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THE REPUBLIC OF GHANA

RURAL ENTERPRISES PROGRAMME
(REP)

PROGRAMME DESIGN REPORT

Main Report and Annexes

Western and Central Africa Division
Programme Management Department

REPORT No.
July 27, 2011

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

THE REPUBLIC OF GHANA
RURAL ENTERPRISES PROGRAMME
(REP)

PROGRAMME DESIGN REPORT – MAIN REPORT

Table of Contents

Annexes

Working Papers (available electronically in the Project Life File (PLF))

CURRENCY EQUIVALENTS

Currency Unit	=	Ghana Cedis (GH¢)
USD 1.00	=	GH¢ 1.5
GH¢ 1.00	=	USD 0.667

WEIGHTS AND MEASURES

1 Kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 Kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m^2)	=	10.76 square feet (ft^2)
1 acre (ac)	=	0.405 hectare (ha)
1 hectare (ha)	=	2.47 acres (ac)

FISCAL YEAR

1 January – 31 December

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGI	Association of Ghana Industries
ASSI	Association of Small-scale Industries
APPB	Annual Performance Plan and Budget
BAC	Business Advisory Centre
BDO	Business Development Officer
BDS	Business Development Services
BoG	Bank of Ghana
COSOP	Country Strategies and Opportunities Paper
COTVET	Council of Technical, Vocational and Educational Training
CPM	Country Portfolio Manager
CPMT	Country Programme Management Team
DA	District Assembly
DOTI	Department of Trade and Industry
EB	Executive Board
ERR	Economic Rate of Return
ESSN	Environmental Screening and Scoping Note
GDP	Gross domestic product
GH¢	Ghana Cedis
GIS	Geographic Information System
GoG	Government of Ghana
GPRS-I	Ghana Poverty Reduction Strategy-phase I
GPRS II	Growth and Poverty Reduction Strategy-phase II
GSGDA	Ghana Shared Growth and Development Agenda
GIZ	German Technical Cooperation
HDI	Human Development Index
ICCES	Integrated Community Centres for Employable Skills
IE	Interim Evaluation
IFAD	International Fund for Agricultural Development
KSF	Key success factor
KPCEED	Kumasi Polytechnic Centre for Entrepreneurship and Enterprise Development

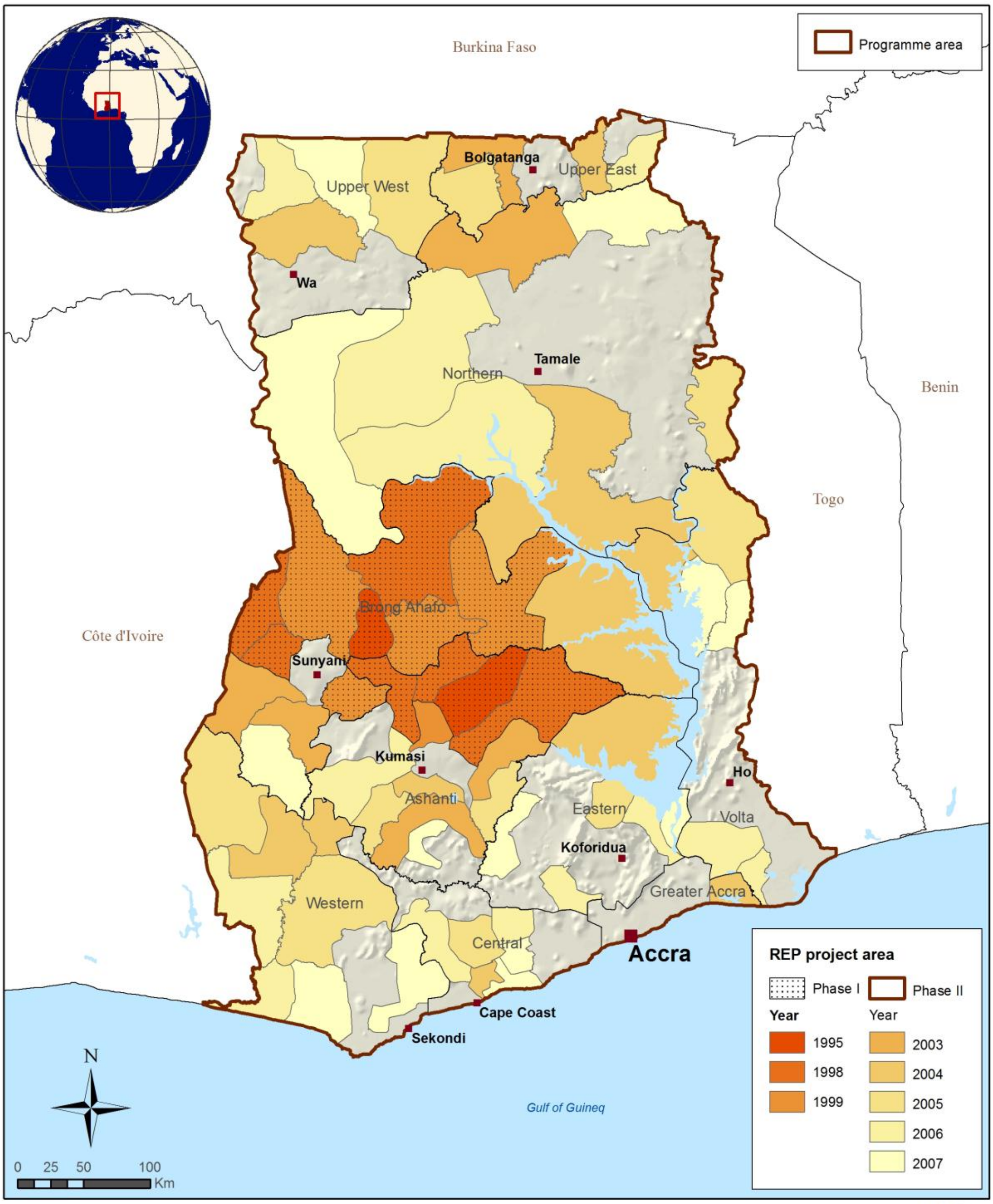
LBA	Local Business Association
MCP	Master craft person
MDA	Ministries, Departments and Agencies
MESW	Ministry of Employment and Social Welfare
M&E	Monitoring and Evaluation
MGF	Matching Grant Fund
MLGRD	Ministry of Local Government and Rural Development
MOFA	Ministry of Food and Agriculture
MOFEP	Ministry of Finance and Economic Planning
MOTI	Ministry of Trade and Industry
MSE	Micro and Small-Scale Enterprises
MTNDP	Medium Term National Development Plan
MTR	Mid-term review
NBSSI	National Board for Small-scale Industries
NGO	Non-governmental organization
NORPREP	Northern Region Poverty Reduction Programme
NPD	National Programme Director
NRGP	Northern Rural Growth Programme
NVTI	National Vocational Training Institute
PCMU	Programme Co-ordination and Management Unit
PDR	Programme Design Report
PFI	Participating Financial Institution
PSC	Programme Steering Committee
PSDS	Private Sector Development Strategy
QA	Quality Assurance
QE	Quality Enhancement
RAFiP	Rural and Agricultural Finance Programme
RCB	Rural Community Bank
RCC	Regional Coordinating Council
REDF	Rural Enterprise Development Fund
REP	Rural Enterprises Programme
REP I	Rural Enterprise Project, phase I
REP II	Rural Enterprise Project, phase II
RIMS	Results and Impact Management System
RTF	Rural Technology Facility
RTIMP	Root and Tuber Improvement and Marketing Programme
RWGMSE	Regional Working Group on Micro and Small Scale Enterprises Development
TAP	Traditional Apprentice
TAT	Technical Apprentice
TPD	Technology Promotion and Dissemination
TVET	Technical and Vocational Education Training
UN	United Nations

MAP OF PROGRAMME AREA

Ghana

Rural Enterprises Programme

Project coverage by year



14-7-2011

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

IFAD *Map compiled by IFAD*

EXECUTIVE SUMMARY

I. Rationale for scaling up REP

1. The Rural Enterprises Project (REP) is part of Ghana Government's efforts to reduce poverty and improve living conditions in rural areas. It is an excellent example for IFAD's aim to scale up successful projects. Phase one of REP was implemented from 1995 to 2002 in 13 districts in the Ashanti and Brong-Ahafo regions. The second phase (2003-2012) is being implemented in 66 districts nationwide. The scope of the third phase, to be known as Rural Enterprises Programme (REP), will be to upscale and mainstream its district-based micro and small enterprise (MSE) support system nationwide within the public and private institutional systems.

2. In order to develop the full potential of rural MSEs in Ghana, a district-based model for MSE promotion has been piloted by REP since 1995. The model is based on three building blocks: (i) access to business development services (BDS) through a district-based Business Advisory Centre (BAC); (ii) technology transfer through technical skills training and demonstrations, mainly delivered by Rural Technology Facilities (RTF) that cover 3 districts; and (iii) access of MSEs to rural finance through linkages with Participating Financial Institutions (PFI), including Rural and Community Banks (RCB) and their ARB Apex Bank.

3. Scaling-up into a nationwide programme faces following challenges: (i) to further mainstream a demand-driven MSE-sector support system within the public and private institutional systems at district, regional and national levels; (ii) to replicate the BAC concept nationwide; (iii) to invest in additional RTFs to facilitate the transfer of appropriate technology and skills training; (iv) to promote further efficiency and effectiveness gains in the BAC/RTF model; (v) to facilitate continued access to finance by MSEs that have already been linked and further expand access in the additional districts, with particular focus on supporting rural women's group enterprises and youth start-ups; (vi) to develop synergies with other initiatives in the field of vocational skills training; (vii) to mainstream an inclusive targeting strategy in the promotion of MSEs as to meet development and poverty reduction goals.

II. Programme description

Targeting

4. REP's inclusiveness strategy will contribute to lift individuals and poor households out of poverty. REP will primarily target the entrepreneurial poor, which are mostly members of poor rural families that are able to convert the capacity-building support from the Programme into productive assets without or with barest additional investment support.

5. The targeting strategy of REP includes the following steps: (i) a geographic expansion strategy; (ii) a self-targeting approach within a district, emphasising entrepreneurial capacity and clients' willingness to contribute to their own development; (iii) direct targeting of specific subgroups; (iv) empowerment and capacity building measures; and (v) enabling measures for MSE promotion. REP will have a particular attention for vulnerable groups, including rural women and youth who don't have access to inputs and skills.

Programme Development Objective and Outcomes

6. The goal of the REP is to improve the livelihoods and incomes of rural poor micro and small entrepreneurs.

7. The development objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities.

8. The four outcomes will be: (a) business development services accessible to MSEs in all rural districts; (b) technical skills transferred and technologies disseminated; (c) access of MSEs to finance ensured; and (d) pro-poor MSE support institutions and policies in place.

Programme Components

9. Business Development Services. Component 1 aims at upgrading the technical and entrepreneurial skills of rural MSEs by providing access to business development services (BDS) at the district level. The BACs, which function under the District Assemblies (DAs), will be the main delivery mechanism for BDS at district level. A dual approach will be adopted by REP for up-scaling the BAC concept nationwide. The 66 existing BACs will be further strengthened, while new BACs will be established in the remaining rural districts of Ghana. All BACs will be used by REP, public services and other development partners to facilitate access to services for MSE clients and their local business associations (LBAs). The main innovations will be: (i) advanced training to BAC staff, combined with performance counselling in order to improve their efficiency and effectiveness; (ii) a stronger role of BACs in facilitating access to finance and technology; (iii) harmonization of training modules; (iv) provision of intensive support to assist businesses to move further from survival level to proactive growth; and (v) introduction of a cost-recovery mechanism, enhance sustainability, and enhance performance.

10. Technology Promotion and Dissemination. Component 2 aims at upgrading the level of technology of the rural MSE sector by facilitating promotion and dissemination of appropriate technologies in the form of skills training, manufacture of processing equipment, testing and promotion of prototypes. REP will support the establishment of 30 new RTFs and use all 51 RTFs as centres for skills training and technology dissemination. Innovations in the concept will be to: (i) explore the potential for new types of RTFs; (ii) strengthen management and management boards of the RTFs; (iii) align training programs with COTVET certification that is being prepared; (iv) expand outreach of skills training through partnerships with existing vocational training centres; (v) promote more actively new technologies and links with value chain projects.

11. Access to Rural Finance. Sub-Component 3.1 aims to enhance the access of rural MSEs to rural finance. REP will partner with an estimated 80 participating financial institutions (PFI) that meet performance criteria and can use their own credit funds to support the businesses of MSEs. To allow PFIs with liquidity and term mismatch constraints to refinance their portfolios of longer-term MSE investment loans, REP will also continue to implement the Rural Enterprises Development Fund (REDF) as a wholesale credit fund, with additional funds to be managed by ARB Apex Bank as part of its emerging role as a second-tier financial institution supporting the rural banking system, complementing the capacity-building support through RAFiP. In addition, the Matching Grant Fund (MGF) will be targeted to enhance access and the social benefits of economic and financial groups (especially women) and to facilitate a graduation process for youth from apprenticeship or training to start-up kits to moving their businesses from survival to growth via financing to acquire productive assets.

12. Institutional Capacity Building and Policy Dialogue. Sub-Component 3.2 aims to strengthen and mainstream MSE support institutions countrywide and contribute to the creation of a favourable environment for growth of rural MSEs. At the district level, REP will support the mainstreaming of the Sub-Committee on MSE Promotion, as well as the effective implementation of the Department of Trade and Industry (DOTI) within the DA structure. The national and regional offices of National Board of Small Scale Industries (NBSSI) and ARB Apex Bank will be strengthened to ensure implementation and intensive technical backstopping. NBSSI would also receive a role as knowledge centre for BACs and RTFs. Appropriate support will also be provided to GRATIS Foundation as a technical partner to give technical backstopping to the RTFs. REP will continue to actively

involve local business associations and their umbrella organizations in the planning and implementation of programme activities.

13. Programme Coordination, Monitoring & Evaluation. This Component will make provision to cover the cost for the coordination, management, M&E and knowledge management. Key innovations of M&E will be: (i) the use of Web-based technology for decentralized data entry; (ii) monitoring of institutional performance of BACs and RTFs, combined with performance counselling; (iii) monitoring of efficiency and effectiveness of REP tools (use of tracer study).

III. Programme Implementation

14. The Ministry of Trade and Industry (MOTI) will have the overall responsibility for the implementation of REP. It will establish and chair a national Programme Steering Committee. The National Programme Co-ordination and Management Unit (PCMU) based in Kumasi will be strengthened to continue the implementation of day-to-day activities. After programme completion, the PCMU will be integrated in the Technology and SME Division of MOTI.

15. At the district level, the District Assemblies (DAs) will continue be the seat of programme implementation and play a central role in co-ordinating the services, resources and programmes of various district-level stakeholders in the implementation of REP. The National Board of Small-Scale Industries (NBSSI) will be responsible for providing knowledge management and technical support in the effective delivery of business development services facilitated by the BACs. GRATIS Foundation will provide technical backstopping to the RTFs. The Bank of Ghana (BoG) and ARB Apex Bank will be supported to monitor the performance of the PFIs.

16. REP will be implemented in 3 phases over 8 years. The PCMU, in close collaboration with its partners, will ensure the geographic expansion in PY1-PY3. During the second phase (PY4-PY6), the responsibility for implementation will be transferred to national institutions and partners. During the third phase (PY7-PY8), the role of the PCMU will be limited to ensuring fiduciary aspects, technical backstopping of component implementation, monitoring of outcomes and impact.

IV. Programme Costs and Financing

17. The Programme cost, including contingencies, taxes and duties, is estimated at USD 185.1 million or the equivalent of GH¢ 330.8 million. This is made up of USD 169.5 million (GH¢ 254.2 million) in base costs and USD 15.7 million in physical and price contingencies. The foreign exchange element is estimated at 7% of total cost.

18. The financiers of the Programme will be IFAD (USD 31.5 million / GH¢ 47.3 million), AfDB (USD 70.0 million / GH¢ 105.0 million), Government of Ghana (USD 25.1 million / GH¢ 37.7 million), Districts Assemblies (USD 38.4 million / GH¢ 57.6 million), participating financial institutions (USD 6.2 million / GH¢ 9.3 million) and the clients (USD 13.9 million / GH¢ 20.8 million).

19. The IFAD loan proceeds will be used to finance costs related to part of scaling up a nationwide network of BACs in five regions northwards, rural financial services, policy dialogue and institutional capacity building, programme management, monitoring and evaluation. The AfDB loan will be used to finance the core of the technology promotion and dissemination component as well as part of scaling up a nationwide network of BACs in five regions down southwards and the related institutional capacity building. Government of Ghana will finance: taxes and duties on imported goods, VAT and part of the recurrent costs of the PCMU. In addition, it will finance part of the salaries of BAC and RTF staff through NBSSI and GRATIS Foundation. The District Assemblies (DA) will also contribute to the salaries of BAC and RTF staff, as well as the operational costs of the BAC and RTF.

V. Benefits and Beneficiaries

20. REP targets at least 200,000 direct clients of which at least 50% will be women. This will generate at least 100,000 additional jobs. About 36,000 businesses will be established. Direct skills training will be provided to around 30,320 apprentices and 30,320 master craft persons. REDF credit funds will be disbursed to 27,000 MSEs, while approximately 5,000 MSEs will benefit from the Matching Grant Fund, especially women groups and youth start-up enterprises.

VI. Sustainability and Exit Strategy

21. The demand-driven approach and the support through business advisory services and increased access to financial services will guarantee the commercial viability of the MSE businesses, which will be fully integrated in the local and regional market economy. REP will mainly be implemented through BACs and RTFs that will be integrated in the DA system and NBSSI. The BACs will leverage additional funding for recurrent costs and business development services from other sources, with increasing cost-sharing by the MSE clients. National knowledge management and service centres for BACs and RTFs will be established at the national level (NBSSI and GRATIS Foundation). The DAs will take over the running of the RTFs on "public-private-sector partnership" basis. The REDF revolving credit fund will be operated on a commercial basis beyond the loan closing date by the ARB Apex Bank through the PFIs.

Logical Framework of REP

Results Hierarchy	Indicators * RIMS indicator	Means of Verification	Assumptions
Goal			
To improve the livelihoods and income of rural poor micro and small entrepreneurs	• Reduced % of rural poverty prevalence • Reduced unemployment rates (by gender) • Reduced prevalence of child malnutrition	• National household expenditures surveys • National statistics on MDGs	
Development Objective To increase the number of rural micro and small enterprises that generate profit, growth and employment opportunities	• 100 000 employment opportunities created (by gender & age)* • 36 400 businesses created (by gender & age)* • 70 000 existing businesses strengthened (by gender & age) • 20 000 enterprises graduating from survival to normal and rapid growth categories (growth measure) (by gender & age) • 38 000 enterprises in operation after 3 years (sustainability measure)* (by gender & age) • 30% increase in household income	• REP database • Reference surveys, studies • Tracer study • Client profile and poverty analysis	
Outcome 1: Business development services accessible to MSEs in rural districts	• At least 150 operational REP model BACs • Turnover of BACs (target: 25,000 USD)	• REP & NBSSI records	Decentralization policy remains supportive for integration of BAC in DA. Successful restructuring of NBSSI.
	• Level of institutional performance of BACs (average efficiency of 0.80 by year 8)	• Institutional performance surveys	
	• Level of effectiveness (60%) of BDS training	• Tracer study	
<u>Output 1.1</u>: BACs are established and strengthened	• At least 84 new BACs established • 600 staff of BACs (re)trained	• NBSSI records • REP database & reports	
<u>Output 1.2</u>: Capacity of rural MSEs and their associations strengthened	• 74 000 rural MSEs counselled (by gender & age) • 400 000 people trained by type of training (total outreach) (by gender & age)* • 2000 LBAs supported (training by gender)		
Outcome 2: Technical skills transferred and technologies disseminated	• At least 51 operational RTFs • Turnover of RTFs (target: 20,000 USD) • 23 000 NVTI certifications • Training aligned with COTVET	• GRATIS records • REP database & reports	Decentralization policy remains supportive for sustainability of RTFs.
	• Level of effectiveness (60%) of training & start-up kits (by gender)	• Tracer-study	

Output 2.1: RTFs are functional	• 30 new RTFs established • 153 staff of RTFs (re)trained • 51 RTF management boards operational • 90% of RTFs use accounting software	• RTF reports • MSE Sub-committee reports • GRATIS reports • REP database & reports • Periodic reports from partners	Co-financing available in time GRATIS Foundation continues support to RTFs.
Output 2.2: Capacity of rural master craft persons and apprentices developed	• 30 320 master craft persons trained by type of training and gender • 30 320 traditional apprentices trained by type of training and gender • 1895 technical apprentices trained by type of training and gender • 19 000 graduate apprentices provided with start-up kits (by gender)		
Outcome 3: Access of MSEs to finance is ensured.	• 27,000 active borrowers of which at least 50% women (by gender and age)* • % reduction of portfolio at risk*	• BAC quarterly reports • PFIs quarterly reports • REP reports	Effective linkages with other IFAD projects (mainly RAFiP) PFIs' capacities remain sufficient to handle a portfolio of small loans
Output 3.1: PFIs capacity improved	• Number of staff of PFIs (re)trained (by gender) • Partnership with at least 80 PFIs	• ARB Apex Bank reports	
Output 3.2: MGF operational	• 7,000 MSEs accessing MGF • MGF amount disbursed (by gender and age) (target 1.9 million USD)	• REP reports • BoG reports • ARB Apex Bank reports	
Output 3.3: REDF operational	• 22,000 MSEs accessing REDF • % REDF disbursed (by gender age)*		
Outcome 4: Pro-poor MSE support institutions and policies in place	• Disbursement rate of DAs at least at 80% • NBSSI is operational knowledge centre for BACs • GRATIS is operational knowledge centre for BACs	• MSE sub-committee reports • Supervision reports	NBSSI and GRATIS are restructured and have capacity to fulfil their role.
Output 4.1: Institutions strengthened at district and regional level	• 150 MSE Sub-Committees functional • 150 DOTI, MSE Sub-Committees, DA trained • 8 RWGMSE operational at RCCs • 100 functional ASSI branches at district level • Establishment of 20 Light industrial estates supported	• REP reports • NBSSI reports	
Output 4.2: Support to policy dialogue	• Number and quality of policy initiatives emanating from REP and Das	• Supervision reports	

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

THE REPUBLIC OF GHANA
RURAL ENTERPRISES PROGRAMME (REP)

PROGRAMME DESIGN REPORT – MAIN REPORT

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and Rural Development Context

Country Economic and Poverty Context

1. The social and economic profile of Ghana has improved significantly over the last ten years. Real GDP growth has averaged 5.7% over the period 2000-2009 and is forecast to remain robust, supported by continued growth in agriculture, services, commodity exports and the commencement of large-scale oil exports. Gross Domestic Product (GDP) per capita amounted to 655 USD in 2009, compared to 490 USD in 2005. Ghana's Growth and Poverty Reduction Strategy (GPRS II) aims to achieve by 2015 middle-income status for Ghana[1], to go beyond the Millennium Development Goals (MDGs), and to ensure that benefits of growth are shared. Overarching objectives are to: (i) sustain economic growth of at least 6% per year; (ii) surpass the 2015 MDG of halving poverty to 26%; and (iii) reduce inequalities between regions and population categories.

2. Ghana's poverty profile[2] has improved drastically over the past two decades. The Human Development Report (UNDP, 2010) ranks Ghana 130 out of the 169 countries in terms of poverty status, with a Human Development Index (HDI) of 0.467. The proportion of the population defined as poor declined from 51.7% in 1991/92 to 39.5% in 1998/99 and to 28.5% in 2005/06. Poverty reduction was nationwide in both urban and rural areas. The positive trend is likely to continue if Ghana maintains its strong economic growth rates, yet rural poverty remains structurally higher than urban poverty. In addition, the pace of poverty reduction has been weaker in the northern regions.

Challenges for Rural Micro and Small Enterprise Development

3. While the majority of the rural population earns their income directly from agriculture, others function in a supporting and complementary role as they undertake a variety of off-farm and non-farm micro and small enterprises (MSEs), mostly in the informal sector. These MSEs may account for approximately two thirds of all non-agricultural jobs and account for as much as 20% of Ghana's GDP[3]. This rural MSE subsector is characterized by a low productivity and competitiveness level. The entrepreneurs often undertake informal labour intensive self-employment activities, make use of traditional technologies and unskilled labour of family members, and have little or no access to basic financial services. Women especially operate the more traditional and low-income livelihoods.

4. Strategies for sustained and accelerated economic growth in Ghana must also address this low productivity, technology and skills level in the rural informal and formal MSE sector. The Country Economic Memorandum (CEM)[4] states that until 2007 economic growth was mostly based on factor accumulation, while sustained accelerated growth cannot be achieved without productivity and competitiveness improvements. The CEM

[1] GDP per capita of 1,000 USD.
[2] Ghana Statistical Service. Fifth Ghana Living Standards Survey (GLSS-5). September 2008.
[3] PSDS II. July 2009
[4] World Bank. Ghana Country Economic Memorandum. June 2007

therefore recommends policy efforts for increasing the stock of skills and technology in the country.

5. The Rural Enterprises Project (REP) is part of the Government's efforts to reduce poverty and improve living conditions in rural areas. The Rural Enterprises Project (REP) I & II[5] have contributed since 1995 to the successful implementation of the national strategies for MSE promotion, as laid out in the GPRS II, and which also places emphasis on addressing skills gaps and on the transfer of technologies. REP also links to the Private Sector Development Strategy phase II (PSDS II) of the Ministry of Trade and Industry (MOTI) under its Output 5, which seeks to increase opportunity for the poor. In this regard, REP should also support selected value chains of high economic impact, clusters and local/regional initiatives. These include cassava, horticulture & export vegetables, palm oil, rice and other cereals, shea, grass cutter rearing, beekeeping, and small ruminants.

6. The experience of REP I & II has also shown that the rural MSEs contribute to local economic growth, reduce social inequalities and generate revenue for the District Assemblies (DAs). Most DAs are very eager to develop the MSE sector as nucleus of local cottage and non-agricultural industries. Government policy on decentralization involves orienting the DAs to facilitate local economic development and employment creation. The Ministry of Local Government and Rural Development (MLGRD) is spearheading the local government policy that will ensure the establishment of a Department of Trade, Industry and Tourism (DOTI) in all DAs. The already established district-level Business Advisory Centres (BACs) and Sub-Committees on MSE Promotion[6] that were promoted by REP have oversight responsibilities for all initiatives on business promotion within the districts and report to the DAs. Through the MSE Sub-Committees the activities of REP are co-ordinated with other on-going MSE development initiatives and incorporated into the planning process and budget of the DAs.

7. Rural MSE development in Ghana is compromised by low access to finance attributable to underdeveloped and imperfect financial markets, lack of liquidity (especially for term lending) in many Rural Community Banks (RCBs), and structurally high real interest rates, as well as by weak capacities of MSEs to meet credit worthiness criteria. This is further compromised by gender where women are disadvantaged by socio-cultural barriers.

B. Rationale

A District-Based Model for MSE Promotion

8. In order to develop the full potential of rural MSEs in Ghana and solve key bottlenecks, a district-based model has been piloted by REP since 1995. The model is based on three building blocks: (i) access to business development services through a district-based Business Advisory Centre (BAC); (ii) technology transfer through technical skills training and demonstrations, mainly delivered by Rural Technology Facilities (RTFs) with a ratio of 1 RTF to 3 districts; and (iii) access of MSEs to rural finance through linkages with Participating Financial Institutions (PFI), including Rural Community Banks (RCB) and their ARB Apex Bank.

