Wood Sector Development Project (EU)

- ◆ Wood Industries Training Centre – Wood harvesting and processing
- ◆ GRATIS Foundation –
 - present in all regions;
 - appropriate technology;
 - engineering skill upgrading;
 - apprenticeship/industrial attachment; etc.

3. Market information

- ◆ Market information is about knowing prices and trends so suppliers can bargain with potential buyers
- ◆ SMEs use informal sources: friends, relatives, commercial transactions (clients, supplies) based on trust
- ◆ Encourage site visits (trade fairs?) for SMFEs to seek information
- ◆ Small producers serve home consumption and local market
- ◆ Important to strengthen their ties to local markets, which can serve as entry points to wider markets
- ◆ New to Ghana supermarket chains (Shoprite, Game, A&C Mall, Koala Shopping Arcade, Max Mart, etc.) provide opportunities to trade in SMFE products, with advantages:
 - Help to select commodities
 - Train SMFEs in improved technologies to raise productivity and quality (e.g. train to harvest, handle and store honey under hygienic conditions, provide buckets for storage, establish collection centres, etc.)
 - Set up collection centres and provide transportation for collection
 - Link to value-added processors
 - Enter into long term contracts
 - Suppliers learn about business ethics and long term relationships (consistent quality, on time delivery, communication with buyer, aggregating volumes, etc.)

Examples of SMFE products that can be promoted:

Product	Supermarket
“Rugged furniture” from recovered or recycled wood; rattan and bamboo furniture; household utility items; baskets, hats, mats	Game – Accra Mall African Market Art Centre
Shea products; spices; oily seeds; mushroom; honey; snails(?)	Shoprite Max Mart Koala Arcade A&C Mall
Medicinal Plants	Agribusiness in Sustainable Natural Plant Products (ASNAPP)

Export marketing:

- ◆ Export promotion organisations provide services in product development, quality management, pricing and financing, marketing, client management, trade show attendance, etc.

Sources of export information useful for promoting SMFE products:

- ◆ Timber Industry Development Division of the Forestry Commission
- ◆ Ghana Export Promotion Council (GEPC) – manufactured and non-traditional products
- ◆ West Africa Trade Hub (WATH) – Export under the African Growth Opportunity Act (AGOA) to the United States. Maintains AGOA Resource Centres for trade information dissemination. SMFE products under promotion include handicrafts, shea butter and cashew.
- ◆ Trade Associations: Association of Ghana Industries (AGI), Federation of Association of Ghanaian Exporters (FAGE), etc.
- ◆ Ghana National Chamber of Commerce (GNCC) and Foreign Chambers of Commerce and Commercial sections of embassies.

4. Packaging, labelling, advertising and transportation

Packaging is a very important component in the production and distribution chain.

Functions of packaging:

- ◆ Physical and quality protection
- ◆ Product promotion
- ◆ Product information
- ◆ Efficiency and convenience of use
- ◆ Storage
- ◆ Transportation
- ◆ Almost all types of basic packaging, particularly plastics and paper based, are produced in Ghana

Packaging support

- ◆ The Institute of Packaging, Ghana (IOPG) provides professional training and research on packaging in Ghana. Its membership includes professionals and packaging manufacturing industries.
- ◆ IOPG assists SMEs to develop or source cost effective packaging.
- ◆ IOPG supports development of appropriate packaging for handling, storage and distribution of products to minimise post harvest losses.

Labelling and advertising

- ◆ Ghana has a labelling law which is managed by the Ghana Standards Board.
- ◆ Marketing and advertising agencies provide a wide range of advertising services.

Transportation

- ◆ Internal transportation of goods is mostly by land.
- ◆ Private and public transportation organisations provide haulage services.
- ◆ Freight forwarding organisations handle documentation and processing of export goods.
- ◆ The banks, Ministry of Trade and Industries and its agencies, Customs, Excise and Preventive Service (CEPS) and its affiliate agencies (GCNET) process and authorise exports of goods.

Annex 3. Policy issues relating to SMFEs in Ghana – a presentation by Kyeretwie Opoku, Civic Response

What do SMFEs need?

The same as any other business:

- ◆ management know-how
- ◆ (appropriate) technology
- ◆ secure long-term access to raw materials
- ◆ infrastructure support (warehousing, transportation)
- ◆ market access
- ◆ finance

Context: globalisation

- ◆ External domination – promoting Foreign Direct Investment (FDI)
 - not based on relative sizes of corporate / SM sectors
 - not based on Fx contributions
- ◆ (1850-1957) Colonial, war on artisanal / small scale / subsistence / independent production
- ◆ (1957-1966) Nationalist revolution, protection, support for and up scaling of local efforts, e.g. state guaranteed markets
- ◆ (1966) Counter-revolution, resumed war on communal producers but:
 - lip service to community production
 - inattention to what was really going on

Ghana's Forest and Wildlife Policy (FWP) – general observations

- ◆ Policy developed as public relations exercise – following timber sector debacle of 1980s
- ◆ Does not contextualise or follow through based on antecedent analysis of sector crisis e.g. 'timberisation' or Kofi Smith
- ◆ No explicit bar on non-timber enterprise but no real encouragement – allows business as usual
- ◆ SMFE agenda disappears as FWP text moves from principles to strategy

FWP "Principles"

