I. Introduction and Context

Country Context
Ghana is a lower middle income country with an economy that is heavily reliant on natural resources. Ghana’s GDP in 2011 was almost $40 billion and it has benefited from high growth rates in recent years - 7.73 percent in 2010, 13.6 percent in 2011, and 7.1 percent in 2012. GDP growth has been driven by strong cocoa production, rising construction, continued increases in gold output, and the commercialization of oil. In 2011 mining, dominated by gold, provided 38 percent of export value while cocoa contributed 22 percent. In 2011, Ghana started producing oil (export value of US$ 3.5 billion/year) and is expected to commence natural gas production after 2013.

Ghana has experienced impressive poverty reduction. In the 15 years to 2006, poverty decreased from 52 percent to 28 percent of the population (based on national criteria). Poverty reduction resulted from job creation outside of agriculture and the redeployment of human and financial resources in construction, transport and financial services. The gains made in poverty reduction however mask disparities between northern and southern Ghana. The northern regions are where more than half of the poor are concentrated with poverty rates in some districts reaching as high as 80 percent. Ghana expects to meet the Millennium Development Goal (MDG) targets for income,
poverty reduction, ending hunger, completion of primary education, gender equality and access to clean water. However, a few MDGs remain elusive. Lack of access to improved sanitation in Ghana remains high, with data from the 2010 census indicating that about 61 percent of the rural population and 82 percent of the urban population do not have access to acceptable sanitation methods. In addition, there is a risk that Ghana will not reach the maternal and child mortality as well as the child malnutrition targets. Environmental sustainability is a continuing challenge, with rapid loss of forest area from land use change.

Ghana?‰s population depends on natural resources. Over 70 percent of the population (of 24 million) depends on natural resources for basic food, water, and energy requirements. Agriculture accounts for more than 50 percent of all land use and provides employment for an estimated 60 percent of the population and 53 percent of women. Mining directly employs approximately 12,000 people and 500,000 ? 1,000,000 people are employed in artisanal and small scale mining. In addition, around 11 million of Ghana?‰s population lives in forest areas with two thirds of rural livelihoods supported by forest activities (for example, fuel wood and charcoal producers and bush meat hunters).

Sectoral and Institutional Context

Ghana?‰s land area of 238,500 km2 includes moist tropical forest (the High Forest Zone, or HFZ) in the southern third of the country and savannah in the drier northern two thirds of the country. Biodiversity is high and the HFZ falls within the West African Biodiversity hotspot (Myers, et al. 2000). Ghana has approximately 2.5 million hectares of gazetted Forest Reserves (FRs) and 6.6 million hectares of forest area outside FRs ? what are commonly referred to as Off Reserve areas (OR).

Forests are a key element of economic and social life. The timber industry is currently the fourth largest foreign exchange earner after minerals, cocoa and tourism and contributes 2.5 percent of GDP. The formal forestry and wildlife sector employs about 120,000 Ghanaians, while the informal sector is estimated to employ as many as 260,000 people. Rural households and communities depend on forest resources for livelihoods and religious activities. Non Timber Forest Products (NTFPs) provide alternative sources of income for rural households, especially women, to whom they provide own-income with little or no start-up costs. In general, the economic value of NTFPs for both commercial and household purposes may locally outweigh that of timber. Bushmeat is a source of income for many?72 percent to 82 percent is traded and 52 percent is used in urban areas? and also a source of protein for rural communities. In addition, sacred groves in forests, which are managed by communities, have important cultural value. Medicinal plants and herbs found in forests are also critical elements of rural health.

But, forest resources are declining in quantity and quality. Degradation data is scarce. One study states that of the forest reserves in the HFZ: 14 percent have no forest, 15 percent are in very bad status, 20 percent are mostly degraded and 35 percent are partly degraded. Only 14 percent are in a good state and 2 percent in excellent state. Deforestation rates are estimated at approximately 2 percent which translates into a loss of approximately 135,000 ha of forests, of which 65,000 ha are thought to relate to intact forests. The major direct causes of deforestation as summarized in Ghana?‰s Readiness Proposal (R-PP) are: (a) agricultural expansion, for example permanent cultivation, cattle ranching, shifting cultivation/traditional slash and burn; (b) harvesting for fuel wood and charcoal, illegal logging, wildfires and biomass burning; (c) population and development pressure; and (d) mining and mineral exploitation. In addition, the complex tree tenure and benefit sharing regime fails to provide incentives to communities to protect trees.
Community members are both actors in and victims of forest decline. Mining, timber, harvesting, and agriculture are critical economic activities. Agricultural expansion for example, creates a high demand for land and is responsible for approximately 50 percent of deforestation and degradation. In the HFZ, cocoa, cassava, plantain, coco yam, oil palm, and rubber have contributed to the conversion of forests. Special mention should be made of cocoa which is a major driver of agricultural expansion. Cocoa production occupies about 1.6 million ha, or nearly 7 percent of total land, and it employs approximately 800,000 smallholder farmers. The expansion has been greatest in the Western Region which now accounts for over 56 percent of the production. In addition, a transition from shaded cocoa cultivation (under primary or secondary forests) to progressively open cocoa cultivation has had negative impacts on the population of trees on farms. In the absence of community-based or sector-based land use planning, this has led to an expansion of tree and food crops into forested lands as profits are re-invested and prevailing farming practices copied in new plantings.

