

Document: EB 2011/103/R.16
Agenda: 9(a)(i)
Date: 10 August 2011
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

President's report

Proposed loan to the Republic of Ghana for the

Rural Enterprises Programme

Note to Executive Board representatives

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Executive Board — 103rd Session
Rome, 14-15 September 2011

For: **Approval**

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Abbreviations and acronyms

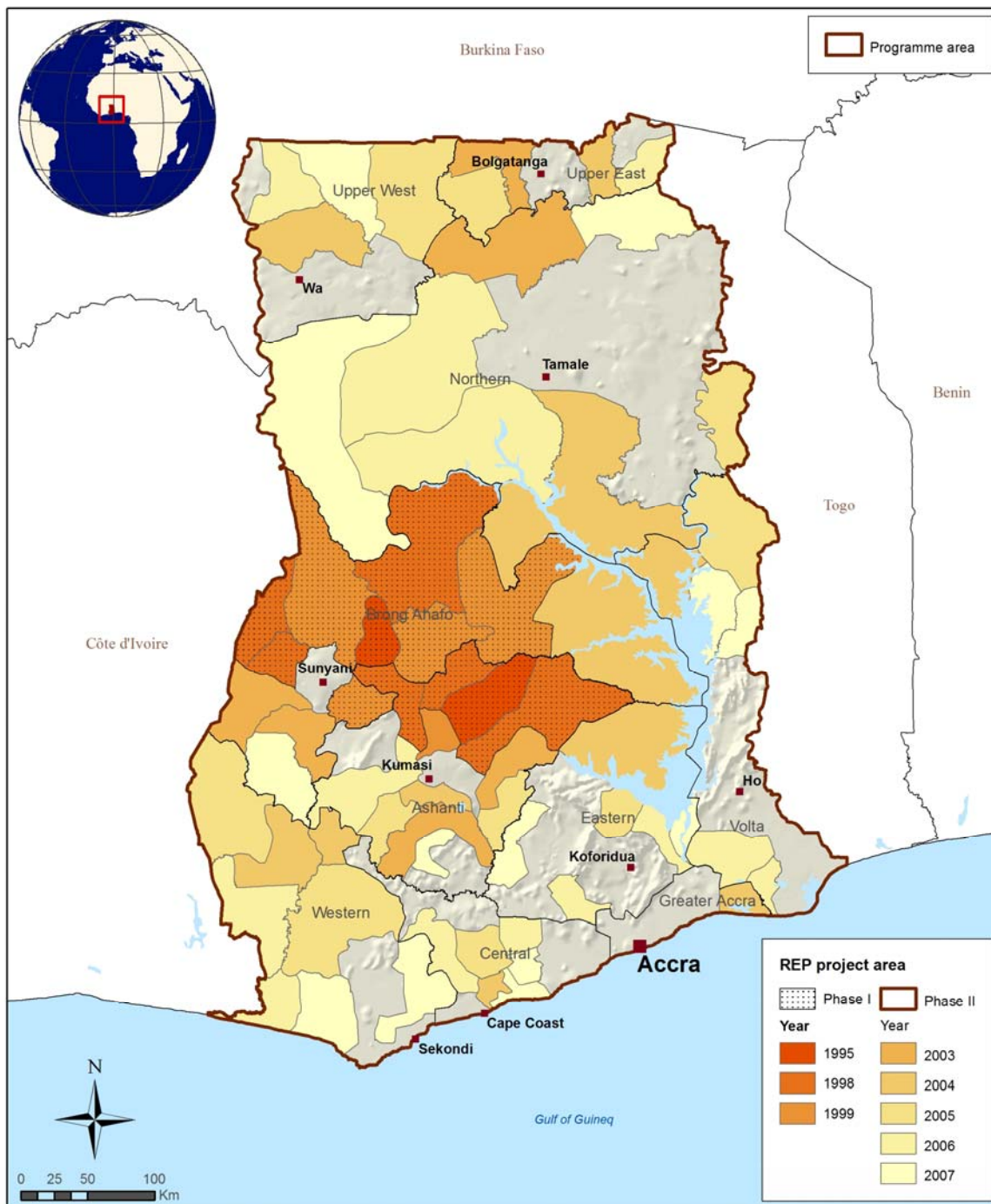
AfDB	African Development Bank
ARB	Association of Rural Banks
MSEs	microenterprises and small-scale enterprises
NBSSI	National Board for Small-Scale Industries
PCMU	programme coordination and management unit
REP	Rural Enterprises Programme
REP I	Rural Enterprises Project-Phase I (1995-2002)
REP II	Rural Enterprises Project-Phase II (2003-2012)