9. The Business Advisory Centre (BAC) plays a role of district-based facilitator for business development services (BDS). It functions as the operational branch of the DA with the mandate to develop the local MSE sector. The existing BACs are strongly supported by the DA in terms of both commitment of resources and increasing interest in

[5] IFAD Office of Evaluation. REP II Interim Evaluation. November 2010

[6] The BACs and MSE Sub-committees have been promoted by REP I & II. The MSE Sub-committees provide a channel for BACs to communicate MSE issues to DAs, and many include representatives of local business associations as members.

their activities. The BAC concept[7] has been effective as an instrument to reach the rural poor, to create jobs and contribute to local economic development. Mainstreaming of BACs within the DA is a key success factor of the REP concept. It ensures a very high level of ownership, an extraordinary outreach and realistic exit strategy. Prospects for sustainability of the BAC concept are good, as accommodation, staff salaries and recurrent costs are ensured by the DAs and GoG[8]. After being piloted successively by REP I & II in 66 districts since 1995, the concept is ready for nationwide[9] scaling up. Numerous DAs[10] not covered by REP II have started establishing BACs with their own limited resources and with support from NBSSI.

10. REP I & II have already established 21 Rural Technology Facilities (RTFs) in selected districts across the country. These RTFs are well-equipped metal workshops that operate as commercial entities but also have a strong public good character as demonstration centre and training facilities for master craft persons, technical and traditional apprentices. More private sector participation either directly or through trade associations in the management of RTFs will be considered in order to improve efficiency of daily management. In addition, partnerships with other public and private institutions, involved in vocational skills training, will be established so as to exploit synergies.

Table 1: Adopted District-Based Model for MSE Promotion

	Characteristics
Business Advisory Centre (BAC)	• Provides business development services at district level • Establishes partnerships with Local business associations • BAC team: BAC Head, at least 1 Business Development Officer (BDO), secretary, driver • Integrated in DA structure (that provides accommodation) • Establishment of Sub-Committee on MSE promotion within the DA • Salaries of BDO and Secretary, as well as operational costs financed by DA • Salaries of BAC Head and Driver ensured by GoG through NBSSI • Link with NBSSI as knowledge center
Rural Technology Facility (RTF)	• Mostly metal workshops • Core team of 5 professionals, including Manager, workshop supervisor • Training of master craft persons, technical apprentices and traditional apprentices • Training programs will be aligned with COTVET certification • Promotion of technologies and links with value chains • Anchored in the DA • District-based RTF Management Board • Salaries and operational costs financed by DA and GoG (through GRATIS Foundation)

11. With respect to rural finance, the REP II approach has been only partially successful and requires revision to address constraints more comprehensively. REP is quite advanced in its working relation with PFIs and development of a pragmatic tool kit for BACs to better screen and to advise clients on accessing credit. Past experiences under REP-I & II and other IFAD projects in Ghana have shown that the RCBs' liquidity is short-term and often constrained, and they require additional resources to satisfy the demand for long-term loans to new MSE clients. REP II is using a combination of training (business as well as skill) and start-up kits for new entrepreneurs, matching grants for affordability and access to initial loans, and credit from PFIs (including a refinancing facility/credit line for PFIs with liquidity constraints).

[7] IFAD Office of Evaluation. REP II Interim Evaluation. November 2010
[8] GoG, through the National Board of Small Scale Industries (NBSSI), is paying salaries of the BAC head and driver. The DAs are paying salaries of the Business development officer and other support staff.
[9] 161 rural districts as of April 2011.
[10] 110 districts, of which only 66 are REP districts.

12. At the district level, local business associations (LBAs) are closely involved in the identification of support needs and mobilization of potential BAC and RTF clients for training and counselling. Unfortunately their district, regional and national apex bodies are extremely weak because they lack recurrent income, which limits their potential role and responsibilities in the BAC & RTF concept.

Converting REP into a Nationwide Programme

13. The REP model is perceived as an effective tool for rural MSE development and poverty reduction, by GoG, DAs and IFAD. It is also an excellent example for IFAD's aim to scale up successful projects. Phase one of REP was implemented from 1995 to 2002 in 13 districts in the Ashanti and Brong-Ahafo regions. The second phase (2003-2012) is being implemented in 66 districts nationwide. An interim evaluation (IE) of REP II was undertaken by IFAD's Independent Office of Evaluation in July 2010 and has confirmed the relevance, efficiency and effectiveness of the REP model.

14. The goal of the third phase of REP[11] is to support GoG in converting the experience into a nationwide programme. The third phase of REP is to be known as Rural Enterprises Programme (REP). REP will thus represent an important national vehicle for rural MSE development with strong emphasis on in-built mechanisms for sustainability. Scaling-up REP into a nationwide programme faces the following challenges: (i) to further mainstream a demand-driven MSE-sector support system within the public and private institutional systems at district, regional and national levels; (ii) to replicate the BAC concept nationwide; (iii) to invest in additional RTFs to facilitate the transfer of appropriate technology and skills training to the rural informal sector and enhance management of the RTFs; (iv) to promote further efficiency and effectiveness gains in the BAC/RTF model and to introduce enhanced cost-recovery mechanisms in order to make it more cost-effective and sustainable; (v) to facilitate continued access to finance by MSEs that have already been linked and further expand access in the additional districts, with particular focus on supporting rural women's group enterprises and youth start-ups; (vi) to develop synergies with other initiatives in the field of vocational skills training; (vii) to mainstream gender considerations in the promotion of MSEs as to meet development goals; (viii) to strengthen local business associations (LBAs) and their umbrella organisations so that they can represent the MSE at all levels; (ix) to mainstream an appropriate M&E mechanism in national institutions that is based on district-level data collation and entry, and compilation and analysis at national level.

15. In addition, emphasis will be put on innovation along the following lines: (i) "unresolved" issues with need for further testing and learning, for example the legal institutional status of RTFs; (ii) structured partnerships between BACs/RTFs and knowledge organizations and specialized MSE organizations; (iii) processes for innovation scouting, support to innovators, testing and further development/scaling up; (iv) exploration of new ways and paths through improved communication technology and IT.

II. PROGRAMME DESCRIPTION

A. Programme Area and Target Group

Target Group

16. REP will primarily target the entrepreneurial poor, which are mostly members of poor rural families that are able to convert the capacity-building support from the Programme into productive assets without or with barest additional investment support. The clients of REP will include: (a) rural poor people interested in self-employment or

11 Based on the Government's continued strong commitment to REP, as well as the successful achievements and positive impact, IFAD has earmarked the remaining funds available for commitment under the current cycle of the Performance-based Allocation System (2010-2012) to scale up REP.

wage jobs but who lack the skills and/or start-up capital. These include people whose livelihoods depend mainly on rain-fed subsistent agriculture and who are probably idle in the off-farm season; (b) rural poor people with some basic skills but who may require upgrading, entrepreneurship training and financing to improve and expand their businesses. These include people engaged in some form of income generating activities and micro enterprise operations through their own effort or with some previous support, albeit inadequate; (c) identified vulnerable individuals or groups such as the physically challenged or the socially excluded members of rural communities who are likely to improve their living conditions through specific interventions; (d) young people who have completed their education as well the unemployed youth not in school living the rural areas and willing to acquire entrepreneurial skills.

17. Appropriate interventions will also be provided to institutional partners and umbrella organisations of LBA aimed at strengthening their institutional capacities to mainstream REP activities in the long-term.

Targeting Strategy

18. The targeting strategy of REP includes the following steps: (i) a geographic expansion strategy; (ii) a self-targeting approach within a district, emphasising entrepreneurial capacity and clients' willingness to contribute to their own development; (iii) direct targeting of specific subgroups; (iv) empowerment and capacity building measures; and (v) enabling measures for MSE promotion. The targeting strategy has the ambition to lift individuals and poor households out of poverty. In order to ensure its inclusiveness, the targeting performance will be monitored using participatory poverty monitoring and a tracer study that allows tracking of clients, subgroups and effectiveness of specific tools (e.g. start-up kits).

19. Geographic expansion strategy. The aim of REP is to cover all rural districts nationwide, including the 66 REP I & II districts. The geographic expansion will be implemented on demand-driven basis based on criteria which shall include: (i) the district has predominantly a rural character[12]; (ii) the poverty level of the district (IFAD-support will be used mainly in the northern regions of Ghana); and (iii) the willingness of the DA to participate, readiness, and absorptive capacity. The initial commitment of a DA for a BAC includes: provision of office accommodation, appointment and payment of salaries of key staff, establishment of an MSE Sub Committee. For RTF, the beneficiary DAs will be expected to meet some obligations including: (a) the provision of land, if possible within the district's Light Industrial Estate (LIE); (b) extension of utilities (water, electricity and telephone) to the RTF site and provision of access roads; (c) the engagement to pay salaries of part of the key staff.

20. Self-targeting will be achieved by providing support that responds specifically to the priorities, assets and labour capacity of poor rural entrepreneurs and their apprentices. The experience of REP I & II has allowed identifying a range of business development services, skills trainings and start-up kits that responds to their specific needs. Potential clients will be encouraged to apply for assistance through three main instruments: (i) individual self-initiative; (ii) activity-based targeting, linking with local business associations (LBAs); and (iii) intra-community targeting through stakeholder fora organised at the district level. The decentralized approach, through the district-based BACs and RTFs, lowers barriers of access of the rural poor to programme support.

21. Because women, especially those who lack financial assets, are more likely to engage in group activities that build social capital, use of methodologies such as

12 The selection of the participating districts will be based primarily on their classification as rural by the Ministry of Local Government and Rural Development (MLGRD). In the first instance, all metropolitan and municipal areas of the regional capitals will be excluded from participation in the Programme in line with IFAD's focus on the rural poor. Consideration will however be given to the two municipal areas of Bolgatanga and Wa in the Upper East and Upper West regions respectively because of their rural character.

microfinance that draw on social capital provide an indirect means of targeting women, REP will make both capacity-building support and a limited amount of loan funds available to PFIs that wish to build or expand good-practice microfinance programmes for rural groups. In addition, matching grants will be targeted to group enterprises, in which women often engage to acquire equipment that can add value to their other production activities.

22. Direct targeting. Support will be channelled to specific individuals, including skills training for apprentices in traditional metal workshops, traditional master craft persons, unskilled women, unemployed youth and groups that may be excluded by the self-targeting approach. Appropriate eligibility criteria will be used to guide the direct targeting approach.

23. Empowerment and capacity-building measures to guarantee inclusiveness of targeting. Focused capacity and confidence building training will be provided to empower and encourage the more active participation and inclusion in planning and decision-making of people who traditionally have less voice and power, e.g. women. Such measures include: (i) information and mobilisation activities, stakeholder fora, business opportunity identification surveys (BOIS), all organized through the BACs; (ii) individual business counselling, also for the poorest groups, by the BACs and RTFs; (iii) functional literacy and numeracy training; (iv) basic and community-based skills training; (iv) matching grants, targeted at women and youth; (v) focus on women leadership development.

24. Enabling measures. REP will institute measures to create and sustain an environment favourable to pro-poor MSE promotion. Such measures will include: (i) ensuring the mainstreaming of BACs and RTFs within the district-level institutional setup; (ii) support to an inclusive policy dialogue among all stakeholders and driven by the national agenda; (iii) awareness-raising through sensitisation seminars and fora; and (iv) capacity-building through training and other logistical support to key actors. The roles of REP stakeholders, such as DAs, NBSSI, GRATIS Foundation, the Regional Coordinating Councils (RCCs), MLGRD and the umbrella organizations of local business associations will be viewed within this broader context.

25. Poverty targeting will be monitored through a specific baseline and reference survey: Client Profile and Poverty Analysis

Gender Strategy

26. Gender is an important dimension of poverty in Ghana (GLSS data, 2008). Access to assets such as land and credit tends to be limited for women due to socio-cultural factors. Women tend to have less access to education, with twice as many females as males never attending school. They are often in a poverty trap, as they lack basic skills, start-up capital and other assets. REP will build on the positive experiences of REP I & II in working with these subgroups. Approximately 65% of the REP II clients were rural MSEs owned or managed by women. Based on this analysis and given rural women demographic weight and entrepreneurship potential, the represent the core group of rural MSEs for REP.

27. REP will therefore implement operational measures to ensure strong participation of women in programme activities. Gender issues will be addressed through the design and implementation of a Gender Action Plan (GAP). This will include: (i) focus on supporting rural women's access and participation in professional organizations; (ii) adequate capacity-building in targeting of gender and youth for the PCMU, key service providers, and core stakeholders from the onset of the Programme; (iii) supporting and monitoring women's active participation in BAC/RTF activities, District Sub Committees on MSE Promotion, Regional Working Groups on MSE Promotion; (iv) using gender-disaggregated output, outcome and impact indicators in the logical framework in order to monitor its outreach to women; (v) encouraging and monitoring participation of women in training sessions, access to financial services and start-up kits; and (vi) credit

enhancement to facilitate access of productive groups to affordable finance. The Gender Action Learning System (GALS) Methodology that was introduced in REP II, aimed at enhancing gender mainstreaming in the implementation will continue.

Strategy for Rural Youth Entrepreneurship

28. REP will develop strategic interventions and approaches to attract the youth to MSE and value chain opportunities, in order to face challenges of unemployment and underemployment of youth. Ghana's population may be regarded as young and growing as is typical of low-income countries. Due to the vulnerability of the youth in the labour market a good number of them remains unemployed and serves as an incentive for rural-urban exodus. Young adults, aged 25 to 29, constitute the largest proportion of migrants. The challenge is to create descent job opportunities for the youth or to engage them in some form of skills training to improve their chances of employment. REP will implement a Youth Action Plan to support the youth through a process of graduation from basic skills training to obtaining commercial loans for enterprise growth (Table 2). The Logical Framework is using age-disaggregated indicators.

Table 2: Youth Action Plan

Stages	Support
Unskilled youth at start up stage	Basic business and technical skills training (BDS) Technical and traditional apprentices training (TPD) Start-up kits for graduate apprentices who have savings and a place of business and take business and financial management training
Graduated youth-owned enterprises (survival stage)	Linkage to Financial Institutions to operate savings account and develop banking and savings culture Intermediate business and technical skills training Matching grants that are part of a financing package that includes a loan on a fully commercial basis, intended to make loans more affordable and accessible (BDS and TPD; MGF and REDF)
Young entrepreneurs (normal and rapid growth stage)	Advanced business and technical skills training Facilitate access to commercial loans (BDS and REDF)

B. Development Objective and Impact Indicators

29. The overall objective of the Rural Enterprises Programme is to improve the livelihoods and incomes of rural poor micro and small entrepreneurs.

30. The specific objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities.

31. The scope of the Programme will be to upscale and mainstream a district-based MSE support system nationwide within the public and private institutional systems.

32. Key indicators will be: (i) the number of people receiving Programme services (total outreach, disaggregated by gender and age); (ii) the number of employment opportunities created (by type, gender and age); (iii) the number of businesses created (by gender and age); (iv) the number of enterprises in operation after 3 years (sustainability measure); (v) Number of enterprises graduating from survival to growth to rapid growth categories (growth measure).

33. The four outcomes will be: (a) business development services accessible to MSEs in all rural districts; (b) technical skills transferred and technologies disseminated; (c) access of MSEs to finance improved; and (d) pro-poor MSE support institutions and policies in place.

C. Outcomes & Components

Component 1: Business Development Services (BDS)

34. Component 1 aims at upgrading the technical and entrepreneurial skills of rural MSEs by providing access to business development services (BDS).

35. The Business Advisory Centres (BACs), which function under the District Assemblies (DAs), will act as facilitators for the BDS, which will be delivered through private operators. Innovations in the BAC concept during the next years are the following: (i) advanced training of BAC staff to make them focal points for leveraging resources, to improve their management, procurement and facilitation capacity, and to facilitate value chain promotion; (ii) provision of performance counselling for BAC staff in order to improve their efficiency and effectiveness; (iii) provision of intensive and continued support to assist businesses to move further from survival level to more proactive growth, which requires continued counselling as well as a different type of training sessions; (iv) use of basic, intermediate and advanced training modules for clients; (v) stronger role of BACs in facilitating access to finance and technology; (vi) piloting of Web-based M&E with data entry at district level; (vii) harmonization of BAC training modules; (viii) strengthening of NBSSI as knowledge, training and service centre for BACs; (ix) mechanisms to recover the costs for BDS, including the BACs.

36. In partnership with the National Board for Small-Scale Industries (NBSSI) and the DAs, the Programme shall set up new BACs to provide national coverage. Under this component, the Programme shall finance equipment, material, vehicles and office refurbishment. The programme shall also support a part of the recurrent costs of new BACs as well as initial training of staff, which will be subsequently born by the District Assemblies. Further cost recovery mechanisms will be piloted and developed to ensure their long-term sustainability.

37. All BACs will receive support for mobilizing services for MSE clients and their local business associations (LBAs), in order to maximize reach and number of clients and success rate for adoption and business growth. The existing BACs will organize basic, intermediate and advanced training courses; new BACs will start with Business Opportunity Identification Surveys (BOIS), and basic and intermediate training courses. Training will be out-contracted to public and private service providers, but facilitated by the BACs. Client cost-sharing will be increased according to the level of training (basic/intermediate/advanced).

38. The BACs will actively facilitate the implementation of component 2 particularly in districts without RTFs and also facilitate the provision of credit management training, including the preparation of simple business plans, preparation of realistic cash flow projections, loan scheduling and group loan management. Well established businesses will be linked up with Participating Financial Institutions (PFIs).

Component 2: Technology Promotion and Dissemination (TPD)

39. Component 2 aims at upgrading the level of technology of the rural MSE sector through technical skills training and technology dissemination.

40. The Rural Technology Facilities (RTFs) will be the main provider of technical skills training and technical counselling services at the district level. In addition they will ensure the testing, replication and promotion of prototypes of equipment in close collaboration with clients and value chain projects. The RTFs will be managed as commercial entities but with a strong public good character as they are mainly used as training facilities. Innovations of the RTF-concept are the following: (i) exploration of the potential for new types of RTFs (e.g. electro-mechanics); (ii) strengthening of management of RTFs; (iii) strengthening of Management Boards of RTFs; (iv) alignment of training programs with COTVET certification that is being prepared; (v) expansion of outreach of skills training through partnerships with other specialised actors; (vi) new

technologies will be more actively promoted and links with value chains projects strengthened.

41. REP I & II have established a total of 21 RTFs. In order to ensure nationwide coverage, REP will establish an additional 30 RTFs across Ghana under a partnership arrangement with the DAs and GRATIS Foundation. One RTF will be established to reach out to 3 to 4 districts. The DA will ensure the provision of land, preferably within an existing or potential Light Industrial Estate (LIE). REP will finance the infrastructure and equipment of the RTFs, which will be owned by the DAs. GRATIS Foundation (and other specialised providers for specific fields if required) will provide technical support and training of staff for the use of the equipment. GRATIS Foundation and the DAs will appoint RTF staff and ensure payment of salaries. RTF recurrent costs will be financed by the DAs and REP (in a decreasing order for REP). The location and type of a new RTF will be determined after consultation with the key stakeholders and will be based on a careful review of the scope for its services.

42. The responsibility for the proper operation and functioning of the RTFs, with a view to sustainability, lies with their Management Boards. The Board has the responsibility of ensuring effective management, supervision, and control in utilization of resources, on-time delivery of services to beneficiaries and sustainability and continuity during and after Programme exit from the district. REP will encourage a stronger involvement of LBAs and their umbrella organizations in the daily management and Management Boards of the RTFs. REP will support all RTFs to: (i) ensure short-term skills training of master craft persons; (ii) enrol unemployed youth for training as technical apprentices; (iii) provide short-term training to traditional apprentices; and (iv) organize Occupational Safety & Health and Environmental Management (OSHEM) Seminars[13]. To make training more market-oriented and sustainable, and to reduce the amount of subsidy required, client cost-sharing will be increased according to the levels of training (advanced vs. basic) and enterprise status (growth-oriented vs. survival/start-up). The candidates for the apprentices training will receive basic business counselling. The candidates for the master craft persons training will receive intermediate and advanced business training.

43. REP will expand outreach of its skills training through partnerships with: i) the Integrated Community Centres for Employable Skills (ICCES) and ii) the Vocational Training Institutes both of the Ministry of Employment and Social Welfare; iii) the district-based Technical Institutes under the Technical and Vocational Education Training (TVET) division of the Ministry of Education (under special arrangement with COTVET); as well as iv) privately-owned technical and vocational institutes.

44. Especially for the youth, REP will provide basic tools and equipment as start-up kits for graduates of apprenticeship programmes who undergo additional training, have opened a savings or bank account, and have obtained a place of business. Like the other TPD interventions, the BACs will lead this activity in districts without RTFs through close collaboration nearby and responsible RTFs. To enable graduate apprentices who have operated their own businesses for at least a year (with or without start-up kits) to acquire additional equipment and technology and graduate from self-financing to accessing finance, targeted credit enhancement will be available to reduce their debt burden and the exposure of the PFI in order to facilitate their access to an investment loan (see: Sub-component 3.1).

45. REP will aim at upgrading the level of technology of the rural MSE sector by testing and adjusting prototype equipment and enterprise layouts (e.g. palm oil & rice processing). The focus will be on key bottlenecks in targeted value chains. REP will work with LBAs and MSEs, Northern Rural Growth Project (NRGP), Root and Tuber

[13] The OSHEM will be organised in the form of seminars to create awareness on safety, health, environmental management and fire prevention.

Improvement and Marketing Programme (RTIMP), technology and research centres, through the RTFs to identify the needed technologies and organize testing in real enterprise-level conditions. The Programme will finance in-situ testing of technologies and prototypes that have potential to be adopted by clients of REP and other projects.

Component 3: Enabling MSE Environment

46. This component aims to create an enabling environment for rural MSEs to operate on sustainable basis. The component will have two sub-components – Access to Rural Finance (ARF), and Institutional Development (ID).

Sub-component 3.1: Access to Rural Finance

47. Sub-component 3.1 aims to enhance the access to finance of rural MSEs.

48. The sub-component will provide support to facilitate the access of BAC and RTF clients to Participating Financial Institutions (PFIs), while the Rural and Agricultural Finance Programme (RAFiP) will ensure generic support and capacity building to the financial institutions, as well as policy dialogue on micro-finance. Strict complementarities and synergies between REP and RAFiP will be respected during implementation.

49. REP will partner with and sensitise well-performing PFIs in the rural districts to use their own credit funds to support the businesses of MSEs that are performing well and also maintain active accounts with the banks. The PFIs will include the rural branches of commercial banks, Rural and Community Banks (RCBs), and non-bank financial institutions, such as Savings and Loan companies, financial NGOs and credit unions. REP will support specialized training of PFI staff in critical areas of credit management for MSEs where there is a capacity gap such as preparation of simple business plans and realistic cash flow projections, loan scheduling, and group loan management. The Programme will offer periodic re-sensitisation and training of the staff of PFIs, commercial banks and BACs on the management of the Rural Enterprise Development Fund (REDF) and the Matching Grant Fund (MGF). Training of PFI staff will be financed by REP on a cost sharing basis with the PFIs. The training programme will be developed in close collaboration with RAFiP and the ARB Apex Bank. The Bank of Ghana (BoG) and ARB Apex Bank will be supported by RAFiP to monitor the performance of the PFIs.

50. The existing Rural Enterprises Development Fund (REDF) will be continued as a refinancing facility for PFIs to expand their loan portfolios to the targeted rural MSEs. Required conditions for IFAD to consider offering a credit line are fulfilled[14,15]. To avoid delays in accreditation of new PFIs, Bank of Ghana (BoG) will initially continue to manage the present stock of REDF credit funds and disburse through PFIs which were accredited by BoG under REP II, using ARB Apex Bank as an intermediary for RCBs. In line with ARB Apex Bank's business plan and RAFIP's strategy to strengthen the ARB Apex Bank to become a universal service provider with a potential to unify wholesale funds of various programmes active in Ghana, REP will engage the ARB Apex Bank to manage a stock of incremental credit funds to be disbursed through their network of

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[14]IFAD considers offering a line of credit only under the following conditions: i) the market demonstrates a clear lack of liquidity; ii) the line of credit will not undermine the initiatives of other donors or private sector partners; iii) loans to retail financial institutions are priced at commercial rates; iv) private, professional fund institutions manage the line of credit; v) resources are allocated for the capacity building of partner institutions; vi) a clear exit strategy is defined; vii) partner PFIs use this capital as part of their own strategy, are financially sound and have the capacity to absorb the credit line, are independent of political interference, endorse the CGAP Client Protection Principles in microfinance, share performance and outreach information with the MIX Market and submit the required performance indicators (IFAD Decision Tools for Rural Finance, 2010).

[15]The ARB Apex Bank does a quarterly rating of the RCBs by CAEL indicators. RAFiP is going to contract an international rating firm to do a rating of the ARB Apex Bank itself.

RCBs and non-bank financial institutions. Once this fund is fully operational and meets performance criteria, consideration will be given to transferring the revolving funds from BoG to ARB Apex Bank as well. Parallel support from RAFiP and DANIDA will help the ARB Apex Bank and the RCB system to become more efficient.

51. The very high real interest rates in Ghana create a risk that immature enterprises will be unable to service debts and discourage PFIs from lending to new MSE clients. Experience from REP II indicates that a grant to leverage clients' equity can make credit more affordable by reducing the amount borrowed at commercial rates and the PFIs more willing to lend by limiting their exposure; and, further, that PFIs are then more willing to extend further loans once a client has repaid an initial loan on commercial terms. This approach avoids the distortions that have arisen in Ghana from some government programmes that offset high interest rates through subsidized, directed credit. Under REP the Matching Grant Fund (MGF)[16] approach to making credit affordable and available for first-time MSE borrowers will be continued but more narrowly targeted toward production groups (particularly women; which yield social and community benefits, as well as facilitating their income generation) and filling a gap in the "graduation" model for unemployed youth (from skills training to business start-up [with or without a start-up kit], then from operating a savings account to obtaining a first loan with credit enhancement, and eventually to becoming a commercial client of a PFI).

52. The MGF package will continue to be a shared funding arrangement of a PFI loan component, a grant element by REP and an equity contribution by the client. The matching grant element will initially continue to be 30% of the total cost of the equipment to be purchased, leveraged on the client's equity contribution of at least 10%, while the PFI component will be 60% (at least a fifth of which will be from its own funds). In order to gradually reduce the subsidy element as the macro-economic situation improves and the prime interest rate comes down, an annual review will be carried out to revise the co-financing percentages and fade the subsidy element out before programme completion.

Sub-component 3.2: Institutional Capacity Building and Policy Dialogue

53. Sub-component 3.2 aims to strengthen and mainstream MSE support institutions, and to support a strong local and national pro-poor policy dialogue.

54. REP will strengthen and mainstream the Sub-Committee on MSE Promotion in all districts countrywide to enable them to: (i) co-ordinate all initiatives on MSE promotion in their districts; and (ii) ensure the mainstreaming of the activities of BACs and RTFs within the development plans and annual budgets of the DAs. In all new districts, orientation seminars will be organized to sensitise the leadership of the DAs to establish their own Sub-Committees on MSE Promotion, preferably on the model that includes representatives of LBAs as co-opted members. In all REP districts, members will be trained to sharpen their understanding of their responsibilities, the importance of rural MSE promotion and mainstreaming the operations of the BACs and RTFs in the annual budget of the DAs. REP will continue to promote the concept of the Light Industrial Estate (LIE) together with GIZ.

55. Based on the experiences of REP II, the GoG promulgated Legislative Instrument 1961 in 2009, which seeks to establish a Department of Trade and Industry (DOTI) within the DA structure under the MLGRD. A DOTI will be set up as an integral part of the DA system to facilitate implementation of policies and programmes on MSE promotion at the district level. It is expected that the BACs and RTFs will form the nucleus of the new DOTI. This offers the opportunity to fully integrate the staff of the

[16]The Matching Grant Fund (MGF) approach to making credit affordable and available to first-time MSE borrowers was piloted under the Community-Based Rural Development Project (CBRDP) and is being used by REP II, RTIMP, and NRGP, as well as the Ghana Energy Development and Access Project (GEDAP), funded by the World Bank.

BACs and RTFs into the DA structure and thereby ensure their salaries and sustainability of their services. REP will support effective implementation of the DOTI through: (i) sensitisation for the leadership of DAs on the rationale and guidelines for the establishment of a DOTI; and (ii) orientation for the staff of the DOTI on their role and functions relative to local MSE development.

