

UNLOCKING CARBON FINANCE IN GHANA

Lessons learned from incubating a regenerative cocoa business model to help secure conditions precedent under the Emission Reductions Payment Agreement (ERPA)

Practice Paper



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Fulfilling Condition No. 3 of the ERPA - *Signing of Framework Agreement*

Ghana did not have a landscape framework agreement in place and only few agreements like this exist in the world. This condition posed a big challenge for the country.

A private-sector-led business model which implemented a landscape governance framework towards achieving deforestation-free and climate-smart cocoa was instrumental in making pre-condition three (the landmark landscape framework agreement) a reality. Partnerships for Forests' support to partners enabled the completion of this activity in a very short time-frame which otherwise would have taken a longer time to complete.

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Acronyms

AFOLU	Agriculture, Forestry and Other Land Use
APOI	Africa Palm Oil Initiative
CF	Carbon Fund
CCF	Climate Change Fund
CFI	Cocoa and Forest Initiative
COCOBOD	Ghana Cocoa Board
ERPA	Emission Reductions Payment Agreement
ER-PD	Emission Reductions Programme Document
ER-PIN	Emission Reductions Programme Idea Note
ERs	Emissions Reductions
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Programme
GCFRP	Ghana Cocoa Forest REDD+ Programme
GDP	Gross Domestic Product
GHG	Greenhouse Gases
HFZ	High Forest Zone
HIA	Hotspot Intervention Area
LMB	Landscape Management Board
MTR	Midterm Review
MLNR	Ministry of Lands and Natural Resources
NGOs	Non-Governmental Organizations
P4F	Partnerships for Forests
REDD+	Reducing Emissions from Deforestation and forest Degradation
R-Package	Readiness Package
R-PIN	Readiness Project Idea Note
R-PP	Readiness Preparation Proposal
tCO₂	Tonne of carbon dioxide equivalents
3PCRL	Partnership for Productivity Protection and Resilience in Cocoa Landscapes



Overcoming the challenge of Climate Change The REDD+ Solution

Deforestation and land degradation are the second leading cause of global warming, responsible for about 15% of Global Greenhouse Gas (GHG) emissions. 80% of the Earth's above-ground terrestrial carbon and 40% of below-ground terrestrial carbon is in forests¹.

Ghana's national GHG emissions was estimated at 42.2M tCO₂ in 2016 which is 66.4% and 7.1% more than the levels reported in 1990 and 2012. The rising trends in the GHG emissions is attributed to the growing population, economic diversification measures being implemented by the government. The Agriculture Forestry and other Land Use (AFOLU) sector, being the largest source, contributes 54.4% of the total national GHG emissions in 2016².

Any reduction in the rate of deforestation and forest degradation has the benefit of avoiding a significant source of carbon emissions and reducing other environmental and social problems associated with deforestation.

Ghana's economy is largely agrarian and therefore highly sensitive to climate change impacts. Agriculture contributed 19.7% to Ghana's GDP in 2018, out of which cocoa, forestry and logging contributed 1.6% and 1.5%, respectively.

The steady expansion of Ghana's agricultural and industrial sectors has brought considerable economic growth but has come at a high environmental cost. The deforestation rate for Ghana remains one of the highest in Africa at approximately 3.56% per year (315,145ha/year). In other words, Ghana loses approximately 420,000 football fields of forest every year. Deforestation and degradation is driven by continued cocoa farm expansion and other types of agriculture, coupled with a recent upsurge in illegal mining and logging³.

¹ <https://www.forestcarbonpartnership.org/what-redd>

² https://unfccc.int/sites/default/files/resource/gh_bur2_rev-2.pdf

³ <https://news.mongabay.com/2019/08/we-have-cut-them-all-ghana-struggles-to-protect-its-last-old-growth-forests/>

Ghana has signed on to national and international initiatives, coupled with private sector focused programs and business models to mitigate and adapt to climate change.

