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Investing in rural people

President's report

Proposed loan and grant to the Republic of Ghana for the Ghana Agricultural Sector Investment Programme (GASIP)

Note to Executive Board representatives

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For: **Approval**

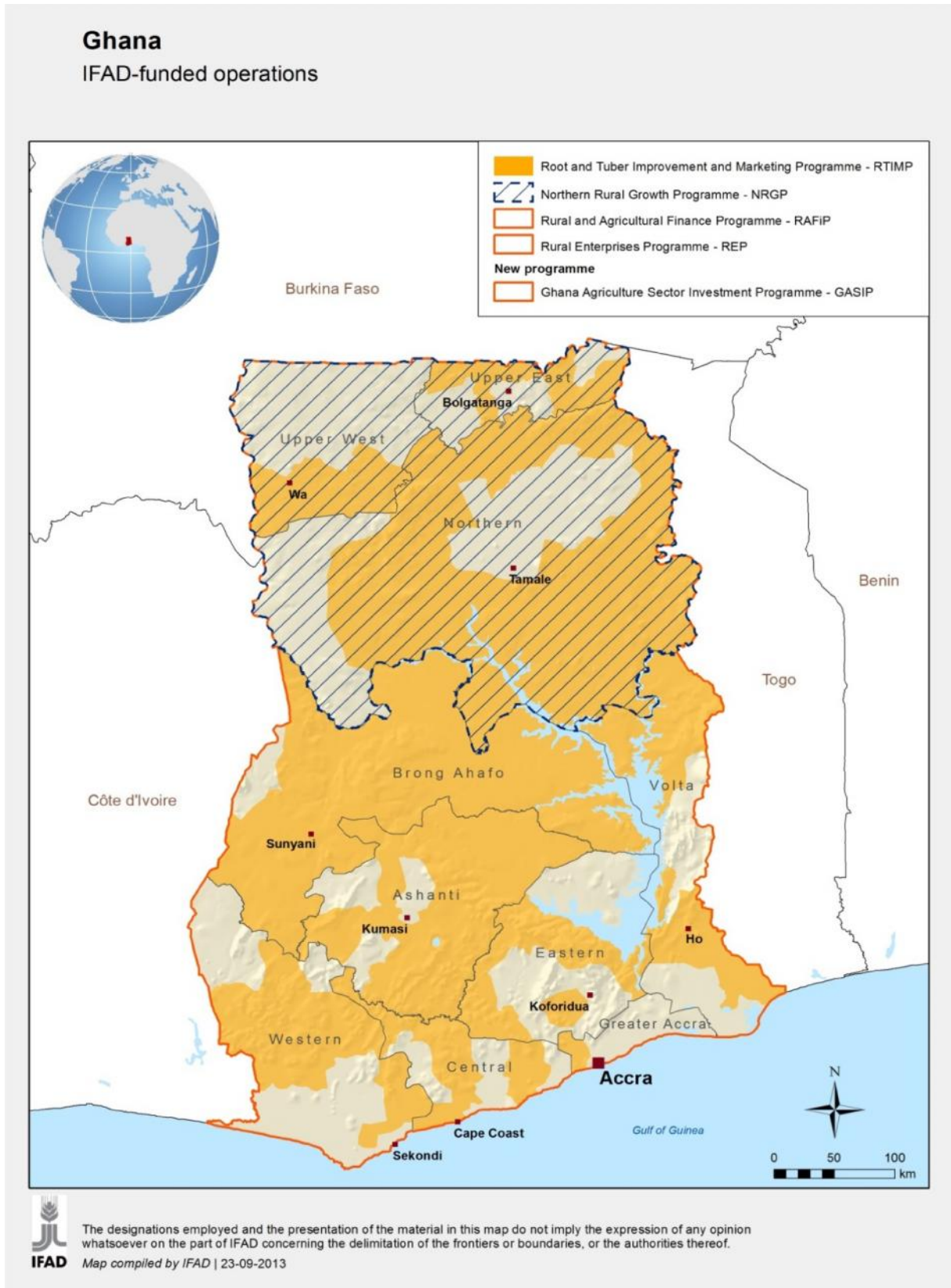
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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
AWP/B	annual workplan and budget
FBO	farmer-based organization
GASIP	Ghana Agricultural Sector Investment Programme
IRM	inter-cycle review mission
M&E	monitoring and evaluation
MOFA	Ministry of Food and Agriculture
PBAS	performance-based allocation system
PCU	programme coordination unit
PFI	participating financial institution
VCC	value chain committee
ZPO	zonal programme office

Map of the programme area



Republic of Ghana

Ghana Agricultural Sector Investment Programme (GASIP)

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Ghana
Lead programme agency:	Ministry of Food and Agriculture
Total programme cost:	US\$113.0 million
Amount of IFAD loan:	SDR 23.7 million (equivalent to approximately US\$36.6 million)
Amount of IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund grant:	SDR 6.5 million (equivalent to approximately US\$10 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with an interest rate of three quarters of one per cent (0.75 per cent) per annum
Expected additional financing to be sought from IFAD in 2016-2018	US\$35 million
Contribution of borrower/recipient:	US\$7.6 million
Contribution of districts:	US\$1.7 million
Cofinancing by participating financial institutions:	US\$17.5 million
Contribution of beneficiaries:	US\$4.6 million
Appraising institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Ghana for the Ghana Agricultural Sector Investment Programme (GASIP), as contained in paragraph 53.

Proposed loan and grant to the Republic of Ghana for the Ghana Agricultural Sector Investment Programme (GASIP)

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Between 1991 and 2006, the poverty profile of Ghana improved remarkably both at national level and in urban areas. Nevertheless, social inequality and rural poverty remains the most pressing challenge facing the Government of Ghana. Household food insecurity is a particular concern in the Northern, Upper East and Upper West Regions, where respectively 20 per cent, 38 per cent and 24 per cent of households are food-insecure.¹ The Government's Medium Term Agriculture Sector Investment Plan aims at giving food crop production a more commercial orientation in order to enhance smallholders' incomes and reduce structural food insecurity and poverty in rural areas.
2. With approximately 90 per cent of farm holdings being less than 2 hectares, Ghanaian agriculture is still dominated by traditional smallholder farms. Rural poor and food-insecure households are mainly smallholder food crop farmers with limited access to factor and output markets. This results in low productivity of land and labour, poverty, low investment capacity and lack of opportunities for young people. Rural women and girls contribute significantly to farm labour.
3. Domestic and regional demand for food crops is strong, and agribusinesses are interested in working with smallholders, but they are asking for more formalized business relationships along the value chains.
4. The focus on employment opportunities for rural youth is one of the Government's top priorities. High migration rates, particularly of young men because of the lack of economic opportunities, are resulting in an ageing and generally less dynamic rural population, high rates of youth unemployment, underemployment and social inequality.
5. Agriculture, which is predominantly rainfed in Ghana, is affected by climate-related hazards. These include: (i) water stress for crops given increasing dry spells, in addition to periodic droughts; (ii) degradation and erosion of arable land (with compound effects across wider landscapes); and (iii) intermittent floods and the resulting damage to critical infrastructure.

B. Rationale and alignment with government priorities and RB-COSOP

6. The Ghana Agricultural Sector Investment Programme (GASIP) will contribute to the realization of the Medium Term Agriculture Sector Investment Plan, which provides the road map for the Comprehensive Africa Agriculture Development Programme compact in Ghana. The Ministry of Food and Agriculture (MOFA) will

¹ World Food Programme, in collaboration with the Ministry of Food and Agriculture and the Ghana Statistical Service, Comprehensive Food Security and Vulnerability Analysis of the Upper East, Upper West and Northern Region, 2012.

implement GASIP with the aim of promoting a “standard setting approach” that will drive its policy, and serve as a core investment for developing value chains in Ghana and for aligning complementary, parallel financing as per the results-based country strategic opportunities programme (RB-COSOP). GASIP is built along four strategic axes: (i) linking of smallholder farmers to agribusinesses to enhance pro-poor growth; (ii) nationwide scaling up of a successful value chain investment approach; (iii) promotion and mainstreaming of climate change resilience approaches in Ghana, in particular in the northern regions, financed through the Adaptation for Smallholder Agriculture Programme (ASAP); and (iv) knowledge management, harmonization of intervention approaches and policy optimization.

7. The programme will provide a framework and institutional basis for a long-term engagement for scaling up investments in private-sector-led pro-poor agricultural value chain development. MOFA has invited key development partners supporting the agriculture sector to a stakeholder process geared towards making GASIP a sector-wide approach. To avoid the classic weaknesses of past sector-wide approaches (rigid mechanism, lack of focus and broad visible impact, long start-up phase), it was decided to use the achievements of the IFAD-financed Northern Rural Growth Programme and the Root and Tuber Improvement and Marketing Programme as starting points, and to use the first cycle of GASIP to develop tools for a flexible sector-wide approach.

II. Programme description

A. Programme area and target group

8. GASIP will be national in scope and governed by a demand- and market-driven approach. Districts, farmer-based organizations (FBOs), businesses and individuals will have access to programme benefits based on their eligibility for support, coupled with opportunities for viable value chain ventures. The programme will make resources available for value chain development in 160 districts by the end of the first cycle (programme year [PY] 3), and in at least a total of 180 districts by the end of the second cycle (PY6), while deepening the impact and outreach in the districts covered in the first cycle.
9. The programme will target smallholder farmers and resource-poor rural people, in particular women, youth (15-24 years) and young adults (25-34 years). The ASAP Trust Fund grant will target households that are vulnerable to shocks induced by climate change, particularly in the three northern regions, which are, ecologically and socially, the most vulnerable to climate-related risks.

B. Programme development objective

10. The overall goal of GASIP is to contribute to sustainable poverty reduction in rural Ghana. The programme development objective is that agribusinesses, including smallholders, have enhanced their profitability and climate change resilience.
11. The impact indicators of the programme development objective will measure:
 - (i) outreach to smallholders, including women, youth and young adults;
 - (ii) profitability of interventions at all stages of the value chain; and
 - (iii) implementation of climate change adaptation measures.

C. Components/outcomes

12. GASIP will be structured in three complementary components: value chain development; rural value chain infrastructure; and knowledge management, policy support and coordination.
13. **Component 1: Value chain development.** Under this component, the programme will develop agribusiness linkages, enabling smallholder farmers to access factor and output markets reliably through agribusiness agreements. Programme support will include the analysis of value chains, facilitation support for value chain committees (VCCs), technical and institutional capacity-building of

FBOs and other stakeholders, and innovation mainstreaming. To ensure increased and systematic access to and use of short- and long-term financing for value chain businesses, the programme will strengthen the capacity of rural and community banks and support universal banks in strategic and operational development for structured trade finance; promote finance leasing, venture capital and other equity-style investments; promote equity development in rural and community banks through direct investment and linkage with larger banks and through grant mechanisms; and match the equity of high-potential, weakly capitalized value chain actors to leverage finance for investments in equipment and infrastructure.

14. As an integral part of the value chain development component, the programme will enhance climate change resilience through the broad promotion of technologies proven elsewhere. In particular, it will (i) undertake commercially valid adaptive trials and demonstrations of modern conservation agriculture techniques under rainfed conditions and in situ rainwater conservation techniques; (ii) carry out demonstrations of efficient water-use techniques within new and existing irrigation systems; and (iii) support institutional capacity-building and enhanced public awareness of private and public value chain actors in the field of climate change resilience, and bring to the fore of any training delivered under its auspices the concepts of climate change resilience and adaptation. Initial funding will be provided through the ASAP grant. Continued promotion will thereafter be mainstreamed in the existing support instruments, including the IFAD financing and other official development assistance funds.
15. **Component 2: Rural value chain infrastructure.** The programme will leverage investments in (i) productive infrastructure and facilities for the selected value chains that are planned to be operated by a private-sector entity for the benefit of all value chain participants, and (ii) essential public infrastructure, such as roads, rural electrification to enable pump irrigation and processing, small dams, water management and water-harvesting schemes. Investments made in water-harvesting and control infrastructure will be financed initially by the ASAP grant and then by the IFAD financing and other development assistance funding.
16. **Component 3: Knowledge management, policy support and coordination.** The programme will create an enabling policy and regulatory environment for smallholders to participate in profitable and climate change-resilient agricultural value chains and ensure coordination, management, and monitoring and evaluation (M&E).

III. Programme implementation

A. Approach

17. GASIP is designed as a long-term programme that will be implemented in cycles of three years each. This programme design covers the first two cycles (six years). Prior to the end of each cycle, an inter-cycle review mission (IRM) will be organized to assess progress and prepare the next cycle. Each IRM will consider to what extent (i) the approach is effective in reducing rural poverty; and (ii) qualified investment proposals from each component are ready for the next phase.
18. The selection, screening and evaluation of value chains will be a continuous, demand-led task. The programme will initially concentrate on cassava, yam, maize, sorghum, fruits and vegetables, as well as conservation agriculture. It will add value chains based on demand, financial and economic viability and expected benefits of the support for the target group. A continuous process of value chain analyses will lead to a wealth of value chain information and feed the logical framework, guide implementation and be used as baseline and reference material for the IRM.