Map of the programme area

Ghana

Rural Enterprises Programme

Project coverage by year



14-7-2011



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

Republic of Ghana

Rural Enterprises Programme

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Ghana
Executing agency:	Ministry of Trade and Industry
Total programme cost:	US\$185.1 million
Amount of IFAD loan:	SDR 19.7 million (equivalent to approximately US\$31.5 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Proposed cofinancier(s):	African Development Bank (AfDB)
Proposed amount of cofinancing:	US\$70.0 million
Proposed terms of cofinancing:	Parallel financing, with focus on specific activities (components) and regions
Contribution of borrower:	US\$63.5 million
Contribution of beneficiaries:	US\$20.1 million (beneficiaries US\$13.9 million; participating financial institutions US\$6.2 million)
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the Republic of Ghana for the Rural Enterprises Programme, as contained in paragraph 37.

Proposed loan to the Republic of Ghana for the Rural Enterprises Programme

I. The programme

A. Main development opportunity addressed by the programme

1. Rural microenterprises and small-scale enterprises (MSEs) in Ghana contribute to local economic growth, reduce social inequalities and generate revenue for the district assemblies. The Rural Enterprises Programme is part of the Government of Ghana's efforts to reduce poverty and improve living conditions in rural areas. It is an excellent example of how IFAD scales up successful projects. Phase one of the Rural Enterprises Project (REP I) was implemented from 1995 to 2002 in 13 districts in the Ashanti and Brong-Ahafo regions. The second phase (REP II, 2003-2012) is being implemented in 66 districts nationwide. The purpose of the third phase, to be known as the Rural Enterprises Programme, will be to scale up and mainstream the district-based support system for MSEs within the public and private institutional systems throughout the country.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a loan to the Republic of Ghana in the amount of SDR 19.7 million (equivalent to approximately US\$31.5 million) on highly concessional terms to help finance the Rural Enterprises Programme (REP). The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum. Taxes and duties are excluded from financing derived from IFAD loan proceeds.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for the Republic of Ghana under the PBAS is US\$41.6 million over the 2010–2012 allocation cycle. After the approval of a loan of US\$9.0 million for the Rural and Agricultural Finance Programme in April 2010, the remaining funds amount to US\$32.6 million. With the approval of this loan, the PBAS allocation for Ghana will be almost fully used.

Relationship to national medium-term expenditure framework criteria

4. REP will contribute significantly to the realization of the medium-term national development plan, the Ghana Shared Growth and Development Agenda 2010–2013, in the following areas: (i) providing training and business development services; (ii) enhancing access to affordable credit; and (iii) making available appropriate but cost-effective technology to improve productivity.

Relationship to national sector-wide approaches or other joint funding instruments

5. In the absence of a national sector-wide approach to MSE development, REP represents an important vehicle for the development of rural MSEs with a strong emphasis on built-in mechanisms for sustainability. Scaling up REP into a nationwide programme means strengthening and mainstreaming a demand-driven support system for the MSE sector within the public and private institutional

systems at the district, regional and national levels. In doing so, the programme will develop strong linkages with other programmes in the field of vocational skills training.

Country debt burden and absorptive capacity of the State

6. Total public debt at the end of May 2011 amounted to US\$13.4 billion (20.1 billion Ghana Cedis), equivalent to 35.4 per cent of Ghana's GDP. External debt amounted to US\$6.3 billion, representing 47.0 per cent of the total debt and 17.8 per cent of GDP. The absorptive capacity of the State is sufficient for the proposed financing of REP.

Flow of funds

7. The borrower will open a designated account in United States dollars to receive IFAD loan proceeds. The borrower will also open a programme account denominated in Ghana Cedis with a commercial bank acceptable to IFAD. Separate accounts will be operated by each relevant programme.

Supervision arrangements

8. Programme supervision will be carried out jointly by IFAD and the African Development Bank (AfDB). Two supervision and implementation support missions will be organized yearly. Additional implementation support will be provided as needed to ensure satisfactory performance. Although the AfDB loan and the IFAD loan will be administered separately, there is strong commitment to closely collaborating on all technical matters to ensure coherent programme implementation.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

9. No exceptions are foreseen.

Governance

10. Transparency International's Corruption Perceptions Index for Ghana is 4.1. No specific governance and anticorruption strategy is required in design as the IFAD threshold is 3. However, the programme will feature feedback mechanisms and a framework for participatory evaluation to further enhance good governance.