Initiatives such as the Forest Investment Program (FIP), the Africa Palm Oil Initiative (APOI), the Cocoa & Forests Initiative (CFI) and Reducing Emissions from Deforestation and Degradation (REDD+) are all geared towards ensuring zero deforestation and creating the enabling conditions to help companies green their supply chains and promote resilient livelihoods and landscapes.

REDD+, a climate change mitigation solution, stands for countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests and enhancement of forest carbon stocks⁴. Huge financial commitment from both government and the private sector is imperative for the success of climate change related initiatives such as the REDD+ in Ghana and Cote D'Ivoire. Ghana "committed" a total amount of US\$15.5 billion to climate change related projects in 2016.

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Huge financial commitment from both government and the private sector is imperative for the success of climate-change-related initiatives such as the REDD+ in Ghana and Cote D'Ivoire.

Unfortunately, collective action, partnerships and collaborative working is an emerging concept in combating deforestation

Overall, the Agriculture and Forestry sectors, recorded the highest number of projects numbering 34 with financial commitment of US\$352.6 million. The Energy sector had 22 projects with US\$ 14.9 billion committed to them and there are 20 projects in the Environment sector with US\$ 35.8 million committed. The financial commitment to the remaining 18 projects in others sectors (such as Finance, Water, Health etc) amounted to US\$131.7 million.²

Collective action is needed to combat deforestation however, national budgets are often highly constrained and focused on infrastructure development or achieving 'the national development agenda' with little focus on environmental issues.

This practice paper demonstrates that reducing forest loss will require building synergies and continuous collaboration between corporations, governments and communities. It analyses how a private-sector-led partnership supported by the UK government's Partnerships for Forests (P4F) programme, successfully contributed to Ghana meeting the conditions precedent under the REDD+ agreement with the Carbon Fund (CF) of the Forest Carbon Partnership Facility (FCPF) thereby enabling the signing of the Emission Reductions Payment Agreement (ERPA) and unlocking the advance carbon payment. Additionally, the project supported the private company to green their supply chain and adopt a regenerative cocoa business model.

It concludes with recommendations and lessons for governments who are yet to develop their emission reduction programmes, with an emphasis on leveraging private sector investment.

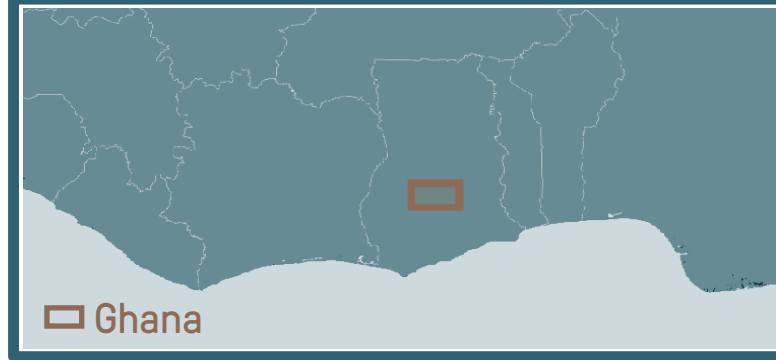
² https://unfccc.int/sites/default/files/resource/gh_bur2_rev-2.pdf

⁴ <https://www.forestcarbonpartnership.org/what-redd>

Ghana's approach to protecting climate, forests and livelihoods

Ghana is the first country in Africa to have successfully fulfilled all Conditions of Effectiveness under the ERPA and Ghana can now sell its carbon to the World Bank, under the Ghana Cocoa Forest REDD+ Programme. However, this achievement has been a journey.

Ghana began its engagement in REDD+ in 2008 with funding from the World Bank's Forest Carbon Partnership Facility (FCPF). Other national and bilateral support and technical assistance has also been provided to complement the process. Ghana's vision for REDD+ is to significantly reduce emissions from deforestation and forest degradation over the next twenty years as well as address threats that undermine ecosystem services and environmental integrity. Over the 20-year programme, Ghana aims to produce over 294M tCO₂ of emission reductions.