- ◆ 3.2.1.1 peoples' right to access natural resources to maintain a basic standard of living
- ◆ 3.2.1.3 resource sustainability ...equitable access, appropriate fees
- ◆ 3.2.1.4 the need for economic and development incentives to stimulate private enterprise and encourage respect for regulations, thus offsetting real and perceived costs imposed by loss of access or restriction on use
- ◆ 3.2.1.6 incorporate traditional methods of resource management in national strategies
- ◆ 3.2.1.9 forest and wildlife fees and taxes are considered as incentives to encourage more rational and less wasteful utilisation
- ◆ 3.2.1.13 efficient land use and security of land tenure
- ◆ 3.2.1.14 competitive industries based on local raw materials
- ◆ 3.2.1.15 decentralised participatory democracy
- ◆ 3.2.1.16 addressing unemployment and supporting the role of women

FWP Aim

- ◆ Conservation and sustainable development of the nation's forest and wildlife resources for maintenance of environmental quality and perpetual flow of optimum benefits to all segments of society

FWP Objectives

- ◆ Manage permanent estate for biodiversity, sustenance and commerce
- ◆ Develop viable and efficient processing of timber NTFPs for domestic and international trade
- ◆ Promote public awareness and involvement of rural people in opportunities
- ◆ Promote research-based and technology-led forestry
- ◆ Develop effective capacity for sustainable resource management

FWP Strategies (wildlife and forest-based industries)

- ◆ deregulation (of wood exports)
- ◆ dialogue (to promote timber and tourism)
- ◆ competitive allocation (of TUCs and wildlife contracts)
- ◆ incentives (for timber processing) and restriction (of round logs)
- ◆ plantations and wildlife domestication
- ◆ milling efficiency

Timber / legislation investment regime

- ◆ Secure long-term resource rights
- ◆ Investment incentives
 - Tax breaks
 - Customs exemptions
 - Transferability of profits, loans, technology fees
 - Guarantees against expropriation
 - Immigrant quota
 - Assistance / government liaison
- ◆ Independent dispute settlement

SMFE investment regime

No secure access to resources:

- ◆ Timber is preserve of corporations under (S2)
- ◆ No statutory permits regime for NTFPs
- ◆ No incentive schemes
- ◆ No liaison services
- ◆ No dispute settlement provisions

Ways forward

- ◆ Proper evaluation of SMFEs
- ◆ Participatory review of policy
- ◆ Re-legislation of sector to actually shift from 'timberisation'
- ◆ Institutional innovation to support SMFEs

Annex 4. Report of the Tropenbos-IIED workshop on SMFEs in Ghana by Paul Osei Tutu and Jane Juliana Aggrey, TBI Ghana

Theme: Defining mechanisms for positioning SMFEs to contribute meaningfully to poverty reduction in Ghana

Date: March 26 and 27, 2009

Venue: Erata Hotel, Accra

1. Introduction

Small and medium forest enterprises (SMFEs) support the livelihood of a large number of people worldwide. In many developing countries, they constitute 80-90% of forestry enterprises and over 50% of forest sector employment. In Ghana, they account for as high as 95% of the income of some rural households.³ For many other rural households, they serve as additional or alternative sources of income, providing a safety net when the main livelihood activity (mostly farming) fails. In terms of their contribution to livelihoods, SMFEs even outweigh the formal forestry sector. As noted by Macqueen (2004),⁴ SMFEs have a huge potential to contribute to local poverty reduction and sound resource management by virtue of their disposition to accrue wealth locally, empower local entrepreneurship, operate under local and environmental licences and preserve cultural identity.

However, in Ghana and many other countries the SMFE sub-sector is bedevilled with numerous challenges, and as a result the full potential of the sub-sector is not realised. Though they have high start-up rates, the majority survive for only a short period. There is little connectivity between SMFE proprietors and relevant bodies and processes. The sub-sector receives very little attention in national forest policies, legislation and programmes. People engaged in these enterprises are therefore faced with problems like unfavourable policies and legislation, excessive bureaucracy, insecure tenure, poor market information, inaccessibility to credit, poor infrastructure, inadequate technology, weak bargaining power and insufficient business know-how.

To be able to shape the business environment and policies in their favour, and to adapt to new market opportunities, SMFEs need to be connected to each other and to markets, national forest programmes, service providers and support networks. An innovative 'Forest Connect' project has been initiated by the International Institute for Environment and Development (IIED) and the Food and Agriculture Organization (FAO) of the United Nations (UN) to help establish this connectedness. The project seeks to help connect SMFEs to:

- ◆ each other by facilitating the formation of associations;
- ◆ national forest programmes, by helping SMFEs be heard by these programmes and facilitating engagement with policy makers;
- ◆ traditional and emerging markets by facilitating market analysis and access to market information;
- ◆ support networks/information services through strengthening capacity to offer appropriate training and finance.

3. Source: Owusu-Ansah, M. (2008) Alternative Tenure and Enterprise Models: Ghana Case Study. Draft Report. Rights and Resources Institute.

4. Macqueen, D.J. (2004) Small scale enterprise and sustainable development – key issues and policy opportunities to improve impact. IIED, London, UK.

