

# **GHANA'S** TRADERS, LUMBERJACKS AND FORTUNE HUNTERS

**PCD in practice: the impact of European policies  
on development in Ghana**

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## TABLE OF CONTENTS

04	List of abbreviations	73	Epilogue
06	List of boxes and annexes		
09	Preface	74	Annex 1: Bibliography
10	Executive summary	76	Annex 2: List of interviewees
15	Initiative of the Evert Vermeer Foundation		
16	Introduction		
18	General background of Ghana		
20	EU development policy towards Ghana		
22	<b>1. Trade</b>		
25	1.1 Economic Partnership Agreements		
25	1.2 PCD: Trade & Development		
26	1.2.1 Negotiations		
28	1.2.2 Market access offer		
37	1.2.3 Other contentious issues		
40	1.2.4 Regional integration		
41	1.2.5 Development component		
42	1.3 Recommendations		
44	<b>2. Illegal logging</b>		
47	2.1 FLEGT/VPA		
48	2.2 PCD: Illegal logging & Development		
48	2.2.1 Governance and legislative review		
51	2.2.2 Scope of the VPA		
53	2.2.3 Impact on the forestry industry		
57	2.2.4 Coherence with other donor programmes		
58	2.3 Recommendations		
60	<b>3. Migration</b>		
63	3.1 EU migration policy		
64	3.2 PCD: Migration & Development		
64	3.2.1 Brain drain		
67	3.2.2 Circular migration		
69	3.2.3 Return		
69	3.2.4 Remittances		
70	3.2.5 Illegal migration		
71	3.2.6 Capacity		
72	3.3 Recommendations		

## LIST OF ABBREVIATIONS

<b>AAIM</b>	Alliance Against Irregular Migration
<b>ACP</b>	African, Caribbean and Pacific
<b>CEPA</b>	Centre for Policy Analysis
<b>CHAG</b>	Christian Health Association of Ghana
<b>CSP</b>	Country Strategy Paper
<b>EBA</b>	Everything But Arms
<b>EC</b>	European Commission
<b>ECOWAS</b>	Economic Community of West African States
<b>EDF</b>	European Development Fund
<b>EU</b>	European Union
<b>EPA</b>	Economic Partnership Agreement
<b>EUROPOL</b>	European Police Office
<b>EVF</b>	Evert Vermeer Foundation
<b>FC</b>	Forestry Commission
<b>FCDF</b>	Forest Carbon Partnership Facility
<b>FIP</b>	Forest Investment Programme
<b>FLEGT</b>	Forest Law Enforcement Governance and Trade
<b>FONG</b>	Farmers' Organisation Network in Ghana
<b>FOODSPAN</b>	Food Security Policy Advocacy Network
<b>FORIG</b>	Forestry Research Institute Ghana
<b>FRONTEX</b>	European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the EU
<b>FSC</b>	Forest Stewardship Council
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GDP</b>	Gross Domestic Product
<b>GHS</b>	Ghana Health Service
<b>GIS</b>	Ghana Immigration Service
<b>GOG</b>	Government of Ghana
<b>GAPNET</b>	Ghana Poultry Network
<b>GAWU</b>	General Agricultural Workers Union
<b>GRNA</b>	Ghana Registered Nurses Association
<b>GSP</b>	General System of Preferences
<b>GSP+</b>	Enhanced General System of Preferences
<b>GTLC</b>	Ghana Trade and Livelihoods Coalition
<b>HIPC</b>	Highly Indebted Poor Countries Initiative
<b>IDEG</b>	Institute for Democratic Governance
<b>IEPA</b>	interim-Economic Partnership Agreement
<b>IMF</b>	International Monetary Fund
<b>IOM</b>	International Organisation for Migration
<b>ISSER</b>	Institute of Statistical, Social and Economic Research
<b>IUCN</b>	International Union for the Conservation of Nature

<b>LDC</b>	Least Developed Country
<b>MDG</b>	Millennium Development Goals
<b>MDRI</b>	Multilateral Debt Relief Initiative
<b>MFN</b>	Most Favoured Nation
<b>MIDA</b>	Migration for Development in Africa
<b>MOTI</b>	Ministry of Trade and Industry
<b>NREG</b>	Natural Resources and Environmental Governance
<b>ODA</b>	Official Development Assistance
<b>PCD</b>	Policy Coherence for Development
<b>PPMED</b>	Policy Planning Monitoring and Evaluation Department
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>RECFAM</b>	Research and Counselling Foundation for African Migrants
<b>REDD</b>	Reduced Emissions from Deforestation and Degradation
<b>SAP</b>	Structural Adjustment Programme
<b>SME</b>	Small and Medium Enterprise
<b>SPS</b>	Sanitary and Phyto-Sanitary
<b>SRA</b>	Social Responsibility Agreement
<b>TVD</b>	Timber Validation Department
<b>TWN</b>	Third World Network
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>USA</b>	United States of America
<b>VPA</b>	Voluntary Partnership Agreement
<b>WHO</b>	World Health Organisation
<b>WTO</b>	World Trade Organisation
<b>WTS</b>	Wood Tracking System

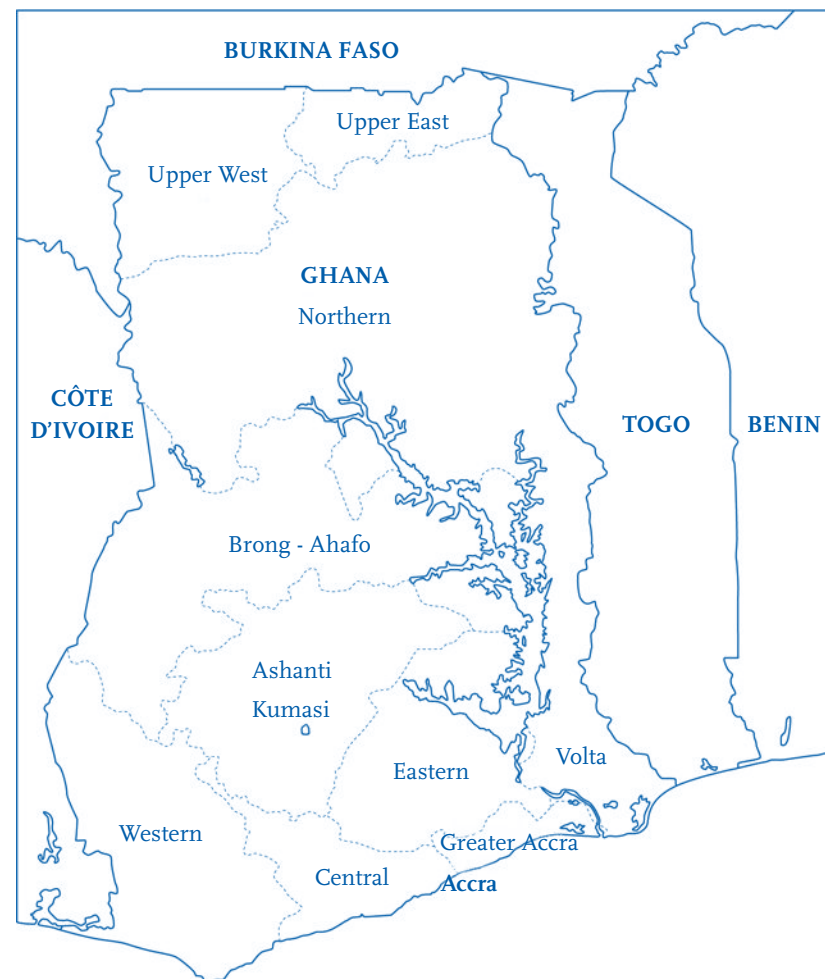
## LIST OF BOXES AND ANNEXES

### BOXES

- BOX 1:** PCD: a legal obligation
- BOX 2:** The Republic of Ghana
- BOX 3:** Ghana's trade in brief
- BOX 4:** Ghana's market access offer
- BOX 5:** EU agricultural subsidies
- BOX 6:** Tomato industry
- BOX 7:** Poultry industry
- BOX 8:** Ghana's forests
- BOX 9:** VPA social safeguards clause
- BOX 10:** Ghana's migration profile

### ANNEXES

- ANNEX 1:** Bibliography
- ANNEX 2:** List of interviewees



## PREFACE

Let us start with a warning: any politician who reads this publication will feel that she or he should act immediately. In the current situation the European Union (EU) is wasting effort and money.

This impact study of European policies on development in Ghana undeniably shows the negative impacts that European policies have on Ghanaian development targets and sometimes even on development policies of the EU in Ghana. It clearly shows that much work needs to be done if we really want development to be as effective as possible, for instance in Ghana.

If there is one thing that this study on Ghana illustrates clearly, it is that much more attention should be paid by the EU to the *implementation* of relevant policies in partner-countries. All too often policies are well formulated by the Ghanaian government, but it is the implementation by the Ghanaian authorities that leaves a lot to be desired. That is where many development targets, at least in these policy fields in Ghana, go wrong. More evidence based studies in developing countries on Policy Coherence for Development (PCD) are necessary to see whether these findings can be confirmed.

This study is a new approach of Fair Politics, the political campaign of the Evert Vermeer Foundation (EVF). For the first time the EVF does not focus on a specific policy-field, but on one specific developing country, the Dutch partner-country Ghana. It maps out the effects of the European policies for Ghana in the fields of trade, illegal logging and migration. It then assesses to what extent the EU is meeting its commitment towards PCD, meaning that the EU has to take account of its development objectives in all its activities that are likely to affect developing countries.

European partners of the EVF perform similar impact studies in partner-countries of their governments. The Portuguese organisation IMVF will conduct an impact study in Cape Verde and Glopolis from the Czech Republic will publish an impact study on Ethiopia. Together these three studies will give a broad view of the effects of incoherent policies of the EU.

The goal of this publication, as well as of Fair Politics, is to support the political will to create more effective development policies. We hope Members of the European Parliament, among other European politicians, will be inspired by this publication to act fiercely to make development work!

**Max van den Berg**, president Evert Vermeer Foundation

**Peter Heintze**, director Evert Vermeer Foundation

## EXECUTIVE SUMMARY

For this impact study research was conducted on three relevant policy areas in Ghana: trade, illegal logging and migration. Although Ghana's poultry industry almost completely collapsed in the 1990s because of an influx of cheap subsidized chicken parts from the European Union (EU), Ghana is expected to sign an agreement in the coming months to open up 80% of its market to EU products. Next to this Ghana's forests are vanishing at an alarming rate. Between 1900 and 1990, the country's forest cover fell from 8.2 to 1.5 million hectares. While 70% of Ghana's wood comes from illegal logging, the EU imports 43% of Ghana's timber. And even though Ghana's shortfall in health workers is 49%, the United Kingdom's government saved about \$97.5 million in training costs in 2004 by employing doctors trained in Ghana.

Something has to be done. Otherwise the livelihoods of 55% of Ghana's workforce employed in small-scale agriculture will be threatened, Ghana's forests will be depleted and Ghanaians will be deprived of highly needed quality healthcare. Over the next years, the Government of Ghana (GoG) will need to work hard to counter these negative developments. The EU, however, being one of Ghana's most important business and development partners, also needs to change its policies. It has both a moral, legal and economic obligation to do so.

The relationship between trade and development is a controversial one. Although in the current globalised world all countries engage in international trade, free trade is not always a guaranteed route towards economic development. The negative effects of Structural Adjustment Programmes in the 1980s and 1990s, requiring developing nations to open up their markets, are still in minds of citizens and governments in developing countries.

### Trade

Trade between the EU and West-Africa accounts for 40% of the total trade between the EU and African Caribbean and Pacific (ACP) countries, making the region the EU's main trading partner in the developing world. The EU is also an important trade partner for Ghana in particular, accounting for more than half of Ghana's exports and 40% of its imports. Because of this, the trade policy between Ghana and the EU is of key strategic importance to the country's development process.

In December 2002, ECOWAS was mandated to negotiate the regional Economic Partnership Agreement (EPA) for West-Africa. By April 2007, however, it became clear that the regional agreement would not be concluded on time. For most countries in the region this did not create a big problem as they are Least Developed Countries (LDCs), thereby having duty free access to the EU under the Everything but Arms (EBA) arrangement. Nigeria, Ivory Coast and Ghana, however, not being LDCs, had to come up with an alternative to Cotonou. By the end of 2007, Ghana and Ivory Coast initialled an interim-EPA (iEPA), while Nigeria opted for the EU's General System of Preferences (GSP).

Under the iEPA Ghana has committed itself to dismantle tariffs on 80% of the imports coming from the EU over a period of 15 years, starting in 2009. However, Ghana has not yet signed the interim agreement and ECOWAS negotiations for the regional EPA are still ongoing. Unresolved issues include, amongst others, the market access offer, the development component of the agreement and commitments regarding liberalisation of services and government procurement. Although the EU hopes to finish negotiations by June 2010, most people do not believe that this expectation is realistic. In order for the EU to reach this objective, more coherence between the EU's development objectives and the EPAs needs to be created.

In order to create coherence, several recommendations are suggested. The following recommendations are most essential:

- The EU should not pressure Ghana to sign the iEPA. Until the regional EPA for West-Africa has been concluded, it should give Ghana preferential market access to the EU, if necessary by giving Ghana the GSP+ status.
- The EU should make sure that all elements that are not required to make the EPA WTO compatible are taken out of the EPA. This requires a review of current provisions on the Most Favourite Nations principle and the rules of origin and the removal of the clause on export taxes.
- The EU should link the liberalization scheme to its development benchmarks under GSP instead of a fixed timeframe, in order to allow industries to build up enough capacity to compete with EU produce.
- The EU should make sure that it allows ECOWAS enough time to reach consensus on controversial issues. If the EU pushes ECOWAS to sign before all the issues are solved or tries to put pressure on the region through individual members, it risks to counter regional integration.

### Illegal logging

Illegal logging and global trade in illegal timber are recognised as key threats to forests, biodiversity and development worldwide. Illegal logging has severe environmental and social implications for the world's forests and communities that rely on forest resources. Moreover, illegal logging deprives developing countries' governments of highly needed revenue and often promotes corruption, undermines good governance, and can create conflicts among local populations.

The EU has always been Ghana's major trading partner in timber. In 2008, the EU accounted for 43% of the value of total exports and 33% of the total registered export volume. Although the responsibility to stop illegal logging is primarily in the hands of timber-producing countries, the EU as a major consumer of illegally logged timber in

Ghana plays a key role in the fight against illegal logging. This is especially relevant in terms of coherence, since much of the EU's aid to Ghana is aimed at environmental protection, improving governance and achieving the Millennium Development Goals (MDGs). These are all areas that are affected through illegal logging.

The EU recognises that it has a role to play in countering deforestation and illegal logging. In 2003, it adopted the Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which focuses on improving governance in timber producing countries, supporting legislative and regulatory reforms and establishing systems to stop illegal timber from entering the EU market. One of the key elements of FLEGT is the establishment of Voluntary Partnership Agreements (VPAs) between the EU and timber exporting countries. The central aim of the VPA is to provide a legal framework and monitoring system to ensure that all imports of timber into the EU have been acquired, harvested, transported and exported in accordance with the law of the exporting country.

