

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA15102

Project Name	Ghana FIP - Enhancing Natural Forest and Agroforest Landscapes Project (P148183)
Region	AFRICA
Country	Ghana
Sector(s)	Forestry (60%), Public administration- Agriculture, fishing and forestry (40%)
Theme(s)	Climate change (50%), Environmental policies and institutions (30%), Other rural development (20%)
Lending Instrument	Investment Project Financing
Project ID	P148183
Borrower(s)	Ministry of Finance, Republic of Ghana
Implementing Agency	Ministry of Lands and Natural Resources
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	20-Nov-2014
Date PID Approved/Disclosed	12-Dec-2014
Estimated Date of Appraisal Completion	19-Dec-2014
Estimated Date of First Grant Approval	27-Feb-2015
Decision	

I. Project Context

Country Context

1. Ghana is a country in West Africa with a land area of 238,535 km² and estimated population of 27 million people in 2014 (Ghana Statistical Service population projections). Grasslands mixed with coastal shrub lands and forests dominate Ghana, with forest extending northward from the south-west coast of Ghana on the Gulf of Guinea in the Atlantic Ocean through a transition zone to shrub land and Savannah in the north.

2. Ghana's economy remains heavily reliant on renewable natural resources. Over 70 per cent of Ghana's population depends directly on natural resources for food, water, and energy. Ghana's Gross Domestic Product (GDP) in 2013 was over US\$47.9 billion, and GDP per capita US\$1,760, with growth estimated at 7.6 per cent (Ghana Statistical Service, October 2014 update). The agriculture sector – which relies on well managed land and water resources – contributed 21.5 per cent of GDP. Agriculture, forestry, and agroforestry account for more than 50 per cent of all land use and provide employment for an estimated 60 per cent of the population, including 53 per cent of women. Ghana's economy is dominated by small and medium enterprises, which are run mainly by

women and are crucial to growth, employment and poverty reduction goals. Almost half the population lives in rural areas, and two-thirds of rural livelihoods rely on forest-related activities (e. g., fuel wood, charcoal producers and bush meat). Agriculture, dominated by cocoa, has been the backbone of the economy for decades, but gold and oil production have grown substantially in recent years.

3. Ghana's overall macroeconomic conditions have continued to deteriorate since the 2012 elections, with large twin-deficits lingering in 2014, fueling government debt and inflation, a sharp depreciation of its currency, and a weaker pace of economic growth. The fiscal deficit, which remains one of the biggest sources of vulnerability in the Ghanaian economy reached 10.1 percent of GDP in 2013 and projected to remain high at 9.5 percent by the end of 2014. The Ghana Cedi depreciated against the US dollar by 43 per cent on the forex bureau market by July 2014. However, it stabilized in the last quarter of 2014 after the inflow of the Ghana Cocoa Board (COCOBOD) loan of US\$1.7 billion and of a US\$1 billion Eurobond. Meanwhile, headline inflation reached 16.9 per cent in October 2014, driven mainly by depreciation of the Ghana Cedi and the pass-through effects of the fuel and utility prices on non-food items and is trending upwards.

4. Macroeconomic challenges continue to weigh on economic growth. GDP growth slowed down to 7.1 per cent in 2013 and is expected to remain subdued around 6.0 percent for the full year 2014. It is projected to further decline in 2015 but recover thereafter with the production of gas and new oil fields. Slower economic growth and higher inflation could easily erase recent gains in poverty reduction. Official data shows the poverty rate decreased to 24 per cent in 2013 from 31 percent in 2006, making it very likely that Ghana meets the goal of halving poverty rates by 2015. However, there is a great disparity in poverty levels across the country. For instance, in rural areas, 38 per cent of the population is poor, while in the urban areas only 11 per cent. Geographically, the disparity is even larger with 55 per cent of the Rural Savannah population living below the poverty line, compared to 3.5 per cent of the population in Greater Accra Metropolitan area. Poverty reduction in Ghana is linked to developments in the labor market, where the participation rates increased substantially and the share of agriculture employment (with the lowest wages in the economy) decreased.