Initially, Ghana adopted a REDD+ implementation approach that focused on small-scale REDD+ pilots but the majority of the pilots lacked the technical expertise and financial backing to make significant progress. Ghana has since then adopted a jurisdictional approach to REDD+ implementation with an initial focus on the High Forest Zone and, scaling-up to cover the other distinct major ecological zones of the country such as the Northern Savanna Zone.

Ghana has five strategic REDD+ programme areas namely;

- (1) Ghana Cocoa Forests REDD+ Programme (GCFRP)**
- (2) Ghana Shea Landscape Emission Reductions Programme**
- (3) Togo Plateau REDD+ Programme**
- (4) Transition Zone REDD+ Programme and**
- (5) Coastal Mangrove REDD+ Programme**



The President of the Republic of Ghana, Nana Akufo Addo, was the special guest speaker at the REDD+ Forum (held on Oct.19, 2017) where the private-sector-led partnership supported by P4F was launched

After almost a decade of REDD+ readiness activities, Ghana has transitioned to implementing results-based actions for payments, with the first emissions reduction programme, the GCFRP. The GCFRP aims to improve land use and socio-economic development in the High Forest Zone (HFZ) and cocoa production areas of Ghana. The programme does this by increasing cocoa yields on farmland areas through intensification and climate-smart practices in order to prevent expansion of cocoa farms into forests. The programme seeks to achieve 10M tCO₂ of emission reductions by 2024.

The major challenge with the implementation of the GCFRP is that it requires critical upfront engagement and investment in the landscape in order to unlock monetary carbon benefits. Unfortunately, the FCPF does not provide direct funding for the implementation phase of REDD+.

Ghana's REDD+ financing strategy is intended to maximize existing private sector investment and leverage synergistic initiatives of NGOs and development partners, while seeking new investments to support REDD+ implementation activities. P4F support to private-sector-led forest partnerships with communities and government, coupled with enabling condition initiatives is helping address this critical barrier. In July 2019, Ghana became the third country in Africa to sign the Emission Reductions Payment Agreement (ERPA), which unlocks performance-based payments of up to US\$50 million for carbon emission reductions in Ghana's High Forest Zones.

The Ghanaian government requested an advance payment of US\$1.3 million to enable the country undertake some early actions.

In order to unlock the advance payment and future results-based benefits from the World Bank, Ghana had to fulfil three main conditions, to demonstrate the effectiveness of sale and purchase of emission reductions as stated in the ERPA agreement:

Condition 1: Finalising the Benefit Sharing Plan

Ghana had already developed a comprehensive draft benefit sharing plan for the GCFRP and had to update changes in the document based on comments received from the World Bank.

Condition 2: Confirmation of the programme's authority to transfer title to Emission Reductions (ERs) to the FCPF Carbon Fund

The Government of Ghana through the Attorney General and the Ministry of Finance submitted the evidence demonstrating the Programme Entity's ability to transfer title to ERs.

Condition 3: Sub-Project agreement between the Programme Entity, government and the various Sub-Project Entities in implementing GCFRP

Ghana did not have a landscape framework agreement in place and only few agreements like this exist in the world. This condition posed a big challenge for the country.

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Implementing landscape governance systems and climate -smart cocoa will result in better protections for our sacred water bodies, sacred groves and forests. It is not just about environmental or livelihood sustainability, but also cultural sustainability

Nana Yaw Ntaadu III, Chief of Boinzan and Krontihene of Sefwi Wiawso Traditional Area

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Protecting oneself from harm and protecting the environment is very important so I am glad I was part of this REDD+ training, I am an agent of change from today

Doris Asampon, Farmer Sefwi-Wiawso



A landscape framework agreement outlines the purpose and associated roles and responsibilities of the various stakeholders in reducing deforestation in the cocoa-forest landscape.

