



Concept Environmental and Social Review Summary

Concept Stage

(**ESRS Concept Stage**)

Date Prepared/Updated: 01/31/2024 | Report No: ESRSC04077



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P180719	Investment Project Financing (IPF)	Financial Stability Project	2024
Operation Name	Ghana Financial Stability Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Ghana	Ghana	WESTERN AND CENTRAL AFRICA	Finance, Competitiveness and Innovation
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
THE REPUBLIC OF GHANA	Ministry of Finance	19-Mar-2024	28-Mar-2024
Estimated Concept Review Date	Total Project Cost		
26-Jan-2024	250,000,000.00		

Proposed Development Objective

To build capital buffers of viable deposit-taking institutions to contribute to financial stability.

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the Concept Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

Ghana’s debt restructuring has impaired the soundness of the financial sector. Capital buffers have been eroded across the board, with some banks undercapitalized and operating in a severely constrained environment to generate profits and rebuild buffers endogenously. Banks could sustain additional losses as non-performing loans continue to increase. Financial stability risks have increased as a result, and the ability of the financial sector to support the economy has



been impaired, increasing the likelihood of a severe and procyclical credit retrenchment as banks try to conserve scarce capital. To safeguard financial stability, the government is setting up the Ghana Financial Stability Fund (GFSF) to provide solvency and liquidity support to financial institutions impacted by the debt restructuring. The solvency window of the GFSF will include Fund A1 (to be capitalized using IDA credit proceeds through this project) and Fund A2 (to be capitalized by the Government of Ghana). This project would contribute to the government's efforts to build capital buffers of viable financial institutions to safeguard financial stability. The project would include three components: Component 1: Capitalization of Fund A1 of Ghana Financial Stability Fund. This component would capitalize Fund A1 of the GFSF to strengthen capital positions of viable institutions so that they can continue supporting the recovery and withstand shocks. Fund 1 would acquire Additional Tier 1 securities issued by banks and specialized deposit-taking institutions (SDIs). Fund A1 would provide cash to banks and SDIs in exchange for securities that qualify as capital. As a result, Fund A1 would help banks and SDIs meet the minimum requirements stipulated by Bank of Ghana (BoG). Bank and SDIs will use the capital provided to support their operations, including building cash reserves, extending loans, etc. Nonetheless, the capital provided will represent only up to 3 percent of the banks' risk-weighted assets. Component 2: Technical Assistance: This component would finance technical assistance to improve BoG's understanding of banking sector risks and inform the development of appropriate remedies, enhance Ghana Deposit Protection Corporation's (GDPC's) preparedness, and build the capacity of BoG, GDPC, and beneficiary financial institutions. Specifically, this component would finance an asset quality review for banks, technical assistance to upgrade the depositor payout system of the GDPC, and the upgrade/establishment of beneficiary banks and SDIs' Environmental and Social Management Systems (ESMSs). Component 3: Project management, monitoring and evaluation - will be mainstreamed into the institutional structure of the MoF. Thus, the MoF—through its Financial Sector Division (FSD) — will be the responsible government counterpart and coordinating agency. A Secretariat will be established to manage Fund A1. The Secretariat will be further strengthened through the recruitment of a part-time investment management advisory firm (Investment Advisor) comprising about four people, including an investment specialist, accounting and administration officer, environmental specialist, and social specialist. This component will cover project implementation costs, including the compensation of an Investment Advisor, coordination, procurement, financial management, monitoring and evaluation, and other related costs.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 2,000]

Ghana's population is estimated at 32.82 million people (2021 Population and Housing Census). The country has a youthful population, with approximately 57 percent of the people under the age of 25. Despite efforts to stimulate economic growth and create job opportunities, many educated young individuals struggle to secure formal employment. Ensuring that these opportunities become more accessible remains a key goal.