C. Target group and participation

Target group

11. REP will target the entrepreneurial poor, most of whom are members of poor rural families that are able to convert the capacity-building support from the programme into productive assets without any additional investment support or with a bare minimum. In line with IFAD's policy on targeting, REP will dedicate particular attention to vulnerable groups, such as rural women and young people.

Targeting approach

12. The targeting strategy of REP includes the following steps: (i) geographic expansion; (ii) self-targeting within individual districts, emphasizing entrepreneurial capacity and clients' willingness to contribute to their own development; (iii) direct targeting of specific subgroups; (iv) empowerment and capacity-building measures; and (v) measures to enable promotion of MSEs.

Participation

13. REP will strengthen and actively involve local business associations and their umbrella organizations in the planning and implementation of programme activities.

D. Development objectives

Key programme objectives

14. The overall objective of REP is to improve the livelihoods and incomes of entrepreneurial poor people in rural areas. The specific objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities.

Policy and institutional objectives

15. REP will continue to contribute to the institutional development and policy dialogue pursued under REP II, focusing on the establishment of district-level directorates of trade and industry with MSE subcommittees in order to anchor MSE development support in the district assemblies. The capacities of institutions such as the Association of Small-Scale Industries, the National Board for Small-Scale Industries (NBSSI) and the GRATIS Foundation (Ghana Regional Appropriate Technology Industrial Service) will be strengthened so that they are able to make a greater contribution to an enabling policy framework for MSE development.

IFAD policy and strategy alignment

16. REP is in line with the country strategic opportunities programme for Ghana, supporting the objective of developing pro-poor rural enterprises in the context of an inclusive private sector. It is also consistent with the IFAD Strategic Framework 2011-2015 and IFAD policies on: (i) private sector development and partnership strategy; (ii) rural enterprises; (iii) rural finance; (iv) targeting; (v) gender; and (vi) environmental and social assessment procedures.

E. Harmonization and alignment

Alignment with national priorities

17. REP is an integral part of the Government's efforts to reduce poverty and improve living conditions in rural areas. The previous phases have contributed since 1995 to the design and implementation of the national strategy for MSE promotion as laid out in Ghana's Growth and Poverty Reduction Strategy II. REP also links into the Private Sector Development Strategy – Phase II of the Ministry of Trade and Industry.

Harmonization with development partners

18. In addition to the parallel financing arrangement with AfDB and the strong linkages to other components of IFAD's country programme in Ghana, REP connects with programmes supported by a broad range of development partners. Key partnerships include: the Ghana Millennium Development Authority; Danish International Development Assistance (DANIDA) (Rural Finance and Private Sector Development); World Bank (Skills Development Fund); German Agency for International Cooperation [Deutsche Gesellschaft für Internationale Zusammenarbeit] (GIZ) (promotion of light industry districts).

F. Components and expenditure categories

Main components

19. REP has four components: (i) business development services; (ii) technology promotion and dissemination; (iii) enabling MSE development, with two subcomponents: access to rural finance, and institutional capacity-building and policy dialogue; and (iv) programme coordination, monitoring and evaluation.

Expenditure categories

20. The IFAD loan will have seven expenditure categories: (i) civil works; (ii) vehicles, equipment and materials; (iii) technical assistance and studies; (iv) training and workshops; (v) credit and matching grant funds; (vi) salaries and operating costs; and (vii) business advisory centre/rural technology facility operating costs fund.

G. Management, implementation responsibilities and partnerships

Key implementing partners

21. The Ministry of Trade and Industry will act as the implementing agency. Key implementing partners include NBSSI, GRATIS Foundation, Association of Rural Banks (ARB) Apex Bank and the district assemblies.

Implementation responsibilities

22. The Ministry of Trade and Industry will have overall responsibility for the implementation of REP through the national programme coordination and management unit (PCMU) based in Kumasi. The district assemblies will play a central role in coordinating the services, resources and programmes. NBSSI will provide technical support in the effective delivery of business development services facilitated by the business advisory centres. GRATIS Foundation will provide technical backstopping to the rural technology facilities. ARB Apex Bank will monitor the performance of the participating financial institutions.

Role of technical assistance

23. Technical assistance will be provided during supervision and implementation support missions. Additional technical assistance will be recruited as required using national procedures.

Status of key implementation agreements

24. Memorandums of understanding (MOUs) will be signed with NBSSI, GRATIS Foundation and ARB Apex Bank. Based on those used under REP II, the revised MOUs will reflect new design features contained in the updated Programme Implementation Manual, to be finalized at programme start-up.

Key financing partners and amounts committed

25. The total programme cost is US\$185.1 million over eight years. The sources of financing are: IFAD (US\$31.5 million), Government (US\$25.1 million), AfDB (US\$70.0 million), district assemblies (US\$38.4 million), participating financial institutions (US\$6.2 million) and the beneficiaries (US\$13.9 million).

