

Natural Capital Accounting in Ghana Factsheet

June 2023



Photo Credit: Nipah Dennis

About the Ghana NCA Programme

In December 2021, the Environmental Protection Agency (EPA) on behalf of the Government of Ghana (GoG) requested the support of the World Bank’s Global Program for Sustainability (GPS) to advance the NCA agenda in the country. The two other key institutions steering the programme are the Ghana Statistical Service (GSS) and the National Development Planning Commission (NDPC).

The objectives of Ghana NCA programme are to:

- Institutionalize NCA and support biodiversity management.
- Strengthen capacity for natural capital accounting and its use for policy, development, and investment planning in Ghana.
- Mainstream natural capital into the development policy dialogue and planning in Ghana.

- Contribute to informing investments under the Ghana Landscape Restoration and Small-Scale Mining Project (GLRSSMP).

To achieve its objectives, the programme will focus on:

Accounts development:

The main accounts are the **land accounts**, **ecosystem extent**, and **services accounts**. The GSS is legally mandated to produce NCAs and is leading their production with GPS support and technical support from the United Nations Statistics Division (UNSD).

Analytical studies and policy development support:

the programme will develop some key studies that will complement data used for the accounts and respond to specific needs and gaps. This is made up of the development of Wealth Accounting and Adjusted

Macroeconomic Indicators, input to the design of a Payment for Ecosystem Services (PES) scheme, and support to update of the National Biodiversity Strategy and Action Plan (NBSAP). Ecosystem accounts will provide information to assess payments levels in the PES scheme envisaged in the GLRSSMP, through measuring and valuing forest ecosystem services, and changes in their values given different land uses of designated areas.

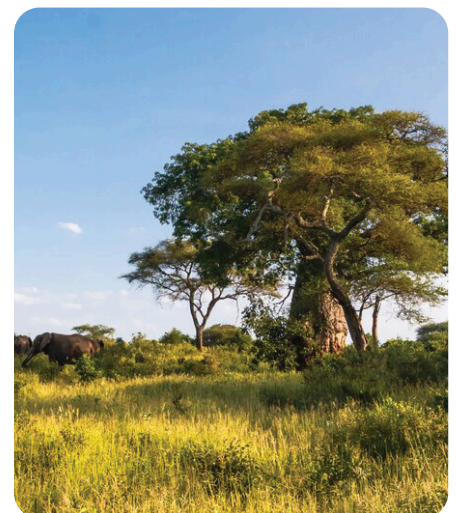


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Frequently Asked Questions (FAQs)

What is Natural Capital?

Natural capital encompasses both renewable or non-renewable resources. This includes all natural resources that are easily recognizable and can be measured, such as minerals, energy, timber, agricultural land, fisheries, water, but also ecosystem services, which are not so visible. They include air and water filtration, flood protection, carbon storage, pollination of crops, and habitats for wildlife, among others.

Why is Natural Capital important for economic growth? Isn't GDP enough?

Gross Domestic Product (GDP) measures the value of goods and services produced over one year. This is an incomplete assessment of a country's economic wellbeing, because GDP only looks at

one part of economic performance—output— but tells us very little about income in the long term. In addition, many ecosystem services are not readily captured in markets, so standard economic measures such as GDP do not capture what they contribute to the economy. Natural Capital is a significant source of a country's wealth, similar to stocks of the financial capital. It makes up a significant part of Ghana's total wealth and contributes to the livelihoods of several communities. There is thus a need to go beyond GDP and look at sustainable development indicators that integrate issues of wealth, wellbeing, natural capital depletion, stocks and flows, values of ecosystem services among others.

What are Natural Capital Accounts?

NCA are sets of data for natural resources compatible with the System of National Accounts, which form the basis for calculating GDP and other economic indicators. NCA follows an international standard adopted by the United Nations Statistical Commission, called the System for Environmental-Economic Accounting (SEEA). NCA go beyond the standard national accounts to include natural goods and services that are not subject to market transactions and therefore are not explicitly accounted for.

The accounts can be both physical and monetary, as well as for assets and the production of goods and services. Notable among these accounts are land, and ecosystem accounts.



Photo Credit: Yoel Winkler

Land accounts are perceived as the foundation of natural capital accounts and underpin the creation of ecosystem accounts. Land accounts map the physical location of economic activities and environmental processes and provide the key information needed for resource management. It help answer pertinent questions such as:

- How much forest, cropland and urban areas exist?
- Where is land degradation occurring, and what are the factors behind it?
- How has land cover and land use changed over time?

Ecosystem accounting measures ecosystem assets and the flows of services from ecosystems into economic and other human activity. The accounts go beyond other approaches to ecosystem analysis and assessment through the explicit linking

of ecosystems to economic and other human activity. These links are seen both in terms of the services provided by ecosystems and also in the impact that economic and other human activity may have on ecosystems and their future capacity¹.

How can Natural Capital Accounts be used?

NCA can support several monitoring, evaluation and reporting processes at all levels. Some examples at the international level are the Sustainable Development Goals (SDGs) and the Nationally Determined Commitments (NDCs) on climate change as well as the global biodiversity agenda.

The integrated systems approach of NCA can clarify the major drivers of biodiversity loss and ecosystem changes, identify key trade-offs, and support the development of “win-win” conservation approaches.² NCA can also be used to inform a wide range of policy questions

related to climate impacts and adaptation strategies. It can also help with developing mitigation strategies by providing consistent information on emissions by different economic sectors, including emissions from different types of land use, allowing decision makers to understand inefficiencies in the economy.³ As distinct from environmental statistics, NCA data is compatible with economic data and can thus readily be integrated into economic analysis and tools such as macro economic models that are used to project and assess economic growth, as well as policies and plans for country development.