56. The Programme will initiate the setting up of a Regional Working Group on Micro and Small Scale Enterprises Development (RWGME) to be based at the Regional Coordinating Councils (RCCs). The innovation of involving the RCCs in the Programme's institutional processes will strengthen the national, regional and district institutional linkages and ownership in MSE promotion at all levels. The Regional Coordinating Councils (RCCs) will essentially coordinate and monitor the implementation of MSE development programmes (including REP) in the districts of their respective regions. As part of the co-ordination, the RCCs will set up the RWGMSE. Members of the RWGMSE will include Regional offices of NBSSI, GRATIS Foundation, PFIs, relevant ministries and private sector organizations.

57. REP will provide institutional support to NBSSI, through its Entrepreneurship Development Department, to ensure that they play their role efficiently and effectively in the implementation of the BDS component. NBSSI would be involved in: (i) standardization of training materials; (ii) certification training for BDS providers; (iii) preparation and organization of well-structured training courses to address the particular needs of various categories of BAC staff. As part of the REP exit strategy, the Entrepreneurship Development Department (EDD) of NBSSI would become a knowledge, service and training centre for the BACs.

58. REP will provide appropriate institutional support to GRATIS Foundation to provide technical backstopping to the RTFs at the district level. In the long term, GRATIS Foundation could become a knowledge and training centre for RTFs, and play a key role in feeding the RTFs with new designs of equipment and technologies.

59. REP will continue to actively involve local business associations (LBAs) in the planning and implementation of programme activities. They will contribute to the identification of support needs, design of support interventions, and (not exclusively) the selection of target clients. Under all components of the Programme and especially the BDS and institutional capacity building, the Programme will undertake some activities to build the capacity of the LBAs and their umbrella organisations to empower them to represent the rural MSE sector. The LBAs will be represented on the DA MSE Sub-committee (as co-opted members) as well as the RTF Management Boards. The Programme will encourage the establishment of district-level Associations of Small-Scale Industries (ASSI) to offer a platform for LBAs to network and form a private sector–led support system for rural MSEs.

60. REP will also build the capacity of local Service Providers through training to enable them provide good quality business development services to the target clients.

Component 4: Programme Coordination and M&E

61. Component 4 will make provision to cover the cost for the coordination, management, implementation of a results-based monitoring and evaluation (M&E) system. REP will fund vehicles, office and communication equipment, planning and review workshops, training of staff, salaries, travel costs and allowances, establishment and implementation of a results-based M&E system, including procurement, installation and deployment of a performance management information system with GIS capability.

D. Lessons Learned and Adherence to IFAD Policies

Lessons Learned and Incorporated in Design

62. The design of the innovative approach to scale up a project to a national programme incorporated numerous lessons learned from REP I & II, as well as from other projects in Ghana since the start of IFADs partnership with GoG in 1980.

63. The targeting strategy used by REP I & II was effective in a way that it enabled the project to reach the poor, particularly women and the vulnerable. It has been used as basis for the strategy of REP. In spite of the positive assessment, efforts have been done to enhance targeting of women and youth through a more systematic mainstreaming of tools and approaches that were tested under REP I & II. The enhanced and more structured approach will be resulted in a Gender Action Plan and Youth Action Plan.

64. Design incorporated successful building blocks such as BAC and RTF concept, but incorporated innovations in order to improve their efficiency, effectiveness and sustainability. Strong focus has been put on the institutional performance and sustainability: (i) capacity building of BAC and RTF staff receives adequate attention; (ii) the establishment of a knowledge and service centre that will also provide the required backstopping after the programme phase; (iii) monitoring of institutional performance of BACs and RTF becomes a major issue of M&E, and will be the basis for specialized counselling to BAC-staff, to be provided by the PCMU in close collaboration with NBSSI.

65. Around 2008, REP II, RTIMP and NRGP eliminated credit funds in favor of matching grants, based on the observations that there appeared to be excess liquidity in the banking systems (including RCBs), but that interest rates remained very high in real terms and were not affordable for many MSEs. However, the assumption that PFIs would finance 60% of investment loans from their own funds proved incorrect in practice, as evidenced in a drastic slowdown of lending to REP II clients and the failure of credit to RTIMP and NRGP clients to take off. Although demand for financing is high among BAC clients, PFIs remain reluctant to give first-time loans to relatively young enterprises without a strong track record, preferring to build their MSE portfolios using their own funds by focusing on working capital for established clients that have previously repaid a loan. Nevertheless, the availability of a matching grant to leverage the applicant's own equity contribution, as well as a credit line to refinance 80% of the loan amount, has achieved the result of getting many PFIs to make first-time loans to recommended BAC clients. The MGF will be more narrowly targeted under REP to achieve social as well as economic benefits by assisting groups (especially women's enterprise groups) and youth start-ups to "graduate" from training and asset transfer to accessing their first commercial loan. An earlier proposal to use matching grants for technology development has been dropped, so the MGF represents only a credit enhancement designed to make finance more accessible to targeted REP client groups, and does not require a separate decision-making or administrative mechanism (which would be burdensome and costly to set up). However, to ensure that targeting criteria are properly applied, random ex post verification will be built into tracer studies. The MGF will continue to be managed by ARB Apex Bank as part of the financing package to eligible clients (i.e., in parallel with REDF), as this approach has been shown effective in avoiding the problem (in CBRDP and in some agriculture projects) of grant funds not being available at the time loans are made, and it is the approach used in two other IFAD projects and one current World Bank project.

66. The umbrella organizations of LBAs are still very weak, with limited potential to play a role in the BAC & RTF concept. However, the Programme will develop pilot activities, including involvement of the umbrella organizations in stakeholder meetings at district and regional level.

Adherence to IFAD Policies

67. REP is in line with the COSOP, as well as IFAD's Strategic Framework 2011-2015 and IFAD's corporate policies in the field of: (i) Private Sector Development and Partnership Strategy; (ii) Rural Enterprises Policy; (iii) Rural Finance Policy; (iv) Targeting Policy; (v) Gender Policy; and (vi) Environmental and Social Assessment Procedures. Details are presented in Annex 12.

III. PROGRAMME IMPLEMENTATION

A. Approach

68. A successful transition from a rural enterprise development project that started in 13 districts in 1995 towards a major national programme for rural MSE promotion in Ghana, requires a further mainstreaming of its delivery processes through existing national institutions, that share the REP vision on district-level MSE promotion.

69. REP will be implemented in 3 phases (Table 3) over a period of 8 years. The implementation manuals of REP II will be adjusted by the REP-II team before effectiveness of REP (see: Annex 11). The PCMU, in close collaboration with its partners, will ensure the strong geographic expansion in PY1-PY3. Given the ambitious objectives during this phase, it was decided not to change the implementation mechanism, but to include a stronger involvement of key implementing partners (NBSSI, GRATIS Foundation and ARB Apex Bank). During this phase, NBSSI and GRATIS Foundation will be encouraged to finalize their internal restructuring and to strengthen their role as central knowledge and service centres for the BACs and RTFs. In addition, potential for other complementary partnerships will be explored by the PCMU. At the end of the PY3, a Mid-Term Review (MTR) mission will assess implementation progress made and readiness of key partners for the next phase.

70. During the second phase (PY4-PY6), the responsibility for implementation will be gradually transferred to national institutions and partners.

71. During the third phase (PY7-PY8), the role of the PCMU will be limited to ensuring fiduciary aspects, technical backstopping of component implementation, monitoring of outcomes and impact.

Table 3: Phasing of REP Implementation

Phase	Triggers for next phase
PY1-PY3: Strong geographic expansion	At least 90% of new BACs established At least 90% of new RTFs established NBSSI and GRATIS Foundation restructured and able to play their required roles (to be confirmed by an institutional analysis as part of the MTR)
PY4-PY6: Transfer of implementation to partners.	Satisfactory performance of Implementing Entities and partners
PY7-PY8: Phasing out	

72. The roll-out of REP will be through a strategy of phased entry to the target districts. Table 4 presents the planned phasing of activities over the expected Programme life. Programme expansion will mainly take place in PY1-PY2. From year 3 onwards, a nationwide coverage will be ensured (key success indicator: at least 150 districts covered). In the REP I & II districts, REP will support existing BACs, RTFs and PFIs to continue delivering a package of services to the Programme target group for

maximum impact on rural poverty and unemployment of youth and women. By the end of PY8, a homogenous support package will be provided to all participating districts nationwide.

Table 4: Phasing of Geographic Expansion

	2012	2013	2014	2015	2016	2017	2018	2019
BAC (existing)	66							
BAC (new), at least	40	44						
BAC total, at least	106	150	150	150	150	150	150	150
RTF (new)	8	15	7					
RTF (existing)	21							
RTF total	29	44	51	51	51	51	51	51

B. Organizational Framework

Lead Programme Agency

73. The Ministry of Trade and Industry (MOTI) will have the overall responsibility for the implementation of REP. MOTI will provide general policy directions for the implementation of the Programme and coordinate with other relevant Ministries, Departments and Agencies (MDAs).

Programme Steering Committee

74. A national Programme Steering Committee (PSC) will be established within and chaired by MOTI. The PSC membership will include representatives from the Ministry of Finance and Economic Planning (MOFEP), Ministry of Local Government and Rural Development (MLGRD), Ministry of Food and Agriculture (MOFA), Ministry of Women and Children's Affairs (MOWAC), Ministry of Employment and Social Welfare (MESW) and the National Development Planning Commission (NDPC), NBSSI, GRATIS Foundation, ARB Apex Bank, representatives of the private sector (e.g. Local Business Associations [LBA], Association of Ghana Industries [AGI]), and two District Chief Executives (DCE) representing the participating districts of REP. From the start of Phase II onwards, representatives of NBSSI, GRATIS Foundation and the ARB Apex Bank will participate as observers, in case these institutions take up responsibilities as implementation agencies.

Programme Co-ordination and Management Unit

75. The existing PCMU based in Kumasi will be strengthened as a national Programme Co-ordination and Management Unit (PCMU) to continue the implementation of the day-to-day activities of the Programme to ensure the timely, co-ordinated and results-oriented delivery of services by all stakeholders, and monitoring of performance, progress and impact. At the end of each phase, the composition of the PCMU team will be assessed and adapted to the needs of Programme implementation. A performance based evaluation system of human resources will be used to appraise results achieved by staff. To achieve this, the PCMU will adopt annual performance plans that are linked to the APPB. Provision has been made to ensure that general Programme performance is regularly reviewed with major stakeholders, including clients, PFI and DA.

76. After programme completion, the PCMU will be integrated in the Technology and SME Division of MOTI to continue with the provision of support services to the rural MSE sector.

District Assemblies & MSE Sub-Committees

77. At the district level, the District Assemblies (DAs) will continue to be the seat of programme implementation and play a central role in co-ordinating the services, resources and programmes of various district-level stakeholders in the implementation of REP. In each district, the Sub-Committee on MSE promotion shall be responsible for the effective functioning, co-ordination and integration of all initiatives on MSEs development. REP will actively collaborate with MOTI and MLGRD to set up the DOTI in all the Programme districts and also strengthen them to function effectively in the implementation of MSE programmes and activities in the districts. A Desk Office for the Rural Enterprises Programme will be set up at the MLGRD, Accra, to link up with the national PCMU and pay special attention to the implementation of the Programme and performance of the DOTI in the districts.

Implementation of the BDS Component

78. The Programme will sign a Memorandum of Understanding (MoU) with the National Board of Small-Scale Industries (NBSSI) and the DAs for support in the implementation of the BDS component. In anticipation that NBSSI completes its current national organizational restructuring exercise, it will play leading role in the implementation of the component.

79. The role of the NBSSI Head Office would be: (i) the recruitment and appointment of staff for the BACs, together with the DAs; (ii) building the capacity of regional NBSSI offices; (iii) collation of regional Annual Performance Plans and Budgets (APPB) and submission of summaries to the PCMU; (iv) monitoring and provision of technical backstopping to the regional offices and submission of progress reports to PCMU; (v) collation of information on enterprise development activities in the regions for stakeholder discussions; (vi) contribute to the preparation of training modules for BAC clients; (vii) contribute to the training of BAC staff; (viii) develop internal capacity as knowledge centre for the BACs and centralize training materials.

80. The tasks of the Regional Offices of NBSSI would be: (i) to build the capacity of district BAC staff; (ii) to coordinate the preparation and collation of district APPB with respect to the BDS component and submit regional summaries to NBSSI Head Office and PCMU; (iii) to monitor efficient and effective implementation of the APPB and provide technical backstopping.

81. The BAC staff will: (i) organize the annual stakeholder fora for the needs assessment of Programme clients in their district; (ii) prepare a district APPB which will be submitted to district MSE-subcommittee for approval and transmitted to NBSSI, GRATIS Foundation and PCMU; (iii) identify service providers for training activities and transmit proposals to NBSSI (regional level) and the PCMU; (iv) organise and monitor the delivery of training; (v) provide information and counselling to clients; (vi) facilitate access to finance and technology; (vii) promote the establishment and strengthening of LBAs; (viii) leverage resources from other stakeholders; (ix) ensure district-level monitoring and data entry, and transmit quarterly monitoring reports to NBSSI and PCMU.

Implementation of the TPD Component

82. The Programme will sign a Memorandum of Understanding (MoU) with GRATIS Foundation for support to the implementation of the TPD component. For each new RTF, a tripartite MoU will be signed by REP, the involved DA and GRATIS Foundation.

83. In anticipation of their completion of current organisational restructuring exercise, GRATIS Foundation will provide technical backstopping to the RTFs. Its role will be: (i) to recruit and appoint the manager, the workshop supervisor and the driver of the RTFs; (ii) to build the technical capacity of RTF staff; (iii) to monitor and provide technical backstopping in the delivery of TPD; (iv) to collate information on rural technology

development and promotion activities implemented in the districts for stakeholder discussions.

84. The RTF management shall report to a RTF Management Board that shall oversee its operations and make recommendations to the DA, GRATIS Foundation and the PCMU when necessary. The membership of the RTF Board shall include: (i) representatives of the DAs contributing to the RTF; (ii) Head of the BACs in the districts covered by the RTF; (iii) representatives of local LBAs; (iv) representatives of the local financial sector; (v) representatives of technical/vocational institutions; and (vi) a member of the MSE Sub-Committee.

Implementation of the ARF Subcomponent

85. REP will enter into Memoranda of Understanding with Bank of Ghana (BoG) to continue managing REDF Funds and with ARB Apex Bank to manage Matching Grant Funds and incremental credit funds.

86. BoG will focus on making the funds rolled over from REP II available through commercial banks, as well as maintaining continuity by making funds available to other PFIs through ARB Apex Bank. PFIs accredited by BoG under REP II will continue to access the REDF funds under the REP, based on the existing Subsidiary Loan Agreements between the BoG and the PFIs, and will likewise automatically qualify for incremental REDF funds being managed by ARB Apex Bank, subject to verification of compliance with performance criteria. The primary objective is to facilitate continuity as well as quick and smooth implementation of the REDF to the target MSEs from PY1.

87. ARB Apex Bank will also manage the matching grants to PFIs to reimburse partial costs of training required by the Programme. The ARB Apex Bank will continue to be reimbursed for the incremental costs of managing these programmes, initially paid in two parts as a% based on disbursements and recoveries (e.g., 3% of amounts disbursed and 2% of amounts recovered). At Mid-Term Review (MTR), an assessment will be made of ARB Apex Bank's capability to manage wholesale funds on a purely commercial basis, and whether the availability of concessional wholesale funds has diminished sufficiently to make a fully commercial wholesale fund viable. Depending on the findings, consideration will be given to shifting from a management-commission basis to allowing the ARB Apex Bank to charge a margin to cover its costs (as a step toward full commercialization of the wholesale fund) and/or to continue revolving recovered funds as own funds.

88. Provisional certification that applicant PFIs are in good standing and meet the basic subsectoral eligibility criteria will be by the respective apex body (Apex Bank for RCBs, GHAMFIN and/or ASSFIN for FNGOs, CUA for CUs, BoG for commercial banks). Arrangements will also be sought for these organizations to assist in monitoring and follow-up. Final certification, including that the applicant PFI has met standards for sensitization and training of its staff and clients, would be the responsibility of the Fund Manager (BoG or ARB Apex Bank); i.e., before being able to actually receive funds, the PFI must have undergone a minimum level of sensitization of Management, Board and clients, and training of Project and Loan Officers, for which a partial subsidy will be provided; and it must have an account with the managing institution or provide a suitable guarantee from its banker. Harmonization means that, once uniform criteria are agreed upon, certification under one programme will qualify that PFI for participation in other similar MG and credit programmes.

89. Continued accreditation should require a minimum level of participation in additional annual sensitization and/or training to ensure continuity and increased understanding of the programme among PFI staff, as well as continued compliance with the minimum certification and performance requirements. PFIs currently accredited by BoG do not have to re-initiate the certification process, but BoG is expected to verify that they continue to meet the criteria, especially the requirement that they have at least

85% recovery of loans made with REDF funds. ARB Apex Bank will similarly be expected to annually monitor whether RCBs have met performance criteria and recommend or take action to suspend or terminate their participation.

90. REP will provide capacity-building support for those PFIs accredited to access the MGF and REDF, in order to ensure their capacity to effectively appraise, lend to and monitor BAC clients. This support will be channelled through the Capacity-Building Funds (CBF) under RAFiP, managed by ARB Apex Bank for RCBs and a CBF Manager for other rural and microfinance institutions.

Implementation of the ID Sub-component

91. Implementation of the ID Sub-component will be coordinated by the PCMU.

Partnerships, Networks and Linkages

92. REP will support the promotion and strengthening of networks and linkages between relevant MSE development programmes, projects and institutions to provide integrated services to address the varied needs of rural MSEs. The experience of REP II is very relevant in this regard. A conscious effort will be made to build on the present achievement and also strengthen partnership building amongst a lot more MSE support institutions at the national and district level. These collaborating institutions bring on board unique technical expertise and resources that add value to the overall implementation of REP and in the end facilitate smooth project implementation and enhance impact. It would also enable the Programme to mobilise a pool of resources from a larger network of stakeholders for MSE promotion at the district level.

93. Within the IFAD country programme, REP will ensure availability of district-level business development services through the BACs and technology promotion and dissemination through the RTFs. Strong partnerships to ensure these services will be developed with NRGP (development of soybean, cereals, women's crops, shea in northern Ghana) and RTIMP (roots and tubers development)[17]. RAFiP partners also with other projects (such as USAID/ADVANCE) to deepen value chain analysis to include financial linkages and product development.

94. The strengthening of management capacity of ARB Apex Bank by other projects including MIDA, DANIDA and RAFiP will help to gradually improve their management capacity to manage wholesale credit funds. REP will also work closely with RTIMP, NRGP and GEDAP to harmonize procedures for credit funds managed by ARB Apex Bank, as well as with RAFiP to take the lead in overall coordination of support to and through ARB Apex Bank and other PFIs.

95. REP will develop partnerships with existing vocational training centres, including: (a) Integrated Community Centres for Employable Skills (ICCES) and National Vocational Training Institute, both under the Ministry of Employment and Social Welfare; (b) Technical and Vocational Education Training Division (TVET) under the Ministry of Education; and (c) other relevant institutions. A partnership arrangement will be developed with the Council for Technical and Vocational Education and Training (COTVET) that has a mandate to harmonize technical skills training and certification in Ghana and that manages a competitive basket fund, the Skills Development Fund (SDF). COTVET will be strengthened by and also implements the Ghana Skills and Technology

[17] In 2009, ILO has published Value Chain Development for Decent Work: A guide for development practitioners, government and private sector initiatives. A "Checklist for Decent Work selection criteria" is here presented with the objective of providing governments and organizations – aiming at creating jobs and income through private sector development (and SME development) – with a guide on sector selection. The criteria herewith presented cover three main areas, namely: (a) relevance to target group and size; (b) decent work change potential; and (c) intervention potential.

Development Program[18] that strengthens vocational training centres. The BACs and RTFs will be assisted to apply for SDF funding.

96. The German International Co-operation (GIZ), in conjunction with the MLGRD, is assisting some districts to establish Light Industrial Estates (LIE) to promote the establishment and expansion of MSEs to decongest the main business centres of those districts. REP II was involved in the initiative. REP will continue to promote the concept of the LIE together with GIZ in other districts of Ghana.

C. Planning, M&E, Learning and Knowledge Management

Planning

97. REP will be implemented on the basis of an approved Annual Performance Plan and Budget (APPB). The preparation of the APPB will be initiated at the district level by the BACs and RTFs. The process will seek the active involvement of target clients, LBAs, PFIs, MSE service providers and DA Sub-Committees on MSE Promotion. The starting point of the planning process will be district stakeholders' fora which will be held in the third quarter of the preceding year to identify the needs of the various target groups. The district APPB will be compiled by the BACs, RTFs and PFI in consultation with any collaborating partners and submitted to the DA for approval through the MSE Sub-committees. The DA approved district APPBs will be submitted to the Regional Offices of the Implementing Entities (IEs).

98. The relevant aspects of DA approved district APPBs will be collated by the Regional Offices of the IEs and submitted to their respective Head Offices and the PCMU. For funds flow and implementation monitoring purposes, the Regional APPBs will contain sufficient details on the activities and budget for each district. At the national level, the IEs will receive, consider and collate all the regional APPBs into APPBs of the IEs and submit them to the PCMU not later the end of October for consideration and consolidation into the draft APPB for the Programme. The PCMU will submit the draft APPB to the PSC and IFAD for approval prior to implementation. The PCMU will ensure overall coordination and efficiency of the planning process. It will also monitor efficiency of targeting, poverty focus and gender focus.

Results-Based Monitoring and Evaluation

99. The PCMU will strengthen and adjust the existing REP II Monitoring and Evaluation (M&E) system to become more effective in line with IFAD's Results and Impact Management System (RIMS) and requirements of GoG. The Logical Framework of REP will form the basis for measuring output, outcome and impact. Key innovations will be: (i) the use of Web-based technology for decentralized data entry; (ii) monitoring of institutional performance of BACs and RTFs; (iii) monitoring of efficiency and effectiveness of REP tools (e.g. matching grants, start-up kits, BDS, skills training).

100. Overall responsibility for M&E will be vested in the M&E Manager at the PCMU. The M&E Manager, with his assistants, will prepare: (a) an Annual Review Workshop Report; (b) an Annual Performance Plan and Budget (APPB); (c) Quarterly Progress Reports; (d) Half-Year Progress Reports; (e) Annual Progress Reports; (f) Status Reports for Supervision Missions; (g) Ad-hoc Reports (as required); and (h) a Programme Completion Report. He/she will also organize the required baseline and reference surveys.

101. The key IEs will each bear a monitoring responsibility for their respective components, while the ARB Apex Bank and the BoG will be responsible for monitoring of the performance of the PFIs, the MGF and the REDF. The ARB Apex Bank also prepares a quarterly rating of the RCBs by CAEL indicators. The BAC Heads and RTF Managers at

[18] Finance by World Bank.

the district level will have the frontline responsibility for data collection and transmission to the IEs and the PCMU.

102. Performance monitoring of REP will concentrate on:

a. implementation progress, both in qualitative and quantitative terms;

b. effectiveness, including monitoring of targeting, poverty focus, implementation of the Gender Action Plan and Youth Action Plan;

c. efficiency of implementation through determining and monitoring cost per beneficiary as well as other relevant cost ratios of inputs compared to outputs; and

d. efficiency and performance of BACs and RTFs. Information will be collected on a 6-monthly basis in order to monitor their efficiency. The information will be used by the BDS component to provide performance counselling to staff of the underperforming BACs.

103. Impact assessment focuses on the outcome and impact (goal) levels. It will measure changes in the livelihoods of the beneficiaries that relate to the implemented Programme activities. It will also attempt to reveal the relevance, sustainability and targeting performance of REP. The impact monitoring will be based on the generated monitoring dataset as well as secondary sources. In addition, baseline and reference surveys will be organized in year 1, 4 and 8. These surveys will consist of: (a) a tracer study of training, start-up kits and matching grant recipients which will be undertaken to evaluate the impact on MSEs of different interventions under REP II and to establish a panel of current and potential clients (in new REP districts) for continued impact monitoring[19]; (b) an institutional performance assessment of BACs and RTFs; (c) a client profile (including poverty) analysis.

104. REP will develop an M&E System based on Geographic Information System (GIS) and Web-based Technology for data collection, compilation and presentation. This M&E system will be piloted by REP and expanded to all IFAD-funded projects, with the BAC being the focal point for district-level data collection and entry. The M&E Manager will coordinate all activities, ensure the quality control and provide the necessary capacity building and backstopping to the BAC staff. Once operational, the BAC-desk will also ensure data entry of other IFAD projects.

Learning and Knowledge Management

105. REP will build on the success of REP II in the area of learning and knowledge management. The key success factor of REP's knowledge generation process consisted in financing three consecutive phases: REP I, REP II and REP during 1995-2019. This extraordinary development path, based on a long-term strategy and vision, was quite successful in testing, learning, knowledge accumulation and up scaling of tools for MSE promotion.

106. During the next phase, knowledge management will be undertaken at two levels: (i) at the level of the PCMU in close collaboration with the SME Division of MOTI in order to document and promote the model for MSE promotion and its implementation; (ii) at the level of NBSSI and GRATIS Foundation to allow them developing their own knowledge centres that will feed the BACs and RTFs with information, training modules and innovative approaches and technologies.

107. Key innovative outputs of REP will be: (i) a decentralised model for MSE promotion; (ii) an innovative M&E system, based on GIS and Web-based technologies, institutional performance monitoring, tracer studies to determine efficiency and effectiveness of the Programme, its tools and the institutions that were promoted; (iii)

[19] Draft Terms of Reference of Tracer Study available in Working Paper 6

scaling up a project to the level of a national programme and mainstreaming its implementation mechanisms. The National Programme Director, in close collaboration with his team and key IEs, will be responsible for the coordination of the knowledge management and dissemination process.

D. Financial Management, Procurement and Governance

Financial Management and Implementation Support

108. The IFAD loan, as well as the co-financing will be disbursed over a period of eight years. Disbursements from the IFAD Dedicated Account will be made against certified Statements of Expenditures (SOEs). SOEs will be kept at the PCMU and be made available for audits and for review by supervision missions. Each Implementing Entity will open a Separate Account in a commercial bank acceptable to IFAD and AfDB.

109. The accounts of the Programme and the separate accounts kept by the Implementing Entities will be audited annually by a firm appointed by the Auditor General of the GoG. Expenses related to this audit will be borne by the Programme. The auditor will give a specific opinion on the mechanism of funding for the IEs, the use they make of Programme resources, the accountability of partners and the financial reporting by them. Certified audit reports will be transmitted to IFAD and AfDB not later than six months after the end of the government's fiscal year. Failure to comply with the audit provisions of the IFAD Loan Agreement may result in the suspension of disbursement under the IFAD loan.

Procurement[20]

110. Overall procurement responsibility will rest with the PCMU. The Procurement Officer within the PCMU will generate annual procurement schedules by quarter from the consolidated APPBs and be responsible for all centralised procurement activities. The financial units of the Implementing Agencies will be responsible for their operational expenditures and the funds managed by them, as well as for receiving and recording all goods procured by the PCMU. The PCMU will provide all IPs with guidelines for Programme accounting and inventory controls in the form of the REP Implementation Manual.

111. All procurement financed from the proceeds of the IFAD and AfDB loans will be exempt from national and local duties and taxes, including expenditures made for items procured under Local Shopping arrangements. All procurement will be authorised only against the procurement plans in approved APPBs, specifying items to be procured, responsibility for the procurement and the appropriate procurement methodology. Procurement will be in accordance with IFAD Guidelines for items financed by the IFAD loan, and AfDB guidelines for items financed by AfDB.

112. Contracts for the provision of training services and specialist services associated with the BACs/RTFs will be procured under Selection of individual consultants or Local Shopping or Direct Contracting, depending on the amount of the contract and availability of local firms with the requisite expertise. Pre-qualification and short listing procedures will be put in place to ensure timely response to client demand.

Governance

113. The Corruption Perception Index from Transparency International for Ghana is 4.1. No specific Governance and Anticorruption (GAC) strategy is included in design as the IFAD threshold is 3.

[20] An assessment of the national procurement system has been undertaken as part of design.