B. Organizational framework

19. MOFA will have overall responsibility for programme implementation. A national programme steering committee will orient programme strategy, oversee planning, review progress and ensure linkages with related entities. The programme coordination unit (PCU) will be based in Accra and ensure overall programme coordination. Three zonal programme offices (ZPOs) will ensure programming, and coordinate and monitor the implementation of activities under the leadership of the PCU. Specialized services will be largely outsourced to value chain facilitators, public services, specialized technical service providers and participating financial institutions (PFIs) on the basis of performance-based contracts. In line with decentralization, coordination will gradually be mainstreamed into the regional and district structures, based on institutional assessments and recommendations made by the IRMs. Programme start-up, value chain analyses and detailed business planning for the uptake of new commodities will be backstopped by technical assistance as needed. A small grant of US\$500,000 will be provided by IFAD to strengthen MOFA's capacity and leadership in planning and implementing procedures and systems for agricultural development in Ghana. As a corollary benefit, this would also support the readiness of GASIP.

C. Planning, monitoring and evaluation, and learning and knowledge management

Planning

20. The programme will be implemented on the basis of an approved rolling two-year annual workplan and budget (AWP/B), drawn from an overall cycle plan, in which yearly activities and budget allocations are estimated at the start of the cycle. Each year, a participatory planning process will take place at the district, regional and zonal level to ensure strong stakeholder participation and ownership of the programme. The planning will be guided by: (i) annual budget ceilings that will be provided by the ZPO; (ii) the components and targets set for each expected outcome and output; and (iii) the half-yearly progress reports and participatory outcome assessments. The consolidated AWP/B will be submitted to the national programme steering committee for review and approval prior to submission to the various financiers for non-objection.

Monitoring and evaluation

21. The logical framework of GASIP will form the basis for measuring outputs, outcomes and impact. The M&E system will take targeting of women and young people into account by, whenever possible, disaggregating data by gender and age. The PCU will gather information from each ZPO and compile it in comprehensive reports, namely the AWP/B, and quarterly, half-yearly and annual reports. It will also verify the quality of internal monitoring by the ZPOs and conduct participatory outcome assessments and ad hoc studies.
22. Inter-cycle review missions will take place around one year before the end of each cycle. This will allow detailed planning and budgeting of the next cycle, including required redesign and additional funding requests. A reference study comparing the present status of outcome and impact indicators with the baseline will be carried out in due time to feed into the IRM.

Learning and knowledge management

23. Learning and knowledge management play a central role in GASIP's innovation mainstreaming and scaling-up agenda. The M&E system will focus on the efficiency and effectiveness of value chain development tools and provide learning backed by rigorous data collection and scientifically accepted evidence to fine-tune the models for systematic scaling up. Knowledge management is also at the heart of IFAD's partnership efforts and policy dialogue with the Government. Institutional learning will be furthered by six-monthly coordination meetings organized by the PCU, where good practices and challenges can be shared among the partners.

24. Facilitated by the ASAP grant, learning and knowledge management related to smallholder adaptation to climate change will focus on policy issues and on the promotion of local adaptation measures. It will generate publications, technical notes, briefs and other communication materials that will be disseminated in-country and through international networks. In addition, the programme will encourage cross-learning within the country and with other countries in the region in order to scale up good adaptation practices.

D. Financial management, procurement and governance

Financial management

25. An assessment of the financial management system was carried out to verify compliance with IFAD's requirements in terms of fiduciary risk. This risk, deemed potentially high due to a wide geographic spread, particularly in remote and underserved areas of the country, and weak financial accounting and reporting capacity at decentralized levels, will be mitigated to "medium" by a set of measures. These include recruitment and training of qualified financial staff, quarterly financial reporting and regular joint monitoring of GASIP accounts by the PCU, IFAD and MOFA, each within the context of its remit. Regular, risk-based, internal audit will be carried out by trained MOFA staff, and internal audit reports made available to the PCU and IFAD. An independent external audit of the programme's financial records will be carried out annually, in accordance with IFAD's guidelines.
26. The programme's financial management arrangements will gradually be aligned with government systems, subject to a careful evaluation of feasibility during implementation.
27. **Budgeting.** AWP/Bs will be prepared by the PCU in collaboration with MOFA partners, for the approval of the national programme steering committee and IFAD.
28. **Flow of funds.** The IFAD loan and ASAP grant will be channelled through two designated accounts, operated following the imprest modality. A programme account will be opened and managed at the PCU level and three accounts will be opened for each ZPO. These accounts will be replenished from the designated accounts for expenditures managed at PCU and ZPO level, respectively.

Procurement

29. Procurement of goods and services financed by the IFAD loan and ASAP grant will be undertaken in accordance with national procurement procedures, which conform to IFAD's Project Procurement Guidelines. However, IFAD's procedures will supersede the borrower's/recipient's procedures in case of inconsistencies between the two. Procurement of services, equipment, materials and vehicles will be subject to the appropriate procurement methods, in consideration of the approved thresholds. Overall procurement responsibility at all levels will rest with the PCU and the ZPOs, and will be guided by annual procurement plans.

Governance

30. Ghana's fiduciary environment is considered broadly adequate. The Government has made progress in strengthening its public financial management systems. Measures to enhance good governance in implementation include: (i) institutional capacity-building of FBOs and VCCs; (ii) bottom-up participatory evaluation and programming meetings; (iii) capacity-building of programme staff, implementing agencies and district assemblies in financial management and procurement; (iv) interim financial reporting; and (v) internal and external audit.

E. Supervision

31. Supervision will be carried out directly by IFAD, in collaboration with the Government and the cofinanciers. The supervision plan will include two supervision

missions annually in the first two years. Additional implementation support missions will be organized by the IFAD country office as needed. During the first year, supervision and implementation support will focus on (i) the efficiency of the scaling-up process; (ii) the AWP/B preparation process; (iii) progressive involvement of decentralized structures in programming, implementation monitoring and financial management; (iv) the operational capacity of the PCU and ZPOs; and (v) the adequacy of the financial management arrangements.

IV. Programme costs, financing, benefits

A. Programme costs

32. Overall programme costs over six years, including contingencies, taxes and duties, are estimated at US\$113.0 million or the equivalent of 297.9 million Ghanaian cedis (GHS) (table 1).

B. Programme financing

33. A total of US\$71.6 million of IFAD funding is expected to be mobilized for GASIP in the first two funding cycles of three years each (table 2). GASIP will absorb the entire balance of IFAD's 2013-2015 performance-based allocation system (PBAS) allocation of US\$36.6 million for Ghana in the form of a highly concessional loan, in addition to US\$10 million funding in the form of an ASAP grant for climate change adaptation activities. Subject to availability, additional financing of US\$35 million is expected to be earmarked from the 2016-2018 PBAS cycle, for which a separate design will be developed and approval will be sought. The Government will finance taxes and duties on value added tax and imported goods for a total amount of US\$7.6 million. The PFIs are expected to provide credit of at least US\$17.5 million. Beneficiaries' contributions in cash or kind are estimated at US\$4.6 million, and cofinancing from the districts at US\$1.7 million
34. Further cofinancing opportunities will be explored by the Government and the IFAD country office during the pre-project phase and the first cycle to increase outreach and scope and/or to deepen programme impacts.
35. The programme is intended as a flexible, long-term engagement and a framework for scaling up proven models based on a three-year planning, implementation, evaluation and learning cycle. This cycle can be linked to IFAD's PBAS cycles, with the option to provide additional complementary financing to future programme cycles subject to performance, absorptive capacity and availability.

Table 1
Programme costs by component

	(GHS '000)			(USD '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Value Chain Development								
1. Agribusiness Linkages Development	39.876	4.523	44.399	19.938	2.261	22.200	10	20
2. Value Chain Financing	24.313	41.407	65.720	12.156	20.704	32.860	63	30
3. Climate Change Resilience	14.185	10.122	24.308	7.093	5.061	12.154	42	11
Subtotal Value Chain Development	78.374	56.052	134.427	39.187	28.026	67.213	42	61
B. Rural Value Chain Infrastructure								
1. Commercial Infrastructure and Facilities	14.865	4.875	19.740	7.433	2.438	9.870	25	9
2. Enabling Public Infrastructure	27.930	9.210	37.140	13.965	4.605	18.570	25	17
Subtotal Rural Value Chain Infrastructure	42.795	14.085	56.880	21.398	7.043	28.440	25	26
C. Knowledge Management and Programme Coordination								
1. Knowledge Management & Policy Optimization	4.257	1.083	5.341	2.129	542	2.670	20	2
2. Coordination, M&E	21.512	3.710	25.222	10.756	1.855	12.611	15	11
Subtotal Knowledge Management and Programme Coordination	25.769	4.793	30.562	12.885	2.396	15.281	16	14
Total BASELINE COSTS	146.939	74.930	221.869	73.469	37.465	110.934	34	100
Physical Contingencies	-	34	34	-	17	17	100	-
Price Contingencies	50.381	25.607	75.988	1.349	687	2.036	34	2
Total PROJECT COSTS	197.319	100.572	297.891	74.818	38.169	112.987	34	102

Table 2
Expenditure accounts by financiers
(Thousands of United States dollars)

Republic of Ghana
Ghana Agriculture Sector Investment Programme (GASIP)
Expenditure Accounts by Financiers

	IFAD 1		IFAD 2		ASAP		Government		District Assembly		Local Banks		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs																
A. Civil Works	13 018	45.1	6 848	23.7	1 510	5.2	4 325	15.0	1 661	5.8	-	-	1 473	5.1	28 833	25.5
B. Vehicles, Goods and Equipment																
Vehicles and Motorbikes	504	75.0	-	-	-	-	168	25.0	-	-	-	-	-	-	672	0.6
Equipment	812	13.7	1 805	30.4	2 726	45.9	602	10.1	-	-	-	-	-	-	5 945	5.3
Goods	-	-	1 154	32.5	1 512	42.6	568	16.0	-	-	-	-	317	8.9	3 552	3.1
Subtotal Vehicles, Goods and Equipment	1 316	12.9	2 959	29.1	4 239	41.7	1 338	13.2	-	-	-	-	317	3.1	10 170	9.0
C. Services																
1. National Technical Assistance	795	62.5	139	10.9	234	18.4	104	8.2	-	-	-	-	-	-	1 271	1.1
2. International Technical Assistance	1 762	80.0	-	-	442	20.0	0	-	-	-	-	-	-	-	2 203	2.0
3. Training	5 871	25.2	12 915	55.4	3 380	14.5	1 084	4.6	-	-	58	0.2	-	-	23 307	20.6
4. Workshops	827	55.6	587	39.4	-	-	74	5.0	-	-	-	-	-	-	1 489	1.3
5. Consultancies	4 916	76.8	1 031	16.1	197	3.1	261	4.1	-	-	-	-	-	-	6 405	5.7
Subtotal Services	14 171	40.9	14 672	42.3	4 252	12.3	1 522	4.4	-	-	58	0.2	-	-	34 676	30.7
D. Financing Support																
Credit PFI	-	-	-	-	-	-	-0	-	-	-	17 416	86.0	2 835	14.0	20 251	17.9
Grants	3 583	41.3	5 097	58.7	-	-	0	-	-	-	-	-	-	-	8 679	7.7
Subtotal Financing Support	3 583	12.4	5 097	17.6	-	-	0	-	-	-	17 416	60.2	2 835	9.8	28 930	25.6
Total Investment Costs	32 088	31.3	29 575	28.8	10 000	9.7	7 185	7.0	1 661	1.6	17 474	17.0	4 625	4.5	102 609	90.8
II. Recurrent Costs																
A. Salaries	3 141	46.1	3 676	53.9	-	-	-	-	-	-	-	-	-	-	6 817	6.0
B. Allowances	682	46.9	773	53.1	-	-	-	-	-	-	-	-	-	-	1 455	1.3
C. Operation and Maintenance	688	32.7	976	46.3	-	-	442	21.0	-	-	-	-	-	-	2 107	1.9
Total Recurrent Costs	4 512	43.5	5 425	52.3	-	-	442	4.3	-	-	-	-	-	-	10 379	9.2
Total PROJECT COSTS	36 600	32.4	35 000	31.0	10 000	8.9	7 628	6.8	1 661	1.5	17 474	15.5	4 625	4.1	112 987	100.0

C. Summary benefit and economic analysis

Programme benefits

36. The direct clients are expected to adopt improved technologies, including those enhancing adaptation to climate change, mostly as part of an agribusiness arrangement. They will be linked to other value chain actors, providing access to improved seeds, extension support, seasonal credit, investment support, irrigation schemes, storage facilities, group-owned processing units, etc. The support will lead to significant increases in (i) social and economic capital (assets and linkages with value chain actors) and (ii) yield and revenues for crops targeted through local public-private partnerships. In northern Ghana, conservation agriculture will be mainstreamed, leading to stable yields, improved soil fertility and lower requirements for external inputs.
37. MOFA staff at national, regional and district level will have enhanced capacity in the fields of value chain development, and climate change adaptation and resilience of agricultural production systems.

Economic and financial analysis

38. Nine crop models have been considered to assess the financial viability at enterprise level, based on previous experience and actual achievements of ongoing programmes in Ghana. All models are financially profitable. Other models will be prepared for the consideration of additional value chains to be supported by the programme, with financial viability for and benefit to the programme's target group among the key criteria for support.
39. The economic benefits were calculated for a 20-year period. The opportunity cost of capital is 12 per cent. The analysis takes into consideration the phasing in of programme interventions over the six years of the first two cycles of GASIP. It is based on the 86,400 direct clients targeted by the sixth project year, using a cash flow model that includes all investment and operational costs, the maintenance costs of all public infrastructure purchased by the programme (5 per cent annually for 20 years), and the incremental net revenues from the above financial models. Investment and incremental recurrent costs of all programme components have been included in the analysis. Financial flows from credit or grant facilities have been deducted, so as to avoid double counting. The analysis is based on direct costs and benefits; social and indirect benefits have not been taken into account. Based on these assumptions, the economic internal rate of return (EIRR) will be 18.6 per cent; the net present value (NPV) will amount to US\$31.4 million.