H. Benefits and economic and financial justification

Main categories of benefits generated

26. The purpose of the programme will be to scale up and mainstream nationwide a district-based MSE support system within the public and private institutional systems. The four outcomes will be: (i) business development services accessible to MSEs in all rural districts; (ii) technical skills transferred and technologies disseminated; (iii) access of MSEs to finance ensured; and (iv) pro-poor MSE support institutions and policies in place.

Economic and financial viability

27. The economic and financial analysis was based on parameters developed under REP II. The analysis shows that the programme has the capacity to generate an economic rate of return of about 21.9 per cent over a 20-year period. In the baseline case, 7.5 per cent of the 485,500 participants of a business advisory centre activity establish a successful business, which corresponds to 36,400 new businesses generating sustainable profits. A 10 per cent increase in costs or a 10 per cent decrease in benefits would reduce the rate of return by around 3 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

28. Knowledge management will be undertaken at two levels: (i) assistance will be given to NBSSI and GRATIS Foundation in developing technical knowledge so that they in turn are able to support the business advisory centres and rural technology

facilities with information, training modules, and innovative approaches and technologies; and (ii) the PCMU, in close collaboration with the Ministry of Trade and Industry's SMEs and Technology Division, will analyse the model for MSE promotion in order to further improve implementation and contribute significantly to sector policy and institutional reform.

Development innovations that the programme will promote

29. REP II has led to the emergence of a range of innovations that will be promoted systematically as the programme is scaled up. Examples include: (i) the use of capable clients as local service providers; (ii) the light industry district concept; (iii) the establishment of the MSE subcommittees within the district assemblies to mainstream MSE development in the local government system and; (iv) an innovative M&E system, based on web-based geographic information system technology.

Scaling-up approach

30. REP will be implemented in three phases over eight years. The PCMU will work with its partners to ensure geographic expansion in the first three years. During the second phase (years 4-6), responsibility for implementation will be transferred to national institutions and partners. During the third phase (years 7 and 8), the role of the PCMU will be limited to ensuring fiduciary aspects, technical backstopping of component implementation, monitoring of outcomes and impact. After programme completion, the PCMU will be integrated into the Ministry of Trade and Industry's Technology and SME Division.

J. Main risks

Main risks and mitigation measures

31. The main risks for the programme include: (i) low or delayed disbursements from district assemblies; and (ii) irregular quality of business advisory centre and rural technology facility staff recruited by the district assemblies. To mitigate these risks, the programme will: (i) prepare the MSE subcommittees and district assemblies through specific orientation courses and mainstream the district-level directorates for trade and industry; and (ii) apply guidelines for recruitment of staff by district assemblies and provide orientation seminars and appropriate training.

Environmental classification

32. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

33. The business advisory centres and rural technology facilities will be integrated into and financed by the local government system with costs partially recovered from the clients. REP has clear targets for the cost effectiveness and efficiency of these services to ensure their affordability. By completion, all recurrent costs of the business advisory centres and rural technology facilities will be borne by the district assemblies. The rural enterprise development fund, a revolving credit fund, will be operated on a commercial basis beyond the loan closing date by ARB Apex Bank through the participating finance institutions.

II. Legal instruments and authority

34. A programme financing agreement between the Republic of Ghana and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
35. The Republic of Ghana is empowered under its laws to receive financing from IFAD.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

37. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Republic of Ghana in an amount equivalent to nineteen million seven hundred thousand special drawing rights (SDR 19,700,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Rural Enterprises Programme"

(Negotiations concluded on 26 July 2011)

Loan Number: [click and insert number]

Programme Title: Rural Enterprises Programme (the "the Programme")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Republic of Ghana (the "Borrower"), through the Ministry of Finance and Economic Planning

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHEREAS the Borrower, the Fund and the African Development Fund (ADF) have agreed to co-finance the Programme. The Borrower shall provide a contribution of approximately USD 63 500 000; IFAD shall extend a loan of SDR 19 700 000 and the ADF intends to extend a loan of approximately USD 70 000 000;

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is SDR 19 700 000.