E. Supervision

114. Loan supervision will be carried out directly by IFAD and AfDB. During the first year, a start-up workshop and 2 supervision missions will be organized. In addition, implementation support missions will be organized. The supervision and support missions will focus on: (i) design and piloting of the innovative M&E system; (ii) use of REDF and MGF; (iii) management of RTF and partnerships with other actors in the field of vocational skills training; (iv) progress realized with respect to geographic expansion; (v) strengthening of key partners and timely preparation of the gradual phasing-out.

115. Following Executive Board approval of an IFAD Country Office in Ghana with an out-posted Country Programme Manager (CPM), the IFAD Country Office has been opened in January 2011. The Country Office will ensure enhanced implementation support.

F. Risk Identification and Mitigation

116. This section focuses on the key risks i.e. those with the greatest likelihood of occurring and the highest potential impact on the achievement of development objective or the realization of each outcome and its outputs.

Table 5: Risk identification and mitigation

Risk factors	Description of risk	Rating of risk	Risk mitigation measures	Rating of residual risk
Component 1: Business Development Services				
Mainstreaming of BAC into DA system	Slow implementation of decentralisation policy	M	Strengthen the capacity of MSE Sub Committees and integrate BAC activities into DA's medium term development plans.	L
Disbursement rate of BACs	Low disbursement rate by DAs. Sometimes late payment of salaries	S	Sensitize MSE Sub committees Support to mainstreaming of DOTI. Policy dialogue and BAC orientation courses for DAs.	L
Availability of local service providers	Inadequate local service providers at the district level	M	Enrol more local BDS providers and strengthen their capacity if needed.	L
Quality of BAC staff	Irregular quality of staff recruited by DAs	S	Training of staff. Guidelines for recruitment of staff by DAs. BAC orientation course	L
Co-financing	Late mobilization of co-financing	M	Engagement of MOTI and MOFEP. Modular design of REP.	L
Viability of BAC	Target groups does not pay enough to sustain BAC as private sector entity.	M	Integration of BAC in the DA structure. Management training of staff. Client contribution.	L
Component 2: Technology Promotion and Dissemination				
Viability and sustainability of RTFs	Commercial management versus public good role as training facility not always well defined.	M	Integration of RTF in the DA structure. Financial management will be strengthened. Commercial management will be strengthened	L

Sub-Component 3.1: Access to Rural Finance				
Success of grant + credit approach	Low demand for credit. PFIs not interested	M	Harmonization of approach with other projects. Targeting of grants. Ensure that BACs understand PFIs' requirements and effectively counsel clients	L
Sub-Component 3.2: Policy Dialogue and Institutional Capacity Building				
Institutional capacity to mainstream	Weak capacity of NBSSI. Restructuring process did not start	M	Strengthening of capacity in the field of knowledge management. Monitoring of institutional performance by supervision missions and MTR.	L

H—High S—Substantial M—Moderate L—Low

IV. PROGRAMME COSTS, FINANCING, BENEFITS AND SUSTAINABILITY

A. Programme Costs

117. The Programme cost over 8 years, including contingencies, taxes and duties, is estimated at USD 185.1 million or the equivalent of GH¢ 330.8 million. This is made up of USD 169.5 million (GH¢ 254.2 million) in base costs and USD 15.6 million in physical and price contingencies. The foreign exchange element is estimated at 7% of total cost. Table 6 presents the base costs by component, contingencies and total costs[21].

118. The above figures include start-up costs, which are expected to amount to USD 80,000 for the fulfilment of conditions for disbursement; the finalization of the Programme Implementation Manuals; the preparation of an Annual Work Programme and Budget and procurement plan for the first year of programme implementation; the establishment of an M&E system and baseline and impact studies; establishment of an accounting system; organization of a start-up workshop and any other relevant activity. These funds will be disbursed after the ratification of the programme by the Parliament.

B. Programme Financing

119. The financiers of the Programme will be IFAD (USD 31.5 million / GH¢ 47.3 million), AfDB[22] (USD 70.0 million / GH¢ 105.0 million), Government of Ghana (USD 25.1 million / GH¢ 37.7 million), Districts Assemblies (USD 38.4 million / GH¢ 57.6 million), participating financial institutions (USD 6.2 million / GH¢ 9.3 million) and the clients (USD 13.9 million / GH¢ 20.8 million). The financing plan of the components by financier is summarised in Table 7.

120. The IFAD loan proceeds will be used to finance costs related to scaling up a network of BAC in the Central to Northern regions of Ghana (component 1), access to rural finance (component 3.1), institutional capacity building and policy dialogue (component 3.2), and the related coordination and M&E costs.

121. The AfDB loan would be used to finance the TPD component (component 2), the BAC network in Southern regions of Ghana (component 1), institutional capacity building (component 3.2), as well as the related management and M&E costs.

122. Government of Ghana will finance taxes and duties on imported goods, and Value Added Tax (VAT) for a total amount of USD 3.7 million. In addition, Government will finance: a) part of the recurrent costs and office space of the PCMU (USD 1.3 million); b)

[21] Details are presented in Annex 9 and Working Paper V.
[22] To be confirmed.

through NBSSI, salaries and allowances of the BAC Heads and drivers (USD 12.0 million); c) through GRATIS Foundation, salaries of RTF managers, supervisors and drivers (USD 7.3 million).

123. Existing credit lines (REDF) will be made available by Bank of Ghana (BoG) (total amount GH¢ 1.2 million or equivalent to USD 800,000), with an incremental USD 4 million provided under REP. The complementary MGF will be topped up by USD 1.9 million. The PFIs will provide credit to the REP clients (USD 6.2 million) and contribute to the cost of staff training (USD 200,000).

124. As part of Government support, the District Assemblies will: i) finance salaries of at least one Business Development Officer and other support staff at the BAC; ii) provide office space for the BAC and gradually take over the BAC operating costs; ii) finance salaries of part of the RTF staff and contribute to the RTF operating costs. The total contribution is estimated at USD 38.4 million of which USD 25.0 million for Component 1 and USD 13.5 million for Component 2.

125. Clients will be expected to contribute, either in cash or materials, to training courses. Their contribution will be 20%/40% of the cost of training, as well as 10-30% of the matching grants. Their total contribution is estimated at USD 13.9 million.

TABLE 6: SUMMARY OF PROGRAMME COSTS[a]

	(GHC '000)					(USD '000)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Business Development Services	114.448,7	4.625,3	119.074,0	4	47	76.299,1	3.083,6	79.382,7	4	47
B. Technology Promotion & Dissemination	81.291,6	9.819,7	91.111,3	11	36	54.194,4	6.546,5	60.740,9	11	36
C. Enabling MSE Environment										
1. Access to Rural Finance	24.792,5	173,8	24.966,3	1	10	16.528,3	115,9	16.644,2	1	10
2. Institutional Capacity Building & Policy Dialogue	3.370,8	646,1	4.016,9	16	2	2.247,2	430,7	2.677,9	16	2
Subtotal Enabling MSE Environment	28.163,3	819,9	28.983,2	3	11	18.775,5	546,6	19.322,2	3	11
D. Programme Implementation										
1. Programme Coordination	10.141,0	1.019,9	11.161,0	9	4	6.760,7	679,9	7.440,6	9	4
2. Monitoring & Evaluation	3.398,4	495,9	3.894,3	13	2	2.265,6	330,6	2.596,2	13	2
Subtotal Programme Implementation	13.539,4	1.515,8	15.055,3	10	6	9.026,3	1.010,6	10.036,8	10	6
Total BASELINE COSTS	237.443,1	16.780,8	254.223,8	7	100	158.295,4	11.187,2	169.482,5	7	100
Physical Contingencies	6.027,4	829,7	6.857,0	12	3	4.018,2	553,1	4.571,3	12	3
Price Contingencies	67.343,5	2.396,3	69.739,8	3	27	10.701,2	379,5	11.080,7	3	7
Total PROJECT COSTS	310.813,9	20.006,8	330.820,6	6	130	173.014,9	12.119,8	185.134,6	7	109

[a] Discrepancies in totals are due to rounding.

TABLE 7: FINANCING PLAN[a] (USD '000)

	IFAD	AfDB	PFIs	Clients	District Assemblies	GoG (NBSSI)	GoG (GRATIS F)	GoG (Budget)	GoG (Taxes)	Total	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	%
A. Business Development Services	17.826,3	23.484,0	-	9.556,0	24.960,1	11.981,1	-	-	1.254,9	89.062,4	48,1
B. Technology Promotion & Dissemination	-	41.349,6	-	1.378,5	13.487,4	-	7.272,5	-	1.761,6	65.249,5	35,2
C. Enabling MSE Environment											
1. Access to Rural Finance	6.704,7	-	6.221,9	2.913,4	-	-	-	850,0	44,2	16.734,2	9,0
2. Institutional Capacity Building & Policy Dialogue	471,8	2.148,1	-	-	-	-	-	-	349,9	2.969,8	1,6
Subtotal Enabling MSE Environment	7.176,5	2.148,1	6.221,9	2.913,4	-	-	-	850,0	394,1	19.704,0	10,6
D. Programme Implementation											
1. Programme Coordination	4.548,7	2.451,4	-	-	-	-	-	964,7	286,1	8.250,9	4,5
2. Monitoring & Evaluation	1.948,5	574,9	-	-	-	-	-	304,4	40,0	2.867,8	1,5
Subtotal Programme Implementation	6.497,2	3.026,3	-	-	-	-	-	1.269,0	326,1	11.118,7	6,0
Total PROJECT COSTS	31.500,0	70.008,1	6.221,9	13.847,8	38.447,5	11.981,1	7.272,5	2.119,0	3.736,7	185.134,6	100,0

C. Summary Benefits and Economic Analysis

Beneficiaries and Benefits

126. The total outreach of REP is expected to amount to at least 200,000 rural poor people particularly women.

127. The BACs will provide training and counselling sessions to approximately 350,000 clients/participants. The total number of beneficiaries will be lower, as a good proportion of these clients will participate in several training sessions. The IE highlighted that clients who had taken more than one type of support had a higher likelihood of achieving business growth. About 65,000 unemployed people including women and youth are expected to be trained in community-based technical skills to introduce them to simple technologies that will assist them to start businesses. Based on the current adoption rate of 48%, it is expected that at least 33,000 businesses will be established in the districts. Individual business counselling will also be provided to approximately 70,000 businesses to improve management skills. It is expected that at least 100,000 direct jobs will be created. The participation of rural women in MSE development would be enhanced as over 60% of target beneficiaries to be reached are expected to be female.

128. The RTFs will provide short business and technical skills upgrading courses as well as OSHEM training to some 30,300 rural master crafts persons, In addition, supplementary skills training to about 30,000 traditional apprentices. Furthermore, 1,750 unemployed youth will be trained for three years continuously as technical apprentices. Start-up kits will be provided to the graduated apprentices.

129. Access to finance would be improved for 32,500 MSEs, at least 50% of whom are expected to be female owned and entrepreneurs. Approximately 27,000 MSEs will benefit from refinancing of investment loans through REDF as well as small loans that are financed by PFI own funds, of which about 10,000 groups and "graduating" start-ups will benefit from the matching grants to reduce their commercial borrowing and hence debt burden. In addition, about 5,000 MSEs are expected to benefit from REDF refinancing of loans to new microfinance groups of PFIs.

Institutional Performance and Business Modelling of BACs and RTFs

130. Sustainability of the BACs will depend on: (i) the capacity of BAC staff; (ii) the motivation and capacity of DAs to ensure payment of salaries of BAC-staff. Based on past experiences with respect to capacity and willingness to pay of the DAs, this assumption seems to be realistic. In the future, institutional efficiency analysis of BACs and RTFs will be done on a regular basis, which will be the basis of performance counselling for BAC staff.

131. BAC and RTF business models are presented in Annex 10, as part of the economic analysis. These models show that client contributions to training are sufficient to cover more or less the operating costs of the BACs and RTFs. Payment of salaries is ensured by DAs and GoG, as BACs and RTFs are public sector institutions.

Financial Analysis of Enterprise Models[23]

132. Seventeen enterprise models[24] were updated to analyse the financial viability of the most frequent activities that will be promoted by REP. The models represent the operations of these business persons regarding their type and level of production, prices, production cycle duration, financing and labour input. All models comprise a "without programme" and a "with programme" situation. The profitability indicators (internal rate

[23] Detailed analysis is presented in Working Paper 6.

[24] Soap making, pomade production, bread baking, batik and tie & die, beekeeping, snail farming, mushroom farming (local and exotic varieties), gari processing (group & individual), palm kernel oil production, tailoring, pito brewing, pottery (establishment & improvement), carpentry workshop, welding workshop

of return, net present value) are derived from incremental cash flow streams. The profitability indicators (Internal Rate of Return (IRR), Net Present Value (NPV), Return to Labour) are derived from the difference of this cash flow stream against the assumed previous situation, and are thus representative of the actual viability of REP clients' enterprises. These profitability indicators were derived from budget models which assumed the generation of net incremental incomes with certainty under a riskless business environment. Taking cognizance that these MSE operators are risk verse and operate in a risky business milieu and the MSE models embody intrinsic risks, risks and MSE operators expectations of net income streams and risk are factored in the derivation of the MSEs financial feasibility and viability (expected net income [ENI], risk adjusted net present value [RadjNPV], and modified internal rate of return [MIRR]), and risk indicators (standard deviation [S.D], and coefficient of variation [CV] of expected net incremental incomes). Financial analysis (7-year period) clearly demonstrates that most targeted activities are commercially viable, with returns to labour between GH¢ 3 and GH¢ 22 per day. Risk Adjusted IRR vary between 20% and 452%.

Economic Analysis[25]

133. In order to calculate the Economic Rate of Return (ERR) of the Programme, the economic benefits were calculated for a 20-year period. Investment and incremental recurrent costs of all programme components have been included in the analysis. As REP is demand driven, it is not possible to know ex ante precisely how resources will be allocated. However, a simulation and sensitivity analysis, based on realistic assumptions, was done to estimate the cost-effectiveness of the investments and the economic rate of return. Conversion factors are then estimated to translate the financial flows into economic values to be used to calculate the Economic Rate of Return (ERR). It is based on direct costs and benefits, social benefits have not been taken into account. The period of analysis is 20 years. A number of scenarios were tested to establish the economic viability of the total Programme in the event of adverse factors. The results are presented in Table 8.

134. The results of the economic analysis justify the Programme’s investments in supporting the establishment of micro and small enterprises. The economic analysis shows that the Programme has the capacity to generate an economic rate of return (ERR) of approximately 21.9% over a 20-year period. In this base case, 35,000 businesses are established (7.5% of the total number of 485 500 beneficiaries of a BAC activity over 8 years).

135. The sensitivity analysis indicates the risk that extended delays might threaten the investment's viability. Delays of benefits for one year have significant impact of the programme (reduction of ERR to 15.8%). A 2-year lag in programme benefits would reduce the ERR to about 12.2%.

136. A 10% increase in costs or a 10% decrease in benefits would reduce the rate of return by around 3%.

137. The degrees at which clients adopt the proposed models, affect the ERR was explored by varying the number of businesses created. In case 48500 businesses are established the ERR increases to over 32 %. In case only 24 200 businesses are established, the ERR decreases significantly from 21.9% to 12.8%.

138. The Economic and Financial Analysis adequately affirms that REP is a feasible, viable and sustainable programme worth the investments.

[25] Detailed analysis is presented in Working Paper 6.

Table 8: Sensitivity Analysis of Economic Rates of Return

Scenario	ERR
Base case 20% of RTF clients trained establish their own business; 7.5% of total number of BAC training participants establish a business (35 000 businesses)	21.9%
5% of all BAC training participants establish a business (24 200 businesses)	12.8%
10% of all BAC training participants establish a business (48 500 businesses)	32.0%
Benefits decreased by 10%	18.5%
Costs increased by 10%	18.8%
Benefits lagged by one year	15.8%
Benefits lagged by two years	12.2%
Benefits decrease by 20% p.a. after PY10	19.3%

D. Sustainability

Exit Strategy

139. BACs and RTFs are public-sector institutions. REP will mainly be implemented through BACs and RTFs that will be integrated in the DA system. Sustainability of BACs is ensured by the Legislative Instrument 1961 of GoG. NBSSI and GRATIS Foundation would be strengthened to become knowledge and service centres for the BACs and RTFs, in order to ensure future backstopping to BACs and RTFs and maintaining the quality of their services at a high level. DAs and GoG will ensure recurrent costs (salaries and operational costs) on programme completion. BACs and RTFs will be supported to become more cost effective by enhancing their efficiency and by introducing enhanced cost recovery mechanisms. The BACs will leverage additional funding for BDS from other sources at the district level and beyond. Clients will be expected to increase their cost-sharing as they mature and for more advanced training. The RTFs are designed to prepare for early sustainability of the provision of MSE support services, by involving the Local business associations (LBAs). The DAs have indicated their preparedness to take over the running of the RTFs on 'public-private-sector partnership' basis. The responsibility for the proper operation and functioning of the RTFs, with a view to sustainability, lies with their management boards. The boards have the responsibility of ensuring effective management, supervision, and control in utilization of resources and sustainability.

140. The REDF would continue to be operated beyond the loan closing date, at which time it is expected that the BoG would turn the remaining funds that it is managing over to ARB Apex Bank, which would address its reports directly to the Ministry of Finance and Economic Planning (MOFEP) and MOTI. At the initiative of GoG, subject to no objection by the donors concerned, the REDF may be applied to a successor project to REP or a different poverty-targeted on-lending programme, or turned over to the ARB Apex Bank, conditional upon its consistency with rural financial development principles.

Environmental and Social Assessment

141. 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. A detailed analysis, including mitigation measures, is presented in Working Paper 7 (Environmental and Social Review Note). These mitigation measures include the following: (i) the DAs will be actively involved in selections of project sites; (ii) environmental management issues will form part of the training and technology promotion programmes of REP; (iii) monitoring on environmental issues will form part of the M&E function of REP; (iv) all RTFs will organize Occupational Safety & Health and Environmental Management Seminars.

142. The Programme will only have positive social impacts. It will not have negative effects on indigenous population groups.

143. Screening mechanisms/checklists/tools for REP-supported MSE activities will be included in Programme Implementation Manual (PIM).

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

THE REPUBLIC OF GHANA
RURAL ENTERPRISES PROGRAMME (REP)

PROGRAMME DESIGN REPORT - ANNEXES

ANNEX 1: COUNTRY AND RURAL CONTEXT

i. Rural Development Context

Micro and Small-Scale Enterprise Sector in Ghana[26]

1. In 2008, sectoral contribution to GDP was as follows: agriculture (34%), industry (25%) and services (41%). The rural non-agricultural micro and small-scale enterprises (MSEs) accounted for approximately two thirds of all non-agricultural jobs and for as much as 20% of Ghana's GDP[27]. More than 90% of business units in Ghana are MSEs which employ more than 60% of the labour force. The vitalization of MSEs is therefore at the core of poverty reduction and sustained growth of the national economy.

2. Rural MSEs in Ghana include a wide variety of economic activities such as trading, agro-processing, metalworking, carpentry, tailoring, car mechanics and repair and personal services. Rural MSEs tend to be smaller and weaker than their urban counterparts. They have only limited access to productive resources, electricity, finance, markets and information, and also face difficulties reaching non-local markets because of poor linkages, infrastructure and transportation. MSE production in general is hampered by low levels of technology, and weak technical, business and marketing skills. MSEs also face input constraints in terms of availability and cost thereby making their cost of production high and their prices uncompetitive. This results in mediocre MSE goods and services, limiting their appeal to consumers, and ultimately in meagre incomes. Poorer rural women tend to operate 'micro' enterprises.

Access to Rural Finance

3. Rural MSE development in Ghana is compromised by low access to finance attributable to underdeveloped and imperfect financial markets, lack of liquidity (especially for term lending) in many Rural Community Banks (RCBs), and structurally high real interest rates, as well as by weak capacities of MSEs to meet credit worthiness criteria. This problem affects MSEs operated by women more because of socio-cultural factors such as their lack of access to assets and collateral.

4. Around 2008, REP II, RTIMP and NRGP eliminated credit funds in favour of matching grants, based on the observations that there appeared to be excess liquidity in the banking systems (including RCBs), but that interest rates remained very high in real terms and were not affordable for many MSEs. However, the assumption that PFIs would finance 60% of investment loans from their own funds proved incorrect in practice, as evidenced in a drastic slowdown of lending to REP II clients and the failure of credit to RTIMP and NRGP clients to take off. Key explanations were: (i) the short-term nature of RCBs' deposit and their inability to undertake term transformation made them reluctant to commit a significant amount of own funds to loans of 12 months or more; (ii) lack of liquidity in NGOs and in many RCBs, especially those that had expanded their microfinance programs to the limits of their regulatory requirements for liquidity and reserves (as high as 43% primary and secondary reserves for RCBs).

5. Although demand for financing is high among BAC clients, PFIs remain reluctant to give first-time loans to relatively young enterprises without a strong track record, preferring to build their MSE portfolios using their own funds by focusing on working capital for established clients that have previously repaid a loan. Nevertheless, the availability of a matching grant to leverage the applicant's own equity contribution, as well as a credit line to refinance 80% of the loan amount, has achieved the result of getting many PFIs to make first-time loans to recommended BAC clients. Indeed, some

[26] Paper No 15: The Policy Environment for Promoting Small and Medium-sized Enterprises in Ghana and Malawi - Dalitso Kayanula and Peter Quartey - IDPM, University of Manchester (May 2000).
[27] PSDS II. July 2009

RCBs said that as many as 40% of their MSE clients come from such loans facilitated by the BACs. As a result, they are showing increasing willingness to favourably consider BAC clients, if the BACs work closely with the PFIs from the beginning and apply the creditworthiness assessment tool developed under REP II.

ii. Policy, Governance, Institutional and Economic Issues

Policy and Governance

6. The GoG focused on poverty reduction through the Ghana Poverty Reduction Strategy 2003-05 (GPRS I) to Growth and Poverty Reduction Strategy for second phase (GPRS II) to provide a linked strategy for economic development and poverty reduction. The GPRS II places emphasis on the promotion of MSE through: (i) strengthening the capacity of the private sector to effectively perform as an engine of economic growth and poverty reduction by improving access to global and regional markets, strengthening of competitiveness of enterprises, and supporting the adoption of technological innovation; (ii) accelerating the development of sectors that are strategic to the attainment of private sector-led growth; (iii) promoting agro-processing; (iv) facilitating the development of commercially viable export and domestic market-oriented enterprises in the rural areas; (v) promoting industrial sub-contracting and partnership exchange; and (vi) promoting the development of the craft industry for export.

7. The Medium Term National Development Plan (MTNDP) 2010-2013, called "An Agenda for shared Growth and Accelerated Development for a Better Ghana" (GSGDA), was submitted to parliament in December 2010. The objectives identified by the GSGDA to drive the development of MSMEs include the following: (i) providing training and business development services; (ii) enhancing access to affordable credit; (iii) making available appropriate but cost-effective technology to improve productivity; (iv) removing value chain constraints to promote productivity and efficiency; (v) pursuing push-pull arrangements: large foreign-owned and domestic firms are potentially a valuable source for technology and supply chain opportunities that small and medium scale enterprises (SMEs) can take advantage of to build their businesses and improve productivity; and (vi) providing investment incentives. REP will contribute to the realisation of this policy.

8. REP will also be linked to the Private Sector Development Strategy, phase II (PSDS II) of MOTI under its strategic objective II, which seeks to foster the development of sustainable corporate strategies for enterprise growth and job creation. In this regard, REP will support the implementation of selected value chains of high economic impact, clusters and local/regional initiatives at the district level.

9. Regarding the Comprehensive Africa Agriculture Development Programme (CAADP) and SWAp, formal engagements might be difficult since the NEPAD-CAADP pertains to the Ministry of Food and Agriculture, which also drives the SWAp. However, in principle IFAD will facilitate and seize the opportunities to link relevant REP interventions (e.g. service provision by BACs and RTFs to value chain initiatives) to CAADP.

MSE Support Institutions

10. GoG continues to support programmes aimed at skills training, registration and placement of job-seekers, training and re-training of redeployees. The Ministry of Employment and Social Welfare (MESW) contributes to MSE development through vocational skills training that is delivered by the Integrated Community Centres for Employable Skills (ICCES) and the National Vocational Training Institute (NVTI).

11. The National Vocational Training Institute (NVTI) under the Ministry of Employment and Social Welfare is one of the main organizations for technical skills training in Ghana. It also ensures certification of training. NVTI will conduct proficiency test and certification for graduate apprentices and interested master craft persons supported by REP.

12. The Integrated Community Centre for Employable Skills (ICCES) is an agency under the Ministry of Employment and Social Welfare with the mandate to train the youth with the view of making them employable within and around their own communities. ICCES centres have workshops with basic equipment for various skills training. ICCES will provide complementary services to REP in skills training in the following trade areas (i) building and construction (ii) electronics and electricals (iii) general electrical wiring (iv) metal works and auto general works.

13. The National Board for Small Scale Industries (NBSSI) is a public sector organization under the Ministry of Trade and Industry. NBSSI, by Act 434 of 1981, is mandated to promote the growth and development of MSEs in Ghana and has over the years delivered training, business development, credit management and counselling for its clients countrywide through Government and donor funded projects and programmes. They pioneered and husbanded the BAC concept on Pilot basis in the 1990s and currently collaborate effectively with REP on the BAC implementation. Admittedly however, NBSSI currently has relative weak capacity, limited resources despite their mandate. Outstanding issues regarding entrepreneurship development and growing of local economies through MSEs remains critical for poverty reduction and improved livelihood initiatives. There are currently no harmonized curricula for building entrepreneurship capacity within the country as well as certification of entrepreneurs even though an initiative by a private company seems to be very popular thus justifying the need for harmonized curricula and certification. The existing NBSSI-BACs differ in facilities and staff requirements from the REP-modelled BACs. The Entrepreneurship Development Division and Regional NBSSI offices need further support to enable them execute designated roles under REP even as NBSSI undergoes its current restructuring phase.

14. GRATIS Foundation evolved out of the Ghana Regional Appropriate Technology Industrial Service Project established by the Government of Ghana in 1987 and mandated to promote small-scale industrialization in Ghana. Its mandate was realized through the establishment of Intermediate Technology Transfers Units (ITTUs) now Regional Technology Transfer centres (RTTCs) to transfer appropriate technologies to small-scale industrialists through training, manufacturing and supply of machine tools, plants and equipment. The five (5) functional divisions of GRATIS foundation are Consultancy and Technical Support Engineering and Industrial Design, Marketing and Business Development, Finance and Personnel and Administration. To further decentralize the transfer of appropriate technology to the MMDA level, REP in collaboration with GRATIS and the MMDAs have established Rural Technical Facilities (RTFs) in 21 MMDAs in Ghana currently. GRATIS (through GoG) ensures recruitment, payment of salaries and technical backstopping of RTF staff. GRATIS is currently being restructured.

15. The Council for Technical and Vocational Education and Training (COTVET) was established by Act 718 in July 2006 to: (i) ensure that, unemployed particularly the youth are given competitive, employable and entrepreneurial skills nationally and globally within the formal and informal sectors; and (ii) ensure graduates coming out of formal and informal and non-formal TVET institutions are endowed with employable skills. The services of COTVET include; (a) accreditation services for training providers, facilitators and assessors; (b) quality assurance service for training providers; (c) research, studies and policy development. COTVET implements the Ghana Skills and Technology Development Program (GSTDP) (that is co-financed by World Bank) to strengthen vocational training centres established by the Ministry of Education and the MESW. Under REP, COTVET will develop competency-based syllabi to be used for the training of master craft persons and apprentices in line with the national strategy for modernizing skills training in the informal sector.

16. The Business Sector Advocacy Challenge Fund was originally launched by DANIDA as part of the broader Business Sector Programme Support but now attracts support

from DFID and USAID. The Fund is accessible through a competitive demand-driven mechanism and transparent selection of the best advocacy actions proposed by Associations within the Private Sector. The BUSAC Fund finances, through grants, up to 90% of the cost of the Advocacy actions that are selected in each "Call for Application" and are implemented by the grantees themselves with the help of the Service Providers. Opportunities thus exist for a REP - BUSAC Fund collaboration to build capacity of BAC/RTF staff to facilitate Local Business Associations access the funds.