Sensitivity analysis

40. Table 3 demonstrates a sensitivity analysis of the EIRR to estimate the cash benefit to Ghana's economy from the investments. Key success factors at the level of the programme development objective are clearly (i) the outreach or number of farmers reached or total acreage cultivated; and (ii) the increase in income per hectare.

Table 3
Economic internal rate of return

Assumption	Related risks	EIRR	NPV (US\$ millions)
Base case (86,400 farmers)		18.6%	31.4
Decrease in incremental benefits per ha: -10%	Good market prices, good adoption of technologies	16.3%	19.9
Decrease in incremental benefits per ha: -20%	Low crop yield, reluctance to adopt technologies, low farm gate prices, weak bargaining power of farmers, low willingness of PFIs to give loans	13.9%	8.4
Programme Cost Rise of 10%	Low management capacity of PCU and ZPOs, not enough focus on core activities	16.5%	23.0
Programme Cost Rise of 20%		14.7%	14.7
Number of farmers -15% (73,440 farmers)	Low implementation capacity of ZPOs and VCF	15.1%	14.0
Number of farmers -27% (65,700 farmers)	Low capacity of district extension services, elite capturing	12.1%	0.4
Benefits delayed 1 year	Weak local linkages, weak capacity of ZPOs, programme structure not	15.2%	16.7
Benefits delayed 2 years	enough decentralised	12.6%	3.6

D. Sustainability

41. **Exit strategy.** The programme exit strategy is based on the following design features: (i) there is a focus on formalized value chain linkages; (ii) private-sector stakeholders, namely agribusinesses, FBOs, PFIs and other service providers, receive facilitation services and technical assistance to engage in mutually beneficial business relationships; (iii) VCCs act as local facilitators between stakeholders; (iv) emphasis is placed on agribusiness activities that are fully integrated in the local and regional market economy.
42. **Climate change adaptation.** Sustainability is at the centre of design considerations for the interventions funded through ASAP. The activities are aimed at enhancing the adaptive capacity of social and agroecological systems to climate change impacts. The activities and technologies promoted are economically viable and aimed at increasing programme participants' climate change resilience and overall competitiveness. The support provided through GASIP will enhance capacity within national systems for promoting climate-resilient agricultural production.

E. Risk identification and mitigation

43. Table 4 identifies the risks that have the greatest likelihood of occurring and the highest potential impact on the achievement of the programme outcomes.

Table 4
Risks and mitigation measures

<i>Risk</i>	<i>Implications</i>	<i>Mitigation Measures</i>
Inability of VCCs to formalize linkages	Limited interest of formal value chain stakeholders to work with smallholders	Strengthening FBOs, as core members of VCCs Development of easily understood and enforceable contracts between buyers and sellers as a critical element for GASIP Research into value chain opportunities that spell out value of the proposition of dealing with smallholders in plain language to larger buyers and financiers
Low capacity of programme to interest PFIs in financing value chains	Limited outreach to smallholder farmers Low willingness to finance value chain actors	Proper support to GASIP staff and consultants at programme start to ensure high standards of value chain analysis and presentation Training in agricultural value chain analysis, risk identification and management Facilitation of contractual linkages by VCCs to perfect lender security Replication of successful structured trade-financing strategies by rural and community banks working with the Northern Rural Growth Programme Matching grants to improve collateral position of borrower/recipient Collaboration with the Rural and Agricultural Finance Programme and other programmes Piloting innovation in value chain financing
Matching grants fail to leverage PFI loans	Value chain financing fails to increase Liquidity along value chains remains an impediment to commercialization Small and medium enterprises fail to scale up operations with higher throughput technology	Begin with MGs on a modest scale; Prove the concept beyond any doubt, before scaling up; Provide strong orientation to PFIs underpinned by business cases Research into value chain opportunities that spell out value of the proposition of dealing with smallholders in plain language to financiers, as above
Matching grants are captured by agribusinesses that do not link to smallholders	Grant funds are used up quickly by businesses that do not impact rural poverty	On grants above a US\$20,000 threshold, require that the business plan clearly demonstrate benefits to the entire value chain by either lowering costs or expanding revenues to smallholders
Lack of technical knowhow on commercial climate change adaptation technologies	Low adaptation rate Agribusiness not interested in technologies Scattered disbursement of funds with low impact	Focus on commercial demonstrations in partnership with agribusiness and outgrowers Specialized technical assistance
Decentralization of MOFA to district assemblies	Inadequate capacity for district assembly cofinancing Delays in programming and implementation	Adoption of tools that can be mainstreamed in district assembly structures Direct collaboration between the ZPO and the regional and district levels Policy dialogue with MOFA and the Ministry for Local Government and Rural Development
Agriculture sector-wide approach	Reluctance of development partner to provide additional financing Low sustainability	Programme approach, based on mainstreaming Institutionalization during the first cycle of value chain financing mechanisms to finance infrastructure, matching grants innovations in value chains

V. Corporate considerations

A. Compliance with IFAD policies

44. The design of GASIP is compliant with relevant IFAD policies and strategies, including IFAD's Strategic Framework 2011-2015, rural enterprise policy, private-sector strategy, partnership strategy, rural finance policy, gender policy, youth policy brief, targeting strategy, and environmental and social review note. Based on the relatively minor negative impacts of the targeted economic activities on the environment, the programme has been classified for the purposes of environmental scrutiny as Category B.

B. Alignment and harmonization

45. The programme will be implemented by MOFA with the aim of: (i) promoting the GASIP approach as a standard-setting approach; (ii) serving as a core investment

for value chain development in Ghana; (iii) driving its efforts to harmonize value chain intervention tools; and (iv) mobilizing additional parallel financing, following the modalities that each of the development partners prefer. Nationwide and sector-wide coverage, alignment with decentralization and the programmatic approach of GASIP will imply (i) gradually mainstreaming implementation into district assemblies and regional institutions, and (ii) institutionalizing mechanisms to leverage private and public investments in value chains.

46. The approach, which emphasizes the role of the private sector, is largely consistent with the operations of major development partners supporting the development of agriculture in Ghana, including the African Development Bank, the Alliance for a Green Revolution in Africa, Canada, the Danish International Development Agency, the European Union, France (Agence Française de Développement), Germany (Deutsche Gesellschaft für Internationale Zusammenarbeit/Kreditanstalt für Wiederaufbau), the Japan International Cooperation Agency, the Netherlands, the United Kingdom's Department for International Development, the United States Agency for International Development, and the World Bank. Being the current development partner sector lead, IFAD is among the key drivers of harmonization efforts in the sector, through the agriculture sector working group and its subcommittees, joint sector reviews, joint thematic field visits and regular harmonization meetings among development partners.

C. Innovations and scaling up

47. The programme approach with the three-year programming, implementation and learning cycles is an innovative way to provide a framework for systematic scaling up. The programme builds on successful features of previous projects, and provides mechanisms to promote innovation and learning. Promotion and further development of innovative initiatives will focus on (i) facilitation of business linkages through value chain committees, (ii) access to finance and (iii) climate change adaptation.

D. Policy engagement

48. The programme's engagement in policy dialogue aims at creating an enabling environment for smallholders to participate in agricultural value chains that are profitable and resilient to climate change. Of particular importance will be policies that optimize the Government's support to agribusiness and specifically address climate change resilience, trade policy, land tenure, and the creation of a positive environment for women and for businesses started by youth and young adults. Earmarked ASAP funding will target policy issues related to climate change adaptation and natural resource management. GASIP will engage with partners to: (i) develop a geo-referenced environmental and climate information system for the mapping and management of water and other natural resources, and for climate risks; (ii) collect and process relevant data for the programme in the savannah regions; (iii) build capacity of MOFA regional environmental desk and the Environmental Protection Agency desk on climate change; and (iv) produce knowledge products (compact discs, case studies, vulnerability maps, policy papers and other publications) for knowledge dissemination.
49. The programme will provide analysis and facilitate dialogue; and it will strengthen FBOs, youth and women's organizations, and other relevant private-sector organizations so they can advocate for the interests of their constituencies. The IFAD country office will back these efforts through engagement with the Government and development partners.

VI. Legal instruments and authority

50. A programme financing agreement between the Republic of Ghana and IFAD will constitute the legal instrument for extending the proposed financing to the

borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.

51. The Republic of Ghana is empowered under its laws to receive financing from IFAD and from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund, acting through IFAD in its capacity of the trustee.
52. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the policies and criteria for IFAD financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Ghana in an amount equivalent to twenty-three million seven hundred thousand special drawing rights (SDR 23,700,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide an ASAP grant to the Republic of Ghana in an amount equivalent to six million five hundred thousand special drawing rights (SDR 6,500,000), 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: "Ghana Agricultural Sector Investment Programme (GASIP)"

(Negotiations concluded on 4 April 2014)

Loan Number: _____

ASAP Grant Number: _____

Programme Title: Ghana Agricultural Sector Investment Programme (the "Programme" or "GASIP")

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

and

The Republic of Ghana, represented by the Ministry of Finance, (the "Borrower")

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

WHEREAS the GASIP has been designed as a long-term Programme and is expected to be implemented in cycles of three years each. The initial design (under this Financing Agreement) covers two three-year cycles, i.e. six years of implementation. Co-financing will be sought by the Borrower from other development partners and its own resources under the broader Sector Wide Investment Programme of the Borrower of which this Programme is an integral part;

WHEREAS the Fund's total contribution to the Programme is estimated at seventy one million six hundred thousand United States Dollars (USD 71.6 million), the Fund shall provide the equivalent to thirty six million six hundred thousand United States Dollars (USD 36.6 million) under the current Financing Agreement. The remaining funding, equivalent to approximately thirty five million United States Dollars (USD 35 million) will be sought and, if available and based on satisfactory implementation results, will be provided under the 2016-2018 Performance Based Allocation System (PBAS) cycle through a complementary Financing Agreement;

WHEREAS the Executive Board of the Fund approved at its 105th Session, the creation of the Trust Fund for the Fund's Adaptation for Smallholder Agriculture Programme (ASAP), with the purpose of financing in the form of grants some components of the Programme to increase the resilience of small farmers to climate change in the five key ASAP outcome areas;

The parties hereby agree as follows:

Section A

1. The following collectively form this Financing Agreement: the main text, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), the Special Covenants (Schedule 3) and the Fund's General Conditions for Agricultural Development Financing (Schedule 4).

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") 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 term Borrower shall be used in this Agreement to refer both to the Borrower of the Loan and to the Recipient of the ASAP Grant.

4. The Fund shall provide a Loan and an ASAP Grant (the "Financing") to the Borrower, 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 twenty three million seven hundred thousand Special Drawing Rights (SDR 23 700 000).

The amount of the ASAP Grant is six million five hundred thousand Special Drawing Rights (SDR 6 500 000).

2. The Loan is granted on highly concessional terms.

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

4. The first day of the applicable Fiscal Year shall be 1st January.

5. Payments of principal and service charge shall be payable on each 15 April and 15 October.

6. Two Designated Accounts in United States Dollars shall be opened at the Bank of Ghana to receive the proceeds from the IFAD loan and the ASAP Grant, respectively. A Programme Account denominated in Ghana cedis shall be opened at a commercial bank acceptable to the Fund which shall be managed at the level of the Programme Coordination Unit. Three additional Programme Accounts denominated in Ghana cedis shall be opened at zonal office level in commercial banks acceptable to the Fund.

7. The Borrower's counterpart contribution to the Programme shall approximately amount to the equivalent of five million three hundred thousand United States Dollars (USD 5.3 million) , to cover taxes and duties levied on the implementation of the Programme. A counterpart fund account shall be opened to receive funds to cover any expenditure for which exemption of taxes and duties is not feasible.

Section C

1. The Lead Programme Agency shall be the Ministry of Food and Agriculture (MOFA).

2. The following are designated as additional Programme Parties: the Programme Coordination Unit (PCU), the Zonal Programme Office North (ZPON), the Zonal Programme Office South (ZPOS), Zonal Programme Office Central (ZPOC), Value Chain Facilitators, Environmental Protection Agency (EPA) and relevant Ministries, Departments and Agencies (MDAs).

3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing shall be administered and the Programme supervised by the Fund, in collaboration with the Borrower.

Section E

1. The following are designated as additional grounds for suspension of this Agreement, in addition to the ones specified in Section 12.01 of the General Conditions:

- (a) The National Programme Coordinator or the Financial Manager has been removed from the Programme without the prior concurrence of the Fund.
- (b) Non-compliance with the provisions of the Programme Implementation Manual.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Designated Accounts shall have been duly opened by the Borrower.
- (b) Counterpart funds covering the non-exempted tax requirements identified in the first Annual Work Plan and Budget, estimated at one hundred thousand United States Dollars (USD 100 000) have been deposited by the Borrower in the counterpart fund account.
- (c) The appointment of the National Programme Coordinator and the Financial Manager has received no-objection by IFAD.
- (d) The Programme Implementation Manual has received no-objection by IFAD.