The project has identified institutional hubs in 11 countries to provide information and networking support services to SMFE associations in the respective countries. The countries are Burkina Faso, China, Ethiopia, Ghana, Guatemala, Guyana, India, Laos, Mali, Mozambique and Nepal. There is also a broader network of supporters in 48 countries linked by an international social networking site (<http://forestconnect.ning.com>). Membership is free and open to anybody with interest in SMFEs. Such people are encouraged to visit the website and sign up to become members.

In Ghana, Tropenbos International Ghana is the institutional hub which, under the coordination of IIED, will provide information and network support services to help establish the necessary connections among SMFEs and between SMFEs and relevant bodies and processes. This connectedness is expected to help increase the number of successful and sustainable SMFEs in the country.

As part of initial activities, TBI Ghana with support from IIED has carried out a diagnostic study of SMFEs in Ghana.

The two-day expert panel workshop on SMFEs had the objective of bringing together relevant actors to discuss the study findings and other issues relating to SMFEs in Ghana, and to help define the way forward for the SMFE sub-sector. The outcomes of the workshop will be used to update the draft SMFE study report. This report summarises the proceedings and key outcomes of the workshop.

2. The workshop

The workshop had the theme 'Defining mechanisms for positioning SMFEs to contribute meaningfully to poverty reduction in Ghana'. The expected outputs were:

- ◆ validation of the SMFE diagnostic study findings
- ◆ a catalogue of opportunities and constraints to SMFE development in Ghana
- ◆ a 'Forest Connect' Working Group with defined terms of reference
- ◆ recommendations for enabling the transition (of SMFEs) from insecure and unsustainable practices to equitable, secure and sustainable (enterprise) models

It was attended by 58 participants and 18 media personnel. The participants consisted of SMFE proprietors, promoting organisations, relevant state agencies, NGOs and subject experts.

The first day activities consisted of:

- ◆ The workshop opening by way of a prayer, introduction of participants and a brief explanation of what the workshop sought to achieve. This was done by Mercy Owusu-Ansah of Tropenbos International Ghana, the workshop facilitator.
- ◆ A presentation on the 'Forest Connect' project by James Mayers of the IIED.
- ◆ A presentation of the findings of the diagnostic study of SMFEs in Ghana by K. S. Nketiah, the Tropenbos Ghana Programme Team Leader.
- ◆ A presentation on 'SMFE Organisation and Market Restructuring' by Gene Birikorang of Hamilton Resources and Consulting, an expert on the subject.
- ◆ A presentation on 'Business Support Platforms for SMFEs in Ghana' by Gustav Adu, an expert on the subject.
- ◆ Each presentation was followed by a question-and-answer session and group discussion.



Photo: Tropenbos International Ghana

Group picture of workshop participants

For the group discussion, the workshop participants were divided into three groups: Wood Forest Products (WFP) group, Non-Wood Forest Products (NWFP) group and Forest Services group. Participants joined one of the groups based on their engagement or knowledge of the categories. The three groups engaged in similar discussions on SMFEs using prepared checklists. Generally, each group discussed the status of SMFEs in the enterprise category and issues affecting their growth and development. The discussion covered issues on policy/governance, market and finance, enterprise links/associations, labour, and threats and opportunities for developing enterprises within the category.

The second day activities consisted of:

- ◆ A brief recap of the previous day's activities and an overview of the second day's activities by Mercy Owusu-Ansah, the workshop facilitator.
- ◆ A presentation on policy issues relating to SMFEs by Kyeretwie Opoku of Civic Response, a civil rights lawyer. His presentation was followed by a discussion session.
- ◆ Formation of a 'Forest Connect' Working Group. Participants discussed the nature and terms of reference for the Working Group and the institutional composition it should have.
- ◆ Evaluation of the workshop.

3. Key workshop outcomes

The following key workshop outcomes came out of the presentations and ensuing discussions.

Ghana and the Forest Connect Project

Ghana's forest resources have dwindled at an alarming rate over the years, calling for changes in the manner in which forests are managed and utilised. Meanwhile, people are demanding greater local benefits and control over forests. The forest sector therefore has to reorganise and position itself for this new challenge, assessing what can be done differently to satisfy stakeholders whilst still putting the country back on track for sustainable forest management.

This suggests a shift in focus from large scale timber exploitation to the creation of an environment that encourages sustainable entrepreneurship in the SMFE sub-sector. The workshop participants considered the 'Forest Connect' project as beneficial to Ghana as it seeks to achieve this desired shift of focus in the forestry sector. The project's international profile and networking will provide the right framework for learning through experience and information sharing.

Findings of the diagnostic study on SMFEs in Ghana

The diagnostic study reviewed the status of SMFEs in Ghana to provide indicative figures on SMFEs, and identified issues confronting the sub-sector and mechanisms for harnessing the poverty reduction potential of SMFEs. The study covered five of the ten political regions of the country: the Upper West, Northern, Western, Ashanti and Brong-Ahafo Regions. Three categories of SMFEs were identified: Wood Forest Products (WFP) enterprises, Non-Wood Forest Products (NWFP) enterprises and Forest Service enterprises. Most of these enterprises are individually owned. For the majority of the proprietors, the enterprises provide a supplementary source of incomes to their main livelihood, usually farming. Factors influencing engagement in the various activities include raw material availability, ease of starting, influence from family members/friends and lack of an alternative source of income. The enterprises rely on both reserved forests and off-reserve areas for their raw materials. Due to unsustainable harvesting practices, the wild sources of raw materials for many enterprises have dwindled over the years; as a result, some of the products are being domesticated. Key challenges facing SMFEs in Ghana are lack of markets for products, limited access to market information, difficulty in accessing credit to finance SMFEs, and unfavourable policy and business environments.