APPENDIX 1: COUNTRY DATA SHEET

Land area (km2 thousand) 2008 1/	228	**GNI per capita (USD) 2008 1/**	630
Total population (million) 2008 1/	23.35	**GDP per capita growth (annual %) 2008 1/**	5
Population density (people per km2) 2008 1/	103	**Inflation, consumer prices (annual %) 2008 1/**	17
Local currency Ghana Cedi (GHS)		**Exchange rate: USD 1 = 1.5** GHS	

Social Indicators		**Economic Indicators**	
Population growth (annual %) 2008 1/	2.1	GDP (USD million) 2008 1/	16 653
Crude birth rate (per thousand people) 2008 1/	32	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2008 1/	11	2000	3.7
Infant mortality rate (per thousand live births) 2008 1/	51	2008	7.3
Life expectancy at birth (years) 2008 1/	57		
		Sectoral distribution of GDP 2008 1/	
Total labour force (million) 2008 1/	10.65	% agriculture	34
Female labour force as % of total 2008 1/	49	% industry	25
		% manufacturing	6
Education		% services	41
School enrolment, primary (% gross) 2008 1/	102		
Adult illiteracy rate (% age 15 and above) 2008 1/	34	Consumption 2008 1/	
		General government final consumption expenditure (as % of GDP)	20
		Household final consumption expenditure, etc. (as % of GDP)	77
Nutrition			
Daily calorie supply per capita	n/a	Gross domestic savings (as % of GDP)	3
Malnutrition prevalence, height for age (% of children under 5) 2006 1/	28.1		
Malnutrition prevalence, weight for age (% of children under 5) 2006 1/	13.9	**Balance of Payments (USD million)**	
		Merchandise exports 2008 1/	5 650
Health		Merchandise imports 2008 1/	10 400
Health expenditure, total (as % of GDP) 2007 1/	8.3	Balance of merchandise trade	-4 750
Physicians (per thousand people) 1/	0		
Population using improved water sources (%) 2006 1/	80	Current account balances (USD million)	
Population using adequate sanitation facilities (%) 2006 1/	10	before official transfers 2008 1/	-5 755
		after official transfers 2008 1/	-3 543
Agriculture and Food		Foreign direct investment, net 2008 1/	2 112
Food imports (% of merchandise imports) 2008 1/	15		
Fertilizer consumption (hundreds of grams per ha of arable land) 2007 1/	154	**Government Finance**	
Food production index (1999-01=100) 2007 1/	124	Cash surplus/deficit (as % of GDP) 2007 1/	-8
Cereal yield (kg per ha) 2008 1/	1 328	Total expense (% of GDP) [a/] 2007 1/	30
		Present value of external debt (as % of GNI) 2008 1/	20
Land Use		Total debt service (% of GNI) 2008 1/	2
Arable land as % of land area 2007 1/	18		
Forest area as % of total land area 2007 1/	23	Lending interest rate (%) 2008 1/	n/a
Agricultural irrigated land as % of total agric. land 2007 1/	n/a	Deposit interest rate (%) 2007 1/	8.9

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2010

ANNEX 2: POVERTY, TARGETING AND GENDER

i. Rural Poverty in Ghana

1. Ghana had a total population of approximately 23.35 million inhabitants in 2008. Population growth rate has declined from 3.4% in 1964 to 2.1% in 2008. Live expectancy at birth is 57 years. Settlement patterns show that 63% of the population live in rural areas, with urbanisation increasing from 32% in 1984 to 37% in 2003.

2. According to the most recent household survey[28], Ghana's poverty profile has improved significantly in most regions and economic activities. In terms of an upper poverty line of GH¢371 (as of 2006), the proportion of the population defined as poor declined from 51.7% in 1991/92 to 39.5% in 1998/99 and to 28.5% in 2005/06. This positive trend is likely to continue if Ghana maintains the average economic growth rates of the last few years, yet poverty reduction remains an unyielding issue. Rural poverty remains higher than urban poverty and the northern districts continue to have the highest incidence of poverty.

3. The REP concept is considered by GoG as an effective tool for rural poverty reduction. According to the Independent Evaluation (IE)[29], many of the REP II clients contacted indicated significant improvements in their incomes and standard of living. With respect to the impact on poverty, the IE highlights that: (i) both income and business and household assets have increased where businesses have been established; (ii) quality of production has improved; (iii) multiple training and counselling initiatives have substantially improved human resources in the project area; (iv) rural finance appears to have played a key role in business growth and income increases where accessible; (v) women in particular were given support by REP II.

ii. Micro and Small-Scale Entrepreneurs[30]

4. Approximately 3.2 million households representing 46% of all households in Ghana operate non-farm enterprises with women operating 72% of these businesses. Some 52% of the households operating non-farm enterprises are found in urban localities. Almost half (49.5%) of all businesses involve trading, and most of the rest are into some kind of manufacturing. The main sources of capital for non-farm enterprises are household savings (60%) and assistance from relatives or friends (20%). It is worthy to note that more skilled than unskilled persons are currently engaged in non-farm enterprises (GLSS-5, 2008).

5. The REP clients are typically informal micro or small-scale entrepreneurs (MSE) that undertake labour intensive self-employment activities, make use of traditional technologies and unskilled labour, and have little access to financial services. They include the major rural support occupations, such as carpentry, woodworking, trading, transportation, metal based and engineering oriented trades, vehicle maintenance and repairs, welding and fabrication, electronic repairs, and agro-processing (i.e. palm oil, rice, cassava, coarse grains, soap making). Other popular opportunities of REP clients include beekeeping and rearing of poultry, grass cutters and small ruminants; service enterprises such as hairdressing and catering; traditional crafts such as handicrafts and textiles; construction and related trades; and manufacturing such as dressmaking and furniture.

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[28]Ghana Statistical Service. *Fifth Ghana Living Standards Survey (GLSS-5).* September 2008.
[29]IFAD Office of Evaluation, "REP. Interim Evaluation. Aide-memoire". July 26, 2010
[30]Dalitso Kayanula and Peter Quartey. Paper No 15: The Policy Environment for Promoting Small and Medium-sized Enterprises in Ghana and Malawi , IDPM, University of Manchester. May 2000.

iii. Associations of MSEs and their APEX Organisations

6. REP clients are often organized in Local Business Associations (also called "Local Trade Associations") of MSEs with common interest wanting to have a voice. These LBAs are generally weak despite their large number, and are unable to provide useful services to their members.[31] They are still mostly informal groupings that lack structure and are weak. Currently REP is working with 886 LBAs with a total membership of 26,377 made up of 16,048 females and 10,329 males. The associations have been used as channels for implementation of BAC activities. They are involved in (i) creating awareness on Project activities, (ii) assessing the initial needs of their members, (iii) mobilising association members to access BDS and (iv) implementation of literacy and numeracy training. Well-functioning associations could improve the efficiency of the BACs/RTFs by properly assessing and articulating the needs of their members, delivering specific BDS activities and monitoring business performance of members. Some LBAs have become involved with decision making in DAs and are even represented on the MSE Sub-Committees

7. The Association of Small Scale Industries (ASSI) was established in 1986 as the apex body for several micro and small scale industries associations. The ASSI is the umbrella body for 25 sectoral associations spread across the country. The ASSI has a national office in Accra and ten regional offices across the country. Their presence in rural districts is extremely limited and weak. The current challenges faced by the association are low enrolment of entrepreneurs on local business associations and late payment of membership dues. The primary activities of the ASSI include: (i) organising entrepreneurial, technical and managerial training for its members; (ii) providing advisory and advocacy services to its members; (iii) encouraging and assisting its members to participate in national and international trade fairs; (iv) networking for their members vis-à-vis MDAs, financial institutions, tertiary institutions and NGOs to receive technical and financial support; (v) facilitating income tax assessment and payments to the national revenue agencies; and (vi) revitalising distressed business associations through advocacy.

iv. Gender Aspects in MSE Development

8. Gender is an important dimension of poverty in Ghana[32]. In particular, women are said to be more vulnerable than men. About 38% of women have responsibility for agricultural activities in Ghana. Women in rural Ghana are predominantly food crop farmers who tend to be the poorest. This profile fits into the adage, "poverty has the face of a woman"[33]. The GLSS-5 data also indicate that the proportion of persons having savings is higher among males (59%), with the highest proportion in rural forest areas (64%). Access to and control of assets such as land and credit tends to be limited for women, particularly in the rural savannah due to socio-cultural factors. Gender and cultural taboos can dictate the types of activities women (or men) select. Women also have less access to education. There is a clear gender gap in education with almost twice as many females (2.7 million) as males (1.4 million) never attending school. In addition, there are fewer females (0.7 million) than males (1.1 million) with secondary or higher qualification.[34] The low level of education and technical skills of rural women has a direct impact on their ability to gain access to economic resources. However, they are always very proactive and take initiatives by establishing income generating activities. These women operate mostly in the informal sector within areas where they have expertise, derived mostly from domestic knowledge. The combination of these factors leads to a

[31] IFAD, Ghana: Rural Women's Micro and Small Enterprises.
[32] IFAD Office of Evaluation. Interim Evaluation of REP. November 2010
[33] This is an old adage. But current references to this can be found in e.g. Emilio Godoy, Rural Poverty has a Woman's Face and End Poverty 2015 Millennium Campaign, Poverty Has a Female Face.
[34] Ghana Statistical Service. *Fifth Ghana Living Standards Survey (GLSS-5).* September 2008.

containment of rural women in subsistence activities with relatively low income, and very often without any prospect of economic growth (low added value and low productivity).

9. Experience with small enterprise programs in rural areas, including microfinance, indicates that the women generally represent the largest number and often the best performing entrepreneurs. REP I and II experiences and lessons learnt from other similar programmes show that when rural women are well informed, well skilled and better supported by relevant, good quality and sustainable services (financial services and adequate equipment, markets access), they can move further from survival level to more proactive growth. It therefore means that with adequate and accessible support in line with the specific growth needs of their income generating activities especially in agro-processing, rural women targeted can transform these activities into viable, and profitable rural micro-enterprises and probably later into small enterprises/industry.

10. The Independent Evaluation (IE) of REP II confirmed that the project has adopted an effective targeting mechanism of women. REP II was successful in promoting gender equality and women's empowerment through business support. Women's empowerment was also demonstrated through the formation of groups of entrepreneurs and the additional support that this brings to women. In spite of the positive assessment of REP II by the IE with respect to gender, there is still room for an enhancement in the future particularly at the household and community levels. Under REP I and II, approximately 65% of the rural MSEs supported were owned or managed by women. This trend is expected to continue.

11. Based on this analysis and given rural women demographic weight and entrepreneurship potential, they represent the core group of rural MSEs for REP.

v. Rural Youth and Entrepreneurship

12. Ghana's population may be regarded as young and growing as is typical of developing economies. The segment of the population that forms the youth (15–24 years) was about 18% in 2008[35]. The greatest challenge for Ghana will be to provide sufficient gainful jobs for this increasing number of the youth. Due to the vulnerability of the youth in the labour market a good number of them remains unemployed which serves as an incentive for rural-urban exodus. Young adults, aged 25 to 29, constitute the largest proportion of migrants. The challenge of addressing this undesirable youth unemployment is to create descent job opportunities for them or to engage them in some form of skills training to improve their chances of employment.[36]

13. REP will respond to this need in the potential labour market with a mix of skills training interventions both for self-employment and entry into the general job market. REP I & II have accumulated considerable experience in apprentice training, certification and start-up. This will be enhanced under REP through direct Programme interventions as well as collaboration with COTVET and other specialized institutions (ICCES, NVTI).

14. The traditional apprentice training (TAT) provides the bulk of the skills training for the informal sector in the country. BACs and RTFs provide support for training for all categories of the youth. Many poor people find the TAT affordable and therefore it continues to serve the needs of the majority of the youth more than the public formal institutions. TAT is therefore an indispensable component of skills training in the informal sector.

vi. Target Group of REP

15. See: Main text.

[35] GLSS 5, 2008
[36] IJEDICT, 2006

vii. Targeting Strategy

16. See: Main text.

viii. Gender Strategy

17. REP will tackle gender issues through the design and implementation of a Gender Action Plan (GAP). This will bring about a systematic mainstreaming of gender issues in the Programme activities. The GAP will be developed in PY1 with the support of a technical expert and will be updated regularly on the basis of experiences and achievements. The M&E Manager at the PCMU will be responsible for monitoring the implementation of the GAP.

18. To further enhance capacities in gender, the Gender Action Learning System (GALS) Methodology that was introduced in REP II aimed at enhancing gender mainstreaming in the implementation of its activities in the rural areas will continue. GALS will strengthen REP's targeting approach with focus especially on poor/disadvantaged women to bring changes in culture and practices in relation to gender. Capacity building for PCMU and implementing partners at all levels in gender mainstreaming is included in the design.

19. REP will encourage rural women's access and participation in professional organizations. Rural women's leadership development will be encouraged through: (i) training sessions on capacities and skills development in leadership, negotiation, lobbying and good governance; (ii) information on rural women leadership and advocacy; (iii) specific support to rural women to increase their representation in decision-making structures in LBAs. The advocacy for women's involvement in decision-making will continue to be enhanced under REP through the BAC staff and MSE Sub-Committee training.

20. The growth of women-owned enterprises hinges on several factors, one of them being access to rural finance. To improve women's access to credit the Matching Grant Fund will give priority to women's groups to help their businesses develop. Literacy/numeracy training and other relevant skills training will enhance their broader access to business support services.

21. Support to women-oriented business and value chains will enhance women's participation in the Programme whilst more efforts will be made to attract women into male-dominated trades.

22. REP will continue to give priority attention to activities of women in the APPBs and build on the special innovation piloted by REP II with the functional literacy scheme for women. The M&E System will be sensitive and detailed to gender issues. In particular, key quantitative data will be disaggregated by sex and age, wherever feasible. Furthermore, gender disaggregation of data will be carried out consistently at every level of implementation and coordinated by the PCMU. The impact on women through training, better equipment, matching grants and access to finance will be carefully monitored using tracer and other evaluation studies with a gender focus. The collection of data will focus on gender constraints, particularly (i) economic and marketing inclusion of women; (ii) access to and adoption of skills training and other support. REP will enhance the analysis of data with respect to gender so as to continually improve services to women and other vulnerable sections of the target group.

ix. Strategy for Rural Youth Entrepreneurship

23. See: Main text.

ANNEX 3: COUNTRY PERFORMANCE AND LESSONS LEARNED

i. IFAD Country Programme

1. The IFAD Country Strategy and Opportunities Programme (COSOP) for Ghana is dated April 2006. The COSOP goal is to achieve improved, diversified and sustainable livelihoods for the rural poor particularly those dependent on marginal lands, rural women and vulnerable groups. The COSOP, which is fully aligned to the GPRS I & II, highlights the central role of REP I & II in the country programme. IFAD currently has five projects in Ghana, three with nationwide coverage and two with a focus on northern Ghana where poverty incidence is highest. REP II provides leadership in the IFAD country portfolio in the field of private sector development through the establishment of a district-based BACs as delivery mechanism for business development services; and RTFs for technical training and technology promotion. The nationwide Rural and Agricultural Finance Programme (RAFiP) provides leadership in the IFAD country programme in the field of rural finance. RAFiP was designed to strengthen institutional performance, outreach, and client orientation in all segments of the rural financial system, with a focus on building the capacities of rural financial institutions to extend financing to agricultural value chains, in particular through linkages to non-financial support institutions. It focuses on the rural banking sector, mainly the Rural and Community Banks (RCBs) and their ARB Apex Bank that cater also for REP clients. The Root and Tuber Improvement and Marketing Programme (RTIMP) (2006-2015) and the Northern Rural Growth Programme (NRGP) (2009-2016) take the lead in agricultural value chain development. RTIMP focuses nationwide on the development of root and tuber value chains. NRGP focuses in the three northern regions[37] and five districts in the Brong Ahafo region, during its first phase on developing value chains for shea, maize, soybean, guinea fowl and export vegetables. The Northern Region Poverty Reduction Programme (NORPREP) is a community development initiative in 18 districts.

ii. Assessment of Country Performance

2. The Country Portfolio Management Team (CPMT) is in the process of developing a results framework which will be fully aligned with the Growth and Poverty Reduction Strategy (GPRS II), the Food and Agriculture Sector Development Policy (FASDEP) and its monitoring matrix, and the Private Sector Development Strategy (PSDS), as well as the Agricultural Finance Strategy and Action Plan (AFSAP). The result framework is based mainly on RIMS indicators as milestone indicators and will contribute to the national M&E framework at the outcome level. Once the framework is finalized and validated, baseline data will be identified or produced where incomplete, and targets will be defined.

[37] Upper East, Upper West and Northern Regions

Table 1: Contribution to Results Management Framework

Indicator	Supporting evidence	Rating
Increased incomes	• 12,960 project clients have sustained profitable employment (REP II) • 5,604 Micro-enterprises have been linked to larger commercial enterprises (REP) • 15 Good Practice Centres have been established (RTIMP).	4
Improved food security	• Income generation (see above) • Access to improved planting material (40,000 smallholder farmers have been supplied with planting materials (yam and cassava) – RTIMP	4
Empowerment	• Market access and economic empowerment (RTIMP/NRGP) • 51 out of 53 REP II districts and 9 out of 13 REP I districts have established MSE sub-committees (REP) • 36 District Stakeholder Fora (DSF) activities in 22 districts (RTIMP) • Inter-professional bodies for soybean operational (NRGP)	4
Aid effectiveness agenda	• Co-financing with the Agricultural Development Bank (NRGP/REP II) • M&E aligned to national matrix, joint supervision missions • Participation in the agricultural Joint Sector Review • EU co-financing for RTIMP (EU Food Facility)	4

Source: IFAD Country Portfolio Performance 2009/2010.

iii. Lessons from Previous/Ongoing Projects

3. Since its partnership with GoG started in 1980, IFAD has built up substantial experience in Ghana through project monitoring, project and thematic evaluations and impact assessments. These lessons, completed with observations of the Interim Evaluation[38] of REP II and the design team of REP, were used in design.

Business Advisory Centre (BAC)

4. The IE (2010) has confirmed that the BAC model is effective and has good potential for replication and sustainability nationwide. The training programs have been effective and much appreciated by the clients. The level of adoption from training has not been as high as expected, mainly due to a lack of financing. Existing business have a good adoption rate, new business and young entrepreneurs have a weaker adoption rate. Therefore, the following considerations are included in design: (i) intensive and continued support will be provided to assist businesses to move from survival level to more proactive growth; (ii) linkages with PFI will be strengthened; (iii) the adoption rate of training will be monitored; and (iv) the package of training modules will be reviewed and streamlined.

5. The REP II document specifies the qualification of staff to be recruited for the offices of the implementing units by DAs. However, the Project was not involved in the recruitment process by the District Assemblies. This affected the calibre of staff recruited especially the Administrative Assistants for the BACs and the General Duty Clerks for the RTFs who were to keep the financial records of the units. This low capacity at the implementing unit level has led to the inability of the PCMU to deploy the accounting software to the districts hence have had to receive hard copies of financial reports on quarterly basis to be inputted at PCMU. This put a serious strain on the Accounts staff at

[38] IFAD Office of Evaluation. Interim Evaluation. November, 2010.

the PCMU. To ensure that staff with the requisite qualification and experience are recruited in future, the PCMU or NBSSI and GRATIS Foundation should be involved in the recruitment process and guidelines for DAs should be used (part of readiness conditions). In addition, additional training of BAC-staff is planned.

Rural Technology Facility (RTF)

6. The RTF model has been effective in the transfer of appropriate technology to MSEs, technical skills upgrading of master crafts persons and training of traditional and technical apprentices in the rural areas. Like the BACs, the RTFs have the potential for replication across the country, although not at same level as the BACs mainly because of the high investment cost requirements. The functioning of the RTFs still requires further improvement in the areas of capacity building of the staff and the anchoring of sound financial and management systems. Efficiency of the RTFs is critical if they are to remain economically viable entities while serving the public interest of meeting the needs of the target groups of REP. Therefore, the following considerations are included in design: (i) more private sector participation either directly or through LBAs in the management of RTFs has been considered; (ii) technical and management training for RTF staff; (iii) enhanced focus on skills training of clients in all RTFs; (iv) focus on innovation mainstreaming and support to value chain development.

Access to Rural Finance (ARF)

7. According to the IE of REP II (2010), the challenges of financing business start-up and growth have been major constraints to achieving project targets and impact, and the approach so far has been only partially successful because high real interest rates limit affordability of credit and lack of long-term funds limit supply. Addressing constraints more comprehensively requires more proactive interaction between BACs and PFIs and a balanced approach to facilitating both effective demand for and supply of financing.

8. With respect to ARF, the starting point of design is the fact that it cannot be assumed that MSEs are creditworthy simply because they are clients of the programme. Therefore, the following considerations are included: (i) measures to improve quality of loan applications through enhanced business counselling; (ii) closer up-front consultation between BACs and PFIs to understand credit worthiness criteria and identify suitable REP clients; (iii) training of BAC staff and tools to assess clients' ability to pay and to advise whether borrowing makes sense; (iv) a credit line to address the problems of liquidity constraints on the fast-growing RCBs and of the mismatch between the short term of RCBs' own funds and the longer terms of the investment loans they are expected to give to MSEs; and (v) credit enhancement targeted at production groups and young, survivalist enterprises to make initial investment loans affordable and available.

9. Start-up kits have been successful to help graduate apprentices start their businesses, but a gap remains in their ability to access loans for investment to achieve sustainability and growth.

10. The assumption that PFIs would finance as much as 60% of investment loans from their own funds has proved incorrect in practice, as evidenced in a drastic slowdown of lending to REP II clients and the failure of credit to RTIMP and NRGP clients to take off. Although demand for financing is high among BAC clients, PFIs remain reluctant to give first-time loans to relatively young enterprises without a strong track record, preferring to build their MSE portfolios using their own funds by focusing on working capital for established clients that have previously repaid a loan. Despite recent improvements in loan approvals by PFIs, their preference for clients with a track record limits the availability (and high real interest rates lower the affordability) of first-time access to credit for certain categories of clients being targeted by REP as part of its poverty reduction and employment-creation objectives.

Targeting

11. Lessons learned with respect to targeting are the following: (i) the conduct of Business opportunity identification surveys (BOIS) in every district ensured the delivery of relevant skills/trade training interventions to the entrepreneurial poor. Under REP the BOIS will make more in-depth analyses of the input availability and market sizes for particular products; (ii) involvement of the LBAs in needs assessment, mobilization of clients and delivery of specific services enhances effective targeting and delivery. The LBAs will continue to provide a useful avenue for targeting especially the unemployed youth for trade-based support; (iii) the inability of the rural poor to easily mobilise start-up capital or access credit to start businesses delays the starting up of enterprises under the BDS component as opposed the start-up kits provided to graduate apprentices under the TPD component which demonstrate quicker and higher start-up rates. The need to broaden the primary target group of REP beyond the "entrepreneurial" poor means the mix of interventions should include some form of grant such as business start-up kits to assist early business start-up.

Innovative Approach to Scale Up a Project to a National Programme

12. In order to enhance the efficiency of the district-based model for MSE promotion, the following mechanisms and activities should be included: (i) further use of accredited local service providers; (ii) monitoring of efficiency and cost of training courses as precondition for long-term viability.

13. The demand-driven nature and the principle of systematic contribution of partners (DAs and clients), within their means, to demonstrate commitment appears to be a key success factor. In addition, DA 'ownership' of the BACs and RTFs was tested in the past and will be further enhanced through policy dialogue (Sub-Committee on MSE Promotion, mainstreaming of DOTI) in order to guarantee long-term viability.

14. The definition of the role and integration of the regional level and apex structures of local business associations (LBAs) in the REP model remains a challenge. REP I & II only had a successful partnership with LBAs at the district level. Further piloting is required during PY1-PY4.

ANNEX 4: DETAILED PROGRAMME DESCRIPTION

i. Component 1: Business Development Services

1. Component 1 aims at upgrading the technical and entrepreneurial skills of rural MSEs by providing business development services (BDS) through Business Advisory Centres (BACs)[39]. The BACs, which function under the District Assemblies (DAs), remain the main facilitating mechanism for BDS at the district level.

2. A dual approach will be adopted by REP for up-scaling the BAC concept nationwide. The 66 existing BACs will be further strengthened (mainly through staff training and ICT equipment), while new BACs will be established in the additional rural districts of Ghana. All BACs will be used by REP for delivering services to MSE clients and their Local Business Associations (LBAs) in order to maximize reach and number of clients and success rate for adoption and business growth, and impact on rural poverty. However, varying layers of interventions and support will be provided for new and existing BACs during the first years of Programme implementation.

Selection of Districts

3. To ensure sustainability, new participating districts in each year will be carefully selected on a demand-driven basis. All the districts will be sensitised on the concept and conditions for participation through meetings and seminars. Visits will be conducted to assess the willingness of the DAs to participate in the Programme and provide resources. The districts will be ranked based on their readiness and the first 40 districts will be selected to participate in the Programme in the first year and at least 44 district in the second year.

4. The initial commitments of DAs include: (i) provision of at least two room office accommodation for the BAC; (ii) provision of office furniture; (iii) appointment and payment of salaries of Business Development Officer(s) and Administrative Assistant for the BAC; (iv) establishment of MSE Sub Committee; and (v) preparedness of the DAs to meet part of the BACs recurrent cost in an increasing order of 25% in the second year, 50% in the third year, 75% for the fourth year and 100% for the fifth year.

Role and Establishment of BACs

5. REP, in close collaboration with the National Board for Small-Scale Industries (NBSSI) and the DAs, will facilitate the establishment of the new BACs. NBSSI will ensure implementation and provide technical supervision of the BAC operations. BACs are staffed by a BAC Manager, at least 2 (target) Business Development Officers (BDOs), a computer and accounting-literate Administrative Assistant, a Driver and, when deemed necessary, a Security Officer. NBSSI Head Office will appoint two staff for the BACs, namely the Head of the BAC and the Driver, and it will finance their salaries. The DAs will appoint and will finance the salaries of the other staff. Recurrent costs will be financed by the DAs and REP (in a decreasing order for REP[40]). REP will finance equipment and materials, vehicles and office refurbishment for the new BACs. Investments in ICT equipment will be financed in the existing BACs in order to establish a new web-based M&E system.

6. The BAC staff will: (i) organize the annual stakeholder fora for the needs assessment of Programme clients in their district; (ii) prepare a district APPB which will be submitted to the district MSE Subcommittee for approval and transmitted to NBSSI, GRATIS Foundation and PCMU; (iii) identify service providers for training activities and transmit proposals to NBSSI (regional level) and the PCMU; (iv) organise and monitor the delivery of training; (v) provide information and counselling to clients; (vi) facilitate

[39] A detailed description of Component 1 is presented in Working Paper 1.
[40] 100% in year 1, 75% in year 2, 50% in year 3 and 25% in year 4.

access to finance and technology; (vii) promote the formation and strengthening of local business associations; (viii) leverage resources from other stakeholders; (ix) ensure district-level monitoring and data entry, and transmit quarterly monitoring reports to NBSSI and PCMU.

7. Start-up activities in a new district will include:

a. BAC Orientation Courses (1 per district) for the staff of the BACs enrolled in each year to orient them on the REP concept and implementation guidelines to ensure effective provision of BDS. The process and criteria for identifying and selecting local BDS providers will be introduced to the BACs during the course.

b. District Start–up Workshops (1 per district) organised in new districts to officially launch the Programme and also create initial awareness.

c. Business Opportunity Identification Surveys (BOIS) conducted in each district to identify the need and scope of MSE support (3 BOIS per district for 3 years).

8. The capacity of BAC staff will be strengthened mainly in the following areas: ICT; monitoring and Evaluation; needs assessment of staff, clients and service providers; facilitation skills; advocacy skills; management skills; negotiation skills; networking and lobbying skills; value chain analysis and management.

Delivery of Business Development Services

9. The Programme will support all BACs to deliver BDS to its clients, mainly through the mobilization of private service providers. In addition, the BACs will leverage additional funding for BDS from other sources, including DAs, Skills Development Fund (managed by COTVET), other IFAD and AfDB funded projects. The BACs will also facilitate the provision of credit management training, including the preparation of simple business plans, preparation of realistic cash flow projections, loan scheduling and group loan management. A detailed description of the BDS is presented in Working Paper 1 (Business Development Services).