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
of the Republic of Ghana
P.O. Box MB40
Accra, Ghana

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

THE REPUBLIC OF GHANA

Insert name and title

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall target smallholder farmers and resource-poor rural people, in particular women, youth (15-24 years old) and young adults (25-34 years old). Additionally, the ASAP Grant shall specifically target (sub-target) those who are vulnerable to climate change induced shock, in particular those practicing rain-fed cereal cropping and small-scale irrigation. The Programme shall have national coverage.
2. *Goal.* The overall goal of the Programme is to contribute to sustainable poverty reduction in rural Ghana.
3. *Objective.* The objective of the Programme is to enhance the profitability and climate change resilience of the agribusinesses of the targeted population.
4. *Components.* The Programme shall consist of the following Components:

Component 1: Value Chain Development

Subcomponent 1.1: Agribusiness Linkages Development. The aim of this subcomponent is to build and formalize commercial relationships between agribusinesses and smallholders, allowing stakeholders to develop the economic activities along the chain. Normally, these linkages shall be formalized through an agreement or other form or written arrangement between agribusinesses, smallholders, public and private service providers, Participating Financial Institutions (PFIs), input suppliers and Value Chain Committees (VCCs). The subcomponent aims to ensure the emergence and inclusive character of these agreements/arrangements; that proper standards of engagement are used between the large commercial entities and smallholders; and the adoption of sustainable technologies and undertaking of environmental impact mitigation measures.

Through this subcomponent, the Programme shall support the selection process of value chains in accordance with the specific terms defined in the Programme Implementation Manual. The minimum requirements for a value chain to be considered eligible include: economic/financial viability, private sector interest/demand, and profitability/prosperity, increased resilience for smallholders. Once the value chains are selected, smallholders' participation in the agribusiness linkages shall be assisted by Value Chain Facilitators (VCFs), who shall work in close collaboration with district-level MOFA staff, Business Advisory Centres (BACs) and private service providers to provide training and services for VCCs, Farmer Based Organizations (FBOs) and smallholders for the selected value chains. The Programme shall fund the support to the VCCs, FBOs and smallholders, investments in public services and institutional capacity required and innovations and pilots in value chain development.

Subcomponent 1.2: Rural Financial Services. The aim of this subcomponent is to ensure increased and systematic access to and use of short and long-term financing for value chain businesses. The subcomponent shall support research on value chain financing opportunities related to candidate value chains; support capacity building to Rural and Community Banks (RCBs); support universal banks in strategic and operational development for structured trade finance; promote equity investments in value chain enterprises and in RCBs (direct investment and linkage with larger banks)

and aim to strengthen weakly capitalized value chain actors' equity for investments in equipment and infrastructure and critical innovations (matching grants). The criteria for the eligibility of matching grants and the selection criteria of the investment proposals shall be detailed in the Programme Implementation Manual.

The support to RCBs shall include training, mentoring and product development; documenting value chain finance opportunities and equity investment opportunities; developing industry standard documentation for buyer-seller contracts, assignable invoices, inventory receipts, finance leases; strategic consulting with universal banks for structured trade financing; and training FBOs in saving.

Subcomponent 1.3: Climate Change Resilience. The aim of this subcomponent is to mainstream climate change adaptation across the selected value chains of the Programme. The subcomponent shall focus on three main areas (a) demonstrations and promotion of uptake of commercial conservation agriculture; (b) efficient use of water in irrigation; and (c) institutional support for climate change resilience. These activities supported under this subcomponent shall be financed by ASAP Grant until the funds are exhausted. From there, the activities shall be financed from other sources, including financing from IFAD.

Using the value chain approach, the Programme shall support commercially valid adaptive trials and demonstrations of modern conservation agriculture techniques under rain-fed conditions aiming to address the increasing dry spells, drought occurrence and the issues of land degradation. A crop rotation based on maize, sorghum, cowpea/soybean shall be piloted and promoted at a larger scale. These interventions shall be hosted by leading nucleus farmers, stronger FBOs and specialist farm services providers. During the first Programme cycle, it is expected to establish a total of 25 host sites. Support, including technical assistance and equipment, shall be provided to the hosts of sites.

The Programme shall also support training, technical assistance, trials and demonstrations of improved water-use efficiency techniques within existing irrigation systems and from available water sources, as well as training of Water Users Associations (WUA), and environmental mitigation measures. The Programme shall provide support for institutional capacity building and enhanced public awareness in the field of climate change resilience. Specific capacity building shall include support to MOFA, District Departments of Agriculture, FBOs, WUAs and other members of the VCCs.

Article I. Component 2: Rural Value Chain Infrastructure

Subcomponent 2.1: Productive Infrastructure and Facilities. The aim of this subcomponent is to leverage investments in productive infrastructure and facilities for the selected value chains. These facilities, which will either be owned by the District Assembly (DA) or by a FBO, are planned to be operated by a private sector entity. Targeting of these facilities shall be governed by an Objective Ranking System established in the Programme Implementation Manual which shall quantify the magnitude of both local community and private sector benefit. Examples of the productive infrastructure that may be funded by the Programme include warehouses, pack-houses, processing facilities, irrigation facilities, etc. To be eligible, the proposals will need to demonstrate a viable management and business plan and an observable benefit for smallholders. If the proposed recipients are private operators, the Programme may fund up to 70% of the cost of the facilities, matching a financial commitment from the proposed beneficiary of at least 30% of the value of the facilities. If the proposed recipients are District Assemblies, the Programme may fund up to 90% of the cost. The selection criteria and modalities of the implementation of investment proposals and

related grants shall be detailed in the Programme Implementation Manual. The indicated ceilings for grant financing may be modified to align these to emerging policies of the Parties.

Subcomponent 2.2: Enabling Public Infrastructure. The aim of this subcomponent is to finance essential public infrastructure for the growth and viability of associated value chains. These are facilities completely operated by the public sector. Examples of the infrastructure that may be financed by the Programme are access roads, rural electrification (to enable low-cost pump irrigation and processing) and water harvesting and management systems (e.g. livestock watering, flood recession schemes, small dams). Investment made in water harvesting and control infrastructure shall be financed initially by the ASAP Grant and then financed by the IFAD loan and other development assistance funding. Livestock watering points shall be constructed along rural roads at locations with high risk of flooding. The Programme shall provide 100% financing, but the public entity must provide evidence that it will provide necessary operation and maintenance.

Article II. Component 3: Knowledge Management, Policy Support and Coordination

Subcomponent 3.1: Knowledge Management, Harmonization and Policy Support. This subcomponent aims at creating an enabling environment for smallholders to participate in profitable and climate change resilient value chains. In order to achieve this, the Programme proposes to strengthen the capacity of the Borrower –especially MOFA- for data collection and database development, policy analysis and development, and harmonization of value chain tools; provide institutional support to relevant private sector organizations and strengthen multi-stakeholder processes for advocacy.

In the knowledge management and innovation mainstreaming areas, support shall be provided for the preparation of document progress and sharing and dissemination of information. ASAP funding shall target policy issues related to climate change adaptation and natural resource management.

Subcomponent 3.2: Coordination, Monitoring and Evaluation. This subcomponent will comprise the funding of coordination, financial and administrative management, and monitoring and evaluation (M&E) of the Programme. A detailed description is presented in Section II, below.

II. Implementation Arrangements

1. Lead Programme Agency

1.1 *Designation.* The Ministry of Food and Agriculture (MOFA) is designated as the Lead Programme Agency.

1.2 *Responsibilities.* The MOFA shall have the overall responsibility for the implementation of the Programme and shall ensure linkages to other relevant Ministries, Departments and Agencies.

2. National Programme Steering Committee

2.1. *Establishment.* The Lead Programme Agency shall establish a National Programme Steering Committee (NPSC) which shall orient the strategy of the Programme, oversee planning, review progress and impact and ensure linkages with related projects, government services and relevant value chain stakeholders.

2.2. *Composition.* The NPSC shall be chaired by the MOFA and shall meet at least twice a year. Its membership and specific responsibilities shall be detailed in the Programme Implementation Manual.

3. The Programme Coordination Unit

3.1 *Establishment.* A Programme Coordination Unit (PCU) shall be established by the MOFA and shall be based in Accra.

3.2 *Responsibilities.* The responsibilities of the PCU shall include the overall coordination of the activities implemented under the Programme; direct implementation of subcomponent 3.1 (Knowledge Management, Harmonization and Policy Support); and subcomponent 3.2 (Coordination, Monitoring and Evaluation). The PCU shall have overall fiduciary responsibility for Programme implementation, including consolidation of Programme accounts, preparation of annual financial statements, disbursements, consolidation of Annual Work Programme and Budget (AWPB) and procurement plans; quarterly financial reports; consolidation of progress reports; organization of annual audits in line with IFAD's guidelines; assistance for supervisions, support mission and other missions including inter-cycle; promotion of transversal themes such as gender and youth; and preparation and updating of Programme Implementation and other required Manuals.

3.3 *Composition.* The PCU shall be composed of a National Programme Coordinator, a Senior Policy and M&E Manager, a Financial Manager, a Procurement and Contract Manager, a Climate Change Adaptation Manager, an Infrastructure Manager, a Value Chain and Agri-Business Manager and other professional and support staff identified in the design phase of the Programme required for the implementation of the Programme. The PCU staff hired through competitive procedures under the Small Grant Agreement for the Implementation Readiness of GASIP, shall serve under the hired capacity for the implementation of this Programme, subject to satisfactory performance. The Lead Programme Agency shall ensure that procedures for the incorporation of such staff to the Programme are readily in place.

4. Zonal Programme Offices

4.1 *Establishment.* The MOFA shall establish three Zonal Programme Offices (ZPO), to provide day to day coordination of Programme activities. The ZPO shall work in close collaboration with the Regional Agriculture Development Units (RADUs).

The existing Programme Management Unit of the IFAD co-financed Northern Rural Growth Programme (NRGP) located in Tamale shall be strengthened to coordinate the activities of the Programme in Northern Ghana until the completion of the NRGP. At that time it shall become the Northern ZPO (ZPON) of the Programme. A ZPO Central (ZPOC) shall be established in Kumasi, and a ZPO South (ZPOS) shall be established in Koforidua.

4.2 *Responsibilities.* Under the general coordination of the PCU, the responsibilities of each ZPO in their respective area of intervention shall include the preparation of the zonal AWPB and submission to the PCU for consolidation; the coordination of implementation of activities under the respective zonal AWPB; monitoring of Programme activities and elaboration of progress and financial reports; and provision of technical support to RADUs and other decentralized Programme Parties to strengthen coordination and M&E capacities. Additionally, the ZPON will have a key role in the implementation of activities financed by the ASAP Grant.

4.3 *Composition.* Each ZPO shall be composed of a Zonal Programme Coordinator, a Zonal M&E Officer, a Zonal Value Chain and Agribusiness Officer, a Zonal Accountant, and the professional and support staff required for the implementation of the Programme. Additionally the ZPON shall also have a Climate Change Adaptation Officer. The responsibilities of each position shall be detailed in the Programme Implementation Manual.

5. Value Chain Facilitators

5.1 Value Chain Facilitators (VCFs) shall be contracted for the implementation of subcomponent 1.1 (Agribusiness Linkages Development) on the basis of the AWPB. The contracting shall be done on the basis of performance based contracts and renewed subject to satisfactory performance. The VCFs shall identify and work in collaboration with a broad platform of private sector end-users, entrepreneurs, suppliers of raw material. Other service providers may also be recruited together with the VCFs.

5.2 The PCU shall enter into a Memorandum of Understanding (MoU) with the prior no objection of the Fund, a performance based contract or other similar performance based arrangement with the selected VCF, which shall establish the framework of collaboration between the PCU and the VCF and shall outline the performance criteria required and the deliverables for each VCF. The renewal of the MoU shall be subject to IFAD no objection

6. Inter-Cycle Review and Evaluation

6.1 GASIP has been designed as a long-term Programme which is expected to be implemented in cycles of three years each. Prior to the end of each cycle, an Inter-cycle Review Mission (IRM) shall be organized to assess progress, prepare the next cycle and justify new funding, if applicable.

6.2 The IRM shall take place six to nine months before the end of each cycle. The Lead Programme Agency, the Fund and other co-financers shall carry out the IRM, supported by the PCU and the ZPO. Value chain analyses and ad-hoc surveys shall be completed and assessed by the IRM.

7. Programme Implementation Manual

7.1 Programme implementation arrangements will be detailed in a Programme Implementation Manual, comprised of (i) an operational manual; (ii) an M&E manual; and (iii) a Finance and Administration Manual.

7.2 The operational manual shall include inter alia membership and specific responsibilities of the NPSC; criteria for the selection process of value chains; criteria for the eligibility of matching grants and investment proposals, as well as modalities of implementation. The M&E manual shall detail the M&E system and procedures including RIMS. The finance and administration manual shall include inter alia financial control and procurement procedures, financial reporting templates, terms of reference of Programme staff and template MOUs with Programme Parties and service providers.

7.3 Any revisions to the Programme Implementation Manual shall be subject to the Fund's no-objection.

Schedule 2

Allocation Table

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

Category	Loan amount allocated (expressed in SDR)	ASAP Grant amount allocated (expressed in SDR)	Percentage (net of tax and beneficiary contributions)
1. Works	7 590 000	900 000	100%
2. Equipment	770 000	1 590 000	100%
3. Goods & inputs	-	880 000	100%
4. Consultancies	4 350 000	510 000	100%
5. Training	3 900 000	1 970 000	100%
6. Grants	2 090 000	-	100%
7. Operating costs	400 000	-	100%
8. Salaries and allowances	2 230 000	-	100%
Unallocated	2 370 000	650 000	
TOTAL	23 700 000	6 500 000	

(b) The terms used in the Table above are defined as follows:

Equipment includes vehicles and motorbikes. Training includes workshops.