The framework agreement is critical to the implementation of the GCFRP because it broadly articulates pre-competitive strategies and outlines actions and activities by different consortium members to maximize efficiency (leverage resources) and equity (ensure as many farmers and communities benefit as possible).

It will also be used to articulate and formalize the partnership between the Landscape Management Board, Private sector/CSO and Government. A P4F-supported private-sector-led initiative was instrumental in helping Ghana develop a landscape framework agreement and making her the first country in Africa to access performance-based payments from the World Bank to enable the country undertake some of the activities outlined in the draft benefit sharing plan of the GCFRP.



Fulfilling Condition No. 3 of the Emission Reductions Payment Agreement

The role of a P4F forest partnership in signing a landscape framework agreement with communities, chiefs, private sector and government

Partnerships for Forests (P4F) is an 8-year UK-funded global programme which provides grants and technical assistance to forest partnerships with the private sector, communities and government to create market-ready business models that have the potential to deliver shared economic value, social and environmental impact and catalyze private sector investments. The programme supports initiatives that strengthen demand for sustainable commodities and create an enabling environment for sustainable investments.

In Ghana, P4F supported the Partnership for Productivity, Protection and Resilience in Cocoa Landscapes (3PRCL) in the Juabeso-Bia hotspot intervention area (HIA) located in the Western North region, the first pilot programme under the GCFRP, from 2017.

The project is working to achieve a deforestation-free cocoa landscape in Juabeso-Bia, which covers a landscape area of 265,500 ha out of which 160,000 ha is forest



reserves, while strengthening multi-stakeholder landscape governance. The Forest Partnership led by Touton with partners from Ghana Cocoa Board, Forestry Commission, SNV, AgroEco, and Nature Conservation Research Centre and communities.

This private-sector-led initiative contributed towards early actions of the Ghana Cocoa Forest REDD+ programme and was instrumental in making pre-condition three (the landmark landscape framework agreement) a reality.

With support from P4F, the 3PRCL project established the first Landscape Management Board (LMB)* under the GCFRP. The P4F support to partners enabled the completion of this activity in a very short time-frame which otherwise would have taken much longer. Although completed faster than expected, it still allowed reasonable time for the establishment of governance bodies and securing broad understanding of the framework agreements by community members. The Framework Agreement was signed between the Forestry Commission, Ghana Cocoa Board and the Landscape Management Board (LMB).