The Government of Ghana (GoG) recognizes the threat of climate change and the growing costs of natural resource degradation which represents about 10 percent of GDP annually. Efforts to address these threats have included a Natural Resources and Environmental Governance (NREG) program which was aimed at helping ensure economic growth, alleviating poverty, increasing revenues and improving environmental protection. In addition, GoG is developing a Forest and Wildlife Policy and a comprehensive National Climate Change Policy which aims to ensure a climate resilient and climate compatible economy while achieving sustainable development and equitable low carbon economic growth.

On forests, Ghana has joined the international REDD+ Readiness process through the Forest Carbon Partnership Facility (FCPF). The REDD+ strategy focus is on reducing emissions from deforestation and degradation, but also on conservation, enhancement of carbon stocks, and sustainable forest management. Ghana has also signed up to the Voluntary Partnership Agreement/Forest Law Enforcement, Governance and Trade (VPA/FLEGT) process which requires the verification of the legality of timber exports to the European Union in an effort to stop illegal trade of forest products. GoG has also drafted a Strategy for Plantation Development in Ghana that compiles preliminary ideas on potentials for both community-based and private sector run plantations. In addition, GoG is working to improve the complex tree tenure system to provide better incentives to maintain trees off-reserve. An IDA financed Technical Assistance Project (NREG-TA) will provide support to some of these efforts such as analysis on plantation development and on benefit sharing.

Non-state engagement in the natural resource sectors and in the REDD process has been increasing. Ghanaian civil society groups and community based organizations have been involved in policy dialogue on climate change. In 2010, the Civil Society Review of the Natural Resources and Environment Sector was established to provide a forum for civil society organizations to provide input into governments' own review of the sector. A National Forest Forum exists as a national platform to influence policy formulation, promote good governance and sustainable forest management. Non-state engagement has been dominated by civil society organizations with the technical knowledge of the sector. These organizations include advocacy groups and groups undertaking projects at the local level. Many of these organizations are active at the national level, with offices in Accra but some are more grassroots in nature with a more local outlook. There have been challenges with this engagement: grassroots organizations have noted the ?capture? of policy
discourse by urban and large civil society groups; non-state actors have decried the absence of consistent funding for platforms for engagement; and GoG has expressed frustration with the inability of non-state actors to engage in constructive policy dialogue.

The extent to which individuals at the community level are informed about government-financed and other activities related to climate change and are prepared to engage in GoG’s efforts to reduce deforestation and degradation is unclear. While there has been increasing consultation with communities through the Civil Society Review, the Forest Forums, and the consultative processes around the REDD+ agenda calls for more local engagement and capacity development have been made.

The proposed project will respond to these calls by improving community-level engagement on the deforestation and degradation agenda. Specifically, the proposed project will finance efforts to inform and educate communities on policy and practice and to pilot activities that contribute to the improvement of forest management with sufficient consideration to livelihoods. The project intends to address some of the social and economic factors that enable deforestation and degradation at the community level and in so doing support the government’s efforts towards policy reform, capacity building, and overall, investments in enhancing carbon stocks.

Relationship to CAS

Ghana’s Country Partnership Strategy (FY14 ? 16) will be presented to the Board in August 2013. The CPS has three pillars: competitiveness and employment, vulnerability and resilience, and governance and public sector capacity. Under vulnerability and resilience the CPS recognizes the need for improved forest management including the increased participation of communities in forest management. The CPS recognizes that Ghana’s natural resource wealth is a platform for economic and social development, but needs prudent and transparent management, as well as strategic actions to prevent negative outcomes. The proposed operation is also aligned with Africa Strategy, which gives special attention to natural resources management. The strategy emphasizes the need to ensure that local communities benefit from natural resource extraction and that sustainable management of forests is critical for development and climate change.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The PDO is to strengthen local communities capacity to understand climate change/REDD+ and their role in local and global solutions, leading to strengthened engagement in local initiatives related to REDD+, and in the Climate Change Agenda.