(c) For purposes of financing under the ASAP Grant, the terms used in the Table above are defined as follows:

Works refers to water management facilities and water harvesting infrastructure. These will be financed under the ASAP grant until exhaustion of funds under this category.

Equipment relating to conservation farming demonstrations, small scale irrigation development, awareness raising initiatives on climate change, EPA strengthening, Geo-referenced Information System (GIS) & data processing equipment and weather forecasters & rain gauges for MOFA. These will be financed under the ASAP grant until exhaustion of funds.

Goods & inputs includes inputs for demonstrations of climate change adaptation technologies.

Consultancies includes demonstrations of conservation farming, small scale irrigation development, awareness raising initiatives on climate change,

strengthening of MOFA environment unit and Environmental and Natural Resource Management (ENRM)/ climate change management system for Savannah region. These will be financed under the ASAP grant until exhaustion of funds.

Training relating to demonstrations of conservation farming, small scale irrigation development and all climate change awareness raising initiatives and training will be financed under the ASAP grant until exhaustion of funds.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account and the Grant Account if the Borrower has defaulted in the performance of the covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme.

1. The Lead Programme Agency, in consultation with the Ministry of Finance, shall ensure that the recruitment of the Programme professional personnel is done through a competitive process and in accordance with criteria and procedures to be developed in agreement with the Fund. The appointment of such personnel shall have IFAD's prior no objection.

Schedule 4

GENERAL CONDITIONS FOR AGRICULTURAL DEVELOPMENT FINANCING (as amended September 2010²)

ARTICLE I - APPLICATION

SECTION 1.01. Application of General Conditions.

(a) These General Conditions apply to all Financing Agreements (as such term is defined in Section 2.01). They apply to other agreements only if an agreement expressly so provides.

(b) If a particular provision of these General Conditions does not apply to an Agreement, the Agreement must provide explicitly that it does not apply.

ARTICLE II - DEFINITIONS

SECTION 2.01. General Definitions.

The following terms have the following meanings wherever used in these General Conditions:

"Agreement" means a Financing Agreement or other agreement subject to these General Conditions.

"Annual Workplan and Budget" or "AWPB" means the annual workplan and budget for carrying out a Project during a particular Project Year, which includes the Procurement Plan.

"Borrower" means the party designated as such in an Agreement.

"Coercive practice" means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

"Collusive practice" means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

"Cooperating Institution" means an institution designated as such in a Financing Agreement as responsible for the administration of the Financing and/or the supervision of the implementation of the Project.

"Cooperation Agreement" means an agreement or agreements between the Fund and a Cooperating Institution by which a Cooperating Institution agrees to act as such.

² These General Conditions for Agricultural Development Financing were adopted by IFAD's Executive Board on 29 April 2009. Sections 2.01, 4.08(a) and 5.01 were amended by decision of the Executive Board on 17 September 2010. These General Conditions, as amended, apply to all Financing Agreements for projects and programmes approved by the Executive Board during and subsequent to its ninety-seventh session in September 2009.

"Corrupt practice" means offering, giving, receiving or soliciting, directly or indirectly, anything of value to improperly influence the actions of another party.

"Currency" of a State or a territory means the currency that is legal tender for the payment of public and private debts in such State or territory.

"Eligible Expenditure" means an expenditure that complies with Section 4.08.

"Euro" or "EUR" mean the currency of the European Monetary Union.

"Financing" means a Loan, a Grant, or a combination thereof.

"Financing Agreement" means a Project Financing Agreement or Programme Financing Agreement, pursuant to which the Fund agrees to extend Financing to the Borrower/Recipient.

"Financing Closing Date" means the date on which the right of the Borrower/Recipient to request withdrawals from the Loan Account and/or Grant Account ends, which is six (6) months after the Project Completion Date or such later date as the Fund may designate by notice to the Borrower/Recipient.

"Fiscal Year" means the twelve-month period designated as such in an Agreement.

"Fraudulent practice" means any action or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

"Freely convertible currency" means any currency so designated by the Fund at any time.

"Fund" means the International Fund for Agricultural Development.

"Grant" means a grant extended to a Recipient pursuant to a Financing Agreement or other Agreement.

"Grant Account" means the account in the books of the Fund opened in the name of the Recipient to which the amount of the Grant is credited.

"Guarantee Agreement" means an agreement between a Member State and the Fund by which such Member State guarantees the performance of another Agreement.

"Guarantor" means any Member State designated as such in a Guarantee Agreement.

"IFAD Procurement Guidelines" means the Procurement Guidelines approved by the Fund's Executive Board in December 2004 (for Financing approved by the Fund's Executive Board prior to September 2010) or the Project Procurement Guidelines approved by the Fund's Executive Board in September 2010 (for Financing approved by the Fund's Executive Board after September 2010) as such guidelines may be amended by the Fund.³

"IFAD Reference Interest Rate" means the rate determined periodically by the Fund as its reference rate for the computation of interest on its Loans.

"Lead Project Agency" means the entity designated as such in an Agreement, which has overall responsibility for the execution of a Project.

³ Amended September 2010.

“Loan” means a loan extended by the Fund to the Borrower pursuant to a Financing Agreement.

“Loan Account” means the account in the books of the Fund opened in the name of the Borrower to which the amount of a Loan is credited.

“Loan Service Payment” means any payment required or permitted to be made by the Borrower or the Guarantor to the Fund under a Financing Agreement, including (but not limited to) any payment of the principal of, or interest or service charge on any Loan.

“Loan Service Payment Currency” means the freely convertible currency defined as such in a Financing Agreement.

“Member State” means any Member State of the Fund.

“Pound sterling” or “GBP” means the currency of the United Kingdom of Great Britain and Northern Ireland.

“Procurement Plan” means the Borrower/Recipient’s Procurement Plan covering the initial eighteen (18) month period of Project implementation, as the same shall be updated to cover succeeding twelve (12) month periods.

“Project” means the agricultural development project or programme described in an Agreement and financed, in whole or in part, by the Financing.

“Project Account” means an account for Project operations as described in Section 7.02(b).

“Project Agreement” means any agreement between the Fund and any Project Party relating to the implementation of all or any part of a Project.

“Project Completion Date” means the date specified in an Agreement on which the implementation of the Project is to be completed, or such later date as the Fund may designate by notice to the Borrower/Recipient.

“Project Implementation Period” means the period during which the Project is to be carried out, beginning on the date of entry into force of the Agreement and ending on the Project Completion Date.

“Project Member State” means the Member State in which the Project is carried out.

“Project Party” means each entity responsible for the implementation of the Project or any part thereof. The term “Project Party” includes (but is not limited to) the Lead Project Agency and any entity designated as a Project Party in an Agreement.

“Project Year” means (i) the period beginning on the date of entry into force of an Agreement and ending on the last day of the then-current Fiscal Year, and (ii) each period thereafter beginning on the first day of the Fiscal Year and ending on the last day thereof, provided, however, that if the date of entry into force of the Agreement falls after the midpoint of the Fiscal Year, Project Year 1 shall continue through the following Fiscal Year.

“Recipient” means the party designated as such in an Agreement.

“SDR Equivalent” means, with respect to any amount expressed in any currency at the time of determination, the equivalent of such amount in SDR, as determined by the Fund in accordance with Article 5.2(b) of the *Agreement Establishing IFAD*.

“Special Drawing Rights” or “SDR” mean special drawing rights as valued from time to time by the International Monetary Fund in accordance with its Articles of Agreement.

“Subsidiary Agreement” means any agreement or arrangement by which (i) the whole or part of the proceeds of the Financing are made available to a Project Party and/or (ii) a Project Party undertakes to carry out the Project, in whole or in part.

“Target Population” means the group of people intended to benefit from a Project.

“Taxes” means all imposts, levies, fees, tariffs and duties of any kind imposed, levied, collected, withheld or assessed by or in the territory of the Project Member State at any time.

“US dollar” or “USD” means the currency of the United States of America.

“Value Date” means, in respect of any withdrawal from the Loan Account, the date on which such withdrawal is deemed made in accordance with Section 4.06 and, in respect of any Loan Service Payment, the date on which such Loan Service Payment is deemed made in accordance with Section 5.04.

“Yen” or “JPY” means the currency of Japan.

SECTION 2.02. Use of Terms.

As used in these General Conditions and any Agreement, except as the context otherwise requires, terms in the singular include the plural, terms in the plural include the singular, and masculine pronouns include the feminine.

SECTION 2.03. References and Headings.

Unless otherwise indicated, references in these General Conditions to Articles or Sections refer to Articles or Sections of these General Conditions. The headings of the Articles and Sections and in the Table of Contents of these General Conditions are given for convenience of reference only and do not form an integral part of these General Conditions.

ARTICLE III - THE COOPERATING INSTITUTION

SECTION 3.01. Appointment of the Cooperating Institution.

A Financing Agreement may provide that a Cooperating Institution will be appointed to administer the Financing and supervise the Project.

SECTION 3.02. Responsibilities of the Cooperating Institution.

If appointed, the Cooperating Institution shall be responsible for:

- (a) facilitating Project implementation by assisting the Borrower/Recipient and the Project Parties in interpreting and complying with the Financing Agreement;
- (b) reviewing the Borrower/Recipient’s withdrawal applications to determine the amounts which the Borrower/Recipient is entitled to withdraw from the Loan and/or Grant Account;

- (c) reviewing and approving on a no-objection basis the procurement of goods, civil works and services for the Project financed by the Financing;
- (d) monitoring compliance with the Financing Agreement, bringing any substantial non-compliance to the attention of the Fund and recommending remedies therefor; and
- (e) carrying out such other functions to administer the Financing and supervise the Project as may be set forth in the Cooperation Agreement.

SECTION 3.03. Cooperation Agreement.

If a Cooperating Institution is appointed, the Fund shall enter into a Cooperation Agreement with the Cooperating Institution setting forth the terms and conditions of its appointment.

SECTION 3.04. Actions by the Cooperating Institution.

Any action by the Cooperating Institution in accordance with a Cooperation Agreement shall be regarded and treated by the Borrower/Recipient, the Guarantor and the Project Parties as an action taken by the Fund.

SECTION 3.05. Cooperation by the Borrower/Recipient and the Project Parties.

The Borrower/Recipient, the Guarantor and the Project Parties shall take all necessary or appropriate steps to enable the Cooperating Institution to carry out its responsibilities smoothly and effectively.

ARTICLE IV - LOAN ACCOUNT AND WITHDRAWALS

SECTION 4.01. Loan and Grant Accounts.

Upon the entry into force of a Financing Agreement, the Fund shall open a Loan Account and/or a Grant Account in the name of the Borrower/Recipient and credit the principal amounts of the Loan and the Grant respectively thereto.

SECTION 4.02. Withdrawals from the Loan and Grant Accounts.

(a) Between the date of entry into force of the Agreement and the Financing Closing Date, the Borrower/Recipient may request withdrawals from the Loan Account and/or Grant Account of amounts paid or to be paid for Eligible Expenditures. The Fund shall notify the Borrower/Recipient of the minimum amount for withdrawals.

(b) No withdrawal shall be made from the Loan and/or Grant Accounts until the first AWPB has been approved by the Fund and the Fund has determined that all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled. The Financing Agreement may also establish additional specific conditions precedent to withdrawal applicable to particular categories or activities. Withdrawals to meet the costs of starting up the Project may be made from the date of entry into force of the Agreement, subject to any limits established in the Financing Agreement.

SECTION 4.03. Special Commitments.

Upon the Borrower/Recipient's request, the Fund may agree to make an irrevocable commitment to pay amounts necessary to guarantee a Letter of Credit used to finance Eligible Expenditures (a "Special Commitment") on such terms and conditions as the Borrower/Recipient and the Fund may agree.

SECTION 4.04. Applications for Withdrawal, or Special Commitment.

(a) When the Borrower/Recipient wishes to request a withdrawal from the Loan and/or Grant Accounts or a Special Commitment, the Borrower/Recipient shall deliver to the Fund an application in the form specified therefor by the Fund, together with such documents and other evidence in support of such application as the Fund shall reasonably request.

(b) The Borrower/Recipient shall furnish to the Fund satisfactory evidence of the authority of the person or persons authorized to sign such applications and the authenticated specimen signature of each such person.

(c) Each such application, and the accompanying documents and other evidence, must be sufficient to satisfy the Fund that the Borrower/Recipient is entitled to such withdrawal or Special Commitment.

(d) If the Borrower/Recipient requests a withdrawal from the Loan and/or Grant Accounts for amounts to be paid thereafter for Eligible Expenditures, the Fund may, before transferring such amount to the Borrower/Recipient, require that the Borrower/Recipient provide evidence satisfactory to the Fund showing that previous withdrawals have been properly spent for Eligible Expenditures. The Fund may place reasonable limits on the amount that the Borrower/Recipient may withdraw in advance or the overall balance of such advance withdrawals, and may require that such amounts be held in a freely convertible currency and/or be held in an account designated for that purpose in a bank acceptable to the Fund.

SECTION 4.05. Transfer by the Fund.

Upon receipt of an authenticated and satisfactory application for withdrawal from the Borrower/Recipient, the Fund shall transfer to the account specified by the Borrower/Recipient the amount specified therein.