5. Overall, Ghana expects to meet the 2015 Millennium Development Goals for income, poverty reduction, ending hunger, primary education, gender equality, and access to clean water. Environmental sustainability is a continuing challenge, with rapid forest loss from land use change.

6. Natural resource wealth has a critical role in contributing to sustainable growth and continued poverty reduction efforts. Renewable resources, such as forests and fisheries, that could contribute to revenues and economic development sustainably, are being depleted. Forest resources are critically important for jobs, incomes and livelihoods, particularly for poor communities and women. However, Ghana faces challenges in natural resource governance, volatility in commodity prices, falling agricultural competitiveness and geographical disparities in the distribution of resources, people and water. Natural resource management institutions and practices need to be strengthened to improve efficiency, equity, and sustainability.

Sectoral and institutional Context

7. The Government of Ghana (GoG) recognizes both the growing costs of natural resource

degradation and the developmental threat of climate change. The cost of environmental degradation is estimated to be as high as 10 per cent of GDP. In 2008, the GoG launched a five-year Natural Resources and Environmental Governance (NREG) program to help ensure economic growth, alleviate poverty, increase revenues and improve environmental protection. The GoG has a comprehensive National Climate Change Policy (2012), which aims to achieve a climate resilient economy while achieving sustainable development and a National Environment Policy (2012) presenting a road map to addressing major environmental threats.

8. Ghana's forest cover has almost halved since 2000: only 4.6 million hectares remained in 2011 with 1.6 million hectares as forest reserves, however degradation continues and newer assessments are being developed. Ghana's deforestation rate is about 2 per cent per year, representing a loss of 135,000 hectares per year (FAO, 2010). Recent assessments indicate that rates may have been accelerating in Brong Ahafo and the Western Region. Ghana's Forest Investment Plan (2012) notes that more consistent and quantitative assessments of deforestation and degradation are needed. The major direct causes of deforestation as summarized in Ghana's Readiness Preparation Proposal (R-PP, 2010) are: (i) agricultural expansion, particularly for cocoa production; (ii) harvesting for fuel wood and charcoal, illegal logging, wildfires and biomass burning; (iii) population and development pressure; and (iv) mining and mineral exploitation. The domestic timber market is supplied primarily by informal sources using inefficient and unsustainable practices and absorbs about 85 per cent of timber production, an amount which vastly exceeds the annual allowable cut. Although timber demand is high, there is very limited investment in new production or needed plantations, because enabling conditions are not conducive for private sector engagement.

9. Community members are both actors in and victims of forest decline. Agricultural, timber, and mining are critical economic activities. Agricultural expansion – led by the production of cocoa, but also including cassava, plantain, coco yam, oil palm, and rubber – accounts for about half of deforestation and degradation. Women and men use forest and landscape resources differently and play different roles in community based institutions. Cocoa production occupies about 1.6 million hectares (7 per cent of all land), and it is estimated that there are about 800,000 producers (most of them small farmers). Recent expansion has been greatest in the Western Region which now accounts for over half of production. Increasingly, farmers are shifting from shaded cocoa cultivation (under primary or secondary forests) to open cocoa cultivation, as well as encroaching into forested lands. The complex tree tenure and benefit sharing regime fails to provide incentives to communities to protect trees.

10. Cocoa is Ghana's most important agricultural commodity, with sales of about US\$2 billion per year, important for both the economy and rural employment. Ghana is the world's second largest exporter. Ghana's Cocoa Board (COCOBOD) is the sole buyer (acting through licensed buying companies) and exporter of the commodity. Although global demand for chocolate continues to increase, Ghana's cocoa production faces economic, environmental and sustainability challenges. The GSGDA noted that for the 2012 crop season, production was down 14 percent and the total value of the beans was down by about 2.8 per cent. Key challenges to competitiveness include low yields and returns to farmers, aging rootstock, access to technology, skills and modern inputs, and declining soil fertility coupled with wider environmental degradation. Area expansion – which contributes to forest loss and degradation – sustains production rather than investments in efficiency, productivity or intensification. Investments in cocoa cultivation are limited, particularly when compared to the investment in post-harvest processing and global distribution. Increasing