In November 2008, Ghana was the first country in the world to sign a VPA. The first shipments of VPA licensed timber are expected to enter the EU by the end of 2010. In the meantime Ghana is developing the Wood Tracking System (WTS), necessary to issue VPA licenses. The implementation of the VPA in Ghana is funded through domestic funds and a multi-donor programme supported by the European Commission, France, the Netherlands, the UK and the World Bank.

Without taking additional measures and proper follow up, the VPA will prove ineffective in stopping illegal practices and keep local communities from benefiting from forest resources. Although it is primarily the responsibility of the Ghanaian Government to carry out these reforms, if the EU does not ensure proper implementation and follow up of the VPA, it risks undermining its environmental and development investments.

The EVF therefore suggests several policy recommendations. The following recommendations are most essential:

- The EU should ensure that it holds the Government of Ghana (GoG) accountable to the promises made in the VPA. If Ghana does not carry out reforms as promised, further environmental budget support should not be released.
- The EU should put governance at the core of the VPA and help the GoG to improve forest law enforcement, tackle corruption and conduct a legislative review on land and tree rights and benefit sharing.
- The EU should ensure that all countries signing a VPA, next to exports to the EU, also include their domestic and other exports markets.

- The EU should make sure that the social safeguards clause is properly followed up upon, which means that the impact of the VPA on local livelihoods is assessed and the capacity of stakeholders to (re)negotiate institutional arrangements is strengthened.

### Migration

Migration is increasingly becoming a hot issue in development cooperation as more awareness has been created that migration and development are linked in several ways. On one hand migrants contribute to development: the remittances that migrants send home are almost twice the total amount of money that is spent on development cooperation. On the other hand, migration also has a negative impact on countries of origin. For developing countries, the most important negative effect of voluntary migration to developed countries is the brain drain caused by the loss of highly skilled workers. This brain drain has severe repercussions on the labour market of the migrant's countries of origin, where it impacts negatively on vital sectors such as education and health care, and reduces those countries capacity to achieve the MDGs.

Ghana is a country of significant out-migration, be it on a long-term or short-term basis. Many Ghanaian families and individuals see migration as an important survival strategy. With about 15% of its population living outside its borders, Ghana ranks fifth in Africa on the migration table. Between 1993 and 2002, roughly half of all doctors and a third of nurses left the country after training.

The European Commission is at the moment looking for a common approach towards migration. There is a realisation that the EU's migration policy should look at the needs of both the EU and the countries of origin, as well as taking into account the migrant's interests. In this respect circular migration, which allows migrants to work in the EU and return to their home countries, has become the key word. Circular migration is supposed to help the EU address its labour needs, while at the same time benefiting sending countries through remittances and the skills that migrants bring back home; so-called brain gain.

However, while the EU remains reluctant to create legal opportunities for low skilled migration towards the EU, it is making fast progress in the facilitation of highly skilled migration. Out of four directives on legal migration envisaged in the EU's Global Approach to Migration in 2005, only the Blue Card focusing on highly skilled migrants has been adopted. The EU is also more than willing to create policies to counter illegal migration. It invests large sums of money through EUROPOL and FRONTEX to fight illegal immigration and human trafficking. Next to this, member states are implementing voluntary and forced return programmes for illegal migrants.

If the EU is serious about making migration work for development and wants to stick to its commitments in the field of migration and development, several adjustments are needed. The following recommendations are most essential:

- EU migration policies need to look at both the demand in the EU and the supply in developing countries. This means that the EU should open up opportunities for legal migration of lower-skilled people, which allows them to earn a fair wage and gain knowledge and experience that can be used in Ghana.
- Although this is not enough to solve the brain drain problem, the EU should address an important push factor by ratifying the WHO global code of conduct on ethical recruitment in order to limit active recruitment.
- Part of the money currently being invested in migration management through EUROPOL and FRONTEX should be reallocated to development programs. Any attempt to link development aid to migration prevention policies must be rejected.

## INITIATIVE OF THE EVERT VERMEER FOUNDATION

This study has been conducted by the Evert Vermeer Foundation (EVF), and is an outcome of the project 'Enhancing Policy Coherence for Development, Making Development Work Better'. This project is co-financed by the European Commission.

The EVF is a Dutch political NGO, and is part of the campaign 'Fair Politics'. This campaign makes politicians aware of the effects of unfair policies. For many years now the EVF has brought forward concrete examples of incoherent and unfair policies, together with policy recommendations to strengthen Policy Coherence for Development (PCD).

The objective of Fair Politics is to make politicians aware of unfair policies, to provide them with policy recommendations and to encourage them to revise these policies. Policies that contradict or oppose development commitments and objectives must end. Fair policies are coherent, justifiable and sustainable policies that do not hinder, but encourage the development of poor countries. All with the aim of giving poor countries a fair chance to develop.

The EVF published about the Common Agricultural Policy of the EU, the Economic Partnership Agreements (EPA), fishery policies, migration policies, arms trade, biofuels, illegal logging and many, many other subjects. On the website ([www.fairpolitics.eu](http://www.fairpolitics.eu)) these cases are presented and accompanied by policy recommendations. The EVF principally targets its activities towards politicians and civil servants of the European institutions and the Netherlands, because politicians are in the position to change incoherent policies that harm developing countries into coherent policies.

The EVF co-operates with several NGO's in other EU Member States on Policy Coherence for Development. Since 2009 the EVF is partner of the joined project 'Enhancing Policy Coherence for Development, Making Development Work Better'. This is a project of the Instituto Marquês Valle Flor (IMVF, Portugal), Glropolis (Czech Republic), People to People (Estonia) and the EVF (the Netherlands). The objective for this project is to contribute to poverty reduction by enhancing PCD through raising awareness among different stakeholders.

Strong cooperation with partners in several EU Member States enables a combined effort for advocacy for PCD in these Member States, capable of making a strong case on the level of the European Council.



## INTRODUCTION

Between the 30th of January and the 14th of February 2010, the EVF travelled to Ghana to assess the concrete impact of the EU's policies on Ghana's development. Between the 30th of January and the 14th of February 2010, the EVF travelled to Ghana to assess the concrete impact of the EU's policies on Ghana's development. The aim of the mission was to assess to what extent the EU is meeting its commitment towards Policy Coherence for Development (PCD) (see Box 1 below). The study focused on the fields of illegal logging, migration and trade since these areas need urgent reform and are high on Ghana's political agenda.

The impact study was carried out in Ghana's capital Accra and the country's second city Kumasi. Interviews were conducted with Ghanaian government officials, members of the EU delegation, private sector and civil society organisations, academics and think tanks (see Annex 2 for the complete list of interviewees).

This report shares the findings from the field. Therefore we would like to thank the interviewees who helped us a lot in identifying and explaining existing incoherencies between the EU's development policy and its policies in the fields of trade, illegal logging and migration. The study points out hard incoherencies in the EU's policies, having damaging consequences for Ghana. Besides it shows policy deficiencies for which the Government of Ghana carries the main responsibility but in which the EU could support Ghana better in order to make sure that its policies are not only coherent on paper but truly help Ghana's domestic development. The report also looks at the policymaking process leading up to the identified incoherencies.

At the end of each chapter recommendations are put forward to improve upon current policies. The study is meant to create awareness of damaging and ineffective EU policies that apply to Ghana and help politicians and decision makers of the EU, the EU-Member States and Ghana to improve upon these policies. Policy workers of NGO's working around the European institutes, in the EU-Member States and in Ghana will also benefit from this study.

## BOX 1:

### PCD: a legal obligation

In the 2005 European Consensus on Development, the EU made the political commitment to enhance PCD, meaning that the EU has to take account of the interests of developing countries in all its policies towards the developing world.

Under the Lisbon Treaty, this commitment got a legal basis. Article 21 of the Treaty states that:

**'The Union shall ensure consistency between the different areas of its external action and between these and its other policies. The Council and the Commission, assisted by the High Representative of the Union for Foreign Affairs and Security Policy, shall ensure that consistency and shall cooperate to that effect'.**

Moreover in Article 208 on the functioning of the EU, it is stated that:

**'The Union development cooperation policy shall have as its primary objective the reduction and, in the long term, eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements that are likely to affect developing countries'.**

## GENERAL BACKGROUND OF GHANA

The Republic of Ghana was the first country in sub-Saharan Africa to gain independence. At the moment, Ghana is one of the most stable countries in Africa. In 2007, it received the highest marks of all African nations in the World Bank's annual governance report and despite a very close margin of votes during the 2009 elections, Ghana managed to undergo a peaceful transition of power.

Over the last years, Ghana's economy has been well managed, leading to economic stability and a consistently high growth rate. Between 1998 and 2008, Ghana's economy grew by an annual percentage of 5.2%. Ghana is however still a low-income country, ranking 152 out of 182 countries in the 2009 United Nations (UN) Human Development Index. Although it was the first country to achieve Millennium Development Goal (MDG) 1 by halving the proportion of people living in poverty, about 28.5% of Ghana's population is still living on less than one dollar a day.<sup>1</sup>

Relationships between the EU and Ghana are extensive. An estimated 600.000 Ghanaians are currently living and working in Europe and the EU is Ghana's largest export market by a wide margin. Ghana's economy is diversifying, although agriculture remains the most important sector for the majority of Ghanaians, accounting for over 34% of Gross Domestic Product (GDP) and employing over 55% of the work force, mainly as small-scale farmers. Ghana's main exports are cocoa, timber and pineapples. The industrial sector accounts for 25% of Ghana's GDP and consists of mining, manufacturing, aluminium smelting and food processing. The services sector is the largest sector in the economy, contributing 41% of GDP.<sup>2</sup> With oil recently being discovered in Ghana the composition of the economy is, however, expected to change over the next years.

## BOX 2:

### The Republic of Ghana

- DATE OF INDEPENDENCE: **6 MARCH 1957**
- PRESIDENT: **JOHN ATTA MILLS**
- INHABITANTS: **23,9 MILLION**
- GDP PER CAPITA: **\$ 1500**
- ANNUAL ECONOMIC GROWTH: **4.7%**
- PUBLIC DEBT: **67.5% OF GDP**
- POPULATION BELOW THE POVERTY LINE: **28.5%**
- LIFE EXPECTANCY: **60 YEARS**

(CIA World Factbook 2009)

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<sup>1</sup> [http://devdata.worldbank.org/AAG/gha\\_aag.pdf](http://devdata.worldbank.org/AAG/gha_aag.pdf)

<sup>2</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/gh.html>

## EU DEVELOPMENT POLICY TOWARDS GHANA

Although Ghana is rich in natural resources and has almost twice the per capita output of the poorest countries in West Africa, it is still heavily dependent on international donor aid. In 2007, Official Development Assistance (ODA) to Ghana amounted to \$1,236 million with the World Bank (20.4%) and the EU (6.7%) being the major multilateral donors and the Netherlands (12.8%) and the United Kingdom (11.9%) the main bilaterals. Because Ghana satisfies the criteria for general budget support, most aid is given to Ghana's budget in order to help it implement its Poverty Reduction Strategy Paper (PRSP). The multi-donor budget support contribution is 25.72 % of the total aid (in 2008 \$368.13 million)<sup>3</sup>. In 2008, Ghana also received \$160 million under the Heavily Indebted Poor Countries Initiative (HIPC) and from 2005 onwards it will get \$4 billion through the Multilateral Debt Relief Initiative (MDRI).<sup>4</sup>

The Netherlands provides €25 million per year in general budget support to Ghana. It is the third largest donor in the healthcare sector and by far the most important donor to Ghana's environment ministry, where it supports a comprehensive programme and provides environmental expertise. Over the next three years, Dutch aid to Ghana will be about €70 million per year.<sup>5</sup> In addition, the Dutch Government (in)directly provides substantial financial and technical support to the sector through multilateral and nongovernmental funding channels.

Under the 10th European Development Fund (EDF), the European Commission (EC) and Ghana signed a new Country Strategy Paper (CSP) for the years 2008-2013 with a budget of €367 million. Focal areas of the EU's cooperation with Ghana are transport connectivity and regional integration (€76 million), governance (€95 million) and general budget support (€175 million). By creating better road links, the EU wants to improve access to markets and social services in rural areas. In governance, it aims to strengthen Ghana's democracy by establishing more effective, transparent and accountable mechanisms of local governance and engaging civil society in national decision making processes. In 2009, the EC and Ghana signed a contract through which the EU provides long term budget support for the achievement of the MDGs and public finance management. The remaining part of the EDF (€21 million) goes to the areas of trade, migration, environment and technical cooperation.<sup>6</sup>

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3 [www.mofep.gov.gh/documents/Background\\_Documents.doc](http://www.mofep.gov.gh/documents/Background_Documents.doc)

4 <http://www.oecd.org/dataoecd/39/34/44447736.pdf>

5 [http://www.minbuza.nl/en/Key\\_Topics/Development\\_Cooperation/Partner\\_Countries/Countries\\_alphabetically/G/Ghana](http://www.minbuza.nl/en/Key_Topics/Development_Cooperation/Partner_Countries/Countries_alphabetically/G/Ghana)

6 [http://ec.europa.eu/development/geographical/regionscountries/countries/country\\_profile.cfm?cid=gh&type=short&lng=en](http://ec.europa.eu/development/geographical/regionscountries/countries/country_profile.cfm?cid=gh&type=short&lng=en)



photo by Jorrit Oppewal

# 1. TRADE

The relationship between trade and development is a controversial one. Although in the current globalized world all countries engage in international trade, history is there to prove that free trade is not always a guaranteed route towards economic development. The negative effects of Structural Adjustment Programmes (SAPs) in the 1980s and 1990s, requiring developing nations to open up their markets, are still fresh in the minds of citizens and governments in developing countries.

Trade between the EU and West-Africa accounts for 40% of the total trade between the EU and African Caribbean and Pacific (ACP) countries, making the region the EU's main trading partner in the developing world.<sup>7</sup> The EU is also an important trade partner for Ghana in particular, accounting for more than half of Ghana's exports and 40% of its imports.<sup>8</sup> Because of this, the policy guiding trade between Ghana and the EU is of key strategic importance to the country's development process.

The EU realizes that its trade policy impacts on developing countries and has promised to make sure that developing countries can benefit from EU trade by offering access to the EU market and making sure that the needs of developing countries are taken into account in the formulation of its trade policy. Moreover, the EU sees itself as a strong advocate of pro-development measures in the World Trade Organisation (WTO).<sup>9</sup>

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<sup>7</sup> <http://agritrade.cta.int/en/content/view/full/1790> p. 12

<sup>8</sup> CIA World Factbook 2009

<sup>9</sup> <http://ec.europa.eu/trade/wider-agenda/development/>

### BOX 3:

#### Ghana's trade in brief

- GHANA'S EXPORTS AMOUNT:  
**\$5.737 BILLION**
- KEY EXPORTS ARE:  
**GOLD, COCOA, TIMBER AND HORTICULTURE**
- **40% OF GHANA'S EXPORTS GO TO THE EU**
- GHANA'S IMPORTS AMOUNT  
**\$9.807 BILLION**
- KEY IMPORTS ARE:  
**CAPITAL EQUIPMENT, PETROLEUM AND FOOD**
- MOST IMPORTS COME FROM  
**CHINA, NIGERIA, INDIA, USA, FRANCE AND UK**

(CIA World Factbook 2009)

### 1.1 ECONOMIC PARTNERSHIP AGREEMENTS

Between 1975 and 1999 under the Lomé Convention and from 2000 onwards under the Cotonou Agreement, Ghana-EU trade has been guided by a non-reciprocal trade regime, offering tariff preferences to Ghanaian products entering the EU market. Although this regime allowed developing countries a good amount of policy space to protect their markets, the Cotonou trade regime operated under a waiver from the WTO's Article 24 and the General Agreement on Tariffs and Trade (GATT) Act 1, which obliges WTO members to adhere to the principle of non-discrimination. Because the waiver ended in December 2007, the EU has since 2002 been negotiating new trading agreements with ACP countries; so-called Economic Partnership Agreements (EPAs).