SECTION 4.06. Value Dates of Withdrawals.

A withdrawal shall be deemed made as of the day on which the relevant financial institution debits the account of the Fund chosen for the purpose of disbursing such withdrawal.

SECTION 4.07. Allocations and Reallocations of Financing Proceeds.

(a) A Financing Agreement may allocate the amount of the Financing to categories of Eligible Expenditures and specify the percentages of such Eligible Expenditures to be financed by the Financing.

(b) The Fund shall monitor the uses of the Financing in order to determine when the allocation to a category has been depleted or is about to be depleted.

(c) If the Fund determines that the amount of the Financing allocated in the Financing Agreement to a category of Eligible Expenditures is or will be insufficient, the Fund may, by notice to the Borrower/Recipient:

- (i) reallocate to such category amounts of the Financing allocated to another category to the extent required to meet the estimated shortfall; and/or
- (ii) if such reallocation will not fully meet the estimated shortfall, reduce the percentage of such Eligible Expenditures to be financed by the Financing.

SECTION 4.08. Eligible Expenditures.⁴

(a) The Financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements:

- (i) The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines.
- (ii) The expenditure shall be incurred during the Project Implementation Period, except that expenditures to meet the costs of winding up the Project may be incurred after the Project Completion Date and before the Financing Closing Date.
- (iii) The expenditure shall be incurred by a Project Party.
- (iv) If the Agreement allocates the amount of the Financing to categories of Eligible Expenditures and specifies the percentages of such Eligible Expenditures to be financed by the Financing, the expenditure must relate to a category whose allocation has not been depleted, and shall be eligible only up to the percentage applicable to such category.
- (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement.

(b) The Fund may from time to time exclude certain types of expenditure from eligibility.

(c) Any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, shall not be eligible for financing by the Financing.

(d) Any payments to a person or an entity, or for any goods, works or services, if making or receiving such payment constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower/Recipient or any Project Party, shall not be eligible for financing by the Financing.

SECTION 4.09. Refund of Withdrawals.

If the Fund determines that any amount withdrawn from the Loan and/or Grant Accounts was not used for the purposes indicated or will not be needed thereafter to finance Eligible Expenditures, the Borrower/Recipient shall promptly refund such amount to the Fund upon instruction by the Fund. Except as the Fund shall otherwise agree, such refund shall be made in the currency used by the Fund to disburse such withdrawal. The Fund shall credit the Loan and/or Grant Accounts by the SDR Equivalent of the amount so refunded.

⁴ Amended September 2010.

ARTICLE V - LOAN SERVICE PAYMENTS

SECTION 5.01. Lending Terms.⁵

Loans provided by the Fund shall be given on highly concessional, intermediate or ordinary terms, as specified in the Financing Agreement:

(a) **Highly Concessional Terms:** 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.

(b) **Hardened Terms:** Loans granted on hardened 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 twenty (20) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

(c) **Intermediate Terms:** Loans granted on intermediate terms shall be subject to interest on the principal amount of the Loan outstanding at a rate of one half of the IFAD Reference Interest Rate payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty (20) years, including a grace period of five (5) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with section 4.02(b).

(d) **Ordinary Terms:** Loans granted on ordinary terms shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of fifteen (15) to eighteen (18) years, including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with section 4.02(b).

(e) Interest and service charge shall accrue on the outstanding principal amount of the Loan and shall be computed on the basis of a 360-day year of twelve 30-day months. The Fund shall provide the Borrower with a statement of interest and service charge due at least four (4) weeks prior to the date upon which payment is to be made.

(f) The Fund shall publish the IFAD Reference Interest Rate applicable in each interest period.

(g) During the grace period, interest and service charge shall accrue on the outstanding principal amount of the Loan and shall be payable semi-annually, but no payments of principal shall be due.

SECTION 5.02. Repayments and Prepayments of Principal.

(a) The Borrower shall repay the aggregate principal amount of the Loan withdrawn from the Loan Account in semi-annual instalments, calculated over the maturity period minus the grace period. The Fund shall inform the Borrower of the dates and amounts of the payments as soon as possible after the start of the period of maturity of the Loan.

⁵ Amended September 2010.

(b) The Borrower shall have the right to prepay all or any part of the principal amount of the Loan, provided that the Borrower pays all accrued and unpaid interest and service charges on the amount to be prepaid which are due as of the prepayment date. All prepayments shall be credited first against any outstanding interest and service charge and then against the remaining Loan instalments.

(c) Any partial cancellation of the Loan shall be applied pro rata to any remaining payment instalments of the principal amount of the Loan. The Fund shall notify the Borrower of such application, specifying the dates and amounts of the remaining instalments after giving effect thereto.

SECTION 5.03. Manner and Place of Payment.

All Loan Service Payments shall be paid to such account or accounts in such bank or other financial institution as the Fund may designate by notice to the Borrower.

SECTION 5.04. Value Dates of Loan Service Payments.

Loan Service Payments shall be deemed made as of the day on which the relevant financial institution credits the account of the Fund designated therefor.

ARTICLE VI - CURRENCY PROVISIONS

SECTION 6.01. Currencies for Withdrawals.

(a) Withdrawals from the Loan and/or Grant Accounts shall be made in the respective currencies in which expenditures to be financed out of the proceeds of the Financing have been paid or are payable, or in such currency or currencies as the Fund may select.

(b) The Loan and/or Grant Accounts shall be debited by the SDR Equivalent of the amount withdrawn determined as of the value date of withdrawal. If the currency of withdrawal has been purchased by the Fund with another currency, the Loan and/or Grant Accounts shall be debited by the SDR Equivalent of the amount of such other currency.

SECTION 6.02. Loan Service Payment Currency.

All Loan Service Payments shall be made in the Loan Service Payment Currency specified in the Financing Agreement. The amount of any Loan Service Payment shall be the equivalent in Loan Service Payment Currency, as of the due date, of the SDR amount of such Loan Service Payment, as determined by the Fund in accordance with Article 5, Section 2(b) of the *Agreement Establishing IFAD*.

SECTION 6.03. Valuation of Currencies.

Whenever it is necessary to determine the value of one currency in terms of another, the Fund shall determine such value in accordance with Article 5, Section 2(b) of the *Agreement Establishing IFAD*.

ARTICLE VII - IMPLEMENTATION OF THE PROJECT

SECTION 7.01. Project Implementation.

- (a) The Borrower and each of the Project Parties shall carry out the Project:
- (i) with due diligence and efficiency;
 - (ii) in conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including rural development practices) and good governance;
 - (iii) in accordance with plans, design standards, specifications, procurement and work schedules and construction methods agreed by the Borrower/Recipient and the Fund;
 - (iv) in accordance with the provisions of the relevant Agreement, the AWPBs, and the Procurement Plan;
 - (v) in accordance with the policies, criteria and regulations relating to agricultural development financing laid down from time to time by the Governing Council and Executive Board of the Fund; and
 - (vi) so as to ensure the sustainability of its achievements over time.
- (b) (i) Projects shall be implemented on the basis of an Annual Workplan and Budget (AWPB). The Lead Project Agency shall prepare a draft Project AWPB for each Project based, to the extent appropriate, on the draft AWPBs prepared by the various Project Parties. Each draft Project AWPB shall include, among other things, a detailed description of planned Project activities during the coming Project Year, a Procurement Plan, and the sources and uses of funds.
- (ii) Before each Project Year, the Lead Project Agency shall, if required, submit the draft Project AWPB to the oversight body designated by the Borrower/Recipient for its review. When so reviewed, the Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year. If the Fund does not comment on the draft Project AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.
- (iii) The Lead Project Agency shall adopt the Project AWPB in the form accepted by the Fund.
- (iv) The Lead Project Agency may propose adjustments in the Project AWPB during the relevant Project Year, which shall become effective after acceptance by the Fund.

SECTION 7.02. Availability of Financing Proceeds.

- (a) The Borrower/Recipient shall make the proceeds of the Financing available to the Project Parties upon terms and conditions specified in the Financing Agreement or otherwise approved by the Fund for the purpose of carrying out the Project.
- (b) The Financing Agreement may provide that the Borrower/Recipient open and maintain one or more Project Accounts for Project operations in a bank acceptable to the Fund, and shall identify the Project Party responsible for operating such account or

accounts. The operation of such accounts, unless otherwise specified in the Financing Agreement, shall be performed in accordance with the applicable rules and regulations of the Project Party responsible therefor.

SECTION 7.03. Availability of Additional Resources.

(a) In addition to the proceeds of the Financing, the Borrower/Recipient shall make available to the Project Parties such funds, facilities, services and other resources as may be required to carry out the Project in accordance with Section 7.01.

(b) In addition to the proceeds of the Financing, the Financing Agreement may provide that the Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.

SECTION 7.04. Coordination of Activities.

In order to ensure that the Project is carried out in accordance with Section 7.01, the Borrower/Recipient shall ensure that the relevant activities of its ministries, departments and agencies, and those of each Project Party, are conducted and coordinated in accordance with sound administrative policies and procedures.

SECTION 7.05. Procurement.

(a) Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.

(b) By notice to the Borrower/Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:

- (i) allow full inspection by the Fund of all bid documentation and related records;
- (ii) maintain all documents and records related to the bid or contract for three years after completion of the bid or contract; and
- (iii) cooperate with agents or representatives of the Fund carrying out an audit or investigation.

SECTION 7.06. Use of Goods and Services.

All goods, services and buildings financed by the Financing shall be used exclusively for the purposes of the Project.

SECTION 7.07. Maintenance.

The Borrower/Recipient shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed.

SECTION 7.08. Insurance.

(a) The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.

(b) The Borrower/Recipient or the Lead Project Agency shall insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice.

SECTION 7.09. Subsidiary Agreements.

(a) The Borrower/Recipient shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement.

(b) The Borrower/Recipient and each Project Party shall exercise its rights under any Subsidiary Agreement to which it is party to ensure that the interests of the Borrower/Recipient and the Fund are fully protected and the Project is carried out in accordance with Section 7.01.

(c) No provision of any Subsidiary Agreement to which the Borrower/Recipient is a party shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund.

(d) The Borrower/Recipient shall bear any foreign exchange risk under any Subsidiary Agreement to which it is party, unless otherwise agreed by the Fund.

SECTION 7.10. Performance of the Agreements.

(a) The Borrower/Recipient shall be fully responsible to the Fund for the due and timely performance of all obligations ascribed to it, the Lead Project Agency and all other Project Parties under any Agreement. To the extent any Project Party enjoys legal personality separate from the Borrower/Recipient, any reference to an obligation of such Project Party in an Agreement shall be deemed an obligation of the Borrower/Recipient to ensure that such Project Party performs such obligation. The acceptance by any Project Party of any obligation ascribed to it in an Agreement shall not affect the responsibilities and obligations of the Borrower/Recipient.

(b) The Borrower/Recipient shall take all necessary or appropriate action within its powers to enable and assist the Lead Project Agency and any other Project Party to perform its obligations under an Agreement. The Borrower/Recipient shall not take, and shall not permit any third party to take, any action that would interfere with such performance.

SECTION 7.11. Key Project Personnel.

The Borrower/Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Agreement or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The Borrower/Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate.

SECTION 7.12. Project Parties.

Each Project Party shall, as required to carry out the Project in accordance with Section 7.01:

- (a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises;
- (b) employ competent and experienced management and personnel;
- (c) operate, maintain and replace its plant, equipment and other properties; and
- (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.

SECTION 7.13. Allocation of Project Resources.

The Borrower/Recipient and the Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods.

SECTION 7.14. Environmental Factors.

The Borrower/Recipient and the Project Parties shall take all reasonable measures to ensure that the Project is carried out with due diligence in regard to environmental factors and in conformity with national environmental laws and any international treaties to which the Project Member State may be party. In particular, the Project Parties shall maintain appropriate pest management practices under the Project and, to that end, shall comply with the principles of the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organisation of the United Nations (FAO), as amended, and ensure that pesticides procured under the Project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class Ia) or Highly Hazardous (Class Ib) according to *The WHO Recommended Classification of Pesticides by Hazard*, as amended.

SECTION 7.15. Relending Rates.

During the Project Implementation Period, the Borrower/Recipient and the Fund shall periodically review the interest rates applicable to any credits extended to members of the Target Population which are financed (directly or indirectly) by the Financing. These reviews shall be conducted jointly with the objective of reaching or maintaining positive interest rates over time. The Borrower/Recipient shall take any appropriate measures, consistent with its policies and the Fund's policies, to achieve that objective. Among such measures, the Borrower/Recipient and each Project Party extending such credits shall endeavour to minimise its costs. For purposes of this Section, the term "positive interest rate" means, in respect of any credit extended by any Project Party, an interest rate which, after giving effect to inflation, permits such Project Party to recover its costs and achieve sustainability.

SECTION 7.16. Project Completion.

The Borrower/Recipient shall ensure that the Project Parties complete the implementation of the Project by the Project Completion Date. The Fund and the Borrower/Recipient shall agree on the disposition of the assets of the Project upon its completion.

ARTICLE VIII - IMPLEMENTATION REPORTING AND INFORMATION

SECTION 8.01. Implementation Records.

The Borrower/Recipient shall ensure that the Project Parties maintain records and documents adequate to reflect their operations in implementing the Project (including, but not limited to, copies or originals of all correspondence, minutes of meetings and all documents relating to procurement) until the Project Completion Date, and shall retain such records and documents for at least ten (10) years thereafter.

SECTION 8.02. Monitoring of Project Implementation.