Labor issues in Ghana present a multifaceted challenge that encompasses various aspects of the workforce, employment practices, and labor rights. Establishing and maintaining a fair and adequate minimum wage is a recurring labor issue. Child labor continues to be a concern, particularly in sectors like agriculture, small-scale mining and service industries. Ghana is actively working to combat child labor by promoting access to quality education for its children and addressing known root causes of child labor.



Ensuring occupational health and safety is another critical labor issue. Accidents and workplace injuries, often seen in sectors like construction and mining, underscore the need for stricter safety standards and effective enforcement. Gender equality in the workforce remains a challenge, with women frequently experiencing discrimination in terms of wages access to leadership.

In Ghana, MSMEs are a bigger part of the loan portfolio of SDIs, while the larger commercial banks have more SMEs and small corporates as they tend to have more stringent requirements for MSME lending which consequently makes MSMEs a smaller part of their portfolio. According to the Ghana Statistical Service (GSS), a business entity that employs between 1 and 5 workers is a micro enterprise; one employing between 6 to 30 workers is a small enterprise; a firm employing between 31-100 workers is a medium enterprise; and a firm employing more than 100 workers is a large enterprise.

D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower’s capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 2,000]

The MoF—through its Financial Sector Division (FSD) —will have the institutional responsibility for coordination and management of the project, including environmental and social risks management, procurement of goods and consulting and non-consulting services, Financial Management and reporting, M&E, and implementation support to the Fund A1 Secretariat. The Secretariat will serve as the PIU for the project. The MoF has prior experience in implementing Bank-funded projects with ample capacity for managing social and environmental risks and impacts. Specifically, the project will be managed by the FSD team managing the Financial Sector Development Project (P161787) and Development Finance Project (P169742).

Under the Ghana Development Finance Project (GDFP), the MoF has gained substantial experience in coordinating the establishment and supporting the initial operationalization of the Development Bank Ghana (DBG), a financial intermediary which had no track record in the management of E&S risks. The DBG has been satisfactory so far in applying its Environmental and Social Management System (ESMS). Despite this prior experience, the scope of this project requires the MoF to recruit one Environmental and Social Specialist who will ensure adequate risk identification and evaluation, mitigation and management, monitoring and reporting. These roles, including the provision of targeted environmental and social risk management training, monitoring and technical assistance to the beneficiary institutions, will remain at the MoF until project closure. Additionally, where needed, these specialists will support the upgrade/establishment of beneficiary banks and SDIs’ ESMSs to meet World Bank requirements.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate



A.1 Environmental Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The potential environmental risks of the Project are expected to be moderate since the risks are anticipated to be limited and will require awareness-raising and capacity building which is included in the project structure. The project through the GFSF will provide solvency and liquidity support to beneficiary banks and SDIs impacted by the Domestic Debt Exchange Programme (DDEP), and ultimately the banks and SDIs will use the funds to support their operations (hold cash reserves, make loans, buy securities, etc.). End-borrowers will mostly be individuals or Micro-, Small and Medium-sized Enterprises (MSMEs) expected to be involved in the project are most likely to be agriculture, wholesale/retail, manufacturing, and services sectors. The businesses and operations of both existing and potential borrowers or clients of the beneficiary financial institutions may pose indirect or direct environmental risks. Borrower operations in agriculture may include agrochemicals, use of improved seed variety, crop production, use of farm machinery, processing of agricultural products, and seed supply. Some potential environmental risks may include erosion, land degradation, forest degradation, habitat disturbance and destruction and threat to native biodiversity (particularly if genetically modified seeds are used), as well as soil and water pollution and poisoning of non-target organisms associated with the use of pesticides. Pesticide use can also expose communities to health hazards. Similarly, manufacturing operations may include production of raw materials and processing activities with potential risks, including air, noise, soil and water pollution; generation of hazardous and non-hazardous wastes; electronic waste and occupational health and safety risks; community health and safety risks; and unsustainable use of natural.