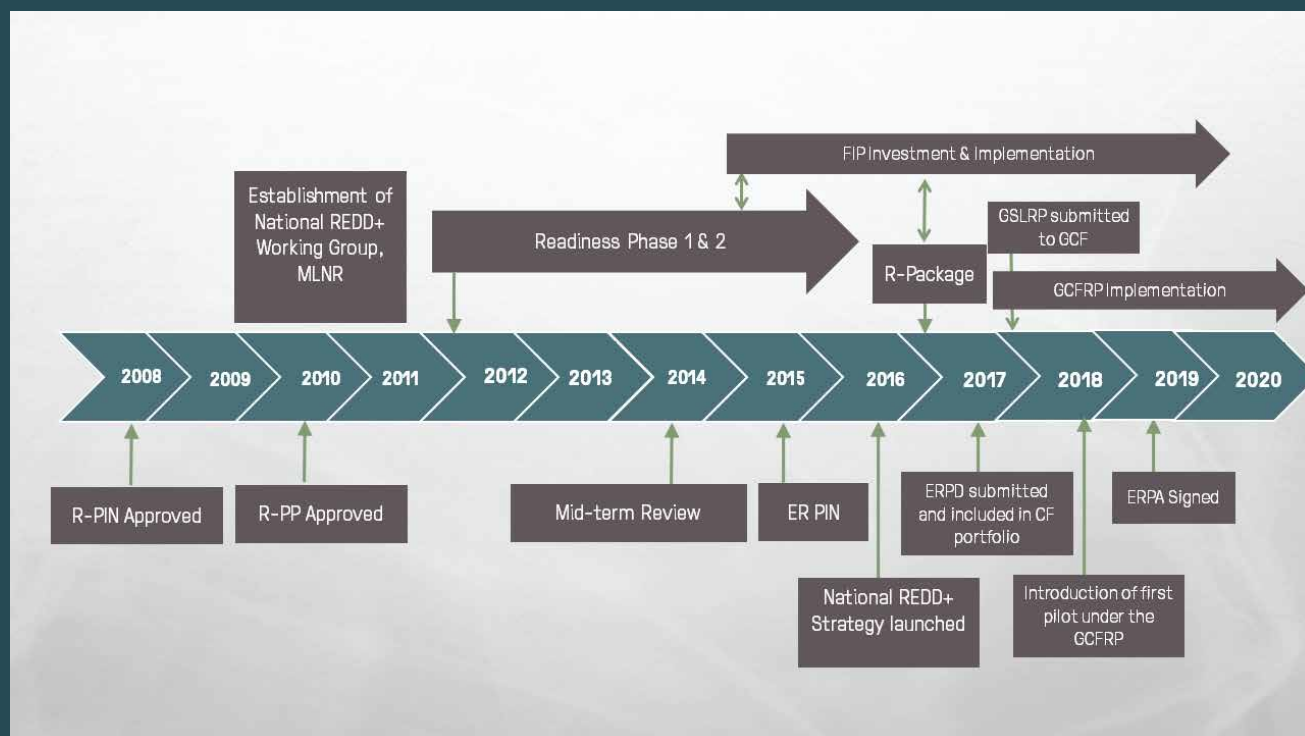
*The LMB's role is to represent communities in the agreement. They are to commit to undertaking activities in the landscape to help the GCFRP achieve emission reductions and to give government the authority to trade carbon on their behalf.

A consortium of partners (Touton, SNV, AgroEco, Nature Conservation Research Centre, Tropenbus, Proforest and Solidaridad) all signed the framework agreement to demonstrate a concerted effort and commitment to work together in the landscape to reduce emissions and promote sustainable land-use.

This landmark agreement was the breakthrough. Ghana successfully fulfilled all Conditions of Effectiveness' under the ERPA and the country has now unlocked the requested advance payment from the World Bank. It is important to recognize that a number of community level activities led to the signing of the framework agreement;

1. Establishment of "Good Forest Stewardship Cup" football tournament to create awareness for forest governance amongst local communities.
2. Training of communities on REDD+ safeguards and operationalization of Feedback and Grievance Redress Mechanism (FGRM) in the Juabeso-Bia HIA, climate-smart approaches and participatory process of HIA governance.
3. Organising elections in the communities to elect Landscape Management Board (LMB) members to represent the communities to sign the framework agreement on their behalf. The LMB consists of 13 members (5 female, 8 male).

The Ghana REDD+ Trajectory





The role of Government in effective public-private partnerships

As part of the preparation of the GCFRP the government of Ghana engaged major cocoa private sector actors including Touton, Olam, Mondelez and Ecom/Armajro. The cocoa private sector expressed their commitment to the development and implementation of the programme so as to make the cocoa sector climate-resilient through the promotion of climate-smart interventions across the forest-cocoa mosaic landscapes within the High Forest Zone of Ghana.

The government expects private sector investment of US\$ 121.4 million, which represents about 51% of the total value of the GCFRP. In principle, the GCFRP does not expect companies to invest heavily but instead expects to leverage a portion of their existing investments and influence this investment into new, climate-smart and coordinated use.

