

Ghana: Natural Resources and Environmental Governance (NREG) Program



NATURAL RESOURCES AND ENVIRONMENTAL GOVERNANCE

Policy Reforms in Forestry, Mining and Environment for Transparency in Management of Natural Wealth

Overview

Drawing on International Development Association (IDA) resources and technical assistance since 2008 and support from other development partners, Ghana now has a well-established environmental policy framework. Preliminary achievements of the five-year program include the set up and piloting of a log tracking system to verify the legal source of timber bound for international export markets through four large commercial timber companies. The program also implements a mining revenue task force action plan for at three large-scale mines to understand the potential and options for improving revenue collection. Environmental Impact Assessment (EIA) systems were decentralized to all ten regional offices, and IDA support has assisted the country to prepare to manage the environmental implications of developing its recently discovered oil and gas reserves, and put in place a process leading toward adoption of policy options to manage and mitigate the impacts of climate change.

Challenge

As in much of coastal West Africa, Ghana has experienced significant pressure on natural resources over the past 75 years. The 2005 Ghana Natural Resources Management and Growth Sustainability Economic and Sector Work (ESW) evaluated the economic costs to totaling US\$516 million of lost productivity due to damage to five types of natural assets: agricultural land, forest and savanna woodlands, coastal fisheries and wetlands, wildlife, and Lake Volta. In the backdrop of this situation, IDA investment in the natural resources sector was justified.

The government of Ghana has given high priority to improved environmental management in its development programs, including in forest and mining operations. In the forestry sector, there is concern about the negative impacts that illegal logging is having on government revenue and in accelerating the destruction of the country's forests. In the mining sector, the challenge is to ensure greater transparency in issuing mining development agreements; improve the government's capacity to assess revenues it is due from mining operations; improve relations between mining companies and the communities in which they operate; and minimize the environmental impacts.

The challenges of the Ghana Natural Resources and Environmental Governance (NREG) Program were to

More Results



4

large timber companies piloting a log tracking system to verify the legal origin of timber exports

30

the number of days it now takes to disseminate the bi-annual revenue disbursement reports after publication

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- » Ghana Natural Resource and Environmental Governance - DPO
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improve transparency in systems and procedures for natural resource management, which could lead to more effective forest law enforcement, improved collection of revenues in the mining and forestry sectors, and mainstreaming environment and climate change in economic planning and development.

Environmental Governance -
DPO (Third Tranche)

» Netherlands-funded KASA initiative (civil society support mechanism) in support of the NREG program

Key actions included government passing legislation for improved surveillance of trade in timber, tracking use of mining revenues at district and municipal levels, adopting corporate social responsibility measures, and leading a process of consultation for a Strategic Environmental Assessment for the new oil and gas sector in Ghana.

Approach

Government developed a five-year program of policy and institutional reforms and capacity building to improve natural resource and environmental governance. IDA and other development partners are supporting government to implement this program through sector budget support, and technical assistance.

IDA support is provided by a Development Policy Operation, where disbursements are made annually, following achievement of agreed policy triggers and targets. The operation is being implemented through country systems and government has put in place mitigation measures to address potential risks through promotion of dialogue and positive interaction between relevant stakeholders. Government supervises implementation of the program and controls release of funds to the sector agencies that are responsible for implementation.

In the context of this program, government has addressed important institutional reforms that are enhancing its ability to address priority natural resource management and environmental challenges. The government will provide higher-level oversight of the program through a recently established Environmental Resources Advisory Council, which will meet bi-annually under the chairmanship of the Vice President.

Results

After three years of policy reforms and institutional capacity building, important results include:

- In forestry, a log tracking system to verify the legal origin of timber exports is being piloted starting in 2010 by four large timber companies.
- In support of improved transparency, bi-annual revenue disbursement reports are disseminated to the public within 30 days of publication by Forestry Commission.
- In the mining sector, "Social Responsibility Guidelines for Mining Companies in Mining Communities" were prepared in consultation with stakeholders, and the fiscal model has now been applied to three mines.
- A draft Strategic Environmental Assessment on oil and gas has been developed for consultation. The assessment outlines how environmental and social issues associated with developing the offshore oil and gas sector (worth about US\$1 billion per year over the next 20 years) should be mitigated or managed.

Bank Contribution

IDA support for the first three NREG tranches has been US\$40 million equivalent disbursed in single tranche annually.

Partners

In the interests of donor harmonization and effectiveness, four development partners are augmenting IDA support under a common Framework Agreement and Policy Assessment Framework. Development partner contributions include: Royal Netherlands Embassy approximately €7 million per year over five years (2008-2012); U.K Department for International Development (DFID): approximately £2.1 million per year for three years (2009-2011); Agence Française de Développement (AFD): approximately €1 million per year over five years (2008-2012); and European Commission (EC): approximately €4 million per year over three years (2010-2012). The total contribution from development partners will be approximately US\$77 million.

From the outset, all five development partners have worked closely together and with government, to ensure a common dialogue and undertake periodic reviews of progress and achievements against the common Performance Assessment Framework for the three sectors – forestry, mining and environment.

In addition, with the support from development partners, CARE International has implemented a parallel project to facilitate and support the role of civil society in the environment and natural

Moving Forward

Achievements demonstrated in the initial three years of policy reforms and institutional capacity building in the forestry and mining sectors would be scaled up during the following two years, based on a review of results. The program may place greater emphasis on policy interventions in the new oil and gas sector, and IDA and the four development partners would help the government establish a policy and institutional framework on transparency in the award of contracts and licenses, and in revenue management and allocation; and on environmentally sound operations. It is important to meet the government demand for reform in this area due to the high risk of “not getting it right” in this new emerging sector in Ghana. The principle of intervention will follow the Extractive Industries Value Chain Approach (EITI++).

There are also prospects for a significant amount of financing from the Forest Investment Program (FIP) under the Climate Investment Funds (CIF), for specific investments in afforestation, possibly by leveraging private sector funds and through building on the transparency principles achieved through NREG, and also providing funds through the government budget for additional policy reform.

Beneficiaries

“NREG has provided the government of Ghana opportunity to confront very difficult public sector management and oversight over sectors important for the Ghanaian economy. The expected results of NREG is good governance but achieving this goal is a challenge because it requires change of attitude in addressing environmental issues and the need to interact with stakeholders like civil society as well as those in the mining, forestry and oil and gas industries” says **Jonathan Allotey**, Executive Director of the Environment Protection Agency in Ghana.

“With the international community’s confidence in Ghana’s opportunity for development, we are receiving a lot of support, but it is hard to manage the demands and expectations from each development agency. With NREG, we have a one-stop shop for assistance to Ghana on natural resources governance, namely the government system, and this is a very significant achievement in itself. We are gradually strengthening our own systems for programming and monitoring of government agencies’ performance,” says **Franklyn Ashiadey**, Principal Economist, and NREG Multi-Sector Coordinator, Ministry of Finance and Economic Planning, Ghana.