global demand for sustainable cocoa is creating a positive incentive and common interest among cocoa producers, buyers and regulators to move to more sustainable and climate-friendly production practices, demonstrated through certification. Several initiatives (funded both by the private sector and by Ghana's development partners) are working in the supply chain to increase dialogue, improve productivity and returns to farmers, and reduce the environmental degradation associated with expansive, rather than intensive, management practices.

11. Sector Policy Improvements. The GoG plans improvements in forest sector governance, incentives, benefit-sharing, tenure and institutional effectiveness. The GoG has prepared a new Forests and Wildlife Policy (2012, launched in 2013) and a Strategy for Plantations (2013). Under this legal framework, the GoG is working to improve the complex tree tenure system to provide better incentives to maintain trees off-reserve. To improve governance and law enforcement, Ghana is working with the EU on Voluntary Partnership Agreement (VPA) process, which requires verification of legality for timber exports to the European Union. The Bank-supported Natural Resources and Environmental Governance Technical Assistance Project (NREG TA) is addressing policy and institutional weaknesses, improving the enabling environment for increased private sector, farmer and community involvement, and enhancing the capacity of state agencies to deliver forest management services. Ghana is engaged in readiness for Reduced Emissions from Deforestation and Forest Degradation (REDD+) with support from the Forest Carbon Partnership Facility (FCPF) and the World Bank. REDD+ readiness aims to build the legal, institutional base as well as the awareness and constituency needed to participate in global performance based payment systems. Ghana has also submitted an Emissions Reduction Program Idea Note (ER-PIN) to the FCPF Carbon Fund and has been accepted into the pipeline for further development.

12. Ghana's Forest and Land Use Challenges. The GSGDA notes that the key forest and natural resource management challenges are to: (i) improve the enabling environment and incentives for better stewardship and investment by local institutions, communities, and farmers; (ii) improve and diversify livelihoods for communities as an alternative to forest degrading activities; (iii) coordinate and harmonize incentives across multiple layers of institutions and stakeholders for improved livelihoods; and (iv) capitalize on climate change as a focal initiative and financing opportunity. The Government recognizes the complex inter-relations among policy barriers and distortions, levels of administration and traditional leaders, and community livelihood opportunities. The Government has introduced the concept of Community Resource Management Areas (CREMAs) to devolve some management rights and responsibilities to the local level, particularly for wildlife. This concept is sound but needs to be replicated and scaled up to cover more types of resources.

13. Civil society engagement and dialogue on the natural resource sectors, climate change, and the REDD+ process has been increasing. In 2010, the Civil Society Review of the Natural Resources and Environment Sector was established to provide a forum for CSO inputs into the government's own review of the sector. The National Forest Forum is a platform to influence policy formulation, promote good governance and sustainable forest management. The forum engages with civil society organizations in Accra, but needs more active engagement with field-based organizations. The Dedicated Grant Mechanism (DGM) for Local Communities – a FIP-financed mechanism to promote dialogue, capacity – aims to address that need.

14. High Forest Zone. All forest sector issues converge in Ghana's high forest zone (HFZ), where deforestation rates and carbon stocks are highest. The HFZ is also a core cocoa production

area with significant degradation. There is good potential to move toward more sustainable forest and land management – with reduced emissions and more stored carbon – by enhancing policy implementation, incentives, and management practices for better stewardship and productivity. The Ministry of Food and Agriculture (MoFA), the COCOBOD, NGOs and cocoa supply chain agents are promoting certification of sustainable cocoa production, but several different systems and standards are in use. The GoG also supports initiatives to reduce cocoa frontier expansion by providing incentives for rejuvenating old cocoa plantations and bringing old cocoa fallows under more sustainable agroforestry-based cultivation.

