

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB5315

Operation Name	Ghana Natural Resource and Environmental Governance - DPO
Region	AFRICA
Sector	Mining and other extractive (33%);Forestry (33%);Other industry (17%);General agriculture, fishing and forestry sector (17%)
Project ID	P118188
Borrower(s)	GOVERNMENT OF GHANA
Implementing Agency	MINISTRY OF FINANCE AND ECONOMIC PLANNING
Date PID Prepared	December 17, 2009
Estimated Date of Appraisal Authorization	April 12, 2010
Estimated Date of Board Approval	May 27, 2010

1. Key development issues and rationale for Bank involvement

Ghana's growth has historically been fuelled by natural resources. However, recent impressive growth rates, in the range of 6-7 percent per year, cannot be sustained in the face of alarmingly high rates of natural resource and environment (NRE) depletion, which represents a cost to Ghana's GDP of about 10 percent per year according to the Country Environmental Analysis (CEA). The forestry, wildlife, and mining sectors account for 15 percent of Ghana's GDP, 25 percent of government revenues, and 60 percent of foreign exchange. The CEA stressed that the resource base is at an important transition point, with forests and non-timber forest product stocks rapidly decreasing and wildlife populations as well as biodiversity declining at an alarming rate. This calls into question the sustained utilization of these resources. Over 70 percent of the population is dependent on natural resources for their basic food, water, and energy requirements. Decreasing environmental quality, notably through air pollution and inadequate water supply and sanitation, drastically constrains the quality of life and productivity of Ghana's population.

Ghana's second Growth and Poverty Reduction Strategy (GPRS II) has the ambitious overarching goals of sustaining economic growth and drastically reducing poverty and inequalities. GPRS II has three distinct pillars—private sector competitiveness, human resource development, and good governance and civic responsibility—with priorities identified by the Strategic Environmental Assessment (SEA) included in each. The strategic directions outlined in GPRS II marks the Government of Ghana's (GoG) commitment to reduce NRE degradation, which the NREG Development Policy Operation (DPO) will support particularly in regards to environmental and natural resources management.

2. Proposed objective(s)

The objectives of the three operations in this DPO series are to (a) ensure predictable and sustainable financing for the forest and wildlife sectors and effective law enforcement; (b) improve mining sector revenue collection, management, and transparency; (c) address social issues in forest and mining communities; and (d) mainstream environment into economic growth through Strategic Environmental Assessment (SEA), Environmental Impact Assessment (EIA), and development of a climate change strategy. NREG DPO3 continues to support GoG as it continues to implement reforms in pursuit of these objectives.

3. Preliminary description

The proposed Credit is the third in a planned series of three DPOs over the period 2008-2010 designed to provide annual budget support and sustain implementation of a broad program of reforms under GoGs planned five year program. Progress will be reviewed against a three-year rolling Performance Assessment Framework that has been developed, and is fully owned, by Ghana's relevant governmental agencies. The proposed NREG DPO3 in the amount of US\$10million equivalent, is the third and final operation in this DPO series, and will continue the focus of DPO1 and DPO2 on the inter-related sectors of forestry, mining and environmental protection. DPO3 will build on the Framework Memorandum of Understanding developed at the start of the program, by GoG and participating Development Partners, which include: Agence Française de Développement (AFD), the United Kingdom's Department for International Development (DFID), the European Commission (EC), Embassy of the Kingdom of the Netherlands in Ghana (EKN), and the World Bank (IDA).

4. Environment Aspects

By its very nature, the NREG DPO series supports institutional and regulatory reform aimed at promoting a reduction in environmental degradation in Ghana. Therefore, most of the objectives of the program are designed to have positive impacts on the environment. However, it is possible that specific objectives in the forestry and mining sectors—for instance, in regard to the attraction of investment into the forest and wildlife and mining sectors, diversification of the mineral production base, and integration of mining into the economy—could have unintended environmental effects, albeit with a heightened focus on environmental impacts in light of the NREG program. Likewise, an overly technocratic approach to environment may neglect the key social and environmental realities at the local level. The NREG program will focus attention on environmental standards in forestry and mining and support the strengthening of the Environmental Protection Agency to enforce them. Ghana's experience of SEA will be reviewed to consolidate good practice and inform inter-sectoral planning and implementation.

5. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	2
International Development Association (IDA)	10
EC: European Commission	3.19
FRANCE: Govt. of [MOFA and AFD (C2D)]	1.59
NETHERLANDS: Min. of Foreign Affairs / Min. of Dev. Coop.	11.16
Total	27.94

6. Contact point

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