For the purpose of negotiations, ACP countries were grouped into six sub-regions with Ghana becoming part of the West-African region, comprising the Economic Community of West African States (ECOWAS) and Mauritania. In December 2002, ECOWAS was mandated by the West-African heads of state to negotiate the regional EPA for West-Africa. By April 2007, however, it became clear that the regional agreement would not be concluded on time. For most countries in the region this did not create a big problem as they are Least Developed Countries (LDCs), thereby having duty free access to the EU under the Everything but Arms (EBA) arrangement. Nigeria, Ivory Coast and Ghana, however, not being LDCs, had to come up with an alternative to Cotonou. By the end of 2007, Ghana and Ivory Coast initialled an interim-EPA (iEPA), while Nigeria opted for the EU's General System of Preferences (GSP) which would lead to higher EU tariffs than before.

Under the iEPA Ghana has committed itself to dismantle tariffs on 80% of the imports coming from the EU over a period of 15 years, starting in 2009. However, Ghana has not yet signed the interim agreement and ECOWAS negotiations for the regional EPA are still ongoing. Unresolved issues include, amongst others, the market access offer, the development component of the agreement and commitments regarding liberalisation of services and government procurement. Although the EU hopes to finish negotiations by June this year, most people do not believe that this expectation is realistic.

### 1.2 PCD: TRADE & DEVELOPMENT

'The total package of the EPA will reduce the government into a puppet that does not have any space to initiate programmes for development because all the things that can be done to protect the market are prescribed by the EPA' (Kingsley Ofei-Nkansah, General Agricultural Workers Union).

As a continuation of Cotonou, the EPAs were initially conceived as a development tool, designed to increase regional integration, diversify economies in the region and integrate developing countries in the global economy. Although the EU argues that the EPAs were

necessary to make trade between the EU and ACP countries WTO compatible, the current proposals for Ghana's iEPA and the regional EPA for West-Africa go far beyond what is legally required. Whereas the EPA was meant to create coherence between the EU's trade and development policy, the current proposals are solely determined by EU trade interests. Several stakeholders argue that because the EU demands a reciprocal trade regime without offering proper safeguards, the EPA in its current form is likely to undermine sustainable development in West-Africa, thereby countering the EU's development objectives. Moreover, the fact that the EU has initialled and signed iEPAs with individual countries undermines the EU's objective of regional integration. Although the assessment of Ghana's iEPA and the regional EPA is not straightforward, given the fact that both agreements are still being reviewed, this chapter outlines the most important incoherencies between the EU's development policy and the EPA proposals.

### 1.2.1 NEGOTIATIONS

*'If EPAs were actually meant to contribute to our development, the EU should have considered the alternatives instead of forcing Ghana into an iEPA'* (Ibrahim Akalbila, Ghana Trade and Livelihoods Coalition).

The EPA negotiations have come to be known as highly controversial and EU negotiations with the West-African region are no exception to this. As Joe Abbey, Director of the Centre for Policy Analysis (CEPA) says: 'The European negotiating postures were bad; they behaved like they were still talking to their ex-colonies, knowing better than us'. Next to the EU's attitude, concerns are expressed about the unequal capacity to negotiate. According to David Eli, Coordinator of FoodSPAN, the EU came with over fifty negotiators, including lawyers and agricultural experts while ECOWAS did not have the expertise, let alone the resources to put together a negotiating team that could match the one of the European Commission (EC).

#### IEPA process

The process leading up to Ghana's iEPA is even more worrying than the regional negotiating process. First of all, the EU refused to consider the alternatives to an EPA. According to Emanuel Awuri, Director of the Policy Planning, Monitoring and Evaluation Department (PPMED) in the Ministry of Trade and Industry (MOTI), Ghana proposed several feasible alternatives, which it saw as more beneficial than the iEPA. He explains that the EU turned down both Ghana's request to extend the EBA initiative and its request to ask the WTO for a new waiver. Finally, Ghana proposed to apply for the enhanced GSP (GSP+). Tetteh Hormekku, Head of the Third World Network (TWN), explains that under GSP+ Ghana would have had preferential access to the EU market for 80% of its products, which would have been almost like the Cotonou agreement. Ghana, meeting 25 out of 27 criteria, could have been given GSP+ provisionally. While the EU does not have to get permission from the WTO to give GSP+, it did not want to consider the option. Kingsley Ofei-Nkansah (Ghana Agricultural Workers Union), argues that the EU only allowed it to come up at the end of the negotiations when there was no time left to consider it.

Awuri (MOTI) says that considering the fact that all other alternatives were denied, Ghana was left with no other option than to sign the iEPA.

David Domes, Head of the Economic and Trade Section of the EU Delegation in Ghana, however argues that the pressure to initial the iEPA did not come from the EU but that the iEPA was the only WTO compatible and non discriminatory alternative vis-à-vis other developing countries of the same level of development. Domes further explains that the pursuit of EPAs as the new EU/ACP trade regime had been decided during the negotiations of the Cotonou Partnership Agreement jointly by the ACP and the EU after examining other possible alternatives at that time.

Next to the EU refusing to consider alternatives to the iEPA, there were other concerns during the negotiations. According to Ibrahim Akalbila, Coordinator of the Ghana Trade and Livelihoods Coalition (GTLC), the EU threatened to cut imports if Ghana would not sign the iEPA. George Bimpeh, Programme Officer at SEND Foundation, says: 'A few powerful exporting companies put pressure on government to sign, even though this meant that the livelihoods of millions of small-scale farmers were put at stake'. Hormekku (Third World Network) argues that during the last days before the deadline the discussion was taken off the hands of the technocrats and the EU went straight to the president's office to get the iEPA signed. Many civil society organisations feel that the EU should have given more time to let the MOTI consider the iEPA in depth.

A concern related to this is that there was no capacity to negotiate at the individual country level. As Hormekku says: 'When the EU came to Ghana in November 2007, it was not negotiating with experts; it was not negotiating with the people that had been involved in the EPA discussions all these years'. Moreover, because of the time pressure, the GoG had no time to study the iEPA in depth. Although the market access offer was created by the Ghanaian think-tank CEPA, the rest of the agreement was drafted by the EU and initialled without any adjustments. Many stakeholders argue that because of this, Ghana got a very bad deal and the EU was able to introduce things that had not been part of the regional negotiations before (see paragraph 1.2.3). Finally, the EU's choice to negotiate with Ghana individually – something that was highly criticized by several ECOWAS states - undermined jointly agreed goals for regional cooperation.

### 1.2.2 MARKET ACCESS OFFER

'First and foremost the EU has to understand that African countries are not industrialized; they are primary commodity dependent countries. Because their future depends on how they transform this primary dependence into industrial policies, you cannot fix them to certain policies. For the EU who has developed in 200 years, to be entering into an agreement with Ghana who still in 2010 is primarily a peasant based economy and to insist that it should open its market is wrong' (Tetteh Hormeku, Third World Network).

The EPA covers a set of agreements on reciprocal market access between the EU and ACP countries. The core of the EPA is the market access offer, which outlines the percentage of trade that will be liberalised and puts forward the time schedule for the removal of tariffs.<sup>10</sup> Under the iEPA Ghana has committed itself to eliminate tariffs on 80% of goods imported from the EU by 2022. Ghana can put 20% of its most vital products on an exclusion list. These products can still be protected by tariffs on EU imports.

Several studies, including one by the World Bank, however, state that Ghana cannot liberalise more than 60% without risking the collapse of local industries.<sup>11</sup> Martin Williams, Trade Economist in the Ministry of Trade and Industry, argues that because of a lack of reliable data, the market access offer might be trickier than it seems. There are three key concerns with Ghana's current market access offer, which will be discussed below. First of all, Ghana is thought to be unable to protect its sensitive sectors. Second, stakeholders expect that Ghana's market will be flooded with cheap subsidized goods from the EU, resulting in the collapse of local industries. Finally, because of tariff cuts the government will lose part of its highly needed revenue.

### BOX 4:

#### Ghana's market access offer

- UNDER THE EPA, ACP COUNTRIES HAVE TO **CUT TARIFFS ON EU IMPORTS**
- THE **MARKET ACCESS OFFER** OUTLINES THE PERCENTAGE OF TARIFFS THAT WILL BE REMOVED AND PUTS FORWARD A TIMEFRAME FOR LIBERALISATION
- IN THE IEPA GHANA HAS COMMITTED ITSELF TO LIBERALISE **80%** OF ITS TARIFFS WITHIN **15 YEARS**
- GHANA CAN EXCLUDE **20%** OF ITS PRODUCTS BY PUTTING THEM ON AN **EXCLUSION LIST** THAT CAN BE PROTECTED BY TARIFFS

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<sup>10</sup> <http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/negotiations/>

<sup>11</sup> <http://documents.twnafrica.org/policybrief-ghana-iepa.rtf> p.2

## Exclusion list

'The idea of some kind of exclusion list is static in terms of time; it is static in terms of the economic interconnections and it does not take into account Ghana's future process of industrial development. The best trade regime for countries like Ghana is to have a non-reciprocal tariff agreement, which allows them the flexibility and policy space to adopt policies as they go along. We should not be talking about the scope of obligations but about the kind of obligations' (Tetteh Hormeku, Third World Network).

As stated above, Ghana is allowed to put 20% of its products on an exclusion list that will not be liberalised under the EPA. However, this percentage of products that can be excluded is not thought to be sufficient to protect Ghana's sensitive industries. Next to the scope, the composition of Ghana's exclusion list is being criticized. Hormeku explains that 40% of the goods that are included have a tariff between 0% and 10%. Since the liberalisation of these goods will not lead to substantial revenue losses, he argues that they should not be included. Moreover, some products that are on the list are not imported in large quantities like 'edible fruits and nuts', which take up only 0.006% of the imports from the EU. Abbey (Centre for Policy Analysis), who composed the list for the iEPA, says some sectors are in because they have political weight but that even when these sectors are included there is still enough space to put in all the other sectors that need protection.

Many people, however, think that the list is too restrictive to be able to protect the products that are on it. A broadly cited example is the poultry sector. The EU argues that the sector is protected because chicken products are excluded from liberalisation. However, Anthony Akunzule, Director of the Ghana Poultry Network (GAPNET), argues that the protection of poultry products is not enough: 'As long as poultry feed is still liberalised, the sector will still be unable to compete with EU produce'. Hormeku explains: 'Because industries are interlinked we cannot look at it on a product by product basis. If we only exclude chicken, poor farmers still have to import chicken feed, which accounts for 50% of the price of poultry'. According to Ofei-Nkansah (General Agricultural Workers Union), unless the whole value chain is taken into account, Ghana will not be able to protect the products on the exclusion list. Moreover, the EPA will threaten to dislocate economic linkages that are essential for true economic development.

Next to this, it is argued that the exclusion is static in terms of time. As Hormeku (Third World Network) points out, the list is based upon the current composition of Ghana's economy without looking at Ghana's future needs. He gives the example of capital goods, which is not an important sector at the moment but might become important in the future: 'In order to make progress in agriculture, we need a capital goods industry that can supply appropriate machinery. From the moment we will begin to invest in our own capital industry, we cannot simply open it up, because imports will destroy the sector. By excluding capital goods from the sensitive list we fix our industrial policy today without knowledge of the future. If today we have a zero tariff, it means that the industry will

forever have a zero tariff'. Ofei-Nkansah gives another illustrative example: 'We have recently discovered that we have large quantities of oil. However, if you would have asked me in 2005 whether oil and the related industries had to be excluded, I would have said no'.

The current 20% might be enough to include all sensitive products at the moment. When taking into account the value chain of these products and wanting to include products that will become important in the future, however, Ghana would need to be able to exclude a much bigger percentage of its products. This is even more problematic because the list cannot be adjusted after the agreement is signed. According to Akalbila (Ghana Trade and Livelihoods Coalition), it will take away Ghana's chance at progressive development: 'What will happen in 20 years when our priorities have changed or we want to expand our capacity in areas that we have already given away?'. According to Awuri (MOTI), the EPA forces Ghana to weigh the future against the present.

Finally, Ghana's market access offer creates a problem for the regional EPA. While Ghana has already agreed to liberalise 80% over a period of 15 years, ECOWAS still insists on 60% over a period of 25 years. Hormeku argues that Ghana's iEPA is therefore weakening the bargaining position of ECOWAS. As Ofei-Nkansah points out this is highly problematic because on the regional level all countries have to be able to put their sensitive products in one list, which further increases the need for more space.

## Collapse of industries

'Our small scale farmers are not able to compete with anything, let alone EU imports' (Kingsley Ofei-Nkansah, General Agricultural Workers Union).

The EU has continuously said that the EPA should help Ghana further its development goals. Many people, however, argue that if Ghana liberalises 80% of its market, this will result in a collapse of Ghanaian industries that cannot compete with goods from the EU. Moreover, increasing EU imports are expected to crowd out regional imports, thereby threatening the EU's objective to increase regional integration. It is projected that up to 17% of ECOWAS imports will be replaced by EU imports.<sup>12</sup> The EU recognizes that some sectors will be hurt but argues that Ghanaian industries will also benefit from increased access to the EU market. Because of non-tariff barriers such as the EU's Sanitary and Phyto-Sanitary (SPS) standards, agricultural subsidies and Ghana's supply side constraints, Ghana is, however, unlikely to be able to take advantage of increased access to the EU market.

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<sup>12</sup> [www.germanwatch.org/handel/euaf07.pdf](http://www.germanwatch.org/handel/euaf07.pdf) p. 42



Under the EPA imports are expected to increase in poultry, tomatoes, onions, cereals, vegetable oils, fish, and livestock. As pointed out above, the 20% exclusion list will be unable to protect Ghana's products from EU competition in these sectors. Because of EU agricultural subsidies (see Box 5 below), competition will be highest in Ghana's agricultural sector, which employs 70% of Ghana's workforce and is extremely important for food security in rural Ghana. Most local farmers are already having a hard time competing with EU agricultural products. The removal of tariffs under the EPA is likely to further increase competition. As Bimpeh (SEND Foundation) argues: 'Until Ghanaian farmers have developed their productive capacity and there is a well-developed value chain in which they can process their goods and add value, they are not ready to compete with the EU'. Akunzule (Ghana Poultry Network) argues that small-scale farmers are the first to be ruled out because they cannot afford the technical necessities to increase their production. According to David Amoah, President of the Farmers Organisation Network Ghana (FONG), mainly the big companies will survive, while they contribute least to Ghana's development.