A.2 Social Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The potential social risks of the Project are expected to be moderate since the risks are anticipated to be limited and will require awareness-raising and capacity building which is included in the project structure. The businesses and operations of both existing and potential borrowers or clients of the beneficiary financial institutions may pose indirect or direct social risks. Social risks associated with projects in agriculture and manufacturing can be multifaceted, with potential implications for communities, workers, and the environment. These risks include displacement of local communities due to land acquisition, leading to disruptions in livelihoods and social tensions. Labor issues, including poor working conditions, low wages and exploitation of workers, are prevalent concerns, which may lead to social unrest and strikes. The use of child labor is prevalent in sectors that will potentially benefit from this project. Inadequate safety measures and exposure to chemicals in agriculture can pose health risks for workers and nearby residents. Furthermore, agricultural endeavors may affect access to vital resources like water, potentially sparking conflicts. Cultural heritage and traditions of local communities may be at risk due to changes in land use and economic activities, impacting social identity and cohesion. Gender, income inequality and lack of inclusion can be exacerbated if economic benefits are unevenly distributed. Insufficient community engagement in project planning and decision-making can result in resistance and conflicts. Assessment of individual borrower social risk associated with the lending will be conducted through the bank's and SDI's ESMSs which will entail the policies, procedures, screening tools and exclusion lists.

[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 2,000]



B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

[Optional Explanation - Max. character limit 1,000]

The following ESSs are relevant for the project: ESS1, ESS2, ESS3, ESS5, ESS6, ESS8, ESS9 and ESS10. The integration of environmental and social risk management measures into the activities of the MoF and beneficiaries of Fund A1 will be governed by ESS9. The MoF will establish an ESMS consistent with ESS9. The MoF has already commissioned an international consulting firm (with vast experience working in Ghana) to develop the ESMS. The ToR for the assignment has been reviewed and approved by the World Bank. The World Bank will review the ESMS prior to disclosure of its elements. The MoF will require beneficiary banks and SDIs to have effective ESMSs to screen, assess, categorize, mitigate and manage social and environmental risks in their business operations, especially with regards to lending to their existing/potential clients. The MoF has prepared a Stakeholder Engagement Plan (SEP) for the project. The plan has been reviewed by the World Bank.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant since the MoF will need to put in place procedures for external communications and stakeholder engagement on E&S issues proportionate to the risks and impacts of the credit portfolios financed by the beneficiary banks and SDIs. Stakeholder engagement particularly with banks, SDIs, insurance companies and regulated entities is critical for the overall project implementation. The MoF has prepared a Stakeholder Engagement Plan (SEP) for the project. This has been reviewed and will be cleared by the World bank and be disclosed prior to appraisal. The SEP is consistent with ESS10 and provides the roadmap for project communications and conducting active consultations with stakeholders on the design and delivery of the project and management of E&S risks and impacts.

ESS2 - Labor and Working Conditions

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant since the MoF, beneficiary banks, SDIs, and borrowers will engage different categories of workers: direct workers, contracted workers, primary supply workers and community workers. It is anticipated that community workers will be contracted or be involved with borrowers activities. The ESMSs of the MoF and beneficiary banks and SDIs will include policies, procedures and measures on Labor Management. This will include policies such as prevention of workplace sexual harassment, code of conduct for employees, equal wages, non discrimination and equal opportunity, occupational health and safety, and grievance management system for workers. The ESMSs will also include Environmental, Social, Health and Safety (ESHS) procedures including specific conditions to protect the health and safety of workers.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant



[Optional Explanation - Max. character limit 1,000]

This standard is relevant given that beneficiary financial institutions may provide loans to end borrowers to invest in projects in construction, manufacturing, agribusiness, high-value services sectors that may cause significant impacts on the environment and natural resources. Some potential environmental risks may include deforestation, forest and land degradation, water pollution, erosion, soil contamination, threat to native biodiversity, as well as health and safety risks associated with the use of agricultural inputs such as pesticides and fertilizers. Additional risks could include water and energy use, air pollution, and generation of hazardous and the non-hazardous wastes. The ESMS for the will include policies, procedures and measures required to avoid, minimize, abate, and, where appropriate, offset any adverse impacts to people and the environment. The ESMS will include an Exclusion List.