10. The following basic and intermediate business development services will be provided through the BACs:

Basic and intermediate business development services	Number of sessions	Participants
Orientation Seminars	993	24,825
Business Management Training	3,729	74,580
Community-based Skills Training (technical skills training)	3,456	69,120
Marketing Support	3,662	79,020
Literacy and Numeracy Training	1,050	31,500
Support to Local Business Associations	2,692	67,300
Business Counselling		73,640
Other BDS	To be defined	

11. In order to further professionalize the MSEs and support their growth, the following intermediate and advanced training modules and services will be provided:

Intermediate and advanced business development services	**Number of sessions**	**Participants**
Quality Assurance and Control	1,738	34,760
Promotion of Business Linkages and Networking	1,614	14,210
Assistance in meeting regulatory requirements		5,740
Other BDS	To be defined	

12. Training will be out-contracted to public and private service providers, but facilitated by the BACs. Most basic and intermediate training modules were developed and tested under REP I & II. The support content is generally structured in a modular form, so that while the training is short, there are ample opportunities to add to the skills by following other training modules and relevant services. The existing BACs will organize basic, intermediate and advanced training courses; new BACs will start with Business Opportunity Identification Surveys (BOIS), and basic and intermediate training courses.

13. To make training more market-oriented and sustainable, and to reduce the amount of subsidy required, client cost-sharing will be increased according to the levels of training (advanced vs. basic) and enterprise status (growth-oriented vs. survival/start-up). 80% of the basic training will be financed with IFAD and AfDB loan proceeds, while the contribution of clients will be 20%. For the intermediate and advanced training sessions, the beneficiaries will contribute 40%.

14. Arrangements will be made for the National Vocational Training Institute (NVTI) to organize skills testing and certification for relevant trades.

15. In certain activities well suited for rural areas, start-up kits will be given to young graduate trainees who meet poverty targeting as well as other criteria (see also: component 2). Provision has been made to distribute approximately 30 start-up kits per annum and per district for a period of 4 years.

16. The BACs will actively facilitate the implementation of component 2 particularly in districts without RTFs and also facilitate the provision of credit management training, including the preparation of simple business plans, preparation of realistic cash flow projections, loan scheduling and group loan management. Well established businesses will be linked up with Participating Financial Institutions (PFIs). An enhanced cost-recovery mechanism will be piloted to reduce the cost of the operations of the BACs.

ii. Component 2: Technology Promotion and Dissemination

17. Component 2 aims at upgrading the level of technology of the rural MSE sector by facilitating promotion and dissemination of appropriate technologies. This will be achieved through the establishment of Rural Technology Facilities (RTFs), skills training, testing, promotion and replication of prototypes[41].

Location and Type of a New RTF

18. The RTFs will be established under a partnership arrangement with the DAs and GRATIS Foundation The beneficiary DAs will be expected to meet some obligations including: (i) the provision of land, if possible within the district's Light Industrial Estate (LIE); (ii) extension of utilities (water, electricity and telephone) to the RTF site and provision of access roads; (iii) the engagement and payment of salaries of some of the key staff of the RTF.

[41] A detailed description of Component 2 is presented in Working Paper 2.

19. One RTF will be established to serve about three or four districts. The location and type of a new RTF will be based on a careful review of the scope for its services. This will be done through structured discussions by the PCMU with relevant key stakeholders[42]. The location of an RTF in a particular district will be determined after consultation with key stakeholders notably DA and LBAs, BAC and clients. Factors to be considered before the final decision is taken will include: economic and enterprise activities, effective demand for RTF services, the preparedness of the DA to provide land and also contribute towards the construction of the structure, equi-distances between districts, accessibility, availability of utilities and existence of industrial zone (or evidence of developing one).

20. All existing RTFs are metal machining workshops. The discipline and equipment needs of the new RTFs will be based on an assessment of the needs, relevance and demand for the various technologies at the district level[43]. The process of identifying the equipment needs for each RTF will be done through the Situational and Location Analysis, which will involve the entire major stake holders (DAs, private sector, relevant local business organizations, etc.). There will thus be no homogeneity in the supply of the equipment and also in the technical sections of the workshops.

Establishment of Rural Technology Facilities

21. REP will establish additional 30 RTFs across Ghana, and continue using all 51 RTFs (30 new and 21 existing RTFs) to: (i) ensure skills training of master craft persons, technical apprentices and traditional apprentices; (ii) ensure the testing, replication and promotion of prototypes of equipment in close collaboration with clients; (iii) provide installation of and training on the use of equipment and after sales services; and (iv) organize Occupational Safety & Health and Environmental Management Seminars *and* Appropriate sources of training materials for the ASHEM are for example the ILO[44]. In addition, the RTFs will be managed as commercial entities in their districts in order to ensure their financial sustainability.

22. For each RTF, the investment outlay will be made up of workshop building, equipment, accessories, tools and standby generators, inspection and inland transport to the various RTFs as well as installation.

23. REP will finance the infrastructure and equipment of the RTFs. GRATIS Foundation will ensure the technical supervision of RTF establishment and management. GRATIS Foundation will also appoint a Workshop Manager, a Workshop Supervisor and a Driver for all RTFs, and finance their salaries; while the DAs will appoint and pay a Metal Machinist, a Fabricator, a computer and accounting-literate General Duties Clerk and a Security Officer[45].

24. GRATIS Foundation will provide technical support and basic training on the use of all the equipment to be installed in the new RTFs. The DAs will become owners of the RTFs. The responsibility for the proper operation and functioning of the RTFs, with a view to sustainability, lies with their management boards. The RTF Management Boards will include representatives of the MSE Sub-committees of the DAs, the BACs, local technical/vocational training institutes, local business associations of small-scale metal workers or artisans and the local business sector.

25. The capacity of RTF staff will be strengthened mainly in following areas: ICT; monitoring and evaluation; management skills; accounting; networking and lobbying skills; value chain analysis and management.

[42].E.g. representatives of BAC, relevant local business associations, DA, MOFA District Officer, representative of private business sector and head of technical training institutes (where available).

[43] For example: metal machining and fabrication, automobile repairing, electro mechanics.

[44] For a listing of ILO training materials see http://www.ilo.org/safework/info/instr/lang--en/facet--TYP- -InstructionalMaterial- -LOC.PROTECT- -PROTECT.OSH- -3152/index.htm

[45] Watchman

Delivery of Training and Technology Dissemination

26. REP will use all RTFs as centres for skills training and technology dissemination. The training will be organized in conjunction with the BACs and their local business associations (LBAs).

27. The following types of training will be organized:

(i) The RTFs and service providers will provide short-term (1-2 weeks) skills upgrading to master craft persons (MCPs). The training will include: i) general knowledge and skills relevant to the trade; ii) product-based skills upgrading training; iii) business skills, and iv) improving technical training methodology.

(ii) The RTFs will enrol unemployed youth for training as technical apprentices (TATs) at the workshops continuously for a period of three years (a minimum of 5 graduates per RTF per annum).

(iii) The RTFs and service providers or collaborating partners will provide short-term training to traditional apprentices (TAPs) who will preferably be selected from the workshops owned by MCPs.

28. The following assumptions are used for design:

Training and technology dissemination	Number of sessions	Participants
Master craft persons training	1,516	30,320
Traditional apprentices training	1,516	30,320
Technical Apprentices training		1,745
Occupational safety health and environmental management seminar	1,516	30,320
NVTI certification	758	22,740
Student on attachments		698

29. The Programme will support trained apprentices and master craft persons to undergo competency-based proficiency testing conducted by the National Vocational Training Institute (NVTI). Experienced service providers will be contracted to organize preparatory courses for apprentices seeking certification. Those who pass the test and are certified by NVTI would be considered for start-up kits under REP's terms and criteria.

30. REP will finance 80% of the basic training courses, while the clients will contribute 20%. To make training more market-oriented and sustainable, and to reduce the amount of subsidy required, client cost-sharing will be increased according to the levels of training. 20% for basic training and 40% for advanced and intermediate training.

Increasing Outreach through Partnerships

31. REP will expand outreach of its skills training through partnerships with a number of technical partners which will be involved in the delivery of services to complement the work of the RTFs and the local service providers under the TPD component of the programme. These will include: (i) The National Vocational Training Institute (NVTI), (ii) Council for Scientific and Industrial Research, (iii) Council for Technical and Vocational Education and Training (COTVET), (iv) Technical Vocational Education and Training (TVET) and (v) Integrated Community Centre for Employable Skills (ICCES).

32. In the future, REP will ensure an alignment of its training programs with the COTVET certification that is being prepared.

Support to Start-Ups and Enterprise Growth

33. REP will provide basic tools/equipment as start-up kits for graduates of technical/traditional apprenticeship programmes who undergo additional training and have obtained a place of business. This will serve as an incentive for the youth and their parents to invest in their apprentice training and pursue it to the end. It will also support the rapid establishment of new enterprises by the rural unemployed youth.

34. For graduate apprentices who have operated their own businesses for at least a year (with or without start-up kits) and have been saving for at least six months with a PFI, and are clients of BACs, targeted credit enhancement will be available to reduce their debt burden and the exposure of the PFI in order to facilitate their access to an initial loan for equipment needed to sustain or grow their business.

Technology Innovation Mainstreaming

35. REP aims at upgrading the level of technology of the rural MSE sector by testing and adjusting specific equipment and enterprise layouts. The focus will be on key bottlenecks in targeted value chains. It is assumed that new technologies are available at the national and international level in the form of drawings and prototypes. REP will work with LBAs and MSEs, technology and research centres, as well as RTFs to identify the needed technologies and organize testing in real enterprise-level conditions. The Programme will finance *in-situ* testing of technologies and prototypes that have potential to be adopted by REP clients. For testing, the equipment and enterprise units will be managed by viable existing processors' groups and entrepreneurs for income generation and for demonstration to other interested groups and individuals. Attention will be given to processing, handling, marketing, environmental issues, food and personal hygiene, food quality and safety, and good business management. This approach will allow giving feedback to equipment fabricators and researchers.

36. In 2009, ILO has published Value Chain Development for Decent Work: A guide for development practitioners, government and private sector initiatives. A "Checklist for Decent Work selection criteria" is here presented with the objective of providing governments and organizations – aiming at creating jobs and income through private sector development (and SME development) – with a guide on sector selection. The criteria herewith presented cover three main areas, namely: (a) relevance to target group and size; (b) decent work change potential; and (c) intervention potential. The report will be used by the team as guidance for partnerships with value chain projects.

iii. Component 3: Conducive MSE Environment

Sub-Component 3.1: Access to Finance

37. The overall objective of this Sub-component is to facilitate the access of rural MSEs to finance[46]. The design is based on the complementarity of financial and business development services, along with technology transfer.

38. Despite recent improvements in loan approvals by PFIs, their preference for clients with a track record limits the availability (and high real interest rates lower the affordability) of first-time access to credit for certain categories of clients being targeted by REP as part of its poverty reduction and employment-creation objectives.

Partnership Agreements with Participating Financial Institutions

39. REP II has signed partnership agreements with 40 PFIs that have branches in 66 districts. REP will engage with additional eligible PFIs that are located in the new districts

[46] A detailed description of component 3 is presented in Working Paper 3.

(at least 40 more expected). These PFIs will include the rural branches of commercial banks, rural and community banks and non-bank financial institutions (NBFIs) such as saving and loans companies, financial NGOs and credit unions. The Programme will offer periodic re-sensitisation and training of the staff of PFIs and BACs on the Rural Enterprise Development Fund (REDF)[47] and the Matching Grand Fund (MGF). This will also entail specialized training of PFI staff in critical areas of credit management where there is a capacity gap such as preparation of simple business plans and realistic cash flow projections, loan scheduling, and group loan management.

40. The Bank of Ghana (BoG) and ARB Apex Bank will be supported to monitor the performance of the PFIs. To ensure sustainability, ARB Apex Bank shall continue to train RCBs and PFIs in generic banking and credit management topics as part of ARB's regular training programmes and on a cost-sharing basis with the PFIs. REP will intensify the training of clients in savings and banking culture as part of the business management training to be provided under Component 1.

Delivering the Rural Enterprises Development Fund

41. The Programme will continue to implement the Rural Enterprises Development Fund (REDF) as a wholesale credit fund to refinance PFIs with liquidity constraints to increase their lending to the targeted rural MSEs. To ensure sustainability and smooth implementation of the REDF scheme, the revised policy and implementation guidelines introduced in March 2010 will continue to apply. They include market interest rate on REDF retail loans, proactive role and full responsibility of PFIs in credit delivery, prudent credit management by PFIs, specialised training of PFIs in prudent credit management and intensive savings mobilisation by PFIs. Others are non-financial intermediation services by BACs and RTFs, promotion of group lending, conscious efforts towards reduction of PFIs' loan transaction costs, proactive measures to improve loan recovery rate, sanctions for low loan recovery and post programme arrangements for continuity and sustainability of REDF credit line.

42. Bank of Ghana (BoG) will initially continue to manage the present stock of REDF credit funds[48] and disburse same through PFIs which are accredited by BoG under REP II, using ARB Apex Bank as an intermediary for RCBs. This status quo should remain operational for the already accredited PFIs to ensure quick and smooth transition in credit delivery by PFIs under REP[49]. To ensure flexibility and sustainability, REP will engage the ARB Apex Bank to manage the stock of incremental credit funds (provided by REP[50]), to be disbursed through about 80 RCBs and non-bank micro finance institutions and their outlets that would be enrolled by ARB Apex Bank for credit delivery in participating districts. ARB Apex Bank is expected to improve and consolidate its management of this and similar credit lines and MGFs, as a basis for establishing an on-going line of credit to support sustained increases in lending to rural MSEs. Once this fund is fully operational and meets performance criteria, consideration will be given to transferring the funds from BoG to ARB Apex Bank.

43. The situation analysis and design of the support for access to finance meet IFAD's conditions for including a line of credit. Consistent with an agreement reached with other development partners providing lines of credit through the ARB Apex Bank to RCBs, wholesale funds will be priced at the Prime Rate with the PFIs free to make the loan decisions and to set the retail rates (usually at the same rate as for comparable loans

[47] Under REP, efforts will be made to consolidate the REDF with similar credit funds that have been established by other projects that are co-financed by IFAD and/or the World Bank.
[48] USD 850 000
[49] This approach will help to avoid unnecessary delay in re-accreditation, which substantially delays actual credit delivery at the start-up of new projects. It took REP II almost 18 months to accredit the first batch of PFIs in 2003 – 2004 and this significantly delayed actual credit delivery.
[50] USD 4 million

with their own funds). RAFiP will assist in coordinating with these other programmes for greater harmonization of different such funds and to build Apex Bank's capability to manage them entirely on commercial terms.

Delivering Targeted Credit Enhancement through the Matching Grant Fund

44. REP will continue to provide the "matching grant + credit" package to enable certain start-up/survivalist MSEs to obtain affordable finance needed to upgrade their production and processing equipment. Under REP the MGF will be continued but more narrowly targeted toward production groups (particularly women; which yield social and community benefits, as well as facilitating their income generation) and filling a gap in the "graduation" model for unemployed youth (from skills training to business start-up [with or without a start-up kit], then from operating a savings account to obtaining a first loan with credit enhancement, and eventually to becoming a commercial client of a PFI). An earlier proposal to use matching grants for technology development has been dropped, so the MGF represents only a credit enhancement designed to make finance more accessible to targeted REP client groups, and does not require a separate decision-making or administrative mechanism (which would be burdensome and costly to set up). However, to ensure that targeting criteria are properly applied, random ex post verification will be built into tracer studies.

45. The MGF package will continue to be a shared funding arrangement of a PFI loan component, a grant element by the REP and an equity contribution by the client. The MGF element will initially continue to be 30% of the total cost of the equipment to be purchased, leveraged on the client's equity contribution of at least 10%, while the PFI component will be 60% (at least a fifth of which will be from its own funds). In the course of implementation the MGF arrangement will be reviewed with stakeholders to ensure that its design is consistent with objectives for the Programme and for enhancing access to finance on a sustainable basis.

46. The MGF will continue to be managed by ARB Apex Bank as part of the financing package to eligible clients (i.e., in parallel with REDF), as this approach has been shown to be effective in avoiding the problem (in CBRDP and in some agriculture projects) of grant funds not being available at the time loans are made, and it is the approach used in two other IFAD projects and one current World Bank project.

47. Eligibility conditions to the MGF are presented in the Box below.

All applicants must be:
- Clients of a BAC in a REP district;
- Able to contribute 10% of investment cost;
- Able to meet PFI creditworthiness criteria and gain approval for a complementary loan;
- Group-owned enterprise or youth start-up enterprise seeking a first commercial loan.

Group-owned enterprise
- Typically, a producer or processing group wishing to purchase processing equipment for mutual use (e.g., palm oil, cassava).
- May be a group production activity (e.g., cooperative soap-making by recent trainees who have not yet started own business).
- Priority to women's groups that were already operating.
- Expected to take training in group and/or business management.

Youth start-up enterprise seeking first commercial loan who has:
- undergone traditional or RTF apprenticeship;
- set up own business and operated it for at least six months;
- operated a savings account with a PFI for at least three months;
- not previously received a business loan.
- Priority to recipients of start-up kits and clients who have undergone training in business and/or financial management

Eligible investments

- Any productive (income-generating) asset needed to stabilize or expand the client's business, together with accompanying working capital.
- Priority to processing and other activities that are part of agricultural and rural-based value chains.

Compliance with IFAD conditions for use of credit line

IFAD conditions	Compliance	Comments
The market demonstrates a clear lack of liquidity, as shown by a rigorous market assessment.	Yes	Based on experience of IFAD, World Bank and other donors
The line of credit will not undermine the initiatives of other donors or private-sector partners.	Yes	Other IFAD projects and CBRDP are using the same mechanism.
Loans to retail financial institutions are priced at commercial or near-commercial rates to avoid undermining their incentive to mobilize deposits or access other sources of capital.	Yes	Wholesale credit lines are managed by BoG and ARB Apex Bank and made available to PFIs at commercial rates.
Partner FSPs: a) Use this capital as part of their own strategic plan to develop new products and/or serve new markets in rural areas;	Yes	RCBs have shown a willingness to provide subsequent loans with own funds once new MSE clients have successfully repaid an initial loan facilitated by the REDF.
b) Are financially sound and have the capacity to efficiently and transparently absorb and manage the credit line.	Yes	ARB Apex Bank monitors and rates RCBs through its Efficiency Monitoring Unit.
c) Are independent of political interference and free to charge interest rates that allow cost recovery.	Yes	RCBs are privately owned and profitable. No restrictions on retail rates.
d) Endorse the CGAP Client Protection Principles in Microfinance.	Yes	
e) Share performance and outreach information with the MIX Market on an annual basis and submit the required performance indicators to the PMU regularly during implementation and supervision.	Yes	Besides Apex Bank Monitoring, Ghana Microfinance Institutions Network (GHAMFIN) is being supported by RAFiP to train and expand use of MIX Tool, as well as provide consumer education and set standards. Key performance indicators to be included in M&E framework.
Private, professional fund managers or institutions, and not the recipient government, manage the line of credit.	Yes	The credit line will be managed by the BoG and the ARB Apex Bank.
Resources are allocated for the capacity-building of partner institutions to successfully manage rural finance operations and effectively use the additional capital.	Yes	Specific training (management of REDF & MGF, support to MSEs) is included in design, as well as through RAFiP.
A clear exit strategy develops linkages with other sources of refinancing and ensures that the target group will continue to access these services after the project ends.	Yes	Subject to no objection by the government and IFAD, the REDF may continue to be revolved, applied to a successor project to REP, or turned over to ARB Apex Bank.

Sub-Component 3.2: Institutional Capacity Building and Policy Dialogue

48. Sub-component 3.2 aims to strengthen and mainstream MSE support institutions, and to support a strong local and national pro-poor policy dialogue.

Strengthening District-Level Institutions

49. The REP will build on the REP II initiative and pay special attention to strengthening the district-level institutions. The Programme will deliver the following services to sensitise the DAs and to strengthen the Sub-Committees on MSE Promotion: (i) in the new districts, orientation seminars will be organised to sensitise the leadership of the DAs to establish their own Sub-Committees on MSE Promotion; (ii) in existing districts, where the Sub Committee is new or its functions not yet clear and understood, members will be trained to sharpen their understanding of their responsibilities and functions; (iii) in all districts, the Sub-Committee members will be trained in general appreciation of rural MSE promotion to enable them contribute effectively to discussions on integration of MSE development issues and mainstreaming of operations of the BACs and RTFs into the annual budget of the District Assemblies; (iv) the district stakeholder fora will provide a platform for the MSE Sub-Committees to engage with other district level actors to consider pertinent development concerns of MSEs identify topical issues on MSE promotion[51] that should engage the attention of the District Assembly.

50. As part of the strategy to facilitate progressive growth of MSEs, the development of a Light Industrial Estate[52] in each district will be promoted in order to provide a better planned and more decent work environment for the target entrepreneurs.

51. Effective implementation of the DOTI: see main text.

Support to the Regional Working Group on MSE Promotion

52. In close collaboration with MLGRD and MOTI, REP will initiate the setting up of a Regional Working Group on Micro and Small Scale Enterprises Development (RWGME) to be based at the Regional Coordinating Councils (RCCs). The functions of the RWGMSE will include: (i) to share ideas and relevant experiences on development issues on MSE promotion; (ii) to collate information on activities on MSE promotion in the region and districts; (iii) to review district Annual Performance Plans and Budgets and submit regional summaries to RCC, MLGRD and PCMU; (iv) to monitor and provide backstopping to MSE development programmes and assess their impact. REP will support the functioning of the RWGMSE in the following areas: (a) sensitise RCCs on the concept and functions of the RWGME; and (b) train members of RWGME on MSE Development policies and best practices to enable them add value to the implementation of MSE development programmes in the districts of the region.

Strengthening Umbrella Organisations of LBA

53. See: main text.

NBSSI as Knowledge and Service Centre for BACs

54. NBSSI is currently undergoing restructuring and amongst the key issues relevant to REP implementation are: (i) establishment of the BACs; (ii) development of standardized curricula and manuals for the training of MSMEs, (iii) certification of trained entrepreneurs; and (iv) preparation and organization of well-structured training courses to address the particular needs of various categories of BAC staff. As a potential REP exit strategy, the Entrepreneurship Development Department (EDD) of NBSSI would become

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[51] Topics such as tax obligations, social security fund for the informal sector, prevention of HIV / AIDS at the work place

[52] The concept of the "Light Industrial Estate" has been piloted by GIZ (formerly GTZ).

a knowledge, service and training centre for the BACs. Institutional strengthening of NBSSI will include: (a) support to enhance the capacity of the Entrepreneurship Development Division of NBSSI to support curricula, manuals development and certification of MSMEs. The support the EDD will be in the form of equipment, vehicle and technical assistance; (b) support to Regional NBSSI offices through capacity building in BAC supervision and monitoring to effectively guide the operations of the BACs; (c) in collaboration with REP to define, based on lessons learnt, facilities and equipment content as well as manning levels of a model BAC to be replicated nationwide.

Support to GRATIS Foundation

55. REP will provide appropriate institutional support to GRATIS Foundation to provide technical backstopping to the RTFs at the district level. In the long term, GRATIS Foundation could become a knowledge and training centre for RTFs, and play a key role in feeding the RTFs with new designs of equipment and technologies.

iv. Component 4: Programme Coordination, M&E

56. see: main text.

ANNEX 5: INSTITUTIONAL ASPECTS AND IMPLEMENTATION ARRANGEMENTS

i. Organization of REP

Lead Programme Agency

1. The Ministry of Trade and Industry (MOTI) will have the overall responsibility for the implementation of REP. MOTI will provide general policy directions for the implementation of the Programme and coordinate with other relevant Ministries, Departments, and Agencies (MDAs). MOTI will nominate a focal point for programme implementation.

Programme Steering Committee

2. A national Programme Steering Committee (PSC) will be established within and chaired by MOTI. The PSC membership will include representatives from the Ministry of Finance and Economic Planning (MOFEP), Ministry of Local Government and Rural Development (MLGRD), Ministry of Food and Agriculture (MOFA), Ministry of Women and Children's Affairs (MOWAC), Ministry of Employment and Social Welfare (MESW) and the National Development Planning Commission (NDPC). Other members will represent NBSSI, Gratis Foundation, ARB Apex Bank, the private sector (e.g. Local Business Associations [LBA], Association of Ghana Industries [AGI]), and two District Chief Executives (DCE) representing the participating districts of REP. From the start of phase two of REP implementation (i.e. after MTR) onwards, representatives of NBSSI, GRATIS Foundation and the ARB Apex Bank will participate as observers, if these institutions would take up more responsibilities in implementation.

3. The PSC shall orient programme implementation strategy, oversee programme planning, review and approve each APPB prior to submission to the Fund and review implementation progress and impact. It shall also ensure appropriate and timely coordination with other initiatives to strengthen the rural MSE sector. The PSC shall meet two times in a year and on an ad-hoc basis as and when necessary.

Programme Co-ordination and Management Unit

4. The existing PCMU based in Kumasi will be strengthened as a national Programme Co-ordination and Management Unit (PCMU) to continue the implementation of the day-to-day activities of the Programme to ensure the timely, co-ordinated and results-oriented delivery of services by all stakeholders, and monitoring of progress and impact. After programme completion, the PCMU will be integrated into the Technology and SME Division of MOTI to continue with the provision of support services to the rural MSE sector.

5. The PCMU will be headed by the National Programme Director (NPD) and staffed by four Senior Technical Officers (Component Managers), a Financial Controller, and support staff. The 4 Senior Technical Officers will be responsible for: i) Business Development Services; ii) Technology Promotion and Dissemination; iii) Institutional Development & Rural Finance; and iv) Monitoring and Evaluation. There will be five second level Technical Officers to support the operations. In addition, Accounting, Procurement, Administrative and Knowledge Management Officers will be appointed. Gender promotion will be a transversal theme and a responsibility of all senior PCMU technical staff[53].

6. MOTI shall appoint the National Program Director before the effective date, in consultation with IFAD. MOTI may only remove the National Program Director after prior consultation with and the approval of the Fund. His responsibilities will include: (i) coordinate and supervise all activities of the PCMU, liaise with the Fund and the Cooperating Institutions; (ii) coordinate the activities of Implementing Entities, promote

[53] Details are presented in Working Paper 8; budget details in Working paper 5.

collaboration with other development partners and liaise with local authorities; (iii) in consultation with MOTI, appoint staff to fill in the positions in the PCMU, appraise PCMU on a regular basis, and take appropriate actions thereof; (iv) take full responsibility for procurement of goods and services and contractual arrangements; (v) coordinate the elaboration of the APPB; and (iv) undertake any other responsibility that will ensure smooth and effective implementation of the Program.

7. At Mid-term Review (at the end of phase one of the Programme), the composition of the PCMU team will be assessed and adapted to the needs.

8. A performance based evaluation system of human resources will be used to appraise results achieved by staff. To achieve this, the PCMU will adopt annual performance plans that are linked to the APPB. Provision has been made to ensure that performance is reviewed with major stakeholders, including clients, PFI and DA.

District Assemblies & MSE Sub-Committees

9. At the district level, the District Assemblies (DAs) will continue to be the seat of programme implementation and play a central role in co-ordinating the services, resources and programmes of various district-level stakeholders in the implementation of REP. In each district, the Sub-Committee on MSE promotion shall be responsible for the effective functioning, co-ordination and integration of all initiatives on MSEs development within the DAs' development plans and budgets.

10. REP will actively work with MOTI and collaborate with MLGRD to set up the DOTI in all the Programme districts and also strengthen them to function effectively in the implementation of MSE programmes and activities in the districts. A Desk Office for the Rural Enterprises Programme will be set up at the Ministry of Local Government and Rural Development, Accra, to link up with the national Programme Co-ordination and Management Unit and pay special attention to the implementation of the Programme and performance of the DOTI in the districts.

ii. Implementation of Components

Implementation of the BDS Component

11. See: main text and Working Paper 1

Implementation of the TPD Component

12. See: main text and Working Paper 2

Implementation of the ARF Sub-component

13. See: main text and Working Paper 3

Implementation of the ICB Sub-component

14. See: main text and Working Paper 8

iii. Other Technical Partners

Quality Assurance, Research and Collaboration

15. Ghana Standards Board (GSB) provides quality assurance services to MSEs to enable them meet both local and international standards and other technical requirements. Similarly, REP II has made significant progress in working with the Registrar General's Department (RGD) to formalise MSEs in the rural areas. REP will continue to collaborate with GSB and the RGD and explore opportunities with the CSIR to make their services more accessible to REP clients.

