

Press Release

For Immediate Release

District Assemblies Need to Use Timber Royalties More Responsibly!

Accra, 4th May, 2017. Royalties from timber do not have much development impact on Ghana. This is because there are no guidelines to provide the needed framework for district assemblies to use timber royalties ⁽¹⁾. A survey of how 14 districts and municipal assemblies use timber royalties, commissioned by Civic Response in 2016, shows a wide variation in how district assemblies use royalties from timber. While six of the sampled districts use royalties to support social infrastructure, such as schools, school furniture, and road works, the larger proportion of assemblies see and use such income as windfalls for general purposes or to cover their recurrent expenses.

This revelation comes at a time when new Metropolitan, Municipal and District Chief Executives (MMDCEs) are set to assume office. Could this be a start for more responsible use of timber and other royalties?

Ghana made GHC 60million or USD 26million dollars ⁽²⁾ from payment of timber royalties between 2010 and 2015. Within that period, GHS29.4 million/USD 12million went to the Forestry Commission as management fees. The 50% left was disbursed as follows in accordance with the Constitution ⁽³⁾:

Office of the Administrator of Stool Lands	:	GHC3 million
District Assemblies	:	GHC14.85 million
Traditional Councils	:	GHC5.4 million
Stool Land owners	:	GHC6.75 million

However in several districts, there is not much to show for the timber royalties received in terms of development.

“The failure of district assemblies to demonstrate to their constituents the physical and tangible use of timber royalties only reaffirms the misconception of local forest fringe communities that they don’t benefit from resource exploitation. This could explain the high incidence of forest encroachment and illegal logging since these are the ways they believe they can get direct benefit from their forest,” Samuel Mawutor, the Co-ordinator of Forest Watch Ghana and co-author of the report, said.

The report further indicates that processes for the use of timber royalties are rarely transparent and do not provide any room for representatives of local communities to ask the important accountability questions. This is also besides the fact that what is disbursed to districts varies greatly, based on time and the volume of timber removed from the area, the report points out.

If district assemblies are to be the units for development of the country, then they need to be seen to be making optimum use of royalties. It would be a good idea to see district assemblies applying timber royalties to the implementation of Community Action Plans reflected in the District Assemblies Medium Term Development Plans and clearly labeling such projects. While royalties from minerals seem to be of more interest to regulatory bodies, it is also important for other revenues going to district assemblies to be used in a transparent and accountable manner to engineer local development.

The study also highlights the fact that the failure of the Forestry Commission to effectively collect stumpage fees ⁽⁴⁾ and recover fees from companies in default; and the failure of the Minister of Lands and Natural Resources to review stumpage fees to reflect stocking levels and exchange rate loss ⁽⁵⁾, presents a missed opportunity to increase funds available to district assemblies and traditional institutions for development.

“When we fail to take advantage of every opportunity to improve our revenue collection from timber and plough some of this revenue back to improve the resource base at the local level, we are essentially creating the situation where the resource base is unable to support its sustenance. Taxes on natural resources are supposed to act as a conservation tool as well, and not just a tool for profit. Therefore, every tree felled should come with a reasonable cost that compels companies to be efficient with what they take,” Albert Katako, Head of Programmes at Civic Response said.

The study strongly recommends the development of some simple implementable guidelines on the use of timber royalties by district assemblies through a multi-stakeholder approach, to guide district assemblies towards realising the development potential in royalties while promoting transparency and accountability in its use.

Signed

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Note

1. Full report available at <http://loggingoff.info/document/district-assembly-use-of-royalties-in-ghana/>
2. Using the year on year average exchange USD=GHS exchange rate
3. Article 267 (6) of Ghana’s Constitution prescribes the formula for distributing royalties between the Office of Administrator of Stool Lands (10%), District Assembly (55% of what is left), Stools (25%) and Traditional Authority (20%).
4. “Stumpage fee represents royalties to the landowner and charges for the cost of felled timber which provide a basic return to the landowner and contributes to the cost of forest management and timber regulation,” Timber Resources Management Regulations, 1998.
5. From a study commissioned by Civic Response in 2014, Ghana lost at least USD16million between 2003 and 2014 because the State did not review stumpage fees, thus keeping cost and timber artificially low and making returns to district assemblies and other stakeholders lower <http://pubs.iied.org/pdfs/13576IIED.pdf>.
6. Funding for the report was through the ‘Tackling Deforestation through Linking FLEGT & REDD&’ funded by the EU and DFID. The report does not express the view or position of the EU or DFID.