ESS4 - Community Health and Safety

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant given that banks and SDIs may provide loans to end borrowers that operate in communities and their activities can impact the health of a community and its people. Borrowers produce a variety of end products and byproducts in solid, liquid or gaseous forms which affect the environment negatively by polluting air, water and soil. This has resulted in eutrophication of water bodies, contamination of groundwater, soil and affected quality of life in communities. There is evidence that the risk for injury including fatalities occurs at higher rates for MSMEs compared to sectors dominated by large-sized organizations. Potential safety risks from manufacturing subprojects, may include infrastructure and equipment safety, traffic and road safety, etc.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant given that there could be potential land issues and and loss of livelihood, pertaining to end borrowers that are financed by beneficiary banks and SDIs using funds received from the MoF/GFSF's Fund A1. The banks and SDIs will avoid involuntary resettlement, economic displacement or loss of livelihood issue, by screening the relevant subprojects for these impacts in accordance with the ESMSs and excluding ineligible investments to be listed in the ESMSs. Where avoidance of such impacts is not possible, the MoF will work with Banks/SDIs to ensure that the end borrowers prepare, adopt, and implement Resettlement Action Plans (RAPs) and/or Livelihood Restoration Plans (LRPs) to the extent required by ESS5 and the ESMSs of MoF and Banks/SDIs in a manner acceptable to the Association.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant given that banks and SDIs may provide loans to end borrowers to invest in projects in construction, manufacturing, and agriculture, which may have impact on biodiversity through introduction of improved varieties, encroaching to reserve forests through agricultural activities, tapping natural resources from forests and protected areas. The Banks and SDIs will avoid adverse impacts on biodiversity and habitats by screening



the relevant subprojects for these impacts in accordance with the ESMSs and excluding ineligible investments to be listed in the ESMSs. Where avoidance of such impacts is not possible, the MoF will work with Banks/SDIs to ensure that the end borrowers prepare, adopt, and implement measures and actions for biodiversity impact mitigation as required in the ESMS and consistent with ESS6.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not relevant since there are no known indigenous people in Ghana and project does not seek to undertake activities in any location that is likely to impact on any group of people with distinct characterization akin to the criteria for indigenous or traditionally underserved communities as spelled out in the ESS7.

ESS8 - Cultural Heritage

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is made relevant on a precautionary basis given that beneficiary banks and SDIs may provide loans to borrowers to invest in projects involving construction works and excavations or any other activity that may have impacts on the cultural sensitivities of communities. The ESMS for the banks and SDIs will help assess and identify potential cultural heritage risks and propose mitigation measures to manage the risks and impacts.

ESS9 - Financial Intermediaries

Relevant

[Optional Explanation - Max. character limit 1,000]

The MoF will put in place and maintain an ESMS to help assess, identify, manage and monitor environmental and social risks of banks and SDIs. The receiving banks and SDIs will also put in place and maintain an ESMS to identify, manage and monitor the environmental and social risks of their borrowers. The MoF will require beneficiary banks and SDIs to have effective ESMSs to screen, assess, categorize, mitigate and manage social and environmental risks in their business operations, especially with regards to lending to their existing/potential clients. The ESF standards that are relevant to the specific sub-project of a borrower will be identified through the ESMS of the beneficiary banks and SDIs.

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

No

B.3 Other Salient Features

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Use of Borrower Framework

No

[Optional explanation – Max. character limit 1,000]

The project will not use the Borrower Framework.

Use of Common Approach

No

[Optional Explanation including list of possible financing partners – Max. character limit 1,000]

This project will not use a common approach.