Ofei-Nkansah (General Agricultural Workers Union) argues that instead of linking liberalisation to a timeframe, it should be linked to a development benchmark: 'This means that industries will only be liberalised once a certain level of competitiveness is reached'. According to him, this will take away the risk that industries will be hurt, giving the EPA a fair chance of creating development. The South Centre has made a proposal to use the criteria within the EU's own GSP, looking at a country's development index, its export concentration and diversification, and the concentration of imports from the EU and regional integration.<sup>13</sup>



## **BOX 5:** **EU agricultural subsidies**

'We cannot touch upon European agricultural subsidies but when it comes to our sectors we have to come up with a list of products that we want to protect. Ghana should be allowed to protect the interests of Ghanaian farmers just like the EU can protect European farmers' (George Bimpeh, SEND Foundation).

EU agricultural subsidies, which are estimated to be around €50-70 billion a year, have been criticized for a long time. Although the EU has removed direct subsidies on products like poultry, Hormeku (Third World Network) explains that subsidies on farmer's incomes continue, thereby still allowing EU farmers to produce at a lower price than local farmers in Ghana. Moreover the World Bank has noted that the decoupling of subsidies - the EU's latest reform - will only have an effect if these payments are one-time buyout programmes to compensate farmers for a transition. If there are no time limits, decoupled payments will have the same detrimental consequences as previous subsidies.<sup>14</sup>

Although the negative impact of agricultural subsidies is likely to increase under the EPA because the EU will gain market access to Ghana, Awuri (MOTI) says that the EU refuses to discuss the issue during the EPA negotiations. Since subsidies and tariffs have the same goal, the EU is applying a double standard; while asking Ghana to lower its tariffs, it refuses to cut its own subsidies. According to Hormeku: 'The fact that the EU is not proving any willingness to reform its subsidies policy, makes it even more important that Ghana is able to use tariffs to protect its market'. If the EPA is signed in its current form, however, Ghana will be deprived of the means to protect its market, while the EU being one of the strongest economies in the world will keep its own safeguards.



## BOX 6:

### Tomato industry

The tomato industry is one of Ghana's key agricultural sectors, employing many small-scale farmers in the Upper East, which is one of Ghana's poorest regions. The industry is, however, expected to suffer a lot under the EPA. The import of tomato paste started in the 1980s, following trade liberalisation under Ghana's SAP. Over the last years, the industry has been struggling to survive because of competition from subsidized tomato coming from the EU. As Bimpeh (SEND Foundation) says: 'While tomato imports into Ghana have surged, we have not been assisted to develop our own processing sector. So all our produce gets spoiled within a matter of days and the next day we buy imported tomato paste from Italy'.

Akalbila (Ghana Trade and Livelihoods Coalition) explains: 'Although much tomato is being produced, because of the lack of transportation and storage facilities, most of the tomato goes rotten. In 2004, the Ministry of Agriculture sent some small-scale tomato processors to the region. They are, however, still not operating because there is no market for Ghanaian tomato because of competition from EU produce'. Akalbila argues that for the tomato industry to become more efficient and competitive, the government needs to be able to protect the industry even more than it has done in the past. The EPA, however, will take away the government's policy space to support the industry, thereby likely to lead to a complete collapse of the tomato industry.

## BOX 7:

### Poultry industry

Up to the 1990s, Ghana's local poultry industry supplied almost Ghana's whole market with chicken and eggs. Under structural adjustment, starting in the 1980s, however, preferential lending rates and agricultural input subsidies came to an end. Moreover, Ghana's market was flooded with cheap frozen chicken parts from Europe. These developments finally led to almost a complete collapse of Ghana's poultry industry, threatening the livelihoods of many poultry farmers. In 2000, the market share of local poultry dropped to 11%.<sup>15</sup>

Currently, Ghana accounts for as much as 30% of all poultry imports into West-Africa. According to Akunzule (Ghana Poultry Network): 'Many people in the poultry industry have lost their source of income because they could not compete with subsidized chicken from the EU'. As he says: 'If we go into the streets right now, all that we will find is imported chicken'. In 2003, the Ghanaian government tried to save the industry by raising the tariff on imported poultry to 40%. After only two months, however, it was pushed by the IMF and the World Bank to lower the tariff again. Ofei-Nkansah (General Agricultural Workers Union) argues that even though poultry is on Ghana's exclusion list in the EPA, the current tariff line on poultry will be too low to ensure that imported poultry will not continue to depress prices in the domestic market, putting poor people out of business.

## Tariff revenue

A final concern with the current market access offer is the loss of revenue. If Ghana is forced to liberalise 80% of its trade, the government is likely to suffer significant losses in government revenue coming from import duties on EU products. Studies have calculated that by 2022, Ghana's revenue loss will mount up to \$97 million of which about 29% will be lost in the first six years after the implementation of the iEPA.<sup>16</sup> Moreover from 2023 onwards, tariff revenue losses are estimated to be about €50 million annually.<sup>17</sup> If the government is unable to compensate for these losses, its budget deficit will further increase, thereby leading to possible cuts in public expenditure in important areas, such as health and education, affecting the Millennium Development Goals (MDGs).

According to Awuri (MOTI), the EU has said that if Ghana is able to come up with a reliable figure on revenue losses caused by the EPA, it is ready to discuss compensation. But the EU argues that if Ghana will increase its corporate tax, the benefits will be bigger than the losses. Williams (Ministry of Trade and Industry), however, argues that since Ghana is unsure about the revenue coming from corporate taxes, it is essential that additional funds to compensate for potential losses are discussed. Moreover, he points to the fact that the EU also wants to take of the levy for ECOWAS trade. This will even further reduce Ghana's national revenue base, making it more dependent on donor aid.

While Ghana's economy has been growing at a sustainable rate, it remains a low-income country with a large number of people living below the poverty line. Because of this, it requires the policy space to protect strategic industries. According to research, just one quarter of Ghanaian industries will be able to survive without import tariffs.<sup>18</sup> The EU should therefore make sure that Ghana can review its market access offer to meet its development needs.

## 1.2.3 OTHER CONTENTIOUS ISSUES

Even though the EU has always argued that the EPA was necessitated out of the need to comply with WTO requirements, in the EPA negotiations it introduced several things that went far beyond WTO rules. Moreover some of the issues that were pushed out of the regional negotiations by ECOWAS were reintroduced in Ghana's iEPA. Since many of these issues are unlikely to benefit Ghana, they are very hard to defend from a development point of view. Below some of the most important issues will be discussed.

### Standstill clause

*'The EPA is not about removing our tariffs; it is about removing our tariffs and taking away our right to change them'* (Tetteh Hormeku, Third World Network).

According to most stakeholders, the concerns resulting from the market access offer are worsened by the fact that Ghana's iEPA includes a restrictive standstill clause. Because of this clause, Ghana cannot introduce a new custom duty on EU imports and current tariffs can never be increased. As Quansah argues: 'The standstill clause is a big concern because the course of our economy cannot be predicted'. While the WTO only requires that the standstill clause applies to the portion of trade that is being liberalised, under Ghana's iEPA the clause will also apply to the products on the exclusion list. Most stakeholders argue that this undermines the very objective of the exclusion list, which is the protection of sensitive products on the list. As discussed earlier, some of the products in the exclusion have a zero tariff. For these products, the standstill clause means that they can never be protected by a tariff in the future. If Ghana signs the iEPA, it will unnecessarily restrict its ability to protect its market. The fact that the EU introduced this element in the iEPA makes one question the EU's claim that it aims to help Ghana's development.

### Rules of origin

Another area of concern are the stringent rules of origin under the EPA. The rules of origin influence Ghana's market access to the EU, since they determine which goods can qualify as Ghanaian produce. Although the EU has promised to create flexible rules of origin, Ghana's iEPA severely limits Ghana's export opportunities towards the EU while also constraining regional cooperation, one of the EPA's most important promises. According to Hormeku (Third World Network), the rules of origin are so stringent that even if Ghana has increased access to the EU market, it can never make use of it: 'The iEPA only allows goods processed in Ghana to enter the EU market if they originate from a country which has also signed an iEPA, which for the West-African region is only Ivory Coast'. This means that products made out of inputs from other West African countries like Togo or Nigeria cannot access the EU market. As Hormeku explains: 'If we catch tuna from the Togolese sea in order to produce canned tuna, we cannot send it to the EU'. While the ECOWAS region is moving towards a common economic zone, Ghana and Ivory Coast are stuck in the iEPA. The rules of origin thus counter both the EU's objective to broaden Ghana's market opportunities and its promise to integrate the West-African region.

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<sup>16</sup> <http://documents.twnafrica.org/policybrief-ghana-iepa.rtf> p. 2.

<sup>17</sup> MOTI 2009: 5

<sup>18</sup> EUROSTEP/GAWU/DHS/CIECA/ADEID/GRAPAD: New ACP-EU Trade Arrangements, 2004, p.5.

### **Most Favoured Nation (MFN) clause**

Both the iEPA and the regional EPA proposal include the MFN clause, which implies that if Ghana signs a trade agreement with another country, whatever concession is given to that country should also be given to the EU. The clause limits Ghana's ability to diversify its trading partners and increases its dependence on the EU. According to Williams (MOTI), the MFN clause is not helping Ghana's development: 'For purposes of South-South cooperation we should be able to sign stronger agreements with other countries like China, Brazil and India'. Again, the MFN clause is not a requirement for WTO compatibility. Moreover, Hormeku (Third World Network) points out that although MFN was a deadlock in the regional negotiations, it was reintroduced in the iEPA. According to him, by doing this the EU started the process of disintegration. According to Williams, the MFN clause has made people question the EPA as a developmental agreement. Hormeku argues that it signals that the EU is more concerned about its own competitiveness than Ghana's development.

### **Elimination of export taxes**

Another issue that the EU introduced in Ghana's iEPA is the abolition of export taxes. Again this is not required to make the agreement WTO compatible. Moreover, it was not part of regional negotiations at all. According to the current iEPA, the GoG cannot introduce new export taxes or increase current ones. It is only allowed to vary its export duties if it can convince the EC that it is an emergency situation. The inclusion of the elimination of export taxes in the iEPA is a big concern because it is an important policy tool for Ghana. As Hormeku explains: 'Most African countries use export taxes to discourage the export of raw materials without value being added'. For Ghana value addition is mainly important in the mining and timber sector. If Ghana will sign the iEPA it will no longer be able to discourage the export of raw materials without value being added, thereby decreasing Ghana's trade benefits.

### **Liberalisation of services and investment**

A final concern is the fact that the iEPA includes a provision on services and investment. This issue was put aside by ECOWAS, saying that it wants to develop a regional policy before discussing it in the context of the EPA. While during the regional negotiations Ghana has always been opposed to including the issue, the iEPA requires Ghana to take all the necessary measures to help the EU include services and investment in the regional EPA. The fact that the EU included the issue in the iEPA shows that it is more concerned about the free movement of EU capital in West-Africa than regional integration.

According to Akalbila (Ghana Trade and Livelihoods Coalition), if Ghana would accept the provision it would limit Ghana's ability to deliver basic services because it would take away the opportunity to subsidize key services sectors like water and electricity. Hormeku (Third World Network) also warns against the liberalisation of government procurement: 'Ghana should be able to use the taxpayer's money to privilege local producers instead of having to do an open tender'. This will also allow the government to create economic

linkages. He gives the example of school feeding programmes: 'Currently the government has the ability to use local products like poultry and tomato, thereby offering a source of income to the children's parents. If the government would liberalise government procurement, however, it would be forced to go for the cheapest products, which are often imported'. The EU argues that Ghana will benefit because it will get the best price. Hormeku, however, points out that for long-term development purposes it is more important to build up local industries.

### **Safeguards**

As outlined above, in its current form the EPA is likely to have a negative impact on Ghana. It is therefore essential that the agreement includes a strong safeguard mechanism for Ghana to allow to stop damaging import surges and resulting price declines. Hormeku (Third World Network) explains that under the current EPA proposal, however, the EU can invoke two safeguard mechanisms, while Ghana can only use one. Although both Ghana and the EU can use the bilateral safeguard in the iEPA, the EU can also use the more beneficial safeguard mechanism at the WTO level. Because of this, only the EU is able to address price declines resulting from the EPA. Hormeku argues that this is highly problematic because there is a high risk that EU agricultural subsidies will lead to a price decline of Ghanaian products. Moreover, the EU's safeguard does not require the EU to provide information about the situation causing the injury, while the bilateral safeguard that Ghana can use asks for proof. If the EU is genuinely committed to contribute to Ghana's development it would make sure that Ghana can use the same safeguard mechanism.

Is it hard to see how the EU can justify the issues discussed above from a development perspective. It also takes away the credibility of the EU's argues that the EPA was necessary in order to make its trade WTO compatible. According to Hormeku, it rather seems like the EU is using the EPA to get some of the things that it was unable to get in the WTO. He points out that the EU and USA have since 1994 tried to introduce the liberalisation of services and investment in the WTO. With the support of big developing nations like India and Brazil, however, smaller developing countries have continuously been able to resist the reforms: 'The fact that the EU now tries to introduce these issues in the EPAs, where it can deal with vulnerable developing countries one by one is despicable'. The EU, however, says that it believes that there are good development reasons to include these issues: 'Services like telecommunications, banking and construction are the backbone of a growing economy and most ACP countries desperately need to attract foreign investment in these sectors and others'.<sup>19</sup>

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<sup>19</sup> [http://trade.ec.europa.eu/doclib/docs/2008/january/tradoc\\_137484.pdf](http://trade.ec.europa.eu/doclib/docs/2008/january/tradoc_137484.pdf)

#### 1.2.4 REGIONAL INTEGRATION

'Any pretence that the EPA is helping to build ECOWAS was false. It rather sharpened the appreciation of the differences' (Joe Abbey, Centre for Policy Analysis).

From the outset, the EU has pointed to regional integration as the most important benefit of the EPA. At the moment, intraregional trade covers only 10% to 15% of the trade of West African countries.<sup>20</sup> It is generally recognized that increased regional integration will be good for Ghana. As Akalbila (Ghana Trade and Livelihoods Coalition) says: 'Improving trade within West-Africa is the key to really ensuring our own national development'. Despite ambitious ideas about regional integration, the fact that the EU negotiated iEPAs with Ghana and Ivory Coast, thereby also introducing issues that were rejected by ECOWAS, decreases the likelihood of regional integration.

Many stakeholders argue that the objective has been problematic from the start because Ghana was put into a regional grouping of countries that are hardly comparable in terms of trade and economic development. As discussed in the beginning of this chapter, Ghana and Ivory Coast were the only countries in the region with a real incentive to sign the EPA; the great majority of the countries in the West-African region are LDCs and Nigeria's economy is mainly oil-dependent allowing it to opt for the GSP.

The EU further distorted the process of regional integration, by starting negotiations for iEPAs at the end of 2007. As discussed above the process leading up to the iEPA as well as the content of the agreement threaten Ghana's interests within the region as well as the region's own integration needs. Several provisions in Ghana's EPA contradict the negotiating position of ECOWAS; the most obvious example being the market access offer. While Ghana's iEPAs commits to open 80% of the market, ECOWAS is still aiming for 60%. Nigeria has already announced that if Ghana will sign the iEPA, it might ban Ghanaian goods in order to prevent EU goods from flooding its market. Since Nigeria constitutes 60% of the West-African market, this will be highly problematic.

The EU has to give ECOWAS the time to consider the different needs of all its member states. Otherwise the EPA process will lead to disintegration instead, countering one of the EPA's key objectives.