The Lead Project Agency shall:

- (a) establish and thereafter maintain an appropriate information management system in accordance with the Fund's *Guide for Project Monitoring and Evaluation* with which it shall continuously monitor the Project;
- (b) during the Project Implementation Period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives; and
- (c) during the Project Implementation Period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents.

SECTION 8.03. Progress Report and Mid-Term Reviews.

(a) The Lead Project Agency, or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the Project and achieving its objectives, (ii) problems encountered during the reporting period, (iii) steps taken or proposed to be taken to remedy these problems, and (iv) the proposed programme of activities and the progress expected during the following reporting period.

(b) If specified in an Agreement, the Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund. Among other things, the Mid-Term Review shall consider the achievement of Project objectives and the constraints thereon, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.

(c) The Borrower/Recipient shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing.

SECTION 8.04. Completion Report.

As promptly as possible after the Project Completion Date but in any event no later than the Financing Closing Date, the Borrower/Recipient shall furnish to the Fund a report on the overall implementation of the Project, in such form and substance as may be

specified in the Financing Agreement or as the Fund shall reasonably request. At a minimum, such report shall address (i) the costs and benefits of the Project, (ii) the achievement of its objectives, (iii) the performance by the Borrower/Recipient, the Project Parties, the Fund of their respective obligations under the Agreement and (iv) lessons learned from the foregoing.

SECTION 8.05. Plans and Schedules.

The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.

SECTION 8.06. Other Implementation Reports and Information.

In addition to the reports and information required by the foregoing provisions of this Article:

- (a) The Borrower/Recipient and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any matter relating to the Project or any Project Party.
- (b) The Borrower/Recipient and the Project Parties shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the implementation of the Project or the achievement of its objectives. In particular, the Borrower/Recipient and the Project Parties shall promptly notify the Fund of any allegations of fraud and/or corruption that are received in relation to any of the Project activities.

ARTICLE IX - FINANCIAL REPORTING AND INFORMATION

SECTION 9.01. Financial Records.

The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.

SECTION 9.02. Financial Statements.

The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.

SECTION 9.03. Audit of Accounts.

The Borrower/Recipient shall:

- (a) each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's *Guidelines on Project Audits (for Borrowers' Use)* by independent auditors acceptable to the Fund;
- (b) within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the

Fund the reply to the management letter of the auditors within one month of receipt thereof;

- (c) if the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project. The Fund may finance the cost of such audit by withdrawal from the Loan and/or Grant Accounts.

SECTION 9.04. Other Financial Reports and Information.

In addition to the reports and information required by the foregoing provisions of this Article:

- (a) The Borrower/Recipient and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any financial matter relating to the Financing or the Project or any Project Party.
- (b) The Borrower/Recipient and the Guarantor shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the maintenance of Loan Service Payments.
- (c) The Project Member State shall promptly furnish to the Fund all information that the Fund may reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt.

ARTICLE X - COOPERATION

SECTION 10.01. Cooperation, Generally.

The Fund, the Cooperating Institution and each Project Party shall cooperate fully to ensure that the objectives of the Project are achieved.

SECTION 10.02. Exchange of Views.

The Fund, the Borrower/Recipient and the Lead Project Agency shall, from time to time at the request of any one of them, exchange views on the Project, the Financing, or any Project Party.

SECTION 10.03. Visits, Inspections and Enquiries.

The Borrower/Recipient and the Project Parties shall enable agents and representatives of the Fund from time to time to:

- (a) visit and inspect the Project, including any and all sites, works, equipment and other goods used for Project-related purposes;
- (b) examine the originals and take copies of any data, accounts, records and documents relevant to the Financing, the Project, or any Project Party; and
- (c) visit, communicate with and make enquiries of all Project personnel and any staff member of any Project Party.

SECTION 10.04. Audits Initiated by the Fund.

The Borrower/Recipient and the Project Parties shall permit auditors designated by the Fund to audit the records and accounts relating to the Project. The Borrower/Recipient and the Project Parties shall cooperate fully with any such audit and accord the auditors the full rights and privileges of agents or representatives of the Fund under Section 10.03. With the exception of audits carried out in accordance with Section 9.03(c), the Fund shall bear the cost of such audits.

SECTION 10.05. Evaluations of the Project.

(a) The Borrower/Recipient and each Project Party shall facilitate all evaluations and reviews of the Project that the Fund may carry out during the Project Implementation Period and for ten (10) years thereafter.

(b) As used in this Section, the term "facilitate", in addition to full compliance with Articles VIII, IX and this Article X in respect of such evaluations and reviews, includes providing timely logistical support by making available Project personnel and equipment and promptly taking such other action as the Fund may request in connection with such evaluations and reviews, but does not include incurring out-of-pocket expenses.

SECTION 10.06. Country Portfolio Reviews.

The Project Member State shall permit the agents and representatives of the Fund, in consultation with the Project Member State, to enter its territory from time to time to exchange views with such persons, visit such sites, and examine such data, records and documents as the Fund may reasonably request in order to carry out a general review of all projects and programmes financed, in whole or in part, by the Fund in its territory and all financing extended by the Fund to the Project Member State. The Project Member State shall ensure that all concerned parties cooperate fully in such review.

ARTICLE XI - TAXATION**SECTION 11.01. Taxation.**

(a) The Financing and all Loan Service Payments shall be exempt from all Taxes, and all Loan Service Payments shall be made free and clear of Taxes.

(b) The Agreement shall be exempt from any Taxes on signature, delivery or registration.

(c) The use of any proceeds of the Financing to pay for Taxes is subject to the Fund's policy of requiring economy and efficiency in the use of its Financing. Therefore, if the Fund at any time determines that the amount of any such Tax is excessive, discriminatory or otherwise unreasonable, the Fund may, by notice to the Borrower/Recipient, reduce the percentages of Eligible Expenditures to be financed by the Financing which are specified in the Financing Agreement.

SECTION 11.02. Tax Refunds.

If the Fund determines at any time that any amount of Financing proceeds have been used to pay Taxes that it has determined to be excessive, discriminatory or otherwise unreasonable, it may require the Borrower/Recipient, by written notice, to refund such amount promptly to the Fund. Upon receipt thereof, the Fund shall credit the Loan and/or Grant Accounts in the amount of such refund.

ARTICLE XII - REMEDIES OF THE FUND**SECTION 12.01. Suspension by the Fund.**

(a) Whenever any of the following events has occurred and is continuing, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts:

- (i) The Borrower has failed to make any Loan Service Payment when due, whether or not the Guarantor or any other third party has made such Loan Service Payment.
- (ii) The Borrower/Recipient has failed to make any payment due under any other Financing Agreement, Guarantee Agreement, or other financial obligation of any kind of the Borrower/Recipient to the Fund, whether or not any third party has made such payment.
- (iii) The Guarantor has failed to make any Loan Service Payment when due.
- (iv) The Guarantor has failed to make any payment due under any other Financing or Guarantee Agreement between the Guarantor and the Fund, or other financial obligation of any kind of the Guarantor to the Fund.
- (v) The Fund has determined that the Project has failed to fulfil, or is unlikely to fulfil in a timely manner, its purposes as stated in the Agreement.
- (vi) The Fund has determined that a situation has arisen which may make it improbable that the Project can be successfully carried out or that any Project Party will be able to perform any of its obligations under any Agreement.
- (vii) The Project Member State has been suspended from membership in the Fund or ceased to be a Member State; or the Project Member State has delivered a notice of its intention to withdraw from the Fund.
- (viii) Any representation made by the Borrower/Recipient, the Guarantor, or any Project Party in any Agreement, or any statement furnished in connection therewith and relied upon by the Fund in making the Financing, is incorrect or misleading in any material respect.
- (ix) If the Borrower/Recipient is not a Member State, the Fund has determined that any material adverse change in the condition of the Borrower/Recipient has occurred.
- (x) Either the Borrower/Recipient or the Guarantor has been unable to pay its debts generally as they come due.
- (xi) Any competent authority has taken action for the dissolution of the Lead Project Agency or suspension of its operations.
- (xii) Any competent authority has taken action for the dissolution of any Project Party (other than the Lead Project Agency) or suspension of its operations, and the Fund has determined that such dissolution or suspension is likely to have a material adverse effect on the Project.

- (xiii) The Borrower/Recipient has failed to make any funds, facilities, services and other resources available to the Project Parties in accordance with Sections 7.02 or 7.03.
- (xiv) The Fund has not received any audit report or other document referred to in Article VIII (Implementation Reporting and Information) or Article IX (Financial Reporting and Information) within the time prescribed therefor in the Agreements, or the audit report is not fully satisfactory to the Fund, or the Borrower/Recipient or any other Project Party has otherwise failed to perform its obligations under Article VIII or IX.
- (xv) The Lead Project Agency or any other Project Party has failed to perform any of its obligations under a Project Agreement.
- (xvi) The Borrower/Recipient or the Lead Project Agency has failed to perform any of its obligations under any Subsidiary Agreement.
- (xvii) Any Project Party (other than the Lead Project Agency) has failed to perform any of its obligations under any Subsidiary Agreement, and the Fund has determined that such failure has had, or is likely to have, a material adverse effect on the Project.
- (xviii) Any Subsidiary Agreement or any provision thereof has been assigned, waived, suspended, terminated, amended or otherwise modified without the prior consent of the Fund, and the Fund has determined that such assignment, waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project.
- (xix) The Fund has suspended, in whole or in part, the right of the Borrower/Recipient or the Guarantor to request or make withdrawals under any other Agreement with the Fund.
- (xx) The Borrower/Recipient or any Project Party has failed to perform any other obligation under the Financing Agreement or any other Agreement.
- (xxi) The Fund determines that any amount of the Financing has been used to finance an expenditure other than an Eligible Expenditure.
- (xxii) The Fund, after consultation with the Borrower/Recipient, has determined that the material benefits of the Project are not adequately reaching the Target Population, or are benefiting persons other than the Target Population to the detriment of the Target Population.
- (xxiii) The Borrower/Recipient has defaulted in the performance of any Special Covenant set forth in the relevant Agreement, and such default has continued unremedied for a period of thirty (30) days, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.
- (xxiv) The Fund has given notice to the Borrower/Recipient that credible allegations of coercive, collusive, corrupt or fraudulent practices in connection with the Project have come to the attention of the Fund, and the Borrower/Recipient has failed to take timely and appropriate action to address the matters to the satisfaction of the Fund.
- (xxv) Procurement has not been or is not being carried out in accordance with the IFAD Procurement Guidelines.

- (xxvi) Upon the occurrence or non-occurrence, as the case may be, of any event specified in the relevant Agreement as an additional ground for suspension.

Such suspension shall become effective upon dispatch of notice by the Fund to the Borrower/Recipient and the Guarantor. Such suspension shall continue until the Fund has notified the Borrower/Recipient that the Borrower/Recipient's right to request withdrawals has been restored in whole or in part.

- (b) If the audit report required by Section 9.03 has not been submitted to the Fund within six (6) months of the date on which it is due, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts shall be suspended.

SECTION 12.02. Cancellation by the Fund.

- (a) If any of the following events has occurred, the Fund may cancel in whole or in part the remaining amounts in the Loan and/or Grant Accounts:

- (i) The right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts has been suspended under Section 12.01 with respect to any amount of the Financing for a continuous period of at least thirty (30) days.
- (ii) The Fund determines after consultation with the Borrower/Recipient that any amount of the Financing will not be required to finance the Project.
- (iii) After consultation with the Borrower/Recipient, the Fund determines that coercive, collusive, corrupt or fraudulent practices were engaged in by representatives of the Borrower/Recipient or any Project Party in respect of any expenditures incurred during the procurement or the carrying out of any contract financed by the Financing, and that the Borrower/Recipient has failed to take timely and appropriate action to remedy the situation.
- (iv) The Fund has determined that any amount of the Financing has been used to finance an expenditure other than an Eligible Expenditure and the Borrower/Recipient has failed to promptly refund such amount to the Fund upon the Fund's instructions.
- (v) The Fund has received any notice from the Guarantor terminating its obligations under the Guarantee Agreement.
- (vi) The Mid-Term Review has recommended that the Project be terminated.
- (vii) Upon the occurrence or non-occurrence, as the case may be, of any event specified in the relevant Financing Agreement as an additional ground for cancellation.

Such cancellation shall be effective upon dispatch of notice to the Borrower/Recipient.

- (b) Any amounts remaining in the Loan and/or Grant Accounts shall be cancelled on the Financing Closing Date, except for any unwithdrawn balances of applications for withdrawal received by the Financing Closing Date and any amounts subject to undischarged Special Commitments, which shall be cancelled upon the full discharge of such Special Commitments.

SECTION 12.03. Cancellation by the Borrower/Recipient.

After consultation with the Fund and with the concurrence of the Guarantor, the Borrower/Recipient may by notice to the Fund cancel any unwithdrawn amount of the Financing, except for amounts subject to Special Commitment. Such cancellation shall become effective upon acknowledgement thereof by the Fund.

SECTION 12.04. Applicability of Cancellation or Suspension.

(a) No cancellation or suspension shall apply to amounts subject to any Special Commitment made by the Fund, unless such Special Commitment expressly provides otherwise.

(b) Except as expressly provided in this Article, all provisions of the Financing Agreement shall continue in full force and effect notwithstanding any cancellation or suspension.

SECTION 12.05. Acceleration of Maturity.