Key Results (From PCN)

- Satisfactory delivery of training and awareness raising activities (number) (disaggregated by duration, subject)
- Pilot activities completed (number) (disaggregated by duration, subject)
- Grievances registered related to delivery of project benefits that are actually addressed (percentage)
- Direct project beneficiaries (number) of which female (%) and youth (18 -35 years of age) (%)

III. Preliminary Description

Concept Description
The proposed project will finance the demand-driven provision of grants to community organizations. The grants will directly complement GoG’s efforts to reduce deforestation and degradation, specifically Ghana’s Forest Investment Plan and in so doing create a simultaneous community-led and state-led effort to reduce deforestation and degradation. This approach complements, and contributes to, GoG’s ongoing efforts to engage non-state actors, in particular local communities in sustainable natural resource management.

The proposed project is part of a global program, the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM), which has allocated $5.5 million in grant resources to Ghana. The DGM was designed specifically to promote the inclusion of communities reliant on forests in policy formulation and initiatives that seek to reduce deforestation and degradation. Indeed, the creation of the DGM is an acknowledgment of the critical role that natural resources play in the lives of rural communities, their livelihoods, culture, and opportunities for economic development. Ghana’s participation in the DGM is relevant given the rapid deterioration of forest resources and the high dependency on natural resources. The DGM-Ghana will fully complement the FIP by involving local communities in the REDD agenda in ways that recognize the role that they play, as users and stewards of the forests and as owners and users of land.

The DGM global design is a product of a collaborative effort between the SCF and indigenous peoples and local community representatives from various countries. Ghana has been ably represented in this process, with rigorous engagement from self-selected representatives. Indeed, the global program design and the operational guidelines have been the subject of numerous consultations since 2009. Initial consultations in 2009 and a presentation to the ninth session of the UN Permanent Forum on Indigenous Issues in April 2010 were followed by regional meetings in Accra, Vientiane, Lima, and Sydney (from November 2010 to February 2011) and global meetings in Bangkok and Washington DC in May 2011. These meetings resulted in the completion and approval of a global program design in October 2011. In November 2012, operational guidelines for the program were provisionally approved.

Country-level projects are in the nascent stages of preparation. In line with the agreed-upon design framework laid out in the global design document and the operational guidelines, the proposed project will fund activities geared towards strengthening community capacity to: engage on policy; participate in land use planning, production practices, and organization; and to develop as entrepreneurs and businesses. The DGM project area will directly overlap with that of the FIP in the Western and Brong-Ahafo Regions; however, national level activities such as capacity building and knowledge sharing could be considered.

The proposed project components are as follows:

Component 1: Community Grants (approximately $4.1 million). This component will finance grants to community based organizations. Grants will be financed for activities that fall under pre-determined themes. Possible windows include capacity building (which could include financing delivery of training to communities to expand their knowledge through workshops, seminars, and other methods of training); knowledge exchange (which could finance activities that involve hands-on, practical transfer of knowledge nationally, regionally, and internationally through, for example, study tours, virtual discussions, development of community/farmer demonstration plots, community level internships, etc.); pilot activities (such as providing matching or seed grants to communities to
engage in new livelihood activities); and information dissemination. The list of windows and potential activities is deliberately vague because the community level consultations have yet to be conducted and because the FIP (IBRD and IFC) activities have yet to be defined making any crystallization of DGM grant windows at this point, premature. The final list will be developed in consultation with relevant stakeholders to ensure that synergies are maximized and that overlaps are eliminated. Also to be decided during project preparation is the size of grants and potential the process for targeting beneficiaries (with close attention to the FIP projects).

Component 2 - Information and Communication (approximately $0.5 million): This component will finance activities aimed at sharing information on the DGM at the national and regional levels. This may include media coverage (radio, newspaper, social media) and, as necessary, workshops with relevant stakeholders.

Component 3: Project Management (approximately $0.9 million): This component will finance the costs of the National Executing Agency (NEA) which will implement the project. The NEA will be selected through a competitive process based on World Bank procurement processes (see also section on Implementation Agency Assessment). The NEA will be charged with tasks including developing review and risk assessment criteria, disbursing funds to grant projects, ensuring appropriate use of DGM funds, maintaining documentation of country projects, and reporting to the WB on use of DGM funds.

The DGM-Ghana will be designed and implemented with the following principles: (a) ownership and joint decision-making by local communities; (b) transparency and accountability in selection of implementing partners, members of governing bodies and beneficiaries; (c) flexibility, efficiency and administrative simplicity to enable easy and streamlined access of grants by local communities; and, (d) Social inclusion and equity by reaching out and ensuring the participation and the protection of women, children, elders, and others vulnerable to exclusion. Particular attention will be given to activities addressing gender-specific livelihood, health, and cultural issues, and activities promoting the engagement of youth. This may include communication efforts targeted at women and youth, designing grant windows focused on women and youth friendly activities, etc.

IV. Safeguard Policies that might apply

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V. **Financing (in USD Million)**

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