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Concept Stage PID – Max. character limit 5,000]

The potential environmental risks of the Project are expected to be moderate since the risks are anticipated to be limited and will require awareness-raising and capacity building which is included in the project structure.

Borrowers will mostly be individuals or Micro-, Small and Medium-sized Enterprises (MSMEs) expected to be involved in the project are most likely to be agriculture, wholesale/retail, manufacturing, and services sectors. The businesses and operations of both existing and potential borrowers or clients of the beneficiary financial institutions may pose indirect or direct environmental risks.

Some potential environmental risks may include erosion, land degradation, forest degradation, habitat disturbance and destruction and threat to native biodiversity (particularly if genetically modified seeds are used), as well as soil and water pollution and poisoning of non-target organisms associated with the use of pesticides. Pesticide use can also expose communities to health hazards. Similarly, manufacturing operations may include production of raw materials and processing activities with potential risks, including air, noise, soil and water pollution; generation of hazardous and non-hazardous wastes; electronic waste and occupational health and safety risks; community health and safety risks; and unsustainable use of natural resources. The above risks are expected to be site-specific, temporary and can be readily addressed through established standard mitigation measures and compliance with the requirements of relevant ESF standards and national laws.

The potential social risks of the Project are expected to be moderate since the risks are anticipated to be limited and will require awareness-raising and capacity building which is included in the project structure.

Social risks associated with projects in agriculture and manufacturing can be multifaceted, with potential implications for communities, workers, and the environment. These risks include displacement of local communities due to land acquisition, leading to disruptions in livelihoods and social tensions. Labor issues, including poor working conditions, low wages and exploitation of workers, are prevalent concerns, which may lead to social unrest and strikes. The use of child labor is prevalent in sectors that will potentially benefit from this project. Inadequate safety measures and exposure to chemicals in agriculture can pose health risks for workers and nearby residents. Furthermore, agricultural endeavors may affect access to vital resources like water, potentially sparking conflicts. Cultural heritage and traditions of local communities may be at risk due to changes in land use and economic activities, impacting social identity and cohesion.

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The MoF will put in place and maintain an ESMS to help assess, identify, manage and monitor environmental and social risks of banks and SDIs. The receiving banks and SDIs will also put in place and maintain an ESMS to identify, manage and monitor the environmental and social risks of their borrowers.

The MoF will require beneficiary banks and SDIs to have effective ESMSs to screen, assess, categorize, mitigate and manage social and environmental risks in their business operations, especially with regards to lending to their existing/potential clients.

The ESF standards that are relevant to the specific sub-project of an borrower will be identified through the ESMS of the beneficiary banks and SDIs.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 3,000]

The MoF will establish an ESMS consistent with ESS9. The MoF has already commissioned an international consulting firm (with vast experience working in Ghana) to develop the ESMS. The ToR for the assignment has been reviewed and approved by the World Bank. The World Bank will review the ESMS prior to disclosure of its elements. Additionally, the MoF will retain part-time Environmental and Social Specialists for the implementation of the ESMS. If not completed by the Board decision date, both the preparation of the ESMS and disclosure of its summary, as well as the retainment of environmental and social specialists will be made disbursement conditions. The MoF will periodically review the effectiveness of the ESMS and make adjustments as needed in a manner acceptable to the World Bank.

The MoF will require beneficiary banks and SDIs to have effective ESMSs to screen, assess, categorize, mitigate and manage social and environmental risks in their business operations, especially with regards to lending to their existing/potential clients.

The MoF has prepared a Stakeholder Engagement Plan (SEP) for the project. This has been reviewed by the World Bank. The final SEP will be cleared by the World Bank and be disclosed prior to appraisal. The SEP is consistent with ESS10 and provides the roadmap for project communications and conducting active consultations with stakeholders on the design and delivery of the project and management of E&S risks and impacts.

III. CONTACT POINT

Contact Point



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IV. FOR MORE INFORMATION CONTACT

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V. APPROVAL

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