If at any time any of the following events has occurred, at any subsequent time during the continuance thereof, the Fund may declare the principal amount of the Loan then outstanding, together with all accrued interest and other charges thereon, to be immediately due and payable:

- (a) any event specified in paragraphs (v) through (xii), inclusive, of Section 12.01 has occurred;
- (b) the Fund has declared the principal of any other loan to the Borrower/Recipient or the Guarantor then outstanding to be immediately due and payable;
- (c) any event specified in paragraphs (i) through (iv), inclusive, of Section 12.01 has occurred and continues for a period of thirty (30) days;
- (d) any event specified in paragraphs (xiii) through (xxvi), inclusive, of Section 12.01 has occurred and continues for a period of sixty (60) days after notice thereof has been given by the Fund to the Borrower/Recipient and the Guarantor; or
- (e) any other event specified in the Financing Agreement for the purposes of this Section has occurred and has continued for the period, if any, specified in the Financing Agreement.

Such declaration shall be effective upon dispatch of notice to the Borrower/Recipient and the Guarantor, whereupon such principal, interest and other charges shall become due and payable immediately.

SECTION 12.06. Other Remedies.

The remedies of the Fund set forth in this Article shall not limit or otherwise prejudice any rights or remedies available to the Fund otherwise.

ARTICLE XIII - ENTRY INTO FORCE AND TERMINATION

SECTION 13.01. Entry into Force.

An Agreement or amendment thereto shall enter into force on the date when both the Fund and the Borrower/Recipient have signed it, unless the Agreement states that it is subject to ratification, in which case the Agreement shall enter into force on the date the Fund receives an instrument of ratification.

SECTION 13.02. Termination before Withdrawal.

The Fund may terminate the Agreement and all rights and obligations of the parties thereunder if:

- (a) before the date of first withdrawal from the Loan and/or Grant Accounts, any event of suspension specified in Section 12.01 has occurred; or
- (b) before the date of first withdrawal from the Loan and/or Grant Accounts, the Borrower/Recipient, the Guarantor or any other Project Party has taken any action inconsistent with the object and purpose of any Agreement.

SECTION 13.03. Termination upon Full Performance.

An Agreement and all obligations of the parties thereunder shall terminate when the entire principal amount of the Loan withdrawn from the Loan Account and all interest and other charges which shall have accrued on the Loan have been paid and when all other obligations of the Parties have been fully performed, or when agreed by the Parties.

ARTICLE XIV - ENFORCEABILITY AND RELATED MATTERS

SECTION 14.01. Enforceability.

The Agreement and the rights and obligations of the parties thereunder shall be valid and enforceable in accordance with their terms, regardless of any law to the contrary in the territory of the Project Member State.

SECTION 14.02. Failure to Exercise Rights.

No delay in exercising, or failure to exercise, any right, power or remedy of any party under an Agreement shall impair any such right, power or remedy, or be construed as a waiver thereof. No action or omission of any party in respect of any default under an Agreement shall impair any right, power or remedy of such party in respect of any subsequent default.

SECTION 14.03. Rights and Remedies Cumulative.

The rights and remedies of any party under an Agreement are cumulative and (except as otherwise expressly provided) not exclusive of any right or remedies that such party would otherwise have.

SECTION 14.04. Arbitration.

- (a) The parties to an Agreement shall endeavour to settle through amicable means any controversy between them in respect of such Agreement.

(b) Failing the settlement of a controversy through amicable means, the controversy shall be submitted to arbitration for settlement. The parties to the arbitration shall be the parties to the Agreement in controversy, except that the Guarantor may intervene or be interpleaded in any controversy that may affect its rights or obligations under the Guarantee Agreement.

(c) The Arbitral Tribunal shall consist of a single arbitrator appointed by agreement of the parties or, if they do not agree within three (3) months after proceedings are instituted under paragraph (d) below, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If the arbitrator shall resign, die or become unable to act, a successor arbitrator shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceedings may be instituted under this Section upon notice by the party instituting such proceedings to the other party or parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration.

(e) The arbitration proceedings shall take place at such time and place as shall be fixed by the arbitrator.

(f) Subject to the provisions of this Section and except if the parties shall otherwise agree, the arbitrator shall decide all questions relating to his competence and shall determine the procedure for the arbitration proceedings.

(g) The arbitrator shall afford to all parties a fair hearing and shall render his award in writing. Such award may be rendered by default. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties. Each party shall abide by and comply with any such award rendered by the arbitrator in accordance with the provisions of this Section.

(h) The parties shall fix the amount of the remuneration of the arbitrator and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the arbitration proceedings begin, the arbitrator shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the arbitrator shall be divided between and borne equally by the Fund on the one side and the other parties on the other side. Any question concerning the division of the arbitrator's costs among the parties or the procedure for payment of such costs shall be determined by the arbitrator.

(i) The provisions for arbitration set forth in this Section shall be instead of any other procedure for the settlement of controversies between the parties, and any claim by either party against the other party arising thereunder.

(j) If the award has not been complied with within thirty (30) days after the counterparts of the award have been delivered to the parties, any party may enter judgement upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party. Such party may enforce such judgement by execution or may pursue any other appropriate remedy against such other party for the enforcement of the award.

(k) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the

manner provided in Section 15.01. The parties may waive any and all other requirements for the service of any such notice or process.

ARTICLE XV - MISCELLANEOUS PROVISIONS

SECTION 15.01. Communications.

All notices, requests and other communications given or made under an Agreement shall be in writing. Except as otherwise expressly provided in the Agreement, any such notice, request or other communication shall be deemed duly given or made when delivered by hand, mail, telegram, cable, facsimile or email to the party to which it is given or made at such party's address specified in the particular Agreement, or at such other address as such party may designate by notice to the other parties thereto.

SECTION 15.02. Language of Reporting.

The Borrower/Recipient and the Project Parties shall deliver all reports and information to the Fund in the language of the Agreement, or in any other language agreed by the Parties.

SECTION 15.03. Authority to Take Action.

The representative or agent so designated in any Agreement, or another person duly authorized in writing by such representative or agent, may take any action and sign any document in connection with such Agreement on behalf of such party.

SECTION 15.04. Evidence of Authority.

Upon request by the Fund, the Borrower/Recipient, the Guarantor and any Project Party shall furnish to the Fund sufficient evidence of the authority of the person or persons referred to in Section 15.03, and the authenticated specimen signature of each such person.

SECTION 15.05. Modifications of the Agreement.

The parties may agree from time to time to modify the terms and conditions of an Agreement (including, but not limited to, the terms and conditions of these General Conditions as applied thereto) or the application of the Agreement. Any amendment to an Agreement shall enter into force in accordance with the provisions of Section 13.01 hereof, unless the parties agree otherwise.

SECTION 15.06. Change of Entity or Representative.

If a party wishes to appoint any successor to, reassigns the responsibilities of, or changes the designation or address of any of the entities specified in an Agreement, such party shall give notice thereof to the other parties. Upon acceptance by the other parties, such new entity shall constitute the entity fully responsible for carrying out the functions assigned to its predecessor under the Agreement.

SECTION 15.07. Signature of the Agreement.

The signature of an Agreement by a party shall constitute the expression of such party's consent to be bound thereby, subject only to any ratification or authorisation required by a rule of internal law of fundamental importance and disclosed to the other party in writing before such signature.

Logical framework

Narrative Summary	Key Performance Indicators ¹	Baseline*	Cycle 1	Cycle 2	Means of Verification	Assumptions (A) / Risks (R)
Goal:						
Contribute to a sustainable poverty reduction in rural areas of Ghana	▪ Decreased rural poverty incidence in Ghana	29% (2011)			▪ Ghana Statistical Services	
	▪ Increased agricultural GDP	16,687m GHS			▪ Ghana Statistical Services	
	▪ Decreased 0-5 year child malnutrition	14% (2011)			▪ Multiple Indicator Cluster Survey (MICS) – UNICEF	
Programme Development Objective (PDO):						
Smallholder farmers have enhanced their profitability and climate change resilience	▪ Direct clients (of which 50% women, 20% 15-24 years, 30% 25-34 years)	50,000	62,900	86,400	▪ Value Chain Facilitator	Favorable macro-economic environment (A)
	▪ Estimated number of households	44,000	55,000	75,600	▪ PCU estimation	
	▪ Total number of beneficiaries	300,000	374,000	514,200	▪ PCU estimation	
	▪ Direct clients that are more climate change resilient	0	5,000	10,000	▪ Value Chain Facilitator	
	▪ Average crop yields (MT/ha) – cassava (c), maize (m)	C:9.4 M:2.0	18.0 3.8	16.4 3.5	▪ Farmers book, tracer study	
	▪ Net farm income (GHS/ha) – cassava (C), maize (M)	C:212 M:37	425 362	875 875	▪ Farmers book, tracer study	
	▪ Additional volume of produce marketed by smallholders (MT)	C:-0 M:-0	36,000 7,000	216,000 40,000	▪ Farmers book, tracer study	
Outcome 1: Smallholders have formalized commercial linkages to factor and output markets including small agribusinesses	▪ Number of agribusinesses experiencing sustainable growth	n/a	180	270	▪ Tracer study	Inability of VCCs to formalize commercial linkages (R)
	▪ Number of farmers linked to markets by programme	45,000	55,000	80,000	▪	
	▪ Number of FBOs reaching category four (4) status (sustainability)	0	300	800	▪ Value Chain Facilitator	
	▪ Hectares under improved production techniques	0	30,000	74,300	▪ Value Chain Facilitator	
Outputs: 1. VCCs and FBOs are strengthened and value chain actors are linked 2. Commercial infrastructure is improved	▪ Number of functional VCCs (RIMS)	43	134	180	▪ Value Chain Facilitator	Agribusinesses are willing to work with smallholders (A)
	▪ Number of agribusinesses supported	105	200	300	▪ Value Chain Facilitator	
	▪ Number of FBOs involved (RIMS)	0	3,100	4,300	▪ Value Chain Facilitator	
	▪ Number of farmers trained (RIMS)	0	30,000	60,000	▪ Value Chain Facilitator	
	▪ Number of commercial facilities constructed (by type) (RIMS)	0	50	100	▪ ZPO	
	▪ Km of rural roads rehabilitated (RIMS)	0 km	1200 km	Tbd	▪ ZPO	
	▪ Km of rural electrical connections	0 km	450 km	Tbd	▪ ZPO	

¹ All indicators are disaggregated by Gender and Age. * Baseline indicators to be verified.

Narrative Summary	Key Performance Indicators ¹	Baseline*	Cycle 1	Cycle 2	Means of Verification	Assumptions (A) / Risks (R)
Outcome 2: Increased and systematic access to and use of short and long term financing for value chain businesses	▪ Number of clients using structured trade financing	10,000	30,000	50,000	▪ PFIs quarterly reporting	Low capacity of programme to interest PFIs in financing value chains (R) PFIs have liquidity available (internally or through credit lines) (A)
	▪ Number of clients accessing leasing, equity investments and/or mezzanine debt	0	4,000	10,000	▪ Funds and PFIs quarterly reporting	
	▪ Number of savers among clients	30,000	50,000	70,000	▪ PFIs quarterly reporting	
	▪ Value of loans facilitated by GASIP with tenure <= 1 year	n/a	1.0 mio \$	1.5 mio \$	▪ PFIs quarterly reporting	
	▪ Value of loans facilitated by GASIP with tenure > 1 year	n/a	0.5 mio \$	0.75 mio \$	▪ PFIs quarterly reporting	
	▪ Improvement in PAR among PFIs	n/a	n/a	n/a	▪ PFIs quarterly reporting	
Outputs: 1. Partnerships with PFIs built 2. Matching grant scheme operating	▪ Number of active PFIs (universal banks and RCBs)	50	100	150	▪ ZPO	
	▪ Number of PFI staff trained	0	500	...	▪ ZPO	
	▪ Value of loans leveraged by matching grants	0	7mio \$	20 mio \$	▪ ZPO	
Outcome 3: Value chain stakeholders are climate resilient	▪ Hectares under conservation agriculture practices, increase	0	7,500	10,000	▪ Value Chain Facilitator	Low capacity of Programme to mainstream commercial Climate change technologies (R)
	▪ Hectares of irrigated land using efficient technology, increase	0	200	1,000	▪ Value Chain Facilitator	
	▪ Direct clients having improved water management (ASAP)	0	1,000	4,000	▪ Value Chain Facilitator	
Outputs : 1. Stakeholders have been trained in CCR 2. CCR development has been supported	▪ Number of functional WUAs (ASAP) supported by GASIP	0	30	50	▪ Value Chain Facilitator	
	▪ Hectares with reliable access to water (ASAP), under GASIP	0	250	350	▪ Value Chain Facilitator	
	▪ Yield from conservation farming (by crop) (maize (M), soya (S))	M:1.0t/ha S:0.7t/ha	2.5t/ha 1.6/ha	3t/ha 2.0/ha	▪ Value Chain Facilitator	
▪ Number of clients trained in CCR (ASAP)	0	10,000	15,000	▪ Value Chain Facilitator		
Outcome 4: The policy framework for smallholder farmers has improved	▪ General satisfaction with the policy framework among value chain actors (scale 1 – 6)	tbd	tbd	5	▪ Participatory outcome assessment	Inefficient data collection and analysis (R)
Outputs: Policy optimization supported	▪ Number of policy forums held	0	3	6	▪ PCU	MOFA provides leadership (A)
	▪ Number of white papers addressing key policy issues	0	3	6	▪ PCU	