The workshop agreed that the study findings are a clear demonstration of the importance of small forest enterprises in Ghana, which span across the entire forestry spectrum from resource creation to utilisation and conservation. However despite their potential and the degree of dependency that many people have on them, small forest enterprises do not have the necessary support to thrive as businesses in a competitive economy. Unless that support is provided they are likely to fizzle out rather than grow.

SMFE organisation and market restructuring

The workshop agreed that SMFEs need to be pro-active and adopt strategies to take advantage of opportunities offered by the current economic regime. This could be achieved by fixing gaps in the value chain through networking for technical, legal and financial support. The challenges to achieving such market orientation include unfair competition and risks associated with market developments. Favourable interventions from the government could help overcome these challenges. Such interventions could be in the form of establishing specialised institutions to support SMFE markets, and a review of the current forest policies/legislation to support growth of SMFE businesses.

Business support platforms for SMFEs in Ghana

Support platforms for SMFEs could be in the form of microcredit, capacity building and support services like market information, packaging, labelling, advertising and logistics/transport.

With regards to finance, it was made known that start-up capital for SMFEs normally comes from the proprietor's own savings, relations, money lenders and sometimes from government or donor-funded projects. The problem with informal financial sources is that their low capital base does not allow them to give sufficient funds to SMFEs. In the case of money lenders, their interest rates are far above what is appropriate for SMFEs. There is difficulty in accessing funds from the formal financial sector (i.e. the banks) due to the perceived unsustainable nature of SMFEs, the lack of data (track record) on SMFEs, which means banks cannot assess their loan-worthiness, and the absence of acceptable collateral. A point was strongly made that it is always better and safer for an SMFE proprietor to start the enterprise from his/her own savings or financial resources and build up his expertise and experience before resorting to loans or microcredit of any kind.

Training and capacity building for SMFEs is offered by formal technical institutions, government initiatives and some donor-funded projects. To cut down cost, people are normally trained in groups. However, to ensure effectiveness, training needs to be field-based and not a one-off activity.

Regarding support services, agencies and programmes like the National Board for Small Scale Industries (NBSSI), the Ministry of Employment and Social Welfare, Ghana Export Promotion Council, the Wood Sector Development Project, the GRATIS Foundation and the National Youth Employment Programme offer opportunities and support to SMFEs in Ghana. The Rural Enterprises Project model was identified as a useful one to learn from in our bid to establish 'connectedness' for SMFEs.

Because SMFEs currently cannot meet the demands of the international market, it is important that they take advantage of opportunities offered by the local market. The new supermarkets springing up in Ghana offer opportunities for marketing SMFE products domestically. SMFE proprietors need to develop proper business ethics and package and label their products properly to be able to take advantage of this new marketing opportunity.

Policy issues relating to SMFEs

It was emphasised that any enterprise needs a favourable environment to flourish. Businesses need secure, long term rights to resources and investment incentives. These are available in the formal forestry sector. For instance, there are clear policies on resource allocation and provisions for resolving disputes. There is even a state liaison provision by which the state (Forestry Commission) can intervene legally on behalf of timber companies. These provisions are non-existent for the SMFE sub-sector. Legal access for SMFEs to both timber and NTFPs is difficult and severely restricted. While access to timber has been made the preserve of timber companies, access to NTFPs for commercial purposes is not covered by any clear and transparent statutory arrangement.

The ongoing review of the current (1994) Forest and Wildlife policy and its supporting legislation, under the Natural Resources and Environmental Governance (NREG) programme, was identified as an opportunity to rectify these anomalies. The review is in its early stages. The capacity of the SMFE sub-sector needs to be built to effectively participate in the policy/legislative review. Effort needs to be made to achieve the desired shift in emphasis in the forestry sector from 'timberisation' to the creation of the right environment for entrepreneurship within the SMFE sub-sector. Experiences in countries like Brazil, Guyana and India has shown that when the SMFE sub-sector is properly developed, it can contribute significantly to livelihoods and forestry revenues.

4. Conclusion and way forward

The workshop was generally evaluated as successful and important by the workshop participants. It was seen as a good step towards the long awaited opportunity for a forum devoted to the broadening of forest utilisation such that a larger variety of stakeholders may participate and benefit from its use. Participants expressed the wish that the workshop will not turn out to be like many others they have attended where nothing happened after all the nice discussions.

Participants advised Tropenbos International Ghana on how best to push the 'Forest Connect' agenda forward. They advised on careful selection of the 'Forest Connect' Working Group members, capacity building of SMFE actors so that they can actively participate in policy dialogues, and design of a series of focus group discussions to generate credible policy recommendations. The workshop ended on this note.

As a next step, a first meeting of the 'Forest Connect' Working Group will be organised to discuss details of the group's mandate and the way forward for the 'Forest Connect' project in Ghana.