<sup>20</sup> <http://agritrade.cta.int/en/content/view/full/1790>

#### 1.2.5 DEVELOPMENT COMPONENT

'We said from the beginning that development is not a footnote, just like gender policy cannot be a footnote; it has to be at the heart of it' (Tetteh Hormeku, Third World Network).

Alongside the EPA, the EU has promised to sign a development agreement in order to help countries to improve their competitiveness before opening up to EU goods. In the regional negotiations this development component has, however, proven to be problematic. ECOWAS insists on a clear financing plan to fund development programmes to reduce the adverse impact of the EPA. Moreover, it demands that the EU allocates additional resources to the EDF. Currently, however, there is no clear framework as to how that aid would be delivered and under the 10th EDF no additional resources have been provided for EPA support. In 2005, the EU promised an increase of €2 billion as Aid for Trade. The actual amount of additional money, however, amounts to only €700 million, which has to be shared among 79 ACP countries and is not exclusive for the EPA.<sup>21</sup>

Most stakeholders agree that Ghana does not have the resources to deal with its infra-structural and institutional deficiencies on its own. Unless the EU will provide adequate support to implement fiscal reforms, increase local competitiveness and create safety nets for people employed in vulnerable industries, the EPA will therefore have a detrimental impact on Ghana's development. As Abbey (Centre for Policy Analysis) says: 'If we open up today we will all be wiped out'. Akunzule (Ghana Poultry Network) argues that the EU's current assistance is inadequate: 'EU projects focus on water, sanitation and health but not on agricultural production'. Moreover, Bimpeh (SEND Foundation) argues that the EU should not only look at the export sector but purposely target smallholder farmers in order to enhance their productive capacity: 'Otherwise the exclusion list will be of no use. If people do not have the resources to develop what is protected, what is the essence of that percentage? That is also the reason why we did not develop under Cotonou'.

Hormeku, however, points out that financial assistance alone is not enough. According to him, if Ghana is still deprived of the policy space needed to pursue policies in order to protect its industry, the development component will just be about sticking plasters. But the EU is not even willing to provide additional funds. Most stakeholders, however, are not surprised that the EU is not forthcoming on the development component. As Awuri (MOTI) says: 'To think that the EU is so benevolent is deceptive. The EPA as it is, is not a follow-up to Cotonou. There is no real link between trade and development'.

<sup>21</sup> <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/2009%20AEC-%20EU-ECOWAS%20Economic%20Partnership%20Agreement%20Nigeria's%20Role%20in%20ensuring%20Development-Focus%20and%20Regional%20Integration.pdf> p. 11

### 1.3 RECOMMENDATIONS

In order to create coherence between the EU's development objectives and the (i)EPAs, several adjustments in the EU's trade and agricultural policies are needed.

The European Union should...

- make sure that all elements that are not required to make the EPA WTO compatible are taken out of the EPA. This requires a review of current provisions on MFN and the rules of origin and the removal of the clause on export taxes.
- not pressure Ghana to sign the iEPA. Until the regional EPA for West-Africa has been concluded, it should give Ghana preferential market access to the EU by giving Ghana the GSP+ status.
- not pressure West-Africa to liberalize beyond the percentage that ECOWAS puts forward (at the time of writing ECOWAS offered to open 60% of its market).
- link the liberalisation scheme to its development benchmarks under GSP instead of a fixed timeframe, in order to allow industries to build up enough capacity to compete with EU produce.
- make sure that the exclusion list offers enough space to include the value chain of sensitive products. Moreover, countries should be allowed to adapt the exclusion list in order to include sectors that will become important in the future (e.g. the oil sector for Ghana). It should also allow countries to vary tariffs on products in the list. This means that the EU should make sure that the standstill clause does not apply to the exclusion list.
- cut subsidies on products competing with local produce, especially in agriculture. Until the EU stops all its agricultural subsidies, Ghana should not be asked to liberalise tariffs on products that have to compete with EU produce. The EU should make sure that there is no unfair competition of EU products with Ghanaian products.
- not push countries to discuss liberalisation of investment, competition and government procurement as part of the EPA.
- make sure that it allows ECOWAS enough time to reach consensus on controversial issues. If the EU pushes ECOWAS to sign before all the issues are solved or tries to put pressure on the region through individual members, it risks to counter regional integration.

- broaden the development component of the EPA to help Ghana build competitiveness and pay for the structural costs of adjustment. This means that the EU should provide additional resources under the EDF specifically aimed at EPA adjustments.
- make sure that Ghana can benefit from the same safeguards as EU member states. The safeguard mechanism should allow Ghana to effectively address damaging import surges and price declines as a consequence of the EPA.
- advocate for the review of the WTO's Article 24 in order to allow for a non-reciprocal trade relationship between developed and developing countries.
- carry out proper impact assessment on the consequences of the EPA, especially on smallholder farmers. `



photo by Sarah Hardus

## 2. ILLEGAL LOGGING

Illegal logging and global trade in illegal timber are recognized as key threats to forests, biodiversity and development worldwide. Illegal logging has severe environmental and social implications for the world's forests and communities that rely on forest resources. Moreover, illegal logging deprives developing countries' governments of highly needed revenue and often promotes corruption, undermines good governance, and can create conflicts among local populations.

The forest sector is one of Ghana's most important industries. It contributes 4% of Ghana's GDP and constitutes 11% of Ghana's foreign exchange earnings. Furthermore forests provide a source of subsistence and micro-business opportunities to 70% of Ghana's population dependent on forest resources for their livelihoods.<sup>22</sup> Over 300,000 people are directly involved in the forestry industry and 1.5 to 2 million people indirectly depend upon the logging industry. But the forests are rapidly disappearing. Over the last 50 years, Ghana's primary rain forest has been reduced by 90%. At current rates commercial species could be extinct in as little as 5 years.<sup>23</sup> Ghana is therefore in desperate need of policies to keep logging practices within legal limits.

The EU has always been Ghana's major trading partner in timber. In 2008, the EU accounted for 43% of the value of total exports and 33% of the total registered export volume. Other important timber importers are the United States of America (USA), Asia, the Middle East and West-Africa.<sup>24</sup> Although the responsibility to stop illegal logging is primarily in the hands of timber-producing countries, the EU as a major consumer of illegally logged timber in Ghana plays a key role in the fight against illegal logging. This is especially relevant in terms of coherence, since much of the EU's aid to Ghana is aimed at environmental protection, improving governance and achieving the Millennium Development Goals (MDGs). These are all areas that are affected through illegal logging.

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22 [www.careinternational.org.uk/download.php?id=797](http://www.careinternational.org.uk/download.php?id=797)

23 [www.careinternational.org.uk/download.php?id=797](http://www.careinternational.org.uk/download.php?id=797)

24 <http://www.euflegt.efi.int/uploads/GhanaGazetteMay092.pdf> p. 12

## BOX 8:

### Ghana's forests

- OVER THE LAST **50 YEARS** GHANA LOST **90%** OF ITS RAIN FOREST
- CURRENTLY GHANA LOSES AN ANNUAL **2%** OF ITS FOREST COVER.
- THE FOREST SECTOR CONTRIBUTES **4%** TO GHANA'S GDP
- **1.5 TO 2 MILLION** PEOPLE DEPEND UPON THE TIMBER INDUSTRY
- **70%** OF GHANA'S TIMBER IS ILLEGAL
- **43%** OF GHANA'S TIMBER EXPORT GOES TO THE EU

## 2.1 FLEGT/VPA

The EU recognizes that it has a role to play in countering deforestation and illegal logging. In 2003, it adopted the Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which focuses on improving governance in timber producing countries, supporting legislative and regulatory reforms and establishing systems to stop illegal timber from entering the EU market. One of the key elements of FLEGT is the establishment of Voluntary Partnership Agreements (VPAs) between the EU and timber exporting countries. The central aim of the VPA is to provide a legal framework and monitoring system to ensure that all imports of timber into the EU have been acquired, harvested, transported and exported in accordance with the law of the exporting country. Next to the VPA, within FLEGT, the EU has promised to: consider additional EU legislation to counter imports of illegal logs; encourage private sector initiatives to ban illegal logging; and promote public procurement policies in the EU.

In November 2008, Ghana was the first country in the world to sign a VPA. The first shipments of VPA licensed timber are expected to enter the EU by the end of 2010. In the meantime Ghana is developing the Wood Tracking System (WTS), necessary to issue VPA licenses. In addition to the European export market, Ghana has said that it also wants to include timber and timber products sold on the domestic market and non-EU markets, thereby aiming to eradicate all illegal logging practices in the country. The implementation of the VPA in Ghana is funded through domestic funds and a multi-donor programme supported by the EC, France, the Netherlands, the UK and the World Bank.



## 2.2 PCD: ILLEGAL LOGGING & DEVELOPMENT

‘The question is: do you just want licensed timber in the EU or do you want our forests to be managed in a sustainable way? If you want the latter, the strength of the governance environment, the sustainability of the resource and the welfare of the people should be more paramount than the licensing of timber that will be going to Europe’ (Chris Beeko, Forestry Commission).

As discussed before, the EU has a legal obligation to take the interests of developing countries into account in all policy areas that are likely to affect them. Also the EU’s policy regarding illegal logging has to be coherent with the EU’s goals towards poverty alleviation, sustainable development, deforestation and related biodiversity loss and climate change. The VPA is the most significant international initiative in the forestry sector in many years and all stakeholders in Ghana are glad that the EU is undertaking action to counter practices of illegal logging. Civil society says the VPA process gave them the unique opportunity to bring on board some of the issues that had never been brought up before. The recognition that the sector does not only need technical assistance but also governance reform is seen as an important step forward. Moreover, people are pleased that the VPA is a legally binding agreement that contains the possibility of sanctions.

There are, however, still various concerns with regard to policy coherence between the VPA and the EU’s development objectives. As outlined above, the EU’s development policy towards Ghana focuses on the achievement of the MDGs, environmental protection and improving governance. Although these broader issues are part of the VPA, after signing the agreement the focus seems to have shifted towards the technical issue of wood tracking and validation of legal timber. If the EU does not keep Ghana to its commitments in the VPA, it risks the continuation of illegal practices while communities dependent upon forests for their livelihoods will not benefit from the forest industry. The EU should make sure that the VPA is properly implemented and not provide further environmental budget support if Ghana does not live up to its promises. If the EU only looks at its own imports, the VPA might undermine EU investments to tackle illegal logging and create sustainable development in Ghana.

### 2.2.1 GOVERNANCE AND LEGISLATIVE REVIEW

One important problem is the fact that the legal and institutional framework governing Ghana’s forest sector does not benefit the poor and is unable, or sometimes unwilling, to effectively counter illegal logging. The EU recognizes this and made sure that the review of the governance system has become part of the VPA. The GoG is, however, not making progress on the reforms that were promised and while this was a trigger for further EU budget support, funds are still released. The EU should keep Ghana to its promises and make sure that governance is not an aspect but at the core of the VPA.

## Forestry Commission

To start with, the EU deals mainly with the Government of Ghana through the Ministry and Forestry Commission (FC), which has the legal authority to regulate and control the use of forest resources in Ghana. Although the commission has been under reform, it is broadly known for its weaknesses in regulating forest management practices. Wale Adeleke, IUCN’s Project Coordinator, expresses serious doubts to whether the FC has the capacity to carry out the necessary reforms under the VPA: ‘The VPA entails a new approach and a new way of thinking but the EU deals with the same people. Will the VPA put in place specialised trainings? Will there be more incentives offered to staff so as to be motivated to carry out their regulatory responsibilities? Or do we need new staff? We have not looked into these issues’. According to Kyeretwie Opoku, Coordinator of Civic Response, the FC is a very weak institution that does not have the capacity to regulate the timber industry: ‘In the past it has virtually turned a blind eye to practices of over-logging by the timber industry’.

Because of the FC’s reputation, one would expect the EU to ensure that an institution would be set up or an existing institution outside the FC would be mandated to check the commission’s activities. The Forestry Research Institute of Ghana (FORIG) was requested by the GoG to carry out a study on the institutional setup for the implementation of the VPA. Victor Agyeman, Director of FORIG, says the report made it very clear that the entity that would be validating legal timber had to be outside the FC. The commission, however, claimed that it had the legal mandate to issue certificates and set up a Timber Validation Department (TVD) within the FC. The TVD will be overseen by a council comprising different stakeholders but the FC will effectively be monitoring its own practices.

The general opinion is that the EU should have pushed the GoG to take away some of the commission’s power and make it accountable to an outside body. As Albert Katako, Programme Coordinator at CARE, says: ‘Now the commission is a player, a coach and a referee at the same time’. The EU accepted this institutional arrangement, however, thereby increasing the risk of corruption and having no assurance that VPA-licensed timber from Ghana is truly legal. If the EU is genuinely committed to reduce illegal logging and improve governance, it should make sure that the FC is properly checked.

### Land and tree rights

‘If communities know they own the resources, they will protect it. But as long as government takes the resources away from their rightful owners, they will collaborate with the chainsaw operators. Currently farmers are happy if the wood is cut before a legal timber company comes in, destroys their crops and does not pay compensation’ (Albert Katako, CARE).

If the EU is serious about banning illegal logging, the EU should also keep the GoG to its promise to review land and tree ownership in Ghana, thereby encouraging commu-

nities to stop practices of illegal logging and enabling them to benefit from the resource. According to Opoku (Civic Response): ‘If the people who live in the forests are not committed to preventing the trees from being cut, you will never ban illegal activities’. Under the current law, the state is the only party that has harvesting rights. Because local communities are not allowed to cut a tree standing on their farmlands, they allow chainsaw operators to cut the trees for a small fee in return.

Land and tree rights would also give communities the opportunity to protect their livelihoods. According to Opoku communities should be able to decide if a tree can be cut, because sometimes it is worth more standing since it provides shelter or shade for the farm. As he says: ‘There is no evidence that timber is the most lucrative industry, there are lots of other things you can do which do not destroy trees and will create employment for the communities. With timber export, however, all the money goes out and does not contribute to the communities’.

The government has agreed upon a timeframe for review of its legislative policies and has promised to study opportunities to give land and tree rights to communities. However, not much progress has been made yet. The EU should make sure that the issue of land and tree rights does not fall through. As Samuel Nketia, Team Leader of Tropenbos Ghana, says: ‘If we could do complete reform in this area, we could counter illegal activities but if the EU does not get government to really commit to carrying out these reforms, illegal practices will continue’. Since Ghana’s commitments in the VPA are a trigger for further budget support, under the Natural Resources and Environmental Governance (NREG) programme, the EU can pressure Ghana to follow up on its promises.

### **Benefit sharing**

‘Any system that argues to export legal timber must follow our constitution and recognize that resources belong to the communities. If the constitution is not followed, you can put in place all kinds of structures but the timber remains illegal’ (Kyeretwie Opoku, Forest Watch Ghana)

An issue related to this has to do with benefits to forest communities. One of the EU’s main development objectives is the creation of effective, transparent and accountable systems of local governance.<sup>25</sup> At the moment, however, forest communities are not gaining from logging practices because the local authorities do not follow the law. Again, this is reducing the incentive to fight illegal logging and takes away the opportunity for poor forest communities to benefit from logging practices.