2. The Loan is granted on highly concessional terms. In accordance with Section 5.01 (a) of the General Conditions, loans granted on highly concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

3. The Loan Service Payment Currency shall be the United States Dollars.

4. The first day of the applicable Fiscal Year shall be the first of January.
5. Payments of principal and service charge shall be payable on each 15 January and 15 July. The Borrower shall repay the outstanding principal amount of the loan in 60 semi-annual instalments of SDR 328,294 each, payable on each 15 January and 15 July, commencing on 15 January 2022 and ending on 15 January 2051, and one final instalment of SDR 328,294 payable on 15 July 2051.
6. The Borrower shall open a Designated Account in the Bank of Ghana or another commercial bank acceptable to the Fund for the purposes of financing the Programme with IFAD loan proceeds.
7. There shall be several Programme Accounts denominated in Ghana cedis for the benefit of the Programme Parties which shall be opened in commercial banks acceptable to the Fund. A Programme Account to manage IFAD funds shall be operated directly by the Programme Co-ordination and Management Unit (PCMU). Separate Programme Accounts shall be operated by each relevant Programme Party.
8. The Borrower shall provide counterpart financing for the Programme in the amount of approximately sixty three million five hundred thousand United States dollars (USD 63 500 000) equivalent. The counterpart financing may be in the form of tax exemptions and direct funding to the PCMU, the District Assemblies (DAs), the National Board for Small Scale Industries (NBSSI), the GRATIS Foundation and the ARB Apex Bank.

Section C

1. The Lead Programme Agency shall be the Ministry of Trade and Industry.
2. The following are designated as additional Programme Parties: DAs, the NBSSI, the GRATIS Foundation, the Bank of Ghana (BoG) and the ARB Apex Bank.
3. The Programme Completion Date shall be the eighth anniversary of the date of entry into force of this Agreement.

Section D

The Loan shall be administered and the Programme supervised by the Fund.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The National Programme Director has been removed from the Programme without the prior concurrence of the Fund.
 - (b) The right of the Borrower to withdraw the proceeds of the Co-Financing Agreement with the ADF has been suspended, cancelled or terminated, in whole or in part.
2. The following are designated as additional general conditions precedent to withdrawal:
 - (a) The Designated Account and the Programme Account shall have been duly opened by the Borrower.

(b) The National Programme Director shall have been duly appointed by the Lead Programme Agency with the prior no-objection of the Fund.

3. This Agreement is subject to ratification by the Borrower.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

For the Borrower:

Ministry of Finance and
Economic Planning of the
Republic of Ghana
P.O. Box M40
Accra, Ghana

This Agreement, dated [click and type], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

For the Fund
[insert name and title]

For the Borrower
[insert name and title]

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall benefit the entrepreneurial poor, which are mostly members of poor rural families that are able to convert the capacity-building support from the Programme into productive assets without or with barest additional investment support. The Programme shall be implemented in all rural districts nationwide, with focus in the rural areas covered by the District Assemblies (the "Programme Area").

2. *Goal.* The goal of the Programme is to improve the livelihoods and income of rural poor micro and small entrepreneurs.

3. *Objective.* The objective of the Programme is to increase the number of rural micro and small enterprises (MSEs) that generate profit, growth and employment opportunities. The scope is to upscale and mainstream a district-based MSEs support system nationwide within the public and private institutional system.

4. *Components.* The Programme shall consist of the following Components:

4.1 Component 1: Business Development Services. Through this component, the Programme shall upgrade the technical and entrepreneurial skills of MSEs by providing access to business development services (BDS). The Business Advisory Centers (BACs), which function under the District Assemblies (DAs), will act as facilitators for the BDS, which will be mainly delivered through private operators. In collaboration with the National Board for Small-Scale Industries (NBSSI) and the DAs, the Programme shall set up new BACs to provide national coverage. Under this component, the Programme shall finance equipment, material, vehicles and office refurbishment. For the new BACs, the Programme shall also support a part of their recurrent costs as well as initial training of staff, which will be subsequently borne by the DAs and cost recovery mechanisms to be developed during Programme implementation. All BACs shall receive support from the Programme to mobilize services to MSE clients and their local business associations.

4.2 Component 2: Technology promotion and dissemination. Under this component, the Programme shall upgrade the level of technology of the rural MSE sector through technical skills training and technology dissemination. For this purpose, the Rural Technology Facilities (RTFs) will be the main providers of training and counselling services. In order to provide nationwide coverage, the Programme shall establish around 30 additional RTFs under a partnership arrangement with the DAs and GRATIS Foundation. Through this component, the Programme shall finance small infrastructure, equipment and initially a share of the recurrent costs of the RTFs. In addition to the creation and support of RTFs, this component shall also: (a) expand the outreach of the skills training through partnership with local institutions such as the Integrated Community Centres for Employable Skills, the Vocational Training Institutes and district-based Technical Institutes; (b) provide basic tools and equipment as start-up kits for graduates of apprenticeship programmes who undergo additional training, have opened a bank account and have obtained a place of business; and (c) test and adjust prototype equipment and enterprise layouts, focusing on key bottlenecks in targeted value chains.