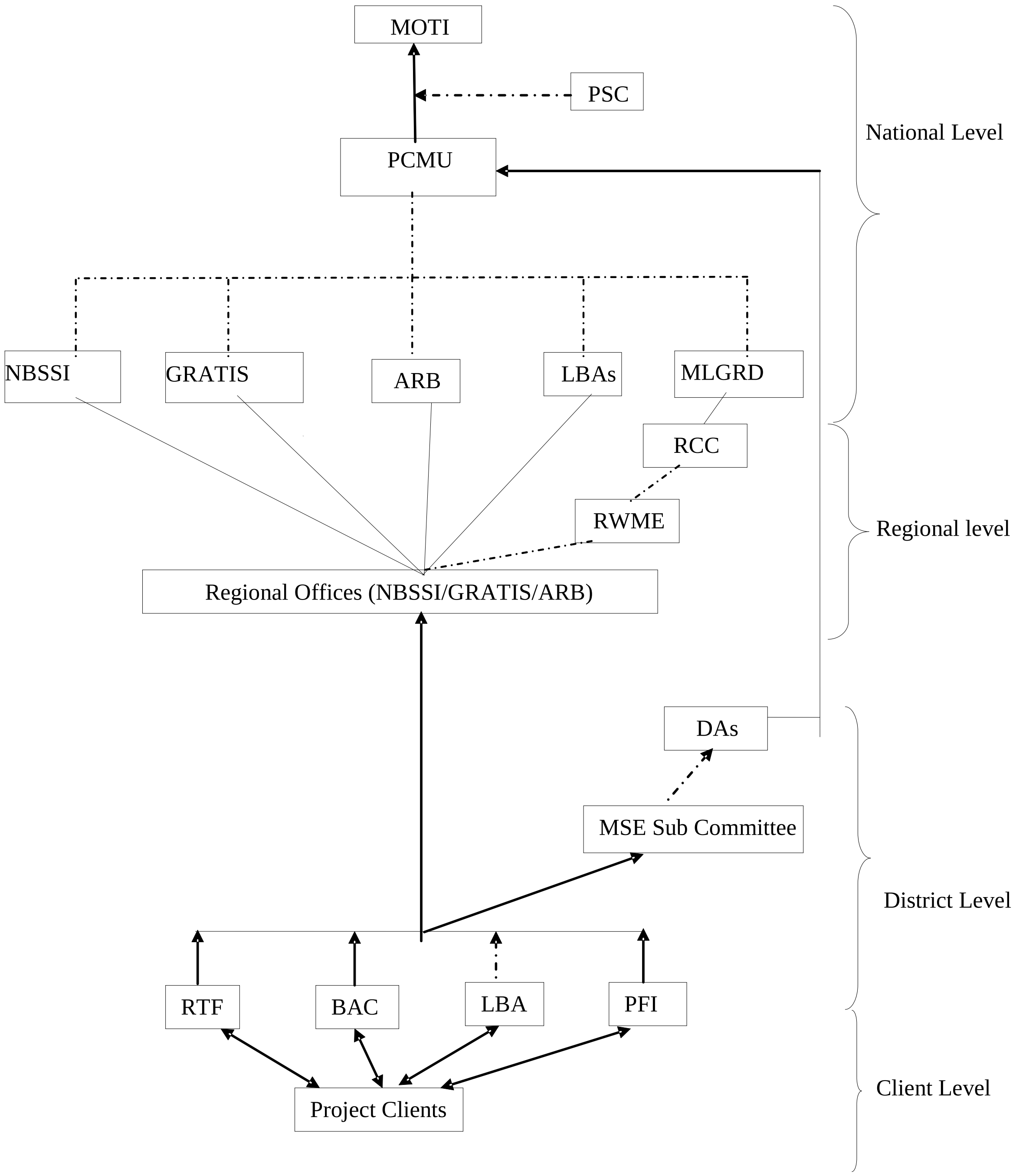
16. REP will expand its institutional collaboration with some existing MSE support institutions and NGOs to cover more districts and deliver integrated and better co-

ordinated support services. The institutions include The Hunger Project - Ghana, the Millennium Villages Project, CARE International - Ghana, MOFA/IFAD RTIMP, the Methodist Development and Relief Services, the Presbyterian Relief Services and Development and the MSME Project of MOTI. Others are the Ghana Export Promotion Council, the Cocoa Research Institute of Ghana, the Science and Technology Policy Research Institute of CSIR, etc.

Vocational Training

17. REP will develop partnerships with existing vocational training centres, including: (a) Integrated Community Centres for Employable Skills (ICCES) and National Vocational Training Institute (NVTI), both under the Ministry of Employment and Social Welfare; (b) Technical and Vocational Education Training Division (TVET) under the Ministry of Education; and (c) other relevant institutions.

APPENDIX 1: ORGANIZATIONAL CHART



APPENDIX 2: TORS OF KEY PROGRAMME STAFF

Terms of Reference of the National Programme Director

The National Programme Director (NPD) will have the overall responsibility of the day to day activities of the REP. He will manage the Programme Coordination and Management Unit (PCMU) and report directly to the Chief Director of Ministry of Trade and Industry (MOTI). He will respond to the Honourable Minister, MOTI, whenever necessary and also called upon for such purpose. His specific duties will include but not limited to the following:

- Determine an efficient Organizational establishment for the PCMU and in consultation with MOTI, appoint relevant qualified Technical and Support Staff to fill vacant positions within the Unit. He will provide technical and policy direction to PCMU and other Programme Staff for effective Programme implementation.
- Coordinate and supervise functions and activities of the PCMU Technical Officers, Support staff and regularly appraise them on job performance and otherwise. He will ensure also, that work disciplines and ethics by Staff are adhered to. He will follow up to ensure efficient use of Programme resources at PCMU and Implementing Units
- Liaise with MOTI, MOFA, MOFEP, IFAD and other donor financiers on matters of policy and programme administration. He will perform functions required to facilitate disbursement of loan funds needed for the implementation of the REP. He will approve of all procurement and accounting transactions performed at PCMU.
- Liaise with other MDAs, Programme Partners, Regional and District Authorities on implementation issues and to enable them establish the required regional and district implementing units. Promote collaboration with other development partners in the rural enterprise development sector.
- Coordinate and follow up on the activities of the Implementing Entities and partners, in particular NBSSI, GRATIS Foundation and ARB Apex Bank to ensure effective delivery of project activities.
- Propose annual budgets for REP activities for approval by REP Programme Steering Committee, and on the basis of the Annual Performance Plan and Budget (APPB) approve the quarterly WPBs and authorize the subsequent releases of funds.
- Ensure timely and appropriate reporting on progress and problems of programme implementation and submit regular reports to PSC, MOTI and the Donor Financiers.
- Undertake any other responsibility that will ensure smooth and effective implementation of the Programme.

Terms of Reference of the Financial Controller

He/she will report directly to the National Programme Director. In general terms, he/she will be responsible for maintaining all Program Accounts in good order. He/she will

- Be responsible for the installation of appropriate accounting/reporting systems to ensure that the PCMU and especially the National Programme Director is informed of on-going financial transactions/activities. In addition, Districts officers and implementing entities should have a clear view of their financial responsibilities, the funds available and how to access it, and also the requirements of reporting and record keeping in accordance with prevailing Government of Ghana practices which are acceptable to IFAD and AfDB.
- Maintain all accounting records in a form appropriate for regular auditing (at least once a year).
- Ensure that:
  - ✓ All programme funds have been used in accordance with the conditions of the loan agreements, with due attention to economy and efficiency and only for the purposes for which the fund was provided
  - ✓ Counterpart funds have been provided and used in accordance with the conditions of the loan agreements, with due attention to economy and efficiency and only for the purposes for which they were provided;
  - ✓ Goods and services financed have been procured in accordance with the loan agreement and in accordance with IFAD and AfDB's rules and procedures;

- ✓ All necessary supporting documents, records and accounts have been kept in respect of all programme activities. Clear linkages should exist between the books of account and the financial statements presented to the financiers as well as level of disbursement and physical completion stage;
- ✓ Designated accounts have been maintained in accordance with the provisions of the loan agreement and in accordance with the financier's rules and procedures;
- ✓ The financial statements have been prepared in accordance with International Accounting Standards (IAS) and Generally Accepted Accounting principles (GAAP)

- Liaise with external auditors to audit the programme's accounts to meet the required submission dates by IFAD and AfDB.
- Oversee tax matters of the Programme, ensuring that tax exemptions for the procurement of goods for the Programme are secured at the appropriate time.
- Assist in procurement for the Programme in accordance with procedures laid down by the loan Agreements of IFAD and AfDB and the national procurement act of Ghana.
- Follow up issues arising from the AWP/B process. Responsible for the processing documentation and follow up of disbursements from GOG, IFAD and AfDB to ensure that releases are not delayed.
- Ensure that funds for Programme implementation are disbursed in a timely manner to enable Programme interventions to be carried out on time.
- Prepare and submit withdrawal applications to IFAD and AfDB and follow up to ensure that the Programme is not starved of funding.
- Ensure that SOEs expenditures are carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the Programme Design Report for guidance when necessary.
- Ensure that fixed assets are well accounted for and annual verification is than indicating conditions of assets and their location appropriately.
- Follow up on all Programme funds released to implementing entities and technical partners for timely retirement and proper utilization.
- Prepare half-yearly consolidated statements of Programme accounts as an integral part of the Management Information System to be submitted to the REP National Steering Committee, and subsequently to IFAD and AfDB.
- Prepare annually: (i) balance sheets, which should disclose bank and cash balances (that should agree with the statement of sources and application of funds), fixed assets and liabilities; (ii) yearly and cumulative Statement of Expenditures (SOEs) by withdrawal application and category of expenditures; and (iii) reconciliation of the Special Account;
- A counter-signatory to programme fund releases as required for Programme financial transactions and also sign as witness to contracts as much as possible.
- Prepare quarterly reports regarding aspects of Programme Financial Monitoring bringing out variances and advising component heads as to the limits of expenditure.
- Carry out any other activities that are assigned by the National Programme Co-ordinator.

Terms of Reference of the M&E Manager

Overall responsibility for monitoring and evaluation (M&E) will be vested in the M&E Manager at the PCMU. He/she will report directly to the National Programme Director. Specific responsibilities will include but not limited to the following:

- Develop and manage the REP Management Information System (MIS) to ensure a proper flow of information to and from the Districts, the implementing entities and operators, the ARB APEX bank and the PCMU, and especially the provision of timely and adequate information for decision taking by management.
- Ensure that appropriate monitoring and evaluation procedures are established and implemented so as to provide sufficient basis for review of programme progress and for recommendation for changes in emphasis, which may be found to be necessary. Review on regular basis the status of Programme implementation with a view of adopting corrective measures and bringing to the attention of the National Programme Coordinator any problem/issues arising thereof, which may impede the implementation of the Programme.
- Responsible for the process of collation of information for the purpose of preparing an Annual Performance Plan and Budget (APPB).

- Prepare quarterly progress reports on all aspects of Programme implementation and progress with special regard to the activities of the BACs, RTFs and other implementing entities. Reports may cover aspects including services in the areas of training, marketing, financial services, technology promotion and policy consultations. .
- Coordinate and consolidate periodical reports from Participating Agencies, and district offices. Responsible for the timely preparation of the REP Annual Report which will contain evaluation of project progress in relation to the Program's objectives.
- Responsible for organizing Programme Annual Review Workshop Report; Half-Year Progress Reports; Annual Progress Reports; Status Reports for Supervision Missions; Ad-hoc Reports (as required); and a Program Completion Report.

The M&E Manager will also take responsibility for the following:

- Ensure that REP partners are aware of gender issues and act accordingly by taking into account gender- or culture-specific constraints (e.g. distance/transportation, the timing of training sessions, etc.) in working with the female segment of the target group and in reaching Program objectives.
- Train PCMU, BAC and RTF staff on rapid participatory gender analysis, gender-sensitive planning methodologies and technology promotion as well as the role of gender issues in the "REP-model" in general.
- Provide technical inputs into the design of the M&E system, the types of information to be included therein and the ways to obtain such data. Collect not only quantitative information on numbers of women serviced, but pay special attention to qualitative data on the specific ways in which MSE development can best contribute to improve the livelihoods of poor women.
- Prepare quarterly reports regarding all gender aspects of REP implementation.

APPENDIX 3: CAPACITY BUILDING PLAN

Institution	Constraint	Capacity Building	Timing
PCMU staff	Logical framework and performance management, strategic planning Inclusive targeting (focus on women, youth, vulnerable groups)	Strategic management and managing for results. Targeting strategies	PY1 – PY3
Key implementing entities	Programme procedures and strategy Inclusive targeting (focus on women, youth, vulnerable groups) Performance planning and reporting	Training organised by PCMU Performance measurement, planning and reporting Targeting strategies	PY1 – PY2
NBSSI	Inadequate technical capacity in APPB processes, M&E/GIS and GALS methodology at the Regional level	Programme procedures and policies, APPB preparation, M&E/GIS and GALS methodology	PY1 – PY2
PFIs	Lack of understanding of their role in REP	Procedures (REDF, Matching grants) Service provision to MSE clients	PY1 – PY2
BAC staff	Inadequate technical capacity in internal control systems, negotiation skills and management capacity	Negotiation, communication, ICT, business planning, marketing, managing for results	PY1 – PY7
	Weak procurement capacity	Procurement training	PY1 – PY7
	Limited capacity to leverage available resources for MSE development activities	Project proposal writing, budgeting skills	PY1 – PY7
RTF staff	Inadequate technical capacity in internal control systems, negotiation skills, technical proposal writing and costing; GALS methodology and gender analysis of Programme results	Negotiation and communication, business planning, managing for results, marketing, GALS methodology	PY1 – PY7
	Limited ICT skills	Computer aided designing, job costing, quality control	PY1 – PY7

ANNEX 6: PLANNING, MONITORING AND EVALUATION, AND LEARNING AND KNOWLEDGE MANAGEMENT

i. Planning Process

Annual Performance Plan and Budget Preparation

1. REP will be implemented on the basis of an approved Annual Performance Plan and Budget (APPB) prepared for each year of the Programme duration. The APPB will derive from the overall goal and objectives of the Programme; and guided by the targets set, the lessons learned from previous years whilst taking into account the prevailing conditions in any particular year.

2. Each year, a participatory planning process will take place at the district, regional and national level to develop the APPB. This participatory approach will ensure strong bottom-up stakeholder participation, engender a sense of ownership of the process and output and, to a large extent, facilitate smooth programme implementation for maximum impact.

3. The preparation of the APPB will be initiated at the district level by the BACs and RTFs and guided by their respective Implementing Entities (IEs), for example NBSSI and ARB Apex Bank and technical partners as in the case of GRATIS Foundation. The process will seek the active involvement of target clients, local business associations (LBAs), Participating Financial Institutions (PFIs), MSE service providers and the District Assembly (DA) Sub-Committees on MSE Promotion. The starting point of the planning process will be MSE stakeholders' fora which will be held in the third quarter of the preceding year in participating districts to identify the constraints and needs of the various target groups. A key function of the district stakeholders' fora is the identification of critical MSE development issues that will feed into the deliberations and recommendations of the MSE sub-committees to feed into the planning process of the various DAs.

4. The district APPB will be compiled by the BACs, RTFs and PFIs in consultation with active collaborating partners and submitted to the DA for approval through the MSE Sub-committees. The DA approved district APPBs will be submitted to the Regional Offices of the IEs for their further action.

5. At the Regional level the APPB process will preferably be led by the IEs. The relevant aspects of DA approved district APPBs will be collated by the Regional Offices of the IEs and submitted to their respective Head Offices and the PCMU. The Regional Managers of NBSSI will make presentations on the Regional APPBs to RWGMEs at their meetings. For funds flow and implementation monitoring purposes, the Regional APPBs will contain sufficient details on the activities and budget for each district.

6. At the National level, the IEs will receive, consider and collate all the regional APPBs into APPBs of the IEs and submit them to the PCMU not later the end of October for consideration and consolidation into the draft APPB for the Programme. The PCMU will submit the draft APPB to the PSC and IFAD for approval prior to implementation.

Phasing of Activities and Geographic Extension

7. See: Main text.

ii. Results-Based Monitoring and Evaluation[54]

Responsibilities and Activities

8. The PCMU will strengthen the existing REP II Monitoring and Evaluation (M&E) system to become more effective and efficient in line with IFAD's Results and Impact Management System (RIMS) and requirements of GoG. The Logical Framework of REP will form the basis for measuring output, outcome and impact.

9. Overall responsibility for M&E will be vested in the M&E Manager at the PCMU. The M&E Manager will be responsible for: a) the organisation of Annual Review Workshops and their reports; b) preparation of Annual Performance Plans and Budgets (APPBs); c) preparation of Quarterly Progress Reports; d) preparation of Half-Year Progress Reports; e) preparation of Annual Performance Reports; f) preparation of Status Reports for Supervision Missions (SM); g) preparation of Ad-hoc Reports (as required); and h) preparation of a Programme Completion Report (PCR).

Table 1: REP M&E activities

Activity	Description	M&E Reports	Timing
Conduct of baseline survey & Reference surveys	Tracer study of training, start-up kits and matching grant recipients for existing Districts, to establish panel for continued impact monitoring	Baseline survey reports Reference survey reports	Prior to REP Commencement (completion surveys of REP II) PY4 (MTR), PY8(completion)
	Institutional performance assessment of BACs and RTFs		
	Client profile and poverty analysis		
Internal Monitoring of Implementation Process	Periodic review of performance of Programme components, IEs and BACs/RTFs	Quarterly, Half-Year, Annual Progress Reports	Quarterly, at MTR and during SMs
	Use of the GALS tools to involve clients in participatory M&E process		Quarterly
Conduct of Annual Review Workshop	Stakeholder analysis of progress achieved in the previous years and seeking views and consensus for the ensuing year	APPB	October every year
Facilitation of Supervision Missions	External monitoring of Programme implementation Support from IFAD, GoG, AfDB.	Status reports for supervision	Twice a year
Facilitation of Mid-Term Review	Review of Programme outreach to target groups; exit strategy and adjustment of programme focus and implementation mechanisms if considered necessary	Status reports for MTR	PY4
Preparation of Programme Completion Report	Use of conclusions from impact assessment studies/surveys and Programme database to record key learning.	Programme Completion Reports	Not later than six months after completion of Programme

[54] Details in Working Paper 4

Performance Monitoring of REP

10. Performance monitoring of REP will concentrate on: (i) implementation progress; (ii) effectiveness monitoring; (iii) efficiency monitoring; and (iv) institutional capacity building monitoring. It will use agreed selected activity, output and outcome indicators based on the Logical Framework, including RIMS 1st level [output] and 2nd level [outcome] indicators to aide this process. Performance monitoring will feed into the following reports: a) Quarterly, Half-Year and Annual Reports; and b) Status Reports for Supervision Missions. These reports will help guide the Programme Management and Supervision Missions in their decision making for improved implementation performance.

Table 2: Performance Monitoring

Type of Performance Monitoring	Area of Focus
Implementation monitoring	Implementation progress both in quantitative and qualitative terms
Effectiveness monitoring	Effectiveness of targeting and poverty focus
	Effectiveness of Gender Action Plan implementation
	Identification of the factors that account for the level of effectiveness attained
	Estimation of the likelihood of accomplishment of unattained objectives
	Identification of changes in the context that have affected or are likely to affect implementation and overall results.
Efficiency monitoring	Establishment of the investment costs for specific Programme outputs
	Determining the cost ratio of inputs to outputs compared to local, national or regional benchmarks
	Determining and monitoring the costs per beneficiary.
	Determination of administrative cost per beneficiary compared with benchmarks
	Identification of the factors that account for Programme efficiency performance
Institutional performance monitoring	Institutional capacity of NBSSI and ASSI at regional level.
	Institutional capacity of BACs, RTFs. Reference surveys will be conducted on relevant indicators including leadership, institutional capacity, communication, satisfaction level of clients and other stakeholders

Institutional performance of BACs and RTFs

144. Monitoring how BACs and RTs are delivering services to clients is vital to improving BACs and RTFs performance and ensuring that they deliver results that matter. In the future, institutional efficiency analysis of BACs and RTFs will be done on a regular basis, which will be the basis of performance counselling for BAC staff. M&E will use a two-pronged approach in this effort:

- use of a methodology (based on linear programming) for the assessment of the relative technical efficiency (referred herein as relative efficiency) and cost effectiveness of institutions (BAC/RTFs);
- monitor business models of BACs and RTFs;
- monitor and assess annually the performance of BACs and RTFs to ascertain the following: (a) effectiveness of BACs and RFTs outreach and Client Target; (b) effectiveness of technical assistance provided by BACs and RTFs; (c) efficiency and cost effectiveness of BACs and RTFs; (d) performance, and growth and

sustainability of BACs and RTFs; and effectiveness of BAC and RTF training programmes.

Impact Monitoring

11. Impact assessment studies/surveys will be carried out that are focused on the outcome and impact (goal) levels of the Programme. These impact assessments will measure changes in the livelihoods of the beneficiaries that relate to the implemented Programme activities. They will also attempt to reveal the relevance, sustainability and targeting performance of REP based on the Logical Framework. RIMS 2nd (outcome) and 3rd level (goal) indicators will also be used as appropriate. The impact assessment of REP will be based on the generated M&E quantitative dataset as well as secondary sources including qualitative information. Reference surveys including baseline and business opportunities identification prior to commencement of Programme implementation will establish the baseline situation. Other reference surveys will be organized in PY4 and PY8 to support the impact assessment processes.

Enhancing M&E with GIS and Web-Technologies[55]

12. The REP M&E Unit will develop and implement an innovative participatory and gender sensitive M&E System with Geographic Information System (GIS) and Web-based Technology for data collection, compilation and presentation. This M&E system will be piloted by REP and expanded to all IFAD-funded projects, with the BAC being the focal point for district-level M&E data entry. The M&E Manager will coordinate all the related activities and provide the necessary capacity building and backstopping to the BAC staff. He will also ensure quality control for all the processes.

13. Currently most of the Project M&E data are kept in MS-Excel spread sheets and reporting from the district level is done on a quarterly basis. The M&E Assistant has to manually collate the data submitted from the districts and validation is done manually. This situation implies risk possibilities for data inconsistency and/or incompleteness. The proposed remedy is to use appropriate web-based MIS software for data capture, processing and/or analysis at the different levels of information needs. Such a package will be complemented and enhanced by a web-based Geographic Information System (GIS) that allows all district level data capture and entry. Appropriately designed web-forms with online help will reduce the effort required for reporting. The validation of workflow can be enforced by the system. Local staff will have to enter the necessary data that can be displayed after some validation steps on a map or in tables. Primary advantages are a fast, correct and holistic M&E system for the activities, outcomes and expenditures for REP. The proposed system will make use of Open Source Software. Once operational, the BAC-desk will also ensure data entry of other IFAD projects.

ii. Innovation, Learning and Knowledge Management

14. Innovation is one of the key thrusts of IFAD's programs in Ghana. According to the 2010 Interim Evaluation[56], REP II has led to the emergence of a range of innovations, for instance: (a) rotational trade shows; and (b) the recruitment of capable clients as local service providers. Other innovations have been drawn from the experience of other partners or by supporting emergent innovations at the district level, such as (i) the light industrial estate concept; (ii) the establishment of the MSE Sub-Committees of the District Assemblies to mainstream MSE development in the local government system. Also linked to this is REP's input in getting the legislation on Local Government Service Act promulgated for the establishment of the DOTI which will propel the integration of the BACs and RTFs into the local government structure. These are major national level innovations that have far reaching influence in strengthening the MSE sector.

[55] See: Working Paper 4
[56] IFAD Office of Evaluation

15. REP will build on the success of REP II in the area of experience capitalisation and knowledge management. The I.E. of REP II noted that up to 2007, the project was not documenting all the innovations and important lessons of experience. However, REP II has since taken positive steps to develop a knowledge management plan including experience capitalisation and knowledge sharing in its APPB for implementation up to 2011. The M&E system of REP II has been improved and is now able to capture important information on financial and physical progress. REP has intellectual knowledge that can contribute to research on the MSE sector in Ghana. However a more analytical approach is required that will facilitate investigation of different forms of support on respective impact generated. There is much potential for the learning from REP II to be captured and disseminated in a more systematic way to support poverty reduction initiatives nationwide and beyond.

16. The focus of REP will be on: (i) integrating experience capitalisation and knowledge management into Programme implementation at the component and institutional (BAC, RTF and IE) levels as an on-going function; (ii) including experience capitalisation techniques as part of the capacity building training for Programme implementation staff; (iii) building synergies with WARF/FIDAfrique, IFAD and other IFAD projects/programmes through periodic collaborative or joint efforts; and (iv) developing a website for REP to enhance its visibility and reinforce the efforts of IFAD and FIDAfrique.

17. During the next phase, knowledge management will be undertaken at two levels: (i) at the level of the PCMU in close collaboration with the SME Division of MOTI in order to document and promote the model for MSE promotion and its implementation; (ii) at the level of NBSSI and GRATIS Foundation to allow them develop their own knowledge centres that will feed the BACs and RTFs with information, training modules and innovative approaches and technologies.

18. Key innovative outputs of REP will be: (i) a decentralised model for MSE promotion; (ii) an M&E system based on GIS and Web-based technologies, institutional performance monitoring, tracer studies to determine efficiency and effectiveness of the Programme, its tools and the institutions that were promoted; (iii) scaling up a project to the level of a national programme and mainstreaming its implementation mechanisms. The National Programme Director, in close collaboration with his team and key IEs, will be responsible for the coordination of the knowledge management and dissemination process.

ANNEX 7: FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

i. Disbursement Arrangements

1. The IFAD loan, as well as the co-financing will be disbursed over a period of eight years. Disbursements from the IFAD Designated Account would be made against certified Statements of Expenditures (SOEs). The authorized allocation into the Designated Account will be USD 1,500,000 (equivalent to SDR 990,000). All IFAD-financed expenditures will be eligible for financing from the Designated Account. SOEs will be kept at the PMCU and be made available for audits and for review by supervision missions. Each Implementing Entity will open a Separate Account in a commercial bank/community bank acceptable to IFAD.

2. The PCMU will disburse only against approved APPBs. The implementing entities' accounts will be replenished quarterly against the activities and expenditures specified in the respective quarter of the APPBs. Replenishment requests will be submitted together with their quarterly statements of accounts (giving the movements in the account together with the respective statements of expenditure), and bank statements with reconciliation against the expenditure contained therein, which will allow the PCMU to reconcile the accounts.

3. The BAC/RTFs will be required to submit their quarterly statements of accounts within one month of closing of the last quarter. Annual statements of accounts and physical inventory will be received by the PCMU within the first two months following each year in which expenditures were made. The account held by an BAC/RTF will be replenished once three conditions have been met: (i) that the request from the BAC/RTF is received by the PCMU; (ii) that the account is reconciled for the last quarter; and (iii) that the account does not hold more funds which have been on for more than a month (this requirement may be waived by the NPD upon evidence provided that such amounts have been committed to programmes already approved).

4. Upon receipt of a replenishment request, the PCMU will reconcile the request with their bank statement, process them for the next quarter's tranche, ordering the transfer into the Implementing Entity's account and allowing sufficient time for the transfer to take place. .

ii. Financial Management and Auditing

5. The rationale for opening Designated Accounts, Operational Accounts, and Counterpart Account is to facilitate reconciliation of donor funds. The PCMU shall put in place a mechanism to monitor disbursements and balances from each source of funding. Monitoring of balances will be followed as well as monthly bank reconciliation statement which will be prepared by PCMU as a control mechanism for prudent management of Programme's resources.