According to Ghana’s constitution the government is allowed to take 10% of the revenue from logging practices to cover administrative expenses. The remaining revenue should

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<sup>25</sup> [http://europa.eu/legislation\\_summaries/development/general\\_development\\_framework/r12544\\_en.htm](http://europa.eu/legislation_summaries/development/general_development_framework/r12544_en.htm)

be disbursed to traditional authorities and the district assembly. The FC ignores this constitutional provision, however, and appropriates 60% of revenue deriving from forest reserves and 40% of revenue deriving from off-reserve areas as a ‘management fee’.<sup>26</sup>

Forest communities should also benefit from the timber industry through so-called Social Responsibility Agreements (SRAs), which require logging firms to commit 5% of their annual resources to the support of local development initiatives. However, this revenue, if distributed at all, often ends up in the pockets of chiefs, rather than being invested in local communities. The constitution even allows chiefs to distribute this money as they like. Because local communities often possess little or no information on the SRAs, they do not ask for tangible things like schools or water holes.

Because both the government and the private sector do not follow the law, most of the income that is generated from forest resources remains with the government and the timber industry, while the people who actually own the resources are excluded from the resources that are essential for improving their livelihood. Just like the issue of land and tree rights, reform of the system of benefit sharing should be part of the legislative review. According to Opoku, however, the issue was taken off the agenda and although it was one of the benchmarks for the release of donor funds, money was still being released.

If the EU is serious about eradicating illegal logging and improving local governance, which is one of its development priorities, it should pressure the Ghanaian government that current laws are being followed and if necessary adjusted in order to ensure that local communities benefit from logging practices. According to Katakó (CARE), this would at least require transparency in benefits from the logging industry and regulations to make sure that money that belongs to the communities flows into a development fund.

### **2.2.2 SCOPE OF THE VPA**

A second issue that might create problems for achieving the objectives under the VPA is the scope of the agreement, which originally covers only direct trade between Ghana and the EU. Ghana has committed itself to include all timber, irrespective of whether it is destined for the domestic or any export market. During the first stage of implementation, however, the focus is on exports to the EU. This creates the risk that logging companies are still able to sell to the domestic market and other trading partners, thereby also allowing the EU to import illegal timber through third countries. Moreover, it is important that the EU signs VPAs with more countries in order to create a level playing field for VPA timber. Otherwise Ghana might be worse off having legalized its timber industry. Finally, although the VPA is an important step forward, the EU should aim for Forest Stewardship Council (FSC) certification next. If illegal timber is not seen as a first step towards sustainable timber, in a few years there will be no forests left from which to harvest legal timber.

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<sup>26</sup> Forest Watch Ghana 2006: 14

## Domestic and other export markets

‘It is not enough to look at exports only. If the trees are still being cut illegally for the domestic market you will have the same problem. So it is not about trade with the EU, it is about implementing a regulatory system which applies to the whole industry’ (Kyeretwie Opoku, Forest Watch Ghana).

The VPA focuses on the export market while 90% of the domestic market is illegal timber. Ghana’s export-oriented timber industry has led to a large demand gap on the domestic market. While the law states that the exporting sawmills must sell 20% of their production to the local market, they do not abide because consumers cannot afford the prices of legal timber. The vacuum that is created is filled by illegal chainsaw operators. Samuel Logah, Chairman of the Anloga Carpenters Union, explains that there is not enough sawmill available to meet the local demand. He argues that unless a certain part of the sawmill is allocated to the local market, people will continue to buy from illegal chainsaw operators.

If the efforts to restructure the export industry do not go hand in hand with measures to develop Ghana’s domestic timber market, people will still buy illegal timber. According to Agyeman (FORIG) it is problematic that VPA discussions have mainly been focused at ensuring the supply to Europe, while problems with illegality are far bigger on the domestic market. If the EU is not only concerned with its own imports but genuinely interested in banning illegal logging and helping Ghana, it should also focus on the domestic market. Adeleke argues that there should be a policy to make sure that the 20% stays in Ghana.

Next to the domestic market, the VPA should be broadened to cover all Ghana’s exports. As Agyeman says: ‘Unless you get other big consumers to sign up to the VPA, what will happen is what the EU will not take, China and India will take. Because of this, there will still be a market for illegal logs’. Moreover, the EU would still have the opportunity to import timber and timber products via high-risk third countries. Although this is not required under the VPA, the EU should therefore make sure that all countries signing a VPA include their internal and other export markets as well. If the EU only focuses on its own imports, illegal logging practices will continue and the EU can still buy illegal timber.

## Level playing field

The EU should not only broaden the scope of the VPA within timber-exporting countries but also try to get as many countries as possible to sign a VPA, thereby creating a level playing field for Ghanaian VPA-timber. Currently only a handful of timber exporting countries are looking at the VPA. This creates the concern that Ghana might become less competitive on the international market. As Nketia (Tropenbos Ghana) points out: ‘What advantage does it give to Ghana to ensure legality if other countries can still export illegal timber?’.

Because of increased costs and controls associated with VPA implementation, VPA timber will be more expensive. According to Agyeman, the EU should therefore make sure that legal timber gives added revenue: ‘Having convinced Ghana to sign up to the VPA, the EU has an obligation to ensure that VPA-licensed products are preferred over unlicensed products’. In order to make sure that Ghana’s legal timber does not lose market share to cheaper illegal products imported from other countries, the EU should boost the market for legal timber and enforce sustainable procurement within the EU Member States.

## FSC vs. VPA

Although the legalization of logging practices is seen as an important step forward, the general perception is that if the EU is serious about protecting biodiversity, climate change and sustainable development, the final goal should be to create a sustainable forestry industry. Already in the 1990s, Ghana embarked on the process of FSC certification. Although most companies had a hard time getting certified, they did so because it affected their market opportunities. The VPA, however, only asks companies to produce legal timber. Gustav Adu, Director of the Kumasi Wood Cluster, warns that VPA and FSC certification should not be exclusive but should be reinforcing each other: ‘The EU should assess the differences between VPA licenses and FSC certification and try to fill the gaps’. Legality is the minimum requirement for sustainable timber but the VPA should be seen as a prelude to a bigger programme. As Nketia says: ‘If all parties could agree and work conscientiously for the total rule out of illegality then maybe it could be a good step towards sustainability but if it is seen as a stand-alone thing, our forests will still be depleted’.

## 2.2.3 IMPACT ON THE FORESTRY INDUSTRY

In order for the VPA to be able to counter illegal logging and reduce the negative impact on the forestry sector and the people employed in it, the EU should assess the likely impact on the legal and illegal logging industry and help Ghana to deal with the consequences of the VPA. This means that alternatives have to be provided to people working in the illegal industry. Moreover legal logging companies should get support to adjust to the new requirements.

## Alternatives for the illegal industry

The EU should help to create alternatives for people working in illegal logging. Although this is the primary responsibility of the GoG, it is also relevant in terms of coherence with the EU’s development and environmental goals because it will create the incentive to stop illegal logging while at the same time making sure people do not lose their source of income.

Samuel Nketia, Team Leader of Tropenbos Ghana, explains that back in the 1980s the World Bank invested large sums of money in harvesting equipment and processing facilities, which created enormous overcapacity in Ghana’s logging industry. He argues that the industry can process 5.4 million cubic metres, while the annual allowable cut is only 2 million cubic metres. If chainsaw operators are not provided with an alternative

source of employment, their activities are therefore unlikely to stop in the first phase of VPA implementation, which only covers exports to the EU.

When the VPA will come to cover the whole timber market, it will increase the existing shortfall in logs, which is likely to result in the collapse of the illegal industry. The illegal sector employs around 100.000 people, who according to Katako (CARE) will completely be thrown out of jobs. A good example of the likely impact is the Sokoban Wood Village, which is largely supplied by illegal logs. If it does not get legal supply, the 5000 people working in the wood village are likely to lose their jobs. Adeleke (IUCN) argues there will be even more job losses if you look at the value chain of the logging industry that includes wood cutting, wood transforming, wood carrying and wood selling.

Several opportunities to create alternative employment have been suggested. The long-term solution is reforestation through plantations. However, it will take over 50 years before the trees can be harvested. Ton van der Zon, First Secretary Environment and Water at the Dutch Embassy, expects that more timber will have to be imported from West-Africa. But Nketia (Tropenbos Ghana) points out that people are sceptical about this, because Ghana will have to compete with countries like China that are not concerned about legal timber. Next to this, the infrastructure to facilitate the imports is not there. Another option is that chainsaw operators can follow logging companies that have the concessions and take up the large amounts of residue or they could be employed in the Wood Tracking System.

Although it is the primary responsibility of the GoG, the EU should support Ghana to investigate these options and put in place programmes that provide alternatives to people working in illegal chainsaw lumbering so that they do not continue their illegal practices or lose their source of income.

### **Adjustment costs for the legal industry**

The VPA will not only impact on the illegal industry but also on the legal sawmills. So far, legal logging companies, especially small and medium enterprises (SMEs), have not been provided with adequate support to adjust to the VPA system. The EU should make sure these companies receive adequate support in order to keep them in business, especially since SMEs are key drivers for development.

Companies will have to adjust for two reasons. First of all, they need some amount of internal reorganisation and new computer-equipment to meet the legality standards within the VPA. Second, they need to become more efficient because of the reduced number of logs available. Currently 50% of a tree is wasted; improved techniques can bring this down so that fewer workers have to be laid off. However, this requires new technology and schooling of employees. According to Adu (Kumasi Wood Cluster), SMEs do often not have the capacity to respond since the costs per unit are higher for them.

Part of the VPA provides for the EU to help Ghana build capacity to implement the VPA. According to Adu, however, the private sector is not prioritized in terms of capacity building. Van der Zon (Dutch Embassy) argues that donors are unwilling to subsidize inefficient sawmills because this would disturb market forces. The EU should, however, provide support for the adjustment to the VPA system. If companies do not receive adequate support they might either choose to move into illegality or collapse, leading to job losses and reduced income for the FC. According to Adu, companies are already reducing their output, laying off workers or shutting down completely.

### **Social safeguards clause**

*'If the government does not quickly identify specific areas for intervention the fallout will be very bad, especially for rural livelihoods and small-scale operators in rural areas'* (Samuel Nketia, Tropenbos Ghana).

In order to minimize the possible adverse impact of the VPA, a social safeguards clause has been introduced into the agreement. As a result of the assessment made under this clause the parties may agree on additional measures to address adverse impacts. As discussed above, the possible adverse impacts on livelihoods of local communities as well as the timber industry are numerous. While some people are grateful that the VPA contains a social safeguards clause and is not solely concerned with trade, after comprehensive consultations with all stakeholders, one would have expected safeguards to have been built in instead of having to be studied. Because Ghana is the first country to sign the VPA, it cannot learn from other country's experiences. Social safeguards are therefore extremely important. Nketia points out that the social safeguard clause is rather loose. As he says: 'All areas of concern are captured in the VPA but nothing definite is said. They either have to be studied or addressed. For instance on the supply to the domestic market, government is supposed to carry out a study to see what alternatives could be there'. The EU should make sure that proper safeguards are built in and help the GoG to assess and address the likely negative impact before it is too late.

## BOX 9:

### VPA social safeguards clause

1. (...) the Parties agree to develop a **better understanding of the livelihoods** of potentially affected indigenous and local communities as well as the timber industry, including those engaged in illegal logging.
2. The Parties will **monitor the impacts** of this Agreement on those communities and other actors identified in paragraph 1, while taking reasonable steps to mitigate any adverse impacts (...)

(VPA between Ghana and the EU: article 17)

## 2.2.4 COHERENCE WITH OTHER DONOR PROGRAMMES

‘The fact that Ghana has been informed that it will receive money through the World Bank’s Forest Investment Programme has already taken away the incentive for the FC to stick to the agreements that were made within the VPA’ (Samuel Nketia, Tropenbos Ghana).

Next to the VPA, the EU also provides funding to other programmes aimed at improving forest governance. Some of the most important ones are the NREG programme led by the World Bank and the United Nations programme on Reduced Emissions from Deforestation and Degradation (REDD). Finally, there is the Forest Investment Programme (FIP) for which the World Bank provides \$70 to 80 million.

The fact that donors provide money through programmes that do not always have the same requirements as the VPA might take away the incentive for Ghana to carry out necessary reforms. Within the NREG programme, these reforms were agreed upon as triggers for the release of multi-donor budget support, but as discussed earlier, funds were released even though triggers were not met. Other programmes, however, do not even include requirements of the VPA. According to Opoku (Civic Response), if the Forestry Commission receives too much funding from parties that are outside the VPA, this donor money will take away the incentive to carry out reforms, thereby undermining the VPA process.

The fact that the EU gives money through different programmes creates an incoherence on the EU’s part. As Opoku says: ‘The EU gives more money through the World Bank than through FLEGT, so it is spending money on the VPA and undermining the process at the same time’. Also in terms of consultation other programmes ignore what had been achieved under the VPA. Opoku says: ‘Even though there was a high level of consultation under the VPA, under REDD the Forest Carbon Partnership Facility (FCPF) was created without any consultation. In a context of donors competing to get into climate funding, Opoku thinks that the likelihood of maintaining discipline around NREG and the VPA is not very high. The EU should not give money to programmes that undermine its efforts under the VPA and challenge big multilateral donors like the World Bank to take VPA considerations into account.

## 2.3 RECOMMENDATIONS

As discussed above, without additional measures and proper follow up, the VPA will prove ineffective in stopping illegal practices and keep local communities from benefiting from forest resources. Although it is primarily the responsibility of the GoG to carry out these reforms, if the EU does not ensure proper implementation and follow up of the VPA, it risks to undermine its environmental and development investments. The EVF therefore suggests several policy recommendations.

The EU should...

- ensure that it holds the GoG accountable to the promises made in the VPA. If Ghana does not carry out reforms as promised, further environmental budget support should not be released.
- make sure that it does not give money to projects that undermine the objectives of the VPA. It should encourage other donors, especially big multilaterals like the World Bank, to integrate the VPA objectives into all their programmes.
- put governance at the core of the VPA. This means that it should help the GoG to improve forest law enforcement, tackle corruption and conduct a legislative review on land and tree rights and benefit sharing.
- ensure that all countries signing a VPA, next to exports to the EU, also include their domestic and other exports markets. In Ghana, the EU should make sure that the government as soon as possible applies the VPA system to the whole industry. This is the responsibility of the EU because if the framework is not extended, illegal logging in Ghana is likely to continue while the EU can still import illegal logs through third countries.
- assist Ghana to support logging companies, especially SMEs, in adjusting to VPA regulations in order to minimize the collapse of logging companies and resulting job losses.
- make sure that the social safeguards clause is properly followed up on, which means that the impact of the VPA on local livelihoods is assessed and the capacity of stakeholders to (re)negotiate institutional arrangements is strengthened.
- enlarge the number of VPAs with timber exporting countries in order to create a level playing field for VPA-licensed timber and make sure that no illegal products can enter the EU.