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¹ <https://documents1.worldbank.org/curated/en/120461580127972594/pdf/Designing-Pilots-for-Ecosystem-Accounting.pdf>

² The link between the SEEA and biodiversity policy and case studies is elaborated in the publication *Natural Capital Accounting for Integrated Biodiversity Policies* (UN, 2020)

³ Case studies and further information can be found in the publication *Natural Capital Accounting for Integrated Climate Change Policies* (UN, 2020).

There are also specific uses for the unique accounts:

- Land, water and ecosystem accounts can assist countries interested in hydro-power to evaluate the impact of competing land uses, establish the ownership and type of ownership of land and the use of land in economic production such as agriculture and forestry, inland freshwater resources, and biodiversity conservation. The accounts can also inform the development and use of spatial planning frameworks at the national and district level.
- Ecosystem accounts can help biodiversity-rich countries manage the trade-offs between ecotourism, agriculture, subsistence livelihoods, and ecosystem services like flood protection. This makes ecosystem accounting a tool for maximizing economic growth while identifying who benefits and who bears the cost of ecosystem changes.

How does the NCA programme benefit Ghana?

Ghana's strong economic growth over the past two decades is a reflection of the substantial contribution from renewable and non-renewable natural resources. During this period, the country's GDP has more than quadrupled, making her a lower-middle-income economy. Even more interesting is the fact that, in recent years, 35–45 percent of jobs in the country are still based on renewable natural resource sectors, including agriculture, forestry, livestock, and fisheries.⁴ However, this growth has been inequitable, and unsustainable growth could imperil future economic development.

Ghana's Adjusted Net Savings (which is a measurement of the true rate of saving in an economy after taking into account investments in human capital, depletion of natural resources and damages caused by pollution⁵) has been positive since 2006, but the gap to Gross Savings has widened since 2009. The World Bank's Changing Wealth

of Nations report 2021 showed that Ghana's share of human capital in total wealth increased, while its natural capital share decreased. However, its natural capital per capita went from US\$6,000 in 1995 to a peak of US\$9,000 during the 2004–2014 commodity boom and dropped again to US\$6,000 in 2018.⁷ The cost of environmental degradation due to unsustainable use of land for agriculture, forests, and mining stands at 2.8 percent of national GDP (2017).⁸ If the current management and governance approaches for natural capital remain unchanged, they will have negative impacts on the country in the long term, with fewer opportunities for sustained growth and shared prosperity. In addition, the deterioration of natural capital will exacerbate poverty among vulnerable rural communities and amplify natural disaster and climate risks.

⁴GLSS6. 2014. Ghana Living Standards Survey Round 6: Main Report. Retrieved from

<http://catalog.ihsn.org/index.php/catalog/5350/download/65128>; and Ghana Statistical Service. 2016. 2015

⁵Labour Force Report. Retrieved from

http://www.statsghana.gov.gh/docfiles/publications/Labour_Force/LFS%20REPORT_fianI_21-3-17.pdf.

<https://archive.unescwa.org/adjusted-net-savings>

⁶World Bank. 2020. Ghana Country Environmental Analysis (English). Washington, DC: World Bank.

⁷World Bank. 2021. The Changing Wealth of Nations 2021 : Managing Assets for the Future. Washington, DC:

<https://documents1.worldbank.org/curated/en/120461580127972594/pdf/Designing-Pilots-for-Ecosystem-Accounting.pdf>

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⁸World Bank. 2020. Ghana Country Environmental Analysis (English). Washington, DC: World Bank.

The COVID-19 pandemic has brought to light the need for natural resources, including land and forests, for long-term growth and recovery. There are also relevant job and livelihood opportunities which can stem out of natural capital. The current situation of increased global food prices and insecurity linked to Russia's invasion of Ukraine increases the salience of the natural capital focus further.

In view of the above, NCA can help a biodiversity-rich country like Ghana to design a management strategy that maximizes the contributions of biodiversity to economic growth while balancing trade-offs among ecotourism, agriculture, subsistence livelihoods, and other ecosystem services like flood protection and groundwater recharge. NCA is thus a tool for maximizing and

ensuring sustainable economic growth. There is also a strong link between NCA and ongoing finance for nature frameworks such as Environment, Social and Governance (ESG), and other sustainability reporting initiatives.



Photo Credit:nat.travel

Background

Ghana, like many countries, has largely used the national accounts to evaluate its economic performance and the effectiveness of its development policies and plans. However, conventional indicators such as the Gross Domestic Product (GDP) does not provide sufficient information to enable a country to forecast the long-term sustainable growth. It has thus become imperative for Ghana to move beyond traditional GDP and begin

to consider other sustainability-adjusted indicators to better inform decisions. The Government of Ghana, with the World Bank's Global Program for Sustainability (GPS), the United Nations Statistics Division (UNSD), with support from the United Nations Environment Programme - World Conservation Monitoring Centre (UNEP-WC-MC) and the Food and Agriculture Organization (FAO) are working towards building local capacity to facilitate the institutionalization of NCA.

For more information on Natural Capital Accounting, please visit:

World Bank GPS:
<https://www.wavespartnership.org/en/natural-capital-accounting> or scan this QR code for more information.

UN SEEA:
<https://seea.un.org/>

Ghana Statistical Service:
<https://www.statsghana.gov.gh>

National Development Planning Commission:
<https://ndpc.gov.gh/about/>

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