Based on the discussions at the workshop and later discussions at TBI Ghana, the proposed interim 'Forest Connect' Working Group shall have a membership of 13 people, from the outfits listed below:

1. Tropenbos International Ghana: to be represented by two people: the Programme Team Leader and the Scientific Coordinator
2. Forestry Commission: The Wildlife Division, a possible nominee is Mr. Oti Awere
3. The Sector Ministry: Ministry of Lands and Natural Resources, to be represented by one nominee
4. Supporting NGOs/CBOs: to be represented by one nominee from ASNAPP (Agribusiness for Sustainable Natural Plant Products)
5. Research/Academia: to be represented by the Kwame Nkrumah University of Science and Technology, a possible nominee is Dr. Emmanuel Acheampong of the Faculty of Renewable Natural Resources
6. National Board for Small Scale Industries: to be represented by one nominee
7. SMFE Practitioners: to be represented by two people: Mr. Wellington Baiden of the Portal sustainably managed forest estate and one nominee from the Brong-Ahafo Regional Grasscutter Farmers Association (BARGFA)

8. The Rural Enterprises Project: to be represented by one nominee
9. Association of Ghana Industries: to be represented by one nominee
10. The Kumasi Wood Cluster: to be represented by Mr. Gustav Adu
11. The Energy Commission: a possible nominee is Mr Wisdom Ahiataku

The general objective (mandate) of the Working Group is to help SMFEs in Ghana reach their potential for local sustainable development by learning from experience, developing plans and steering action for policy/legislative reform, support networks, enterprise organisation and market restructuring. The Working Group will:

- ◆ ensure that SMFE concerns are adequately captured in the new forest and wildlife policy under preparation
- ◆ develop networking and communication strategies for SMFEs
- ◆ identify training and capacity building needs and institutions that can offer training
- ◆ develop a framework to ensure SMFEs contribute to sustainable forest management through payment of taxes, levies, etc.
- ◆ link SMFEs to existing natural resource management platforms in Ghana

Over a 12 week period, the Working Group will develop an action plan for achieving its mandate. The Group will have an initial meeting to discuss details of the group's mandate and divide tasks toward developing the action plan. A second meeting will be held to finalise the action plan which will then be developed into a draft proposal. A third meeting will be held to finalise the proposal. The proposal will then be sent to IIED for input, after which it will be submitted to identified donor agencies. A work plan and proposed budget for this interim working period of the Working Group has been prepared and will be sent to IIED as a separate document.

5. Contact information of participants at the workshop

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62. Atsu Cherubim	Metro TV		
63. Solomon Daitey	Metro TV		
64.	Ghana News Agency		
65. Abdul Aziz	Daily Graphic, Accra		
66. Edward Tayson	Daily Graphic		
67. Ekow Moses	Ghana Voice		
68. Justice Adobare	Financial Intelligence, Accra		
69. Samuel asamoah	Network Herald		
70. Nathan Aryee	Meridian		
71. Francisca Andoh	The Insight		
72. Mercy Hededzome	The Insight		
73. Anthony Sabuki	Channel R. 92.7 FM		
74. Samuel Annor	Ada Radio		
75. Fred Owusu	Happy FM, Accra		
76. Wilfred Otoo	Searchlight		
77. Ben layes	Daily Searchlight		

Annex 5. Minutes of a Forest Connect working group meeting, 4 June 2009, Forestry Commission, Accra

1. Present

1. Dr. Emmanuel Acheampong, Faculty of Renewable Natural Resources, Kwame Nkrumah University of Science and Technology (KNUST)
2. Mr. Daniel K. Darko, Association of Ghana Industries (AGI)
3. Mr. Joseph Osiakwan, Ministry of Lands and Natural Resources (MLNR)
4. Mr. K.S. Nketiah, Tropenbos International Ghana Programme Team Leader
5. Mr. Kwasi Afena, Brong-Ahafo Regional Grasscutter Farmers' Association (BARGFA)
6. Mr. Paul Osei Tutu, Project Officer, Tropenbos International Ghana (TBI Ghana)
7. Mr. Oti Awere, Wildlife Division (WD) of the Forestry Commission (FC)
8. Mrs. Juliana Asante-Dartey, ASNAPP Ghana
9. Mr. Sam Bansa, National Board for Small Scale Industries (NBSSI)
10. Mrs. Akua H. Adusei-Hebstain, Akuaba Ltd.
11. Mrs Mercy Owusu-Ansah, TBI Ghana
12. Dr. Kyereh Boateng, Scientific Coordinator, TBI Ghana
13. Mr. Wellington Baiden, Portal Sustainably Managed Forest Estate
14. Ms. Dorothy Adjei, Energy Commission

2. Apologies

1. Mr. Gustav Adu, Kumasi Wood Cluster – engaged in another meeting
2. Mr. Attah Antwi, Rural Enterprises Project (REP)
3. Mr. Wisdom Ahiataku Togobo, Ministry of Energy – travelling

3. Agenda

1. Priority needs of SMFEs in Ghana identified by Working Group members
2. Comments on final draft report of diagnostic study on SMFEs in Ghana
3. Any relevant further studies
4. Finalisation of draft action plan
5. Existing policy gaps and how to participate in ongoing policy review processes
6. A.O.B
7. Next meeting

4. Minutes of previous meeting

The members present had copies of the first Working Group meeting. Mr. Nketiah, the Chairman of the meeting asked for comments on the minutes. Mr. Oti Awere suggested that some details be added to the section of the minutes that mentions what TBI Ghana does and what the Forest Connect project is about. The minutes were then accepted and adopted for the meeting.