4.3 Component 3: Enabling MSE environment. This component shall create an enabling environment for rural MSEs to operate on a sustainable basis.

4.3.1 *Subcomponent 3.1: Access to rural finance.* Under this subcomponent the Programme shall enhance the access of BAC and RTF clients to finance from Participating Financial Institutions (PFIs), in complementarity with the IFAD-financed Rural and Agricultural Finance Programme (RAFIP) which provides support and capacity building to the PFIs and the financial sector more broadly. Under this subcomponent, the Programme shall: (a) partner with and sensitise well performing PFIs to provide financial services to MSEs, using their equity to invest in viable MSEs; (b) ensure continuance of the Rural Enterprise Development Fund (REDF) as a refinancing facility for the PFIs, using ARB Apex Bank as intermediary; (c) ensure continuance of the Matching Grant Fund (MGF) with an approach targeted more directly toward production; and (d) in close cooperation with RAFIP, provide specialized training for PFIs staff in critical area of credit management for MSEs where there is a capacity gap, offering periodic re-sensitisation and training of the staff of PFIs, commercial banks and BACs on the management of the REDF and the MGF.

4.3.2 *Subcomponent 3.2: Institutional capacity building and policy dialogue.* Under this subcomponent, the Programme shall strengthen and mainstream the MSE support institutions and shall support a strong local and national pro-poor policy dialogue. More specifically, the Programme shall: (a) strengthen and mainstream the Sub-Committee on MSE Promotion through orientation seminars for DAs leaders and training for Sub-Committee's staff; (b) support the effective implementation of Department of Trade and Industry (DOTI) within the DA structure through the sensitisation of the DA leaders and orientation for the staff of the DOTI; (c) create a regional Working Group on Micro and Small Enterprises Development; (d) provide institutional support to the Entrepreneurship Development Department of the NBSSI and to the GRATIS Foundation; and (e) carry out capacity building activities for local business associations and their umbrella organisations, as well as for local service providers.

4.4 Component 4: Programme coordination and M&E. Under this component, the Programme shall fund vehicles, office and communication equipment, planning and review workshops, training of staff, salaries, travel costs and allowances, establishment and implementation of a result-based M&E system, including procurement, installation and deployment of a performance and management information system with Geographic Information System capability.

II. Implementation Arrangements

5. *Lead Programme Agency.*

5.1 Designation. The Ministry of Trade and Industry (MOTI), in its capacity as the Lead Programme Agency, shall have the overall responsibility for the implementation of the Programme.

5.2 Responsibilities. The MOTI shall provide general policy directions for the implementation of the Programme and ensure the coordination with other relevant Ministries, Department and Agencies.

6. *Programme Steering Committee (PSC).*

6.1 Establishment. The Lead Programme Agency shall establish a national PSC.

6.2 Composition. The PSC shall be chaired by the MOTI. Its membership shall include *inter alia* representatives from the Ministry of Finance and Economic Planning, Ministry of Local Government and Rural Development, Ministry of Food and Agriculture, Ministry of Women and Children's Affairs, Ministry of Employment and Social Welfare, National Development Planning Commission, representatives of the private sector, and two

District Chief Executives (DCE) representing the participating districts of REP. From the start of the second phase of the Programme onwards, representatives of NBSSI, GRATIS Foundation and the ARB Apex Bank will participate as non-voting members.

6.3 Responsibilities. The PSC shall orient the Programme implementation strategy, oversee Programme planning, review and approve the AWPBs, review implementation progress and impact, and ensure coordination with other initiative to strengthen the rural MSE sector. The PSC shall meet twice a year and on an ad-hoc basis as and when necessary.

7. *National Programme Coordination and Management Unit (PCMU).*

7.1 Composition. The Programme Coordination and Management Unit of Phase II of the IFAD Rural Enterprises Project in Kumasi will be strengthened to serve as a national PCMU. The PCMU shall be headed by a National Programme Director. PCMU professional staff shall be contracted under procedures acceptable to the Fund, on an open, transparent and competitive basis and have qualifications and experience commensurate with their duties. At the end of each phase of the Programme, the composition of the PCMU team will be assessed and adapted to the need of the Programme implementation. Notwithstanding the above, certain professional staff recruited under the IFAD financed Rural Enterprises Project Phase II (REP II) may be hired directly for the PCMU, provided that: (a) they were selected through competitive recruitment procedures under the REP II; (b) their professional profiles correspond to the needs of the PCMU as defined by the Lead Programme Agency; and (c) IFAD provides its prior no-objection.