15. The Forest Investment Program (FIP) provides an opportunity to finance Ghana’s transformative efforts to improve forest and landscape management in the HFZ. The FIP is part of the Strategic Climate Fund (SCF), within the Climate Investment Funds (CIF), a global multi-donor trust fund. Globally, the FIP supports developing country efforts to reduce deforestation and forest degradation and promote sustainable forest management that leads to emissions reductions and enhancement of forest carbon stocks in the long term. Ghana developed its FIP Investment Plan through a consultative process and it was approved by the global FIP governing mechanism in November 2012. The overall goal of the FIP-financed program in Ghana is to reduce GHG emissions from deforestation and forest degradation, while reducing poverty and conserving biodiversity. The Investment Plan identified three inter-related projects in Ghana, implemented by the World Bank, the African Development Bank (AfDB) and the International Finance Corporation (WBG), respectively.

16. FIP investments will focus on the High Forest Zone in the Western and the Brong Ahafo regions, where deforestation rates and carbon stocks are high. This FIP-financed set of projects collectively aim to (i) ensure the integrity, restoration, and sustainable management of forest reserves by introducing more inclusive management practices and benefit sharing models, financial incentives, and investments; (ii) restore forest cover in off-reserve areas by securing tree tenure and benefits, forest plantations and landscape restoration, and rehabilitation of degraded forest land; (iii) increase trees and enhance carbon stocks in the farming system by promoting sustainable cocoa and agriculture practices; and (iv) develop viable alternative livelihoods for local communities by addressing a broad range of technical, financial and market incentives, to reduce pressure on existing forests. Under Ghana’s FIP program, the proposed World Bank project “Enhancing Natural Forest and Agroforest Landscapes” will finance improvements in policy implementation, improvements in management practices in the field, capacity building, and communication. The Bank’s project will also pilot community based planning and management and test alternative models for devolving more rights and responsibilities to communities and farmers. The FIP also funds the Dedicated Grant Mechanism for Local Communities (DGM), which is being prepared in parallel with this operation in Ghana.

II. Proposed Development Objectives

The Project Development Objective is to improve forest and tree management practices by cocoa farmers, CREMA communities and forest reserve managers to reduce forest loss and degradation in selected landscapes in Ghana's High Forest Zone.

Key PDO indicators include :

- (i) People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests (number), of which female (number)
- (ii) Area under improved CREMA management and climate smart cocoa management practices

in targeted landscapes due to Project interventions (ha), disaggregated by CREMA management and climate smart cocoa management practices

(iii) Area of forest in targeted landscapes (ha), disaggregated by closed forest, open forest, and crop land

(iv) Total greenhouse gas emission reductions plus enhancement of carbon stocks, estimated in tons equivalent CO₂e/year (relative to 2012 reference level based on Ghana's REDD+ MRV system)

(v) Direct project beneficiaries (number), of which female (percentage)

The overall goal of FIP-financed activities in Ghana is to reduce GHG emissions from deforestation and forest degradation, while reducing poverty and conserving biodiversity. The FIP finances three inter-related projects in Ghana, implemented by the World Bank, the African Development Bank (AfDB) and the International Finance Corporation (WBG), respectively. The FIP set of activities collectively aim to (i) ensure the integrity, restoration, and sustainable management of forest reserves by introducing more inclusive management and benefit sharing models, financial incentives, and investments; (ii) restore forest cover in off-reserve areas by securing tree tenure and benefits, forest plantations and landscape restoration, and rehabilitation of degraded forest land; (iii) increase trees and enhance carbon stocks in the farming system by promoting sustainable cocoa and agriculture practices; and (iv) develop viable alternative livelihoods for local communities by addressing a broad range of technical, financial and market incentives, to reduce pressure on existing forests.

III. Project Description

Component Name

Component 1. Policy Reforms and Institutional Strengthening

Comments (optional)

This component consists of efforts to advance implementation of reformed policies, improve the enabling environment, and strengthen the institutional means to achieve sustainable landscape and forest management. This will involve three main sets of activities: (i) improvements to policy practice and incentives, (ii) improvements to the institutional guidance and procedures for implementation, and (iii) support for multi-stakeholder governance platforms and consultative processes.