5. Proceedings

5.1 Update on policy review

Two stakeholder identification meetings have been held in Accra and Kumasi. As a next step, a national multi-stakeholder workshop will be held. After that, consultations will be held with the identified stakeholders. From the consultations, a draft reviewed policy will be produced and discussed before finalising it into a reviewed policy document. The whole process will be driven by the Ministry of Lands and Natural Resources, but facilitated by consultants. It is expected that the review process will be completed in one year. In the interim, individuals and groups are encouraged to send their written concerns and interests to the policy review secretariat.

With respect to provisions in the current policy for SMFEs, the background and guiding principles make mention of the fact that the interests of the wider society, in particular that of communities, need to be safeguarded. The policy states that people should have right of access to resources to support basic standards of living.

However in the five policy objectives, no specific provision has been made for the SMFE sub-sector. Section 4.2.2⁵ appears to cater for all forest enterprises, including SMFEs. However, in the strategies section of the policy document, the portion which spells out how objective 4.2.2 will be pursued is entirely focused on formal timber enterprises. The SMFE sub-sector has been completely left out in the strategies. The policy is silent on important issues as access to forest lands for plantation development, development of SMFEs and regulations regarding the harvesting of non-timber forest products (NTFPs).

By way of inputs into the policy review, the meeting agreed to suggest to the review secretariat that:

- ◆ In the background section of the policy document, additional information be added to the effect that with the dwindling of the resource base, activities in the formal forestry sub-sector are expected to decline drastically in the near future. That would lead to massive reduction in revenue generation from the formal sub-sector. Since the informal sub-sector, characterised by SMFEs, has proven to have the capacity for revenue generation in several countries, it would be prudent for the country to make adequate provisions for the development of the SMFE sub-sector in the reviewed policy.
- ◆ In the objectives section, a separate objective be made for the promotion of SMFEs to help them realise their inherent poverty reduction and resource conservation potential.
- ◆ Once there is a separate policy objective for SMFE development, the strategies section should outline strategies for achieving that objective. The strategies should focus on livelihood improvement. It should make provisions for research, enterprise development and regulation. There should be a defined body to coordinate and regulate the many activities going on in the SMFE sub-sector. The summarised strategies should be expanded in the Forestry Development Master Plan, which is also to be reviewed.

For our part, the Working Group could commission a study to come up with a model for making SMFEs serve as tool for revenue generation and sustainable resource management.

5. Section 4.2.2 of the 1994 Forest and Wildlife Policy states: Promote the development of viable and efficient forest-based industries, particularly in secondary and tertiary processing, so as to fully utilise timber and other products from forests and wildlife resources and satisfy domestic and international demand for competitively-priced quality products;

We could learn from the experiences of other countries like Costa Rica, which has made giant strides in this direction. Also, the Working Group needs to facilitate development of trade standards for the fuel wood industry and other SMFEs, learning from what has been developed for products like Voacanga.

The Working Group shall express its interests in the ongoing policy review as mentioned above in a brief which will be submitted to the policy review secretariat. Juliana Asante-Dartey, Oti Awere, Wellington Baiden, Kyereh Boateng and Paul Osei Tutu volunteered to draft the brief.

We can expect to get a slot when the policy review consultations start. Mr. Osiakwan would ensure that.

5.2 Priority needs identified by members

There were submissions on identified priority needs of SMFEs from Ms. Adjei (Energy Commission), Dr. Acheampong (KNUST), Mr. Afena (BARGFA), Mr. Osiakwan (MLN), Mrs Asante-Dartey (ASNAPP) and Mr. Oti Awere (FC). Below is a summary of discussions on the submissions.

- ◆ Energy Commission: the submission was on wood fuel, in particular charcoal. Wood fuel has been captured in the current Forestry Development Master Plan. An important wood fuel issue that needs attention is the non-conversion of wood waste from logging and milling operations into useful wood fuel products (charcoal briquettes). Logging and milling companies need to be encouraged to use logging and milling waste as part of their downstream processing schemes. The Energy Commission ensures that charcoal exporters obtain their raw materials from logging and milling residues and Forestry Commission woodlots. There is a charcoal briquette producer in Kumasi who produces charcoal from wood residues for export. Promoting this approach will help reduce the destruction to forests caused by charcoal production in places like the Sekyere West District. Instead of perceiving charcoal production as a destructive activity, it should be seen as a potentially sustainable enterprise that could also generate revenue for the country. It is even argued that the use of charcoal is more environmentally friendly than the use of liquefied petroleum gas. Structures must be put in place to ensure that all charcoal on the road comes from a legal and sustainable source. The Energy Commission and Forestry Commission need to collaborate on this. Appropriate steps need to be taken to finalise the wood fuel policy, which is still at the draft stage. Also, the new policy should be synchronised with provisions in the wood fuel policy.
- ◆ Ministry of Lands and Natural Resources: the Ministry identified capacity building for SMFE actors through master craftsmanship training to be of high priority. Most practitioners have the basic craft skills, but do not have good finishing skills. Their capacity needs to be built so that they can produce good quality products that can meet export requirements.
- ◆ KNUST: the submission was on priority needs of bamboo and rattan enterprises. With the depletion of bamboo and rattan stands in off-reserve areas, the actors have started collecting raw materials from protected areas. For instance, rattan products are now being collected on an appreciable scale from the Kakum National Park. Because bamboo and rattan products can serve as suitable substitutes for wood products, there is the need to