- motivate EU importers to buy VPA-licensed timber in order to ensure a market for legal timber. The EC should give clear guidance to member states on how to implement sustainable procurement policies by developing guidelines and tools to include social and environmental criteria in public procurement.
- the VPA see as a first step and the EU should aim for sustainability next. Otherwise the VPA will be of no use in the future because the forests will be gone.
- make sure that all VPA negotiations include a participatory multi-stakeholder process, including chainsaw operators, local communities and indigenous people. It can use the consultation process in Ghana as a best practice. After the signing of the VPA, continued participation of all the stakeholders should be ensured.



photo by Roel Burgler

### 3. MIGRATION

Migration is increasingly becoming a hot issue in development cooperation as more awareness has been created that migration and development are linked in several ways. On the one hand migrants contribute to development: the remittances that migrants send home are almost twice the total amount of money that is spent on development cooperation. On the other hand, migration also has a negative impact on countries of origin. For developing countries, the most important negative effect of voluntary migration to developed countries is the brain drain caused by the loss of highly skilled workers. This brain drain has severe repercussions on the labour market of the migrant's countries of origin, where it impacts negatively on vital sectors such as education and health. Because the EU has a greying population, the need for health personnel from developing countries is only likely to increase in the coming years.

Ghana is a country of significant out-migration, be it on a long-term or short-term basis. Many Ghanaian families and individuals see migration as an important survival strategy. With about 15% of its population living outside its borders, Ghana ranks fifth in Africa on the migration table. The country suffers significantly from brain drain, particularly in the education and health sector. Between 1993 and 2002, roughly half of all doctors and a third of nurses left the country after training.<sup>27</sup>

The situation has changed over the past few years, as a result of the economic crisis, and –more importantly, a significant salary increase for professional health staff, which has made it more attractive to return to Ghana. According to the Ghana Health Service (GHS) the shortfall in health personnel is however still 47% for doctors and 57% for nurses. Because of the inequitable distribution of health workers around the country and the difficulty for government to speed up the posting of staff to rural areas, these percentages are even higher in rural areas and the North of Ghana. Brain drain in the health sector has led to the deterioration in many public-health indicators, thereby undermining the achievement of the MDGs. On the other hand, Ghana also benefits from migration through remittances sent back home by its diaspora. In 2005 incoming remittances were \$1.555 billion, which is 16.8% of Ghana's GDP.<sup>28</sup>

The EU is one the main destinations for Ghanaians migrants. The estimate is that there are around 600,000 first and second generation Ghanaians living in Europe, which is 2.5% of Ghana's population.<sup>29</sup> It is therefore highly important that the EU tries to minimize the negative impact of its migration policies on Ghana, while maximizing the benefits of migration. If the EU does not change its policies, the promise to create coherence between the EU's migration and development policies will not turn into reality.

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27 Anand and Bärnighausen 2007: 1277-85

28 [www.delgha.ec.europa.eu/en/publications/Pub080204.pdf](http://www.delgha.ec.europa.eu/en/publications/Pub080204.pdf) p. 25

29 <http://delgha.ec.europa.eu/en/publications/Pub080205.pdf> p.10

## BOX 10:

### Ghana's migration profile

- **1.2 MILLION GHANAIANS ARE LIVING ABROAD**
- **53% OF THEM RESIDE IN THE EU**
- **62% IS HIGH- OR MEDIUM-SKILLED**
- **IN 2006, GHANA RECEIVED \$1.6 BILLION IN REMITTANCES**
- **IN 2002, 94% OF THE DOCTORS LEFT AFTER TRAINING**
- **GHANA'S SHORTFALL IN DOCTORS IS 47%**

## 3.1 EU MIGRATION POLICY

The EC is at the moment looking for a common approach towards migration. There is a realization that the EU's migration policy should look at the needs of both the EU and the countries of origin, as well as taking into account the migrant's interests. In this respect circular migration, which allows migrants to work in the EU and return to their home countries, has become the key word. Circular migration is supposed to help the EU address its labour needs, while at the same time benefiting sending countries through remittances and the skills that migrants bring back home; so-called brain gain.

While the EU remains reluctant to create legal opportunities for low skilled migration towards the EU, it is making fast progress in the facilitation of highly skilled migration. Out of four directives on legal migration envisaged in the EU's Global Approach to Migration in 2005, only the Blue Card focusing on highly skilled migrants has been adopted. The EU is also more than willing to create policies to counter illegal migration. It invests large sums of money through EUROPOL and FRONTEX to fight illegal immigration and human trafficking. Next to this, member states are implementing voluntary and forced return programmes for illegal migrants.

In the European Consensus on Development and the EU PCD work programme 2010-2013, the EU says that it will strive to make migration a positive factor for development.<sup>30</sup> The Cotonou Agreement also states that migration shall be a subject of in-depth dialogue. Under the 10th EDF supporting Ghana's CSP, the EU has allocated €2 million under the title 'Migration, Diaspora and Security'. The objective of the programme is threefold: (1) ensuring that migration and human and financial resources of the diaspora contribute effectively to national development, (2) minimising the costs of brain drain (particularly in the health sector), and (3) increasing the capacity of police and migration agencies for law enforcement while enhancing their accountability and respect for human rights.<sup>31</sup>

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<sup>30</sup> [http://www.se2009.eu/polopoly\\_fs/1.24052!menu/standard/file/111278.pdf](http://www.se2009.eu/polopoly_fs/1.24052!menu/standard/file/111278.pdf)

<sup>31</sup> [http://ec.europa.eu/europeaid/where/acp/country-cooperation/ghana/ghana\\_en.htm](http://ec.europa.eu/europeaid/where/acp/country-cooperation/ghana/ghana_en.htm)



### 3.2 PCD: MIGRATION & DEVELOPMENT

‘In terms of policy coherence for development, I have heard many plans for policy shifts over the years. Recently, there has been a more humane presentation of migration policies but the content has not changed. They can say that we have partnerships and that policies are shifting but even before the financial crisis no new opportunities were created. Most of the changes have been marginal; in hard figures nothing has changed’ (Elizabeth Adjei, Ghana Immigration Service).

There are few hard incoherencies between the EU’s migration and development policy. However, while the EU has committed itself to making migration work for development, its current migration policy hardly benefits Ghana. Elizabeth Adjei, Director of the Ghana Immigration Service (GIS), thinks it is a good thing that the EU is aware of the link between migration and development, but argues that most policies remain on paper. Mblingo Nsodu, Director of the Research and Counselling Foundation for African Migrants (RECFAM), argues that EU promises to make its migration policy more development friendly are not translated into reality because migration policies are still driven by the EU’s instead of Ghana’s interests.

As discussed above, although some small projects have been developed aimed at migration and development, the EU is not opening up real opportunities for low-skilled migration, while this is broadly seen as the best tool to make developing countries benefit from migration. Furthermore, while the EU has developed initiatives to attract highly skilled migrants, thereby risking to increase brain drain in Ghana, its approach towards limiting brain drain only looks at the pull factors, which according to most stakeholders will not have much effect. Although it is primarily the responsibility of the GoG to address the push factors, many feel that if the EU seriously wants to counter brain drain, it should support Ghana in this. In practice, the EU’s migration policy however focuses on migration management and readmission, rather than trying to reach development goals through joint cooperation in the field of migration.<sup>32</sup>

#### 3.2.1 BRAIN DRAIN

‘Skilled migration is largely a symptom, not a cause of underdevelopment’ (John Anarfi, ISSER).

Most stakeholders recognize that brain drain is still a big issue in Ghana, especially in the health and education sector. According to Adjei (Ghana Immigration Service): ‘The loss of skills is the most important negative effect of migration’. Although Ghana’s underdevelopment is seen as the main cause of people leaving, the EU has a responsi-

bility to limit brain drain. If the EU does not help Ghana to retain its highly needed skilled workers, it risks countering its own development efforts to achieve the MDGs. This is especially true for the health sector, as half of the MDGs are health-related. The UK, being Ghana’s most important receiving country, has installed a code of conduct limiting recruitment of health personnel in Ghana. Because of this, EU member states’ policies affecting brain drain are not incoherent. If the EU seriously wants to help Ghana counter brain drain, however, it should look not only at the pull factors but also at the push factors.

Unfavourable employment conditions are being perceived as the biggest trigger for migration. As Kwame Amo, Chairman of the Ghana Registered Nurses Association (GRNA) says: ‘I have to pay a quarter of my salary for accommodation in a government bungalow and my national health insurance does not even cover glasses’. The Ghanaian government has recently increased salaries in the health sector in order to retain health professionals. Although this has increased the incentive to stay, salaries in Europe remain a lot higher. Salaries in the Ghanaian health sector are however one of the highest in Africa and that the national budget on health is in conformity with international standards. Other push factors have to do with the lack of career opportunities; difficulties in accessing post-graduate education, the need to do rural service and limited possibilities for promotion.

Charles Gerhardt, Management Advisor of the Christian Health Association of Ghana (CHAG), however, argues that brain drain is only part of Ghana’s problem in delivering health services. One of the major problems in the health system is that 95% of the budget is spent on salaries and wages. The issue is not only about salary increase, but also about staffing levels and performance management, particularly in the public service. Gerhardt argues that a big part of the problem can be solved by changes in domestic policies to increase productivity and better distribution of staff throughout the periphery, including contracting out the delivery of health care to other (private, faith-based) providers. Additionally, Amo argues that the capacity to train people should be increased: ‘Every year 2000 people apply and qualify for our nursing school but we can only admit 100. There is no shortage but a lack of training capacity; material and brains’.

According to Jo Rispoli, Head of the Technical Cooperation Department of the International Organisation for Migration (IOM) in Ghana, all these factors have to be studied carefully in order to develop a well-functioning policy to retain people. If the EU wants to help Ghana decrease its brain drain it should help the GoG to decrease the push factors for migration. Many of the push factors are structural and will only reduce once the level of development increases. According to Amo (Ghana Registered Nurses Association), the EU should help to create basic facilities in Ghana instead of restricting people from going: ‘If you restrict people from coming but do not improve the conditions you compel people to work at a low level’. If the EU wants to help Ghana to counter brain drain it should provide targeted development assistance to sectors that are suffering from the loss of skills. The development partners, who contribute a big chunk of Ghana’s health

budget, should be investing more in the staffing policy and help to create packages for rural placement.

### **Code of conduct on ethical recruitment**

The code of conduct is there but as long as the UK needs nurses, people will move. The policy in the EU is not bad but it should prevent people from moving by helping us to create a retainment policy (Kwame Amo, Ghana Registered Nurses Association).

Although addressing the push factors should be central in any policy trying to limit brain drain, the EU has a responsibility to limit the pull factors. In the 1990s, the UK was known for its active recruitment of nurses from Ghana to fill gaps in its own labour market. Finally, in 2001 the UK Department of Health introduced a Code of Practice requiring National Health Service employers not to recruit from low-income countries, unless there is a government-to-government agreement. Some respondents think the code has been successful because recruitment practices have decreased. According to Peter Quartey, Deputy Director at the Centre for Migration Studies, since the introduction of the code, aggressive recruitment practices through newspaper adverts and packages where the obligation to do service in Ghana were being paid off by new employers are no longer taking place. Others, however, attribute the reduction in recruitment practices to the economic crisis and reduced employment opportunities in the UK.

Some stakeholders argue that recruitment practices still continue, although in a less formal way. According to Adjei (Ghana Immigration Service), public policy institutions no longer recruit but private agencies are still offering visas to health personnel. Recruitment is also thought to take place in a more indirect way. Amo says contractors are currently acting in the form of travel agencies, which makes their practices less visible. Ernest Appiah, Researcher at the Institute of Statistical, Social and Economic Research (ISSER) argues that the fact that the UK still allows people to find a job two years after graduation is a form of indirect recruitment. As Adjei points out, at the same time as recruitment of highly skilled people has decreased, the admission of Ghanaian students to EU universities has increased: 'The UK attracts the best students from developing countries in order to be able to compete with universities in the USA. Public institutions still look for the most competitive students and students that study abroad almost never return'.

Most stakeholders do not see the problem going away, unless the EU can supply its own labour market and Ghana's level of development increases. As John Anarfi, Researcher at ISSER, says: 'Until the EU is able to fill the gaps in its labour market, it will continue to rely on developing countries'. As mentioned before, the EU's labour shortages are however only likely to increase during the next decades. Most stakeholders do therefore not think the crux of the problem lies within the effectiveness of the code of conduct. Instead, they argue that if the EU wants to address the problem it should help Ghana to create retainment policies and improve local working conditions. As Amo (Ghana Registered Nurses Association) says: 'With the Code of Conduct you address the pull

factor, while the push factor is permanent'. As long as the push factors are still there, one side is closed but the other side is still open.

The situation might be different, however, in developing countries where the main country of destination has not introduced a code of conduct. Moreover, the UK has one public sector health care employer and one national point of entry for regulated health professionals, which makes the implementation of the code relatively effective. For countries with a multiplicity of independent, private-sector health care employers, or a federated political and regulatory structure, however, the scenario might be different. It is therefore essential that all countries ratify the global code of conduct that will be adopted in May 2010 by the World Health Organisation (WHO).

### **Educational costs**

'I have no problem with the highly skilled migrating but you do not migrate at the expense of your home country. You should pay back your educational costs so that someone else can be trained' (Peter Quartey, Centre for Migration Studies).

The EU stresses the importance of investments in education in developing countries. However, when highly skilled workers, whose education has been provided by their home countries, migrate to the EU, developing countries lose their educational investment while EU member states profit. This could be regarded as a form of cheap, subsidised education for the EU states. Possibilities therefore have to be studied to compensate countries of origin that provided training and education.

Ghanaian nurses already have to do rural service in Ghana before they can leave the country, thereby paying back for their education. According to Ernest Appiah, Researcher at ISSER, it is essential that companies stick to this rule or pay of this 'bonding'. For doctors and personnel from other sectors suffering from a shortage of skills there is, however, no obligation to serve Ghana after training. Quartey believes that for these people it would be good to introduce a pay-as-you-go system, where people that are trained with Ghanaian resources, pay for the costs of education when leaving.

### **3.2.2 CIRCULAR MIGRATION**

'The heart of the problem is that the EU's approach is always demand driven and the jobs are simply not there. But since we have unemployment in double digit compared to the EU, a more friendly migration policy would open up opportunities for legal migration' (Elizabeth Adjei, Ghana Immigration service).

The EU sees circular migration as a key instrument to create coherence between migration and development. According to the Global Forum on Migration and Development, circular migration requires that migration is connected to both the labour needs in the sending as well as the receiving country. The EU's current policy, however, mainly looks at the EU's need for highly skilled labour, thereby not taking into account the needs of

developing countries. Unless the EU opens up real opportunities for low- and semiskilled migrants, circular migration will not contribute to Ghana's development.

Most stakeholders do not believe that circular migration programmes will have a big impact because they do not see the EU opening up opportunities for low-skilled migration. Adjei explains that the EU has on many occasions declared the intention to broaden opportunities for lower skilled migrants. According to her, however, this has always resulted in eternal discussions without anything being implemented, except for programmes aimed at highly-skilled labour like the Blue Card and the UK's points-based system. Adjei does not think this will change: 'Our objective is to have more opportunities for legal migration. The objective of the EU is to admit only the highly skilled or the very low-skilled that they need for seasonal labour. We both define our national interests but there is no convergence'. She cynically states: 'Because the opportunities for unskilled and semi-skilled people have not increased, while the EU is increasing readmission policies, Ghana is receiving more people than sending them'.

