

**THE THIRD SESSION OF THE FOURTH
PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

**REPORT OF THE
COMMITTEE ON LANDS AND FORESTRY**

**ON THE
RATIFICATION OF TIMBER UTILISATION
CONTRACTS (TUCs) ALLOCATED TO
FOUR TIMBER COMPANIES**

JULY 2007

INTRODUCTION

1. The Minister for Lands, Forestry and Mines on 24th July, 2007 presented to Parliament a request for approval by Resolution, Timber Utilization Contracts allocated to four (4) Timber Companies.
2. The request was accordingly referred to the Select Committee on Lands and Forestry by Mr. Speaker for consideration and report in accordance with Order 177 of the Standing Orders of the House.
3. The Hon. Deputy Minister of Lands, Forestry and Mines and his technical staff attended upon the Committee to explain the rationale for the request and also clarify issues raised by Members.
4. Your Committee wishes to extend its gratitude to the Hon. Dep. Minister and his staff for their input.

REFERENCE

5. The following Legal Instruments guided the deliberations of the Committee:
 - i. The 1992 Constitution of Ghana;
 - ii. The Standing Orders of Parliament;
 - iii. The Timber Resources Management Act, 1997, Act 547;
 - iv. The Timber Resources Management (Amendment) Act 2002, Act 617;
 - v. The Timber Resources Management Regulations, 1998, L.I. 1649;
 - vi. The Timber Resources Management (Amendment) Regulations, 2003 L.I. 1721.

BACKGROUND

6. Parliament in year 2002 amended the Timber Resources Management Act, Act 547 and the Timber Resources Management Regulations L.I. 1649 to allow for the allocation of timber rights to be determined by competitive bidding. The objective was to ensure transparency in the allocation of timber rights and also ensure that Government and the landowners derive maximum returns from timber resources.

7. The amendment to L.I. 1649 prescribed a criterion for competitive bidding for timber rights after an Evaluation Committee had pre-qualified an applicant for grant of timber rights (Regulation 13 of L.I. 1721). The Timber Resources Management (Amendment) Regulation, L.I. 1721 further states that timber rights covering the area subject to competitive bidding shall be awarded to the highest bidder provided the bid is not lower than the reserve bid price and after fulfilling certain prescribed conditions.

8. Some of the conditions as prescribed by Regulation 13 (12) include;

- (a) the posting of a performance bond with one year validity period
- (b) the conclusion of a social responsibility agreement (SRA) with the local communities;
- (c) the payment of first year's area rent
- (b) an upfront payment of timber rights fee (TRF) for the first year of the contract.

9. Pursuant to Act 547, Act 617, L.I. 1649 and L.I. 1721 the Ministry in 2004 successfully conducted competitive bidding for timber rights in natural forests out of which nine (9) companies were adjudged winners in a number of forest and off forest reserves. Five out of the nine companies were able to immediately fulfill all of the above four conditions and these were ratified by Parliament.

10. The remaining four companies, for which the request is being made, fulfilled the first three (3) of the above requirements and also paid 40% of TRF. The TUCs for the four companies were therefore withheld pending full upfront payment of the TRF. The Companies subsequently appealed to the Ministry and the Committee for a review of the 100% payment of the TRF. After a series of consultations between Ministry of Lands, Forestry and Mines, the Parliamentary Select Committee on Lands and Forestry, Forestry Commission and the companies, it was agreed that the companies pay 40% upfront with the balance paid within 12 calendar months. This arrangement was agreed to by Cabinet.

11. Satisfactory arrangements, including Bank Guarantees have been put in place for the companies to make good the remaining 60% in four equal installments within 12 calendar months after ratification.

OBSERVATIONS

100% Upfront Payment of TRF

12. Your Committee observed that the four contracts were withheld pending a 100% upfront payment of the annual TRF. The Committee also observed that because the 2004 competitive bidding was the first of its kind, most of the companies had difficulty appreciating the regulation regarding the payment of the TRF. Some of the companies were of the view that the payment was to be spread over a period of 12 months, and that, after the payment of a certain percentage they would be granted harvesting rights.

Social Responsibility Agreements (SRAs)

13. Your Committee observed that the social responsibility agreements entered into between the timber companies and the communities were aimed at providing social services such as portable water, school infrastructure, access roads, clinics, electricity, library, books, community centers and contribution to Education Endowment Funds. Forest

fringe communities have been noted to lack the above stated basic social amenities. It was thus gratifying to the Committee that the timber companies have undertaken to provide these social services to the communities.

RECOMMENDATION

14. The Committee wishes to recommend that the Forestry Commission should agree on a schedule of payment for the outstanding 60% and this should be submitted to the Committee for monitoring.

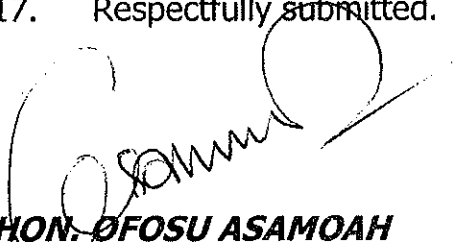
15. Your Committee is further urging the Forestry Commission to ensure that the timber companies fulfill the requirements as set out in the SRAs.

16. Your Committee after a careful scrutiny of the four agreements, and with the assurance from the Ministry and the Companies the payment schedule for the TRF would be duly complied with, respectfully recommends to the House to ratify by Resolution, the Timber Utilization Contracts between the Government and the under listed four timber companies.

TABLE OF COMPANIES AND TUCs AWARDED

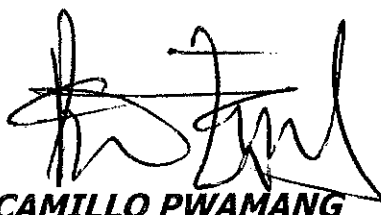
| NAME OF COMPANY | NAME OF TUC | AREA (KM2) |
|--------------------------------------|---|-------------------|
| Messrs Oti Yeboah Complex Ltd | Sankore Off Reserve TUC area | 103.23 |
| Messrs Chiridi Construction Ltd. | Bitre Off Reserve "D" TUC area | 24.77 |
| Messrs Chiraa Forest Mill Ltd | Akrodie Off Reserve TUC area | 51.36 |
| Messrs Yaw Asiamah Pepra Timbers Ltd | North Formangsu Forest Reserve TUC area | 32.64 |

17. Respectfully submitted.



**HON. OFOSU ASAMOAH
CHAIRMAN, COMMITTEE ON LANDS
& FORESTRY**

RECEIVED
COMMITTEE ON LANDS & FORESTRY
JULY 28 2007



**CAMILLO PWAMANG
CLERK, COMMITTEE ON LANDS & FORESTRY**

28th JULY 2007