promote their cultivation and usage. Dr. Acheampong is to develop a ToR for consultancy work to produce a paper on the bamboo and rattan situation in Ghana: resource base, training needs, service providers, etc. The International Network of Bamboo and Rattan (INBAR) Ghana has some documented information on the bamboo and rattan supply chain in Ghana and a policy plan for bamboo and rattan development in Ghana. The Forestry Research Institute of Ghana (FORIG) has also conducted some research on bamboo and rattan in Ghana. Dr. Acheampong would therefore consult these bodies in preparing the ToR for the study.

- ◆ ASNAPP: the submission was on fundamental priority needs that cut across most SMFEs. The Forest Connect project needs to focus on these common needs. They include capacity building, pricing, record keeping, raw material uncertainty, quality standards, marketing and market information. There is the need for a catalogue that provides relevant information for actors in the SMFE sub-sector. Weak proprietor association is also a major problem. There is the need to learn from the success of such institutions as AGI and NBSSI. ASNAPP has some information which they are willing to share. Mrs. Asante-Dartey is to develop a brief on priority needs that are common to many SMFEs.
- ◆ BARGFA: the submission was on priority needs of the grasscutter rearing industry in Ghana. Though the grasscutter industry in Ghana started around the same time as that in Benin, Benin's industry has grown large while Ghana's own remains in its infancy. On-the-job training is relevant for new farmers and for farmers already in the business. BARGFA is the strongest of the grasscutter farmers' associations in the country. The association has master trainers who update their knowledge and skills periodically in Benin. Because breeding stocks from Benin are very expensive (about 50 Ghana Cedis per young animal), there is the need to establish breeding stocks in Ghana. Government support is needed through provision of functional credit facilities. The available short term loans are not favourable for the grasscutter industry since it is medium term in nature. One of the reasons behind the success of the industry in Benin is access to enough credit on favourable terms. Proprietors in Benin have enterprises farming up to 4,000 animals, 20 employees, and with separate departments for production, slaughtering and marketing.
- ◆ NBSSI: Mr. Bansa is working on getting a list of trainees and service providers (trainers) from the Rural Enterprises Project (REP) districts.
- ◆ Wildlife Division (WD): the submission was on community-based ecotourism ventures. The WD is promoting joint community-based ecotourism through community guesthouses, community walks, and tourist visits to the community palace, community schools, pito centres, shea butter making centres, herbalists, craft areas, etc. Issues with the communities that demand attention include lack of understanding of ecotourism, lack of record keeping and inability to properly cost and market products. Capacity building and microfinancing are needed. Communities also need to be shown example of successful eco-tourism ventures. Service providers and supporting institutions that the WD has been working with include Nature Conservation Research Council (NCRC), Recerca e Cooperazione, Ghana Wildlife Society (GWS), Royal Netherlands Embassy, EU, USAID, and 'Aids to Artisan Ghana'. Ecotourism could be an effective tool for rural poverty alleviation and resource conservation.

The WD is working on a park to park basis, and is collaborating with communities through the establishment of community resource management areas (CREMAs). Mr. Oti Awere provided a database on funding sources for conservation activities (attached to mail). Mr. Oti Awere is to provide a short write-up on the priorities for the area.

5.3 Final draft report of diagnostic study of SMFEs in Ghana

Many of the members had not been able to read the full report. Those who had made the following comments:

- ◆ ASNAPP: the term 'medicines' in the NWFP category of SMFEs should be changed to medicinals. The specific examples should include such export medicinal products like Giffonia and Voacanga.
- ◆ ASNAP should be added to the list of organisations that can provide services to SMFEs. Also, KNUST should be added to that section, stating the relevant colleges and faculties like the College of Renewable Natural Resources (CRNR), Faculty of Pharmacy, etc.
- ◆ Palm wine tapping should be added to the list of identified SMFEs in Ghana.
- ◆ Dr. Acheampong is to draft a definition of SMFEs in the Ghanaian context.

It was agreed that members who had not been able to read the report could later read the report and send their comments to the Project Secretariat.

5.4 Working Group Action Plan

The following comments were made on the draft action plan for the activities of the Forest Connect Working Group. The draft action plan had been circulated as an annex to the minutes of the first Working Group meeting.

Under action 2.1, which talks about development of a catalogue on SMFEs, add to the content of the catalogue: markets and funding sources. The catalogue should include research institutions, trainers and other service providers.

Under action 2.3, the wording should be changed to: 'help create a national federation of SMFE associations'. Under that action, attention should be paid to strengthening existing SMFE associations before bringing them together under one federation. Students could be assisted to undertake their thesis research on SMFE associations and related issues.

Also add an action to facilitate the development of trade standards and quality assurance.

The final action plan for the Forest Connect Working Group which incorporates the above suggestions has been presented in Section 6 on p. 69.