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I want to reiterate that my government is in full support of every action that prevents forest degradation and deforestations and increases our forest cover. I call on everyone gathered here, and every Ghanaian, to rise to the occasion

President Nana Addo Dankwa Akufo-Addo in his opening address at the REDD+ Forum held on 9th August, 2017



The role of the private sector in effective public-private partnerships

Research published by CIAT (International Center for Tropical Agriculture) scientists in 2013 on Climate Impact and Suitability Change for cocoa in West Africa was influential in getting the private sector to rethink its sustainable sourcing approach. The research predicts that a temperature rise of over 2°C by 2050 would dramatically impact West Africa's cocoa-producing areas. It equally notes that trees will struggle to get adequate water during the growing season and may be stressed by the increasingly intense dry season. This overarching threat added to the long list of challenges faced in the cocoa sector including: tenure insecurity, poor livelihood and productivity, soil fertility and water usage, leakages in tracing cocoa beans to farms, and high cost of credit.

Touton, a sustainable cocoa sourcing company, recognised the need for a multi-stakeholder landscape approach at all levels of their supply chain: farmer level, community level, landscape level, national and global level in order to comprehensively tackle these challenges. Touton –with technical and financial support from P4F – designed a project to address these challenges holistically at landscape level in line with the Ghana REDD+ programme and objectives in the Bia West and Juabeso districts in Western Ghana.



The surest way to achieve zero deforestation outcome in cocoa and forest landscapes is for all stakeholders and value chain actors living and working in the landscapes to work in concert in providing pragmatic solutions to deforestation. Working in silos and not at a landscape scale will only give marginal results

Ernest Dwamena – Touton Ghana Manager, Sustainable Sourcing



Key Achievements

Overall, the 3PCRL project has made significant achievements in:

1. Setting-up and operationalizing landscape governance and forest protection mechanisms
2. Enhancing sustainable cocoa productivity at farm level, and
3. Providing incentives and income diversification options for farmers as conditions for forest protection and sustainable land-management

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It's exciting to see the level of stakeholder engagement Ghana has been able to achieve with its emission reduction programme, particularly with the private sector. Some of the most important cocoa and chocolate companies in the world, including World Cocoa Foundation members such as Mondelez International, Olam, Touton and others, as well as Ghana's Cocoa Board have committed to participating in the program

Pierre Frank Laporte, World Bank Country Director for Ghana.

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The programme's two central goals - reducing carbon emissions in the forestry sector and producing truly sustainable, climate-smart cocoa beans, make it unique in Africa and the first of its kind in the cocoa and forest sectors worldwide. This programme is helping to secure the future of Ghana's forests while enhancing income and livelihood opportunities for farmers and forest-dependent communities.

Kwadwo Owusu Afriyie, Chief Executive of Ghana's Forestry Commission.

Lessons and Recommendations

Four key lessons and recommendations have been identified for future initiatives to replicate (and further improve).

1. Leverage existing and new private sector investment in supply chains:

Companies are willing to invest in greening their supply chains with economic and social returns on investments. As a result, governments should make a conscious effort to adopt the language of the private sector. There should be protocols in place to clearly indicate how private sector can plug into already existing initiatives.

2. Inclusive and collaborative stakeholder engagement and partnerships:

Governments need to engage the private sector from the outset of climate change mitigation initiatives. The process should have shared responsibilities, with a common goal across stakeholders. This is essential in order to build understanding and capacity amongst stakeholders and to ensure activities are successfully implemented. Private sector contributions should shape outcomes of projects.

3. Extensive stakeholder consultations:

The process in Ghana was highly participatory involving various partners and communities with a common goal and purpose to enable local people to play a meaningful and influential role in decision-making. One of the strongest pillars that makes Ghana's programme unique and successful is the extensive stakeholder engagement and training that was done behind the scenes. More than 30 stakeholder consultations took place in addition to meetings and workshops with over 40 institutions in the planning, design and validation of the programme.

4. Promoting replication and adoption:

Touton as an early mover in this area has heralded the wide-scale adoption and replication by other supply chain companies in other hotspot intervention areas in Ghana and also in Côte d'Ivoire with the potential for cocoa landscape transformation. The World Cocoa Foundation is doing complementary work and leading work in Asunafo/Asutifi area in Ghana.