7.2 Responsibilities of the PCMU. The PCMU shall be responsible for the implementation of the day-to-day activities of the Programme to ensure the timely, coordinated, and results-oriented delivery of services by stakeholders, as well as the monitoring of performance, progress and impact.

7.3 National Programme Director. The MOTI shall appoint a National Programme Director under the same procedures of the recruitment of professional staff of the PCMU and with the prior no objection of the Fund. The National Programme Director may only be removed by the MOTI with the concurrence of the Fund.

7.4 Responsibilities of the National Programme Director. The responsibilities of the National Programme Director shall include: (i) coordinate and supervise all activities of the PCMU (ii) liaise with the Fund, the ADF and other local authorities; (ii) coordinate the activities of the Programme Parties; (iii) recruitment and appointment of the PCMU staff in consultation with MOTI; (iv) ensure the procurement of goods and services and negotiate contractual arrangements; and (v) coordinate the elaboration of the AWPBs.

8. *District Assemblies (DAs) and MSE Subcommittees.*

8.1 At the district level, the DAs shall play a central role in coordinating the services, resources and programmes of various district-level stakeholders in the implementation of the Programme.

8.2 In each district, the Sub-Committee on MSE promotion shall be responsible for the effective implementation of all initiatives on MSE development. A Desk Office shall be set up in the Ministry of Local Government and Rural Development to ensure linkage with the PCMU on the implementation of the Programme and the performance of the DOTI in the districts.

9. *National Board for Small-Scale Industries (NBSSI).*

9.1 The NBSSI shall support the implementation of the Business Development Services component, together with the DAs.

9.2 The PCMU shall enter into Memorandum of Understanding (MoU) with the NBSSI to describe the role of the NBSSI. Among its responsibilities, the NBSSI shall (a) support the BACs with recruitment of staff, training and preparation of material; (b) monitor activities; and (c) prepare and implement the Annual Performance Plans and Budgets regarding these activities.

10. *GRATIS Foundation.*

10.1 The GRATIS Foundation shall support the implementation of the Technology Promotion and Dissemination component.

10.2 The PCMU shall enter into a MoU with the GRATIS Foundation to describe the role of the GRATIS Foundation. Among its responsibilities, the GRATIS Foundation shall: (a) recruit and appoint the manager, the workshop supervisor and the driver of the RTFs; (b) build technical capacity of RTF staff; (c) monitor and provide technical backstopping in the delivery of TPD; (d) collate information on rural technology development and promotion activities.

10.3 For each new RTF created under this component, a tripartite MoU shall be entered between the PCMU, the involved DA and GRATIS Foundation.

11. *Bank of Ghana (BoG).*

11.1 The BoG shall support the implementation of the Access to Rural Finance subcomponent.

11.2 The PCMU shall enter into a MoU with the BoG to describe its role. The BoG shall continue the management of the REDF by making the funds revolved from the IFAD-financed phase II of the IFAD Rural Enterprises Project available through commercial banks and make funds available to other PFIs through the ARB Apex Bank. The PFIs accredited by the BoG under the REP II will continue to access the REDF funds under this Programme, based on the existing agreements between BoG and the PFIs. These PFIs will also automatically qualify for incremental REDF funds managed by the ARB Apex Bank, subject to their ability to prove continued compliance with the minimum performance criteria for accessing funds through this refinancing facility.

12. *ARB Apex Bank.*

12.1 The ARB Apex Bank shall support the implementation of the Access to Rural Finance subcomponent.

12.2 The PCMU shall enter into a MoU with the ARB Apex Bank to describe the kind of support provided. The ARB Apex Bank will manage the incremental REDF funds and matching grants to PFIs; act as an intermediary for the disbursement of funds to Rural and Community Banks; provide capacity building support for the PFIs accredited to access the MGF and REDF.

13. All MoUs with the Programme Parties mentioned in paragraphs 9.2, 10.2, 11.2 and 12.2 above are subject to prior no objection of the Fund.