One concrete initiative aimed at circular migration is the job-matching scheme which is being developed between Ghana and Italy and is being coordinated by the IOM. Under the first phase of the project, 30 circular migrants will be sent to the South of Italy to become seasonal agricultural workers. The aim is that these migrants will earn money while also learning new techniques and gaining management experience. According to Nsodu (Research and Counselling Foundation for African Migrants), however, seasonal workers and their countries of origin do not benefit from these kinds of programmes: 'People often work under bad labour conditions and earn a low wage of which they have to spend a large part on accommodation. This makes them unable to save money or remit back home'. Because of the low wage and the fact that the migrants do not acquire any skills, seasonal labour programmes are not about creating development but about filling gaps in the EU labour market.

According to Amo (Ghana Registered Nurses Association), the only way that circular migration will work is through careful selection of people who can gain knowledge that is valuable to Ghana. Bert Sprenkelink, Director of IntEnt Ghana, a Dutch organisation that helps diaspora to set up businesses in their home country, argues that it is essential that people gain experience that can be applied back home. According to him, for Ghana there would be opportunities in agriculture, food processing, construction and the services sectors. Matching demand and supply, however, will be very time- and cost intensive and is therefore unlikely to be done at a big scale.

Quartey (Centre for Migration Studies) argues that as long as the EU's labour migration programmes only attract highly-skilled and seasonal labour, there is a policy incoherence: 'You see the aid policies to develop Ghana and yet they also demand our skilled labour force. There is a gap; there is aid money but not many skilled people to do the job. Because of this, the donors send a lot of foreign experts to come and do the job, which

are much more expensive than local labourers'. In order for circular migration to benefit the sending country, programmes should look both at the demand and the supply. Rispoli (IOM) argues that it is a country's prerogative not to accept low-skilled migrant workers, but if a country only takes highly-skilled workers, it may be more difficult for circular migration to make a significant contribution to Ghana's development.

### 3.2.3 RETURN

Next to circular migration, another way by which migrants are thought to be able to contribute to their home countries is by returning. A good example of a temporary return programme is the IOM's Migration for Development in Africa (MIDA) programme that allows Ghanaian diaspora to come and work in public hospitals for a period between 3 weeks and 3 months. Rispoli explains that the first reactions have been very positive. The IOM is trying to increase the sustainability of the programme and enlarge the multiplier effects. Adjei (Ghana Immigration Service) believes that this kind of circular migration is more feasible than recruiting people in Ghana to sign up for circular migration programmes. She also points out, however, that programmes like the MIDA programme are always small-scale and only work at a bilateral level.

In terms of permanent return, the EU could help Ghana to take away some of the current disincentives. As Quartey (Centre for Migration Studies) points out, at the moment it is hard to reintegrate in the Ghanaian labour market; it takes a long time to process a request for re-integration in the public sector, migrants are often required to re-take exams even though they have gained substantial experience, and the equipment to exercise certain professions lacking. He argues that structures and programmes should be put in place to help people return to their home countries: 'People should not just be provided with money but be linked up with local agencies so that they can return to jobs on activities that they want to do'. Sprenkelink (IntEnt Ghana) sees opportunities in linking return to business creation in Ghana. These programmes would, however, have to be person-by-person which is very costly.

The EU could also work together with Ghana to ensure the transferability of social rights. According to Anarfi (ISSER), this could take away some of the disincentive to return. Moreover migrants should be allowed to travel back and forth. As Quartey says: 'Many nurses say that if they would be allowed to come back every one, two or three years, they would prefer to live in Ghana. But the difficulty in getting a visa makes people overstay and when you overstay and you are being deported the conditions are not too good'.

### 3.2.4 REMITTANCES

Remittances are often seen as the most obvious positive effect of migration. There is no consensus, however, that remittances contribute significantly to development in the migrants' home countries. According to Quartey (Centre for Migration Studies), because remittances are private transfers to the migrant's families, the money does not flow back into the sectors that are hurt by migration.

Most stakeholders, however, do think that remittances can contribute to development. There is a general consensus that it would be good if the GoG would facilitate the investment of remittances. As Quartey says, at the moment over 50% of remittances are spent on consumption. Although even funerals and parties have some positive effect, in order to increase the developmental impact it would be better if a part of the remittances would be invested in local communities. Quartey argues that financial institutions in the EU and Ghana should facilitate the investment of remittances by offering savings and investment opportunities for surplus money. Adjei (Ghana Immigration Service) also argues that the EU could help Ghana to create the tools to make full use of remittances. Nsodu (RECFAM) suggests that this element could be built into circular migration programmes by taking of part of the salary for investment in the home community: 'This will give the migrant something to build upon when returning'.

Finally, it is suggested that Ghana and the EU should work together to make sure that remittances can be transferred in a cheap and safe way. Quartey argues that money transfer agencies should reduce their costs: 'Because it is very expensive to transfer to Africa, many people use informal channels to transfer money, with the risk of losing their money. If the costs will be reduced, people will use the formal system'.

### 3.2.5 ILLEGAL MIGRATION

'The education campaigns are good but the root causes are different. It is more about improving the standard of living here and opening up legal opportunities for migration' (Ernest Appiah, ISSER).

When talking about migration, most Ghanaians see illegal migration as one of the biggest issues. The general feeling is that people become irregular migrants because of the lack of legal opportunities to travel. As Anarfi (ISSER) says: 'If the rules of acquiring a visa are too strict you create the incentive for illegal migration'. It is generally recognized that illegal migration has a negative impact in terms of development. As Appiah points out, because people live in a constant state of fear and because they have no job security they can transfer less money. Moreover, Nsodu (RECFAM) points out that migrants often leave their families behind, worsening their situation because the migrants are often not able to contribute as much as they did back home.

In Ghana the EU invests in information campaigns to counter illegal migration. Although most stakeholders see this as a good thing, they do not think these campaigns will make a big difference as long as living conditions are not improved. According to Emanuel Minnaar, Attaché Immigration Affairs at the Dutch Embassy, Ghana's migration culture will be hard to change unless the situation in Ghana improves. Bernard Anti, Programme Coordinator at the Alliance Against Irregular Migration (AAIM) argues that educational campaigns should be linked to programmes providing opportunities in Ghana. Rispoli (IOM) suggests that the EU could invest some of the money to counter illegal migration in job training in the capitals of the biggest regions of origin.

There is the general feeling that the EU spends too much money on migration management, which could better be invested in taking away some of the biggest push factors for migration. As Adjei (Ghana Immigration Service) says: 'Millions of Euros are being spent on readmission of Ghanaian migrants, while this money could make a real difference in Ghana. By sending one illegal migrant in a plane that costs 50.000 Euros, you are wasting money. The EU also invests so much money in border protection in Libya which goes straight into the pockets of Libyan officials. So much money is being spent on FRONTEX and EUROPOL instead of being used to address the push factors for migration'. According to Adjei, the EU argues that its costly investments in improved migration management have led to a reduction in the number of migrants entering the EU. She argues, however, that the policy has not kept people from leaving but that many people do not reach their destination and are caught up in dangerous transit situations.

### 3.2.6 CAPACITY

Most stakeholders argue that in order to create more coherence between migration and development, Ghana should have a clear migration policy in place. At the moment Ghana has no real migration policy. Migration is regulated by the Migration Act of 2000 and the 1994 National Population Policy that seeks to monitor brain drain. Although in 2002, Ghana passed a policy allowing for dual citizenship, there is no policy aimed at Ghana's diaspora. According to Rispoli (IOM), this lack of policies makes it difficult for the EU to gain an in-depth understanding of Ghana's needs and priorities, which is needed to tailor their policies not just to their needs but also to the needs of Ghana. The EU should therefore help Ghana to develop a comprehensive migration policy, allowing it to benefit from migration.

Ghana is in the process of trying to develop a migration management and development policy with the support of the IOM. A national assessment of the labour market has been conducted, which will be used as input for the migration policy. Next to the policy, Rispoli argues that Ghana also needs to put proper structures in place to implement the policy. As Adjei points out, the government has not yet figured out which ministry or institution should host migration issues and politicians are not really interested because they do not see the potential.

The EU could support the GoG in diaspora management in order to make sure that it can benefit in an optimal way of its population living abroad. Rispoli argues that it is essential to put together a diaspora policy with a database, a matching scheme and a yearly homecoming summit. Since the EU hosts a big part of the Ghanaian diaspora, it can help by doing the mapping of diaspora in its member states. Next to this, Rispoli argues that the EU should make progress on its common migration policy in order to create coherence between the migration policies of the different EU member states. He is sceptical of how far the EU migration policy can go, however, because member states will still look at their own needs.

### 3.3 RECOMMENDATIONS

If the EU is serious about making migration work for development and wants to stick to its commitments in the field of migration and development, several adjustments are needed:

- EU migration policies need to look at both the demand in the EU and the supply in developing countries. This means that the EU should open up opportunities for legal migration of lower-skilled people, which allows them to earn a fair wage and gain knowledge and experience that can be used in Ghana.
- The EU should provide targeted development assistance to the health and education sector in order to promote better working conditions, help Ghana develop a comprehensive retainment policy and facilitate the replenishment of the supply of skilled people. The EU should also provide long-term budgetary support to underpin the domestic financing of those sectors.
- Although this is not enough to solve the brain drain problem, the EU should address an important push factor by ratifying the WHO global code of conduct on ethical recruitment in order to limit active recruitment.
- In Ghana, EU companies taking in Ghanaian nurses should make sure that bonding is paid off before people leave. For other professions and in countries with different rules, if an EU company attracts workers whose education and training has been provided by their home country, the EU should provide appropriate compensation.
- Part of the money currently being invested in migration management through EUROPOL and FRONTEX should be reallocated to development programmes. Any attempt to link development aid to migration prevention policies must be rejected.
- The EU should work with Ghana to take away the disincentives for return: e.g. through facilitating the portability of social rights and multiple-entry visa. Moreover, returns should be made more durable by linking them to reintegration programmes.
- The transfer of remittances must be made cheaper, faster and safer. The EU should support financial institutions to develop products that facilitate the investment of remittances in home communities. The EU can provide information on possibilities for investment through diaspora organisations.
- The EU should encourage its member states to strengthen their own (national) workforce policies in all sectors in order to become less dependent on foreign workers from less developed countries.

### EPILOGUE

After having lobbied for fair EU policies towards developing countries for many years, the EVF decided to travel to Ghana in order to find out whether the policy changes that the 'Fair Politics' campaign is continuously fighting for in the Netherlands and the EU are also on the minds of the people in developing countries like Ghana.

Having arrived in Ghana, it soon became clear that people are more concerned with the direct problems that Ghanaians are facing on a daily basis than an abstract concept like PCD. When asked to give concrete examples of EU policies that hamper Ghana's development, many people told me to go and talk to poultry farmers who have lost their businesses because of EU competition, to forest communities who do not benefit from logs that are taken from their farms and exported to the EU, and to visit hospitals that continue to suffer from brain drain. They are convinced that these stories will show you that the EU needs to help Ghana in a better way.

On the other hand, most Ghanaians recognize that the prime responsibility to change Ghana's situation lies with the Government of Ghana and that they cannot solely blame the West for their problems. This study has however made it clear that this does certainly not mean that the EU can sit back and wait for Ghana to develop.

Over the last years the EU has made serious efforts to create more coherence between its development objectives and policies in other areas like trade, migration and illegal logging. If the current situation remains, however, many of the EU's promises will remain on paper, while policies continue to be ineffective and sometimes even counterproductive.

Of course the Ghanaian civil society and the Ghanaian companies have also a responsibility to influence their government taking development of their country seriously. But if the EU truly wants to improve living conditions of people in countries like Ghana, it should make sure that its policies are both coherent on paper and implemented in a correct manner. Policies should be followed up upon and monitored in order to make sure that EU policies never hurt but instead truly benefit developing countries.

Now it is up to European politicians and other decision makers to make sure that this important lesson will be taken into account and that the many recommendations in this report will get implemented. Of course the EVF, and hopefully many with us, will continue to advocate for fairer policies over the next years. The EVF truly believes: 'Fair Politics: Make Development Work!'.

**Sarah Hardus**

Author of the study

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## ANNEX 2:

### List of interviewees

Name	Institution	Position
Abbey, Joe	CEPA	Executive Director
Adeleke, Wale	IUCN	FLEG Project Facilitator
Adjei, Elizabeth	GIS	Director
Adjei, George	North Association Sokoban	
Adu, Gustav	Kumasi Wood Cluster	Project Leader
Agyeman, Philip	AAIM	Project Director
Agyeman, Victor	FORIG	Director
Akalbila, Ibrahim	GTLC	Coordinator
Akunzule, Anthony	GAPNET	Executive Director
Amable, Delasi	Care	Programme Officer
Amo, Kwame	GRNA	Chairman Ashanti Region - Kumasi
Amoah, King David	FONG & Ghana Federation	“President of Agricultural Producers”
Anarfi, John	ISSER	Researcher
Anti, Bernard	AAIM	Programme Coordinator
Arthur, Benjamin	Care	
Beeko, Chris	FC	VPA coordinator
Bierkens, Michiel	Netherlands Embassy	Cousellor/Deputy Head of Mission
Bimpeh, George Osei	SEND Foundation	Programme Officer
Cornelis, Kurt	EU Delegation in Ghana	Head of Co-operation
Domes, David	EU Delegation in Ghana	Head of Economic/Trade Section
Eba-Polley, Genevieve	CEPA	Programme Coordinator
Eli, David	FoodSPAN	Coordinator
Gerhardt, Charles	CHAG	Management Advisor
Guamah, Rosemary	Sankofa Family Poultry	President
Hormeku, Tetteh	Third World Network	Head of Programmes
Katako, Albert	Care	Programme Coordinator
Kwateng-Kluitse, Adwoa	Action Aid	Country Director
Laryea, Dr.	University of Ghana	Researcher Economics Department
Logah, Samuel Yaw	Anloga Carpenters Union	Chairman
Mawufeame Fugah, Torgbui	Anloga Carpenters Union	President & Head of the Voltarian Community in the Ashanti and Brong
Mensah, Eustace	Action Aid	
Minnaar, Emanuel	Netherlands Embassy	Attaché Immigration Affairs
Nketia, Sam	Tropenbos International	Programme Team Leader
Nsodu, Mbinglo	RECFAM	Executive Director
Ofei-Nkansah, Kingsley	GAWU	General Secretary
Opoku, Kyretwie	Civic Response	Coordinator
Bimpeh, George Osei	SEND Foundation	Programme Officer

Name	Institution	Position
Osei, Joseph	AAIM	Communication Coordinator
Quartey, Peter	Centre for Migration Studies	Deputy Director
Rispoli, Jo	IOM	Head of the Technical Cooperation Department
Sasu, Lydia	FONG	National Women Leader
Sprenkelink, Bert	IntEnt	Director and Programme Coordinator
Tettehfi, Esther	Sankofa Family Poultry	Secretary
Zan Akologo, Samuel	SEND Foundation	Director
Zon, Ton van der	Netherlands Embassy	“First Secretary Environment & Water Advisor“

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W: [www.imvf.org](http://www.imvf.org)

### Glopolis - Czech Republic

E: [info@glopolis.org](mailto:info@glopolis.org)  
W: [www.glopolis.org](http://www.glopolis.org)

### People to People - Estonia

E: [ptpest@hotmail.ee](mailto:ptpest@hotmail.ee)  
W: [www.ptpe.org](http://www.ptpe.org)

### Plataforma das ONG's - Cape Verde

E: [informa.platong@sapo.cv](mailto:informa.platong@sapo.cv)  
W: [www.platongs.org.cv](http://www.platongs.org.cv)

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