5.5 To be done before the next meeting

Action	Responsible party
1. Write a brief statement expressing the Working Group's interest in the ongoing policy review. Draft relevant sections for inclusion in the reviewed policy document.	Dr. Kyereh Boateng (Leader), Mrs Juliana Asante-Dartey, Mr. Oti Awere, Mr. Wellington Baiden, and Mr. Paul Osei Tutu
2. Get the Working Group a slot when the policy review consultations start	Mr. Osiakwan
3. Develop a ToR for consultancy work to produce a paper on the bamboo and rattan situation in Ghana: resource base, training needs, service providers, etc.	Dr. Emmanuel Acheampong
4. Write a brief statement on priority needs that are common to SMFEs	Mrs. Juliana Asante-Dartey
5. Develop a list of service providers (trainers) for SMFEs	Mr. Bansa
6. Write a brief statement on priority needs of community ecotourism ventures	Mr. Oti Awere
7. Draft a definition of SMFEs in the Ghanaian context	Dr. Acheampong

5.6 Next meeting

The finalised action plan will be developed into a draft proposal before the next Working Group meeting. The main agenda for the next meeting shall be a discussion of the draft proposal. It will be a two-day meeting (tentatively Thursday August 20 and Friday August 21, 2009). On the first day (reporting day), the meeting will start at 11. 00am. The meeting will be held in Kumasi.

6. Final action plan for the Forest Connect working group

Specific mandate	Actions needed	Responsible party
1. Ensure that SMFE concerns are captured in ongoing policy reviews	1.1 Identify policy concerns of SMFE actors through study of available information, forums and consultancies 1.2 Identify gaps in the existing policy document 1.3 Compile and submit policy recommendations to the policy review committee 1.4 Seek participation and participate in policy review process	Working Group (WG), Project Secretariat (PS) WG, PS WG, PS WG, PS
2. Develop networking and communication strategies for SMFEs	2.1 Develop a catalogue of SMFE associations, markets, research institutions, funding sources, trainers and other service providers. The catalogue should build on existing information with the AGI, NBSSI, Department of Cooperatives, Registrar General's Department, etc. 2.2 Create awareness and encourage usage of the catalogue developed 2.3 Help create a national federation of SMFE associations 2.4 Ensure proper networking and information flow among SMFEs, between SMFEs and service providers, and among WG members	PS, WG WG, PS WG, PS PS
3. Identify capacity building needs and institutions that can offer them	3.1 Undertake capacity building needs assessment through study of available information 3.2 Commission study on capacity building needs of SMFEs and institutions that can offer them	WG WG, PS
4. Develop framework for SMFEs to contribute to sustainable forest management	4.1 Study existing SME frameworks for contributing to the Ghanaian economy, e.g. tax and levy arrangements 4.2 Propose a framework for the SMFE sub-sector 4.3 Facilitate the development of trade standards and quality assurance for SMFEs	WG, PS PWG, PS WG, PS
5. Link SMFEs to existing natural resource management platforms in Ghana	5.1 Create national awareness of SMFE association to be formed 5.2 Create awareness of natural resource management platforms and programmes in Ghana among SMFE association members 5.3 Promote participation of SMFE association in resource management platforms and programmes	WG, PS WG, PS WG, PS

7. Contact information of participants in the second working group meeting

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Small and medium forest enterprises for poverty reduction and sustainability

Most international attention in forestry has been given to improving the conditions for large-scale or micro-scale forestry, and much less to the 'messy middle', which produces a high proportion of forest products and involves huge numbers of people. Ways need to be found by which small and medium forest enterprises (SMFEs) can better contribute to sustainability and reduce poverty. IIED, with partners in Africa, Asia, Latin America and the Caribbean, has been investigating these issues. Country diagnostics show that the SMFE sector is of major significance for livelihoods; the net effect of myriad small players represents a substantial part of local economies. Yet these are largely invisible economies, and policy and programme developments almost completely ignore the SMFE sector. Raising the sector's visibility such that its impacts can be better assessed, and then going on to explore how the positive links to sustainability, livelihoods and poverty reduction can be enhanced, is a major challenge to which this initiative seeks to rise. The following reports in the *Small and medium forest enterprise* series are available from IIED on request, and downloadable from www.iied.org:

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The forest sector in Ghana is the fourth largest foreign exchange earner for the country. This contribution however comes mainly from the formal forest sub-sector consisting of regulated industries in timber and timber products. The informal sub-sector, characterised by small and medium forest enterprises (SMFEs) broadly covering wood forest products, non-wood forest products and forest services, has been largely left out in forest planning and management even though it represents the main, additional or alternative income source for about 3 million people in Ghana. In terms of their contribution to livelihoods and resource sustainability, SMFEs may even outweigh the formal forest sub-sector.

The neglect of the SMFE sub-sector results in revenue loss to the state through non-registration and non-payment of permit fees and taxes, illegal and unstable operations of some enterprises, and sub-optimal contribution to people's livelihoods and poverty reduction.

But opportunities and support exist both at the national and international level and offer good prospects for the promotion of SMFEs. Efforts must be made to utilise the opportunities offered by these initiatives and deal with the challenges they present.

This report reviews the status of SMFEs in Ghana. It provides information on the various issues confronting the sub-sector and identifies mechanisms for harnessing the potential of SMFEs to effectively contribute to poverty reduction and sustainable forest management in Ghana.



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