14. *Phasing.* The Programme will be implemented in 3 phases over 8 years. The PCMU, in close collaboration with other Programme Parties, will ensure the geographic expansion of the area served by BACs and RTFs in the first phase (1st year to 3rd year). During the second phase (4th year to 6th year), the responsibility for Programme implementation will be transferred to national institutions and partners. During the third phase (7th year to 8th year), the role of the PCMU will be limited to ensuring fiduciary aspects, technical backstopping of component implementation, monitoring of outcomes and impact.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage of Financing
I. Civil Works	260 000	100% net of taxes
II. Vehicles, materials and equipment	1 120 000	100% net of taxes and PFI contributions
III. Technical assistance and studies	660 000	100% net of taxes
IV. Training and workshops	8 020 000	100% net of taxes, clients and PFI contributions
V. Credit funds and matching grant	3 320 000	100% net of clients, government and PFI contributions
VI. Salaries and operating costs	2 630 000	100% net of taxes, PFIs and government contributions
VII. BAC/RTF operating cost fund	1 720 000	100% net of DAs contributions
Unallocated	1 970 000	
TOTAL	19 700 000	

(b) The above allocation table excludes all costs related to the TPD component (component 2), the BAC network in Southern regions of Ghana (component 1), institutional capacity building (component 3.2), as well as the related management and M&E costs which will be borne by the ADF.

2. *Start-up costs.* Withdrawals in respect of expenditures for start-up costs in categories III. IV. and VI. incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 80 000 equivalent.

Key reference documents

IFAD reference documents

Project design document (PDD) and key files

Country strategic opportunities programme (COSOP)

Administrative Procedures on Environmental Assessment

Logical framework

Results Hierarchy	Indicators ¹ (* RIMS indicator)	Means of Verification	Assumptions
Goal: To improve the livelihoods and income of rural poor micro and small entrepreneurs	<ul style="list-style-type: none"> Reduced % of rural poverty prevalence Reduced unemployment rates (by gender) Reduced prevalence of child malnutrition 	<ul style="list-style-type: none"> National household expenditures surveys National statistics on Millenium Development Goals 	
Development Objective: To increase the number of rural micro and small enterprises that generate profit, growth and employment opportunities	<ul style="list-style-type: none"> 100 000 employment opportunities created (by gender & age)* 36 400 businesses created (by gender & age)* 70 000 MSEs strengthened (by gender & age) 20 000 enterprises graduating from survival to normal and rapid growth categories (growth measure) (by gender & age) 38 000 enterprises in operation after 3 years (sustainability measure)* (by gender & age) 30% increase in household income 	<ul style="list-style-type: none"> REP database Reference surveys, studies Tracer study Client profile and poverty analysis 	
Outcome 1: Business development services accessible to MSEs in rural districts	<ul style="list-style-type: none"> At least 150 operational REP model business advisory centres (BACs) Turnover of BACs (target: US\$25,000) 	<ul style="list-style-type: none"> REP & NBSSI records 	<ul style="list-style-type: none"> Decentralization policy remains supportive for integration of BAC in DA. Successful restructuring of NBSSI.
	<ul style="list-style-type: none"> Level of institutional performance of BACs (average efficiency of 0.80 by year 8) 	<ul style="list-style-type: none"> Institutional performance surveys 	
	<ul style="list-style-type: none"> Level of effectiveness (60%) of business development services training 	<ul style="list-style-type: none"> Tracer study 	
Outcome 2: Technical skills transferred and technologies disseminated	<ul style="list-style-type: none"> At least 51 operational rural technology facilities (RTFs) Turnover of RTFs (target: US\$20,000) 23 000 National Vocational Training Institute certifications Training aligned with Council of Technical Vocational and Educational Training 	<ul style="list-style-type: none"> GRATIS records REP database & reports 	<ul style="list-style-type: none"> Decentralization policy remains supportive for sustainability of RTFs. Co-financing available in time GRATIS Foundation continues support to RTFs.
	<ul style="list-style-type: none"> Level of effectiveness (60%) of training & start-up kits (by gender) 	<ul style="list-style-type: none"> Tracer-study 	
Outcome 3: Access of MSEs to finance is ensured.	<ul style="list-style-type: none"> 27,000 active borrowers of which at least 50% women (by gender and age)* % reduction of portfolio at risk* 	<ul style="list-style-type: none"> BAC quarterly reports Participating financial institutions (PFIs) quarterly reports REP reports 	<ul style="list-style-type: none"> Effective linkages with other IFAD projects (mainly the Rural and Agricultural Finance Programme) PFIs' capacities remain sufficient to handle a portfolio of small loans
Outcome 4: Pro-poor MSE support institutions and policies in place	<ul style="list-style-type: none"> Disbursement rate of district assemblies (DAs) at least at 80% NBSSI is operational knowledge centre for BACs GRATIS is operational knowledge centre for BACs 	<ul style="list-style-type: none"> MSE sub-committee reports Supervision reports 	<ul style="list-style-type: none"> NBSSI and GRATIS are restructured and have capacity to fulfil their role.

¹ Targets represent extrapolations from performance experienced under REP II. They will be revised upon completion of the reference surveys.