Component Name

Component 2. Pilot Investments for Improved Forest and Landscape Management

Comments (optional)

Field- and community-based investments are the core of this Ghana FIP project. These will aim to establish and demonstrate improved forest and landscape management practices, while building the case for wider replication in terms of results. These pilots represent up-front investments required to restore/ protect/ reduce deforestation, and thus build on the REDD+ Readiness Process. Pilots will be supported by efforts to consolidate lessons from implementation to improve policy implementation and institutional practices, as well as outreach efforts that encourage replication to landscapes beyond the target corridors. Pilot demonstration activities will be implemented in two main landscape areas: on farms and in communities in a specific landscape corridor and on forest reserves.

Component Name

Component 3. Innovation, Capacity Building, and Communications

Comments (optional)

This component will support communication, capacity building, and monitoring activities to support innovation, engage communities, and provide information relevant for improved landscape management practices. It will support the field demonstration activities described above by supplying information, improved approaches, and training materials needed to achieve improved outcomes.

Component Name

Component 4. Project Management, Monitoring, and Coordination

Comments (optional)

This component will support project management and oversight, project monitoring and evaluation system, and wider coordination of the range of FIP-financed activities, including reporting at the international level. This component provides support to the GoG in regular communication and coordination among FIP-financed interventions and related activities, to promote synergies among all FIP projects (WB, AfDB, IFC, and DGM) in a programmatic manner, as well as information and knowledge sharing with other FIP countries. The activities to be financed include project coordination, financial management, procurement management, contract management equipment and supplies, and Monitoring and Evaluation.

IV. Financing (in USD Million)

Total Project Cost:	32.50	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			3.00
Strategic Climate Fund Grant			29.50
Total			32.50

V. Implementation

12. The Ministry of Lands and Natural Resources (MLNR) will be the Implementing Agency of the Project. MLNR has responsibility for policy and legislation formulation and for monitoring and evaluation for the forestry and natural resources sectors. The existing Forest Investment Program Management Unit in the MLNR will coordinate the project under the Technical Director (Forestry) of MLNR. The Forestry Commission (FC), which is the implementation arm of MLNR responsible for regulation, control and management of forest resources, will implement field activities and provide services to local committees (of CREMAs and other CBOs). The Ghana Cocoa Board (COCOBOD) will implement field activities related to provision of extension services to farmers and members of local committees (CREMAs and other CBOs) to ensure that pilot activities in the cocoa landscape are well coordinated, incentive compatible and supported institutionally. The Forestry Research Institute of Ghana (FoRIG), which undertakes forestry research, will lead on activities related to selection of appropriate tree species and be a collaborating partner for the FC-led activities under Component 2. District Assemblies in the pilot areas will be members of local implementation committees. The Ministry of Environment, Science, Technology and Innovation (MESTI), which has the broad mandate for developing climate change policies and reporting to the UNFCCC, will be a collaborating partner for MLNR. The Ministry of Finance coordinates donor support in the country and implements the NREG TA. The MLNR will inform and involve the

Lands Commission, Ministry of Food and Agriculture and other agents, as needed in specific circumstances.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

World Bank

Contact: Timothy H. Brown
 Title: Sr Natural Resources Mgmt. Spec.
 Tel: 458-5882
 Email: tbrown2@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Finance
 Contact: Emmanuel Adjetey
 Title: Head, World Bank Unit, Ministry of Finance
 Tel: 233-244973278
 Email: EAdjetey@mofep.gov.gh

Name: Republic of Ghana

Contact:
 Title:
 Tel:
 Email:

Implementing Agencies

Name: Ministry of Lands and Natural Resources
 Contact: Musah Abu Juam
 Title: Technical Director for Forests
 Tel: 233-244362510
 Email: abujuam@gmail.com

VIII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>