6. The PCMU shall be prudent in transferring funds from the Designated Accounts which are denominated in USD to the Programme Operational Accounts which are denominated in Ghana Cedis.

7. The REP flow of funds arrangements are shown in the figure in Appendix 3. REP accounts will be maintained following current GOG financial procedures and any modifications will be incorporated in the REP Implementation Manual.

8. Designated Account 'A' (IFAD Loan). Following the due opening of the Designated Account and upon request of the Borrower (Withdrawal Application), an initial amount of USD 1,500,000 (Authorized Allocation) shall be deposited into it from the Loan. The proceeds from the Designated Account shall be used exclusively to finance the Programme's eligible expenditures as will be stipulated in Schedule 2 of the Programme Loan Agreement. Funds shall be periodically transferred from the Designated Account 'A" to the Programme Operational Account 'A" for the purpose of financing the

Programme's eligible expenditures financed by IFAD. Generally, payments for the Programme's eligible expenditures will not be made directly from the Designated Account 'A' but through the Programme Operational Account 'A' except where it becomes necessary to effect the payment in USD such as the case of approved foreign official trip by Programme staff, Programme implementation partners, collaborators and Beneficiaries.

9. Designated Account 'B' (AfDB Loan). Following the due opening of the Designated Account and upon request of the Borrower, the AfDB funds will be disbursed according to an annual work programme, through this Designated Account. This Designated Account will be replenished once 50% of each advance is justified. The replenishments would normally cover a budget of four months. The proceeds from the Designated Account 'B' shall be used exclusively to finance the Programme's eligible expenditures as stipulated in the Programme's AfDB Loan Agreement. Funds shall be periodically transferred from the Designated Account 'B' to the Programme Operational Account 'B' for the purpose of financing the Programme's eligible expenditures financed by AfDB. Generally, payments for the Programme's eligible expenditures will not be made directly from the Designated Account 'B' but through the Programme Operational Account 'B' except where it becomes necessary to effect the payment in USD such as the case of approved foreign official trip by Programme implementation partners, collaborators and Beneficiaries.

10. To finance the eligible expenditures related to incremental credit lines (on-lending funds), the ARB Apex Bank or the responsible IP for the incremental credit will do the following: (i) prepare a plan for required on-lending funds (including a list of PFIs, amount required for each and total) and submit it to the PCMU; (ii) the PCMU prepares a WA for direct payment from IFAD to the REDF account in GHS; (iii) IFAD reviews the WA and pays directly the necessary funds from the category for incremental credit to the REDF account in GHS; and (iv) the IP distributes the funds to PFIs according to the plan.

11. Counterpart Account. Another source of inflow of funds to the Programme will be the Government of Ghana counterpart contribution. The Borrower (GoG) shall deposit its contribution of counterpart fund into the Counterpart Account for the purpose of financing the Programme's eligible expenditure. Payment of the counterpart fund by GOG shall be in accordance with the respective loan agreements.

12. Programme Operational Account 'A'. This shall be a current account denominated in Ghana cedis. Funds shall be periodically transferred from the Programme's Designated Account 'A' (IFAD) to the Programme Operational Account 'A' for the purpose of financing exclusively the Programme's IFAD eligible expenditure.

Table 1: List of Bank Accounts

Type of Account	Initial Deposit
Designated Account 'A' for IFAD Loan denominated in US dollars	USD1 500 000
Designated Account 'B' for AfDB Loan denominated in US Dollars	To be based on initial budget with WA
GOG Counterpart Account denominated in Ghana Cedis	USD 140 000 in GHC i.e. the equivalent of GoG counterpart funding for PY1.
Programme Operational Account 'A' denominated in Ghana Cedis	USD300 000 in local currency
Programme Operational Account 'B' denominated in Ghana Cedis	USD100 000 in local currency

13. Programme Operational Account 'B'. This shall be a current account denominated in Ghana cedis. Funds shall be periodically transferred from the Programme's Designated Account 'B' (AFDB) to the Programme Operational Account 'B' for the purpose of financing exclusively the Programme's ADB eligible expenditure.

Signatories to Bank Accounts

14. Signatories to the Bank Accounts will be the PCMU's Financial Controller, and either the REP National Programme Director or his/her designated deputy.

Programme Operational Accounts

15. Programme funds will flow from IFAD and AfDB to USD Designated Accounts A and B, respectively, which will be operated by the PCMU in accordance with IFAD's and AfDB's Guidelines and situated in the bank of Ghana or in one or more commercial banks. The selection of the banks should bear in mind transactions costs and efficiency of operation, and will be subject to no objection by the co-financing institutions. Replenishment of the USD Special Accounts will be according to IFAD guidelines.

16. The accounts will be used for PCMU's day-to-day operational expenditures and disbursements to support operations by the IPs. For this purpose, the BACs and the RTFs will open a GH¢ account each in a commercial/community bank, at their respective locations.

Financial Reporting

17. The Programme's implementing entities will keep separate double-entry accounts of expenditures for their respective activities undertaken with programme funding. Appropriate financial records will be maintained in accordance with government practices, acceptable to IFAD and AfDB and reported to the PCMU on a quarterly basis and recorded in the Programme Management Information System (MIS).

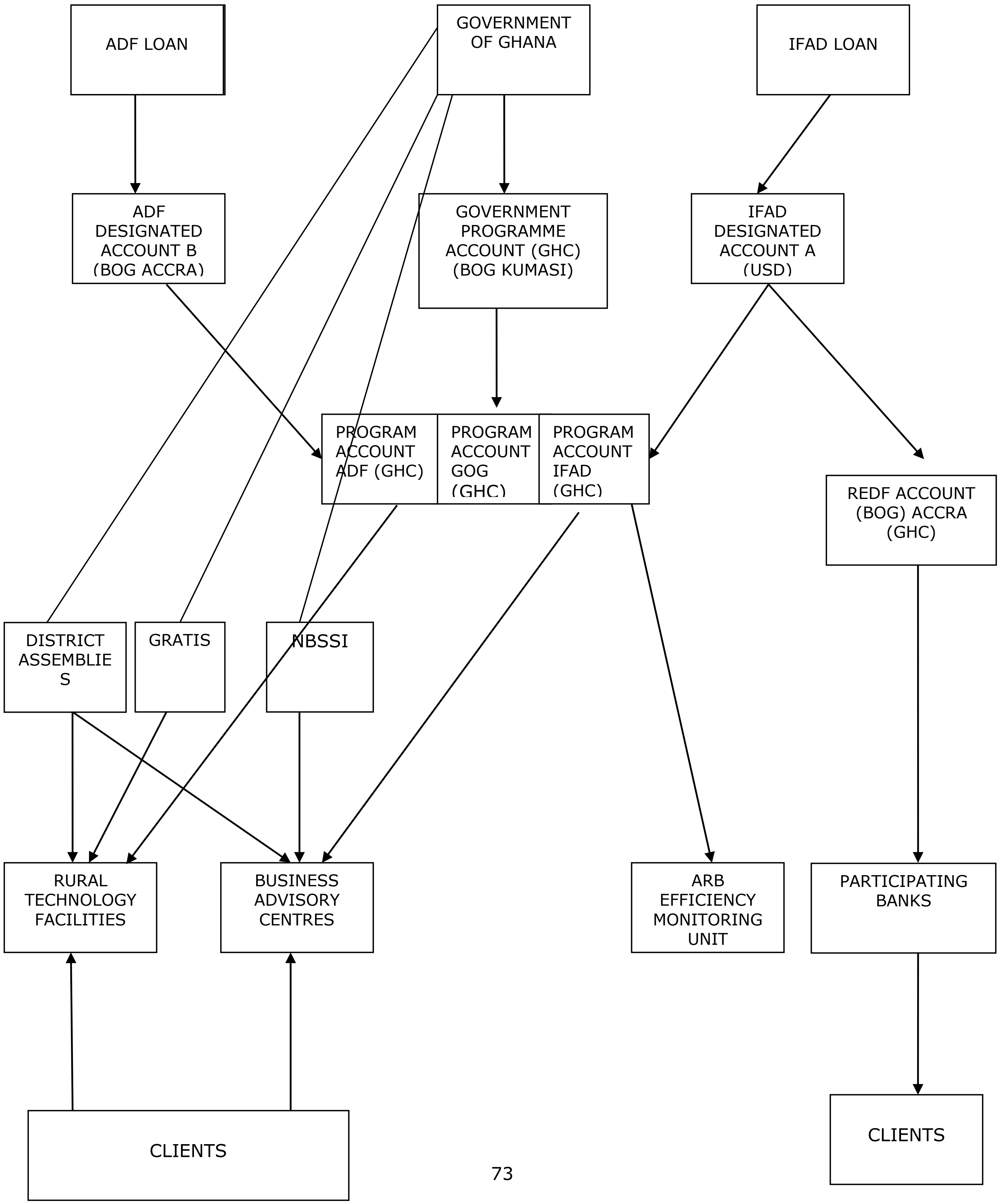
18. To enhance financial monitoring of Programme expenses, quarterly reports of the Statement of Expenditures (Summary and Details), Bank Reconciliation Statements with original copies of Bank Statements from the BACs and RTFs should be submitted to the PCMU by the end of the first month of the ensuing quarter.

19. Each participating financial institution will submit quarterly reports to the PCMU that will present technical and physical progress as well as financial statements. Actual progress will be reported against estimates of the APPB and reasons for deviations will be highlighted.

Auditing

20. The accounts of the Programme and the separate accounts kept by the Implementing Entities will be audited annually by a firm appointed by the Auditor General of the Government of Ghana. Expenses related to this audit will be borne by the Programme. The Auditor will give a specific opinion on the mechanism of funding for the Implementing Entities, the use they make of Programme resources, the accountability of partners and the financial reporting by them. Certified audit reports will be transmitted to IFAD and AfDB not later than six months after the end of the government's fiscal year. Failure to comply with the audit provisions of the IFAD Loan Agreement may result in the suspension of disbursement under the IFAD loan.

APPENDIX 1: FLOW OF FUNDS



APPENDIX 2: TORS FOR AUDITORS

Objective

The objective of the audit of the financial statement is to enable the auditor to express a professional opinion on the financial position of the Rural Enterprises Programme (REP) at the end of each fiscal year and of the funds received and expenditures incurred for the accounting period ended as reported in the programme financial statement, including an opinion on the statement of expenditure (SOE) and special account (SA)

The programme books of accounts and records provide the basis for preparation of the financial statement and have been maintained to reflect all financial transactions in respect of the programme by the Rural Enterprises Programme.

The audit will be carried out in accordance with the International Standards of Auditing (ISA) and will include such tests and reviews, as the auditor considers necessary under the circumstances. Special attention will be paid to establishing that:

- All external funds have been used in accordance with the conditions stipulated in the financing agreements, with due attention to economy and efficiency, and solely for the purposes for which the financing was provided. The relevant financing agreement is the Rural Enterprises Programme Loan Agreement between the Republic of Ghana and the International Fund for Agricultural Development (IFAD) – LOAN NO..
- Counterpart funds have been provided by Government of Ghana and used in accordance with national or organisational financial regulations, with due attention to economy and efficiency, and solely for the purpose for which they were provided;
- Goods, consultancy and other services, and civil works financed out of programme funds have been procured in accordance with stipulations in the financing agreement and/or government regulations;
- All necessary supporting documents, records and accounts have been kept in respect of all programme ventures, including expenditures reported via Statement of Expenditures (SOEs) or Special Accounts (SAs);
- The Special Account has been used in accordance with the provisions of the financing agreement; and
- The programme accounts have been prepared in accordance with consistently applied International Standards of Auditing and give a true and fair view of the financial status of the project at the end of the fiscal year and of resources and expenditures for the year ended on that date.

Programme Financial Statements

The programme financial statement will include the following:

- Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, counterpart funds (government), other donor funds and beneficiaries' funds;
- Balance sheet, which should disclose bank and cash balances (that should agree with the statement of sources and application of funds), fixed assets and liabilities;
- Yearly and cumulative Statement of Expenditures (SOEs) by withdrawal application and category of expenditures;
- Reconciliation of the Special Account; reconciliation between the amounts shown as received by the programme and those shown as being disbursed by IFAD should be attached as an annex to the project financial statement. As part of that reconciliation, the auditor will indicate the procedure used for disbursement – Special Account funds, letters of credit, special commitments, reimbursement or direct payment – and indicate whether the expenditure is fully documented or uses the SOE format.

Statement of Expenditures (SOES)

In addition to the audit of the project financial statement, the audit will include the review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOEs expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the project appraisal report for guidance when necessary. When ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the project financial statements. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above.

Designated Accounts

The auditor is also expected to audit the activities of the designated accounts associated with the project, including the Authorized Allocation or Initial Deposit, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balances of the special accounts at the year end. The audit should examine: (i) the eligibility of withdrawals from the designated accounts during the period under review; (ii) the operation of the designated accounts in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the project appropriate for this disbursement mechanism; (iv) the use of correct exchange rates to convert local currency expenditures to United States dollars.

Audit Opinion

As part of the opinion on project financial statements, the audit report will include an opinion on SOEs and special accounts, indicating the extent to which these procedures can be relied upon as a basis for loan disbursements under the programme.

Management Letter

The auditor will provide a management letter which will identify deficiencies in the project accounting records, procedures, systems and internal controls and make appropriate recommendations for improvements. The management letter will also include any other significant matters that come to the auditor’s attention and might have material impact on project implementation.

ANNEX 8: PROCUREMENT

i. General principles

1. Reviews of the IFAD Procurement Handbook and the PPA Procurement Handbook indicate that the country procedures generally conform to the IFAD procurement guidelines.

2. Overall procurement responsibility will rest with the PCMU and as provided in IFAD's Procurement Guidelines, each procurement plan shall include the proposed contracts, methods of procurement and related IFAD review procedures. The Procurement officer within the PCMU will generate annual procurement schedules as planned in the APPBs and be responsible for all centralised procurement activities. The financial units of the implementing partners will be responsible for their operational expenditures and the funds managed by them, as well as for receiving and recording all goods procured by the PCMU. The PCMU will provide all IPs with guidelines for Programme accounting and inventory controls in the form of the Implementation Manual to be produced at Programme start-up on the basis of the REP- Implementation Manual.

3. All procurement financed from the proceeds of the IFAD and AfDB loans will be exempt from national and local duties and taxes, including expenditures made for items procured under Local Shopping arrangements. All procurement will be authorised only against the procurement schedule in approved APPBs, specifying items to be procured, responsibility for the procurement and the appropriate procurement methodology.

4. Local shopping procedures, with quotations from at least three sources, will be followed for procurement of goods totalling less than USD 20000. Direct purchase procedures will be followed for contracts totalling less than USD 5000. Disbursements under the credit fund will follow procedures acceptable to the participating financial institution and IFAD. Staff salaries and other recurrent operating costs will not require specific procurement arrangements. REP shall apply the IFAD and/or AfDB procurement guidelines vis-à-vis the Ghana Public Procurement Act (Act 663 of 2003) to the extent that the Public Procurement Act is consistent with IFAD and/or AfDB Procurement Guidelines.

5. Procurement will be in accordance with IFAD Guidelines for items financed by the IFAD loan, and AfDB guidelines for items financed by AfDB.

ii. Procurement of Civil Works and Goods

6. Procurement of equipment, materials and vehicles common to the Programme will be bulked together, to the extent possible, and carried out by the PCMU. In the event that by bulking items together contracts exceed a value of USD 100,000 or more, they will be subject to International Competitive Bidding (ICB). Most vehicles financed by the Programme will be procured under ICB, as will most equipment for the RTFs. The importance of readily available spare parts for vehicles will necessitate that suppliers have a presence in Ghana. There are a large number of vehicles companies currently operating in Ghana so this requirement will in no way undermine the competitive process.

7. Equipment purchases bulked together that cost less than USD 200 000 will follow Local Competitive Bidding (LCB) procedures. Contracts for civil works associated with the RTFs will follow the guidelines of AfDB. These contracts are unlikely to be attractive to international firms due to the fact that they will be small in nature and the works scattered across a wide geographic area, therefore, it is expected that contracts for this work will follow NCB procedures. To the extent possible, contractors will utilise local labour to provide employment opportunities in the Programme area.

iii. Procurement of Consultant Services and Training

8. Local Competitive Bidding. Each contract for consultant services and training estimated to cost USD 100 000 equivalent or more shall be awarded on the basis of competitive bidding advertised locally.

9. Local Shopping. Each contract for consultant services and training estimated to cost USD 5 000 equivalent but no more that USD 20 000 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the Cooperating Institution.

10. Direct Contracting. Each contract for consultant services and training estimated to cost less than USD 5 000 equivalent may be awarded through direct contracting with the consultant, on terms and conditions approved by the Cooperating Institution.

iv. Procurement by BACs and RTFs

11. Very little procurement of goods and services are undertaken at the BAC level. The PCMU in Kumasi undertakes centralised procurement for the BACs except for few items. The existing arrangement seems to work well given the limited funds available to BACs. However, to ensure fit for purpose, some limited procurement should be undertaken at the district level but these needs to be matched with capacity.

12. .Contracts for the provision of training services and specialist services associated with the BACs/RTFs will be procured under Selection of Individual Consultants or Local Shopping or Direct Contracting, depending on the amount of the contract and availability of local firms with the requisite expertise. Pre-qualification and short listing procedures will be put in place to ensure timely response to client demand. Short-term technical assistance will be recruited through direct contracting on the basis of short lists and according to procedures of IFAD and/or AfDB, with terms of reference, qualifications and service satisfactory to IFAD and /or AfDB.

APPENDIX 1: EIGHTEEN-MONTH PROCUREMENT PLAN

Original:
Revised:
Period: January 2012 - June 2013

Procurement Methods

ICB	INTERNATIONAL COMPETITIVE BIDDING
NCB	NATIONAL COMPETITIVE BIDDING
LS/IFQ	LOCAL SHOPPING / INVITATION FOR QUOTATION
FA	FORCE ACCOUNT
NS	NATIONAL SHOPPING
NCB	NATIONAL COMPETITIVE BIDDING

Sequential number	Description	Units	Quantity	Unit Cost	Category	Procurement method	TOTAL	Tender/procurement document	Prior review*	Invitation of bids	Bid opening	Bid evaluation	No objection*	Draft contract	No objection*	Signature	Contract completion
COMPONENT 1: BUSINESS DEVELOPMENT SERVICES																	
	4 WD DOUBLE CABIN PICK UPS	NO	40	34.500	II	ICB	1.380.000	30/3/12	yes	14/05/12	16/7/12	23/07/12	24/08/12	24/08/12	03/09/12	10/09/12	20/12/12
	MOTOR BICYCLES	NO	80	3.900		ICB	312.000	30/3/12	yes	14/05/12	16/7/12	23/07/12	24/08/12	24/08/12	03/09/12	10/09/12	20/12/12
	OFFICE FURNITURE & BASIC EQUIPMENT	NO	40	800	II	NCB	32.000	30/3/12	yes	14/05/12	16/7/12	16/8/12	6/9/12	13/9/12	27/9/12	4/10/12	4/1/13
	DESK TOP COMPUTERS	NO	40	1.380	II	ICB	55.200	30/3/12	yes	14/05/12	16/7/12	16/11/12	17/12/12	24/12/12	7/01/13	28/1/13	30/4/12
	LASER PRINTERS	NO	40	700	II	ICB	28.000	30/3/12	yes	14/05/12	16/7/12	16/11/12	17/12/12	24/12/12	7/01/13	28/1/13	30/4/12
	PHOTOCOPIER	NO	40	1.570	II	ICB	62.800	30/3/12	yes	14/05/12	16/7/12	16/11/12	17/12/12	24/12/12	7/01/13	28/1/13	30/4/12
	FAX / FIXED PHONES	NO	40	500	II	NCB	20.000	30/3/12	yes	14/05/12	16/7/12	16/8/12	6/9/12	13/9/12	27/9/12	4/10/12	4/1/13
	AIR CONDITIONERS	NO	40	1.500	II	ICB	60.000	30/3/12	yes	14/05/12	16/7/12	16/11/12	17/12/12	24/12/12	7/01/13	28/1/13	30/4/12
Sub-total							**1.887.200**										

COMPONENT 2: TECHNOLOGY PROMOTION AND SUPPORT TO APPRENTICE TRAINING																	
	4 WD DOUBLE CABIN PICK UPS	NO	11	34.500	II	ICB	379.500	9/3/12	yes	2/4/12	17/5/12	31/5/12	30/6/12	7/7/12	27/7/12	7/8/12	7/3/13
	MOTOR BICYCLES	NO	19	3.900	II	ICB	74.100	9/3/12	yes	2/4/12	17/5/12	31/5/12	30/6/12	7/7/12	27/7/12	7/8/12	7/3/13
	WORKSHOP EQUIPMENT, & INSTALLATION	SET	8	200.000	II	ICB	1.600.000	26/10/12	yes	19/11/12	4/1/13	18/1/13	19/2/13	26/2/13	18/3/13	28/3/13	301/10/13
	OFFICE FURNITURE & BASIC EQUIPMENT	NO	11	7.000	II	LS/IFQ	77.000	30/3/12	yes	25/4/12	11/6/12	25/6/12	26/7/12	3/8/12	24/8/12	3/9/12	4/1/13
	GENERATORS	NO	8	25.000	II	ICB	200.000	26/10/12	yes	19/11/12	4/1/13	18/1/13	19/2/13	26/2/13	18/3/13	28/3/13	301/10/13
							-										
	DESK TOP COMPUTERS	SET	11	1.380	II	ICB	15.180	9/3/12	yes	2/4/12	17/5/12	31/5/12	30/6/12	7/7/12	27/7/12	7/8/12	7/3/13
	LASER PRINTERS	NO	11	700	II	ICB	7.700	9/3/12	yes	2/4/12	17/5/12	31/5/12	30/6/12	7/7/12	27/7/12	7/8/12	7/3/13
	START KITS	NO	2610	410	II	LS/IFQ	1.070.100	30/3/12	yes	25/4/12	11/6/12	25/6/12	26/7/12	3/8/12	24/8/12	3/9/12	4/1/13
Sub-total							**3.423.580**										
COMPONENT 3 & 4: POLICY AND INSTITUTIONAL DEVELOPMENT/ RURAL FINANCE																	
	4 WD DOBLE CABIN PICKUP	NO	13	3.900	II	ICB	50.700	10/2/12	yes	23/3/12	25/5/12	25/6/12	17/7/12	17/7/12	1/8/12	13/11/12	02/3/13
	MOTOR BICYCLES	NO	25	3.900	II	ICB	97.500	10/2/12	yes	23/3/12	25/5/12	25/6/12	17/7/12	17/7/12	01/8/12	13/11/12	02/3/13
	BICYCLES	NO	25	130	II	LS/IFQ	3.250	10/2/12	yes	23/3/12	25/5/12	25/6/12	17/7/12	17/7/12	01/8/12	13/11/12	02/3/13
	DESK TOP COMPUTERS	NO	13	1.380	II	NCB	17.940	26/2/12	yes	30/4/12	28/6/12	4/7/12	18/7/12	21/7/12	5/8/12	12/8/12	11/10/12
	LAPTOP COMPUTERS	NO	11	1.150	II	NCB	12.650	26/2/12	yes	30/4/12	26/6/12	4/7/12	18/7/12	21/7/12	5/8/12	12/8/12	11/11/12
	LASER PRINTERS	NO	2	700	II	ICB	1.400	10/2/12	yes	23/3/12	25/5/12	25/6/12	17/7/12	17/7/12	01/8/12	13/11/12	02/3/13
Sub-total							**183.440**										

COMPONENT 5: PROJECT COORDINATION AND MANAGEMENT UNIT / MONITORING & EVALUATION																	
	4 WD STATION WAGONS	NO	4	45.500	II	ICB	182.000	30/3/12	30/04/12	14/05/12	16/7/12	23/07/12	24/08/12	24/08/12	03/09/12	10/09/12	20/12/12
	4 WD DOUBLE CABIN PICK UPS	NO	7	34.500	II	ICB	241.500	30/3/12	30/04/12	14/05/12	16/7/12	23/07/12	24/08/12	24/08/12	03/09/12	10/09/12	20/12/12
	OFFICE FURNITURE & BASIC EQUIPMENT	NO	9	650	II	NCB	5.850	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	LAP TOP COMPUTERS	NO	10	1.150	II	NCB	11.500	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	DESK TOP COMPUTERS	NO	7	1.380	II	NCB	9.660	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	LASER PRINTERS	NO	7	700	II	NCB	4.900	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	LCD PROJECTORS	NO	2	2.900	II	NCB	5.800	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	DIGITAL CAMERAS	NO	1	500	II	NCB	500	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
	PHOTOCOPIERS	NO	6	1.570	II	NCB	9.420	10/2/12	10/3/12	24/3/12	24/4/12	03/05/2012	24/05/2012	26/06/2012	26/06/201	03/07/2012	07/09/2012
Sub-total							471.130										
Grand Total							5.965.350										

Procurement plan

CIVIL WORKS

		Procurement Methods		**Financing Modalities**	
Original:		ICB	INTERNATIONAL COMPETITIVE BIDDING	Cat. I, II, III, V et VI :	100%
Revised:		NCB	NATIONAL COMPETITIVE BIDDING	Cat. VII,A	45% , IFAD: 55% GOG
Period:	January 2011 - June 2013	LS/IFQ	LOCAL SHOPPING / INVITATION FOR QUOTATION	Cat. VII,B	VARIABLE
Cedis/U$	US$	FA	FORCE ACCOUNT		
		NS	NATIONAL SHOPPING		
		NCB	NATIONAL COMPETITIVE BIDDING		

Sequential number	Description	Units	Quantity	Unit Cost	Category	Procurement method	TOTAL	Tender/procurement document	Prior review*	Invitation of bids	Bid opening	Bid evaluation	No objection*	Draft contract	No objection*	Signature	Contract completion	REMARKS
COMPONENT 1: BUSINESS DEVELOPMENT SERVICES																		
Sub-total																		
COMPONENT 2: TECHNOLOGY PROMOTION AND SUPPORT TO APPRENTICE TRAINING																		
Civil Works																		
	Construction of 8 new RTF Workshop Buildings	NO	8	83.000	I	NCB	664.000	15/9/12	yes	8/10/12	7/11/12	21/11/12	21/12/12	28/12/12	11/1/13	18/1/13	7/6/13	
Sub-total							**664.000**											

Procurement plan

Procurement of Consultancy Services

REPUBLIC OF GHANA
RURAL ENTERPRISES PROJECT

Original:		**Procurement Methods**	
Revised:		QCBS	Quality & Cost Based Selection
Period:	January 2012 - June 2013	LCS	Least Cost Selection
Cedis/US	US$	SS	Single-source selection
		SIC	Selection of Individual consultants
		SDC	Service Delivery Contractirs
		SL	
		DC	Direct Contracting

Sequential number	Description	UNITS	QTY	Unit Cost	Category	Procurement method	TOTAL	Terms of Reference with Budget	Prior review*	Request for proposals	Opening of Proposals	Evaluation of Proposals	No objection*	Negotiation & award of Contract	No objection*	Signature	Contract completion
COMPONENT 1: BUSINESS DEVELOPMENT SERVICES																	
1	HIRE OF CONSULTANT TO CONDUCT BOIS	Districts	84	2.000	III	SL	168.000	30/4/12	yes	2/7/12	3/9/12	17/10/12	31/10/12	7/11/12	14/11/12	21/11/12	21/3/13
Sub-total							**168.000**										
COMPONENT 2: TECHNOLOGY PROMOTION AND SUPPORT TO APPRENTICE TRAINING																	
2	DESIGN AND SUPERVISION OF CONSTRUCTION OF RTFs	Consultant	1	56.000	III	SL	56.000	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	12/6/13
4	ENGINEERING CONSULTANT TO PRESCRIBE WORKSHOP EQUIPMENT	Firm	1	34.100	III	SL	34.100	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	13/10/12
Sub-total							**90.100**										
COMPONENT 3 & 4: POLICY AND INSTITUTIONAL DEVELOPMENT / RURAL FINANCE																	
	MSI TRAINING	NO	2	12.000	III	SIC	24.000	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	13/10/12
	CONSULTING FOR CREDIT & SAVING EDUCATION METHODOLOGY	NO	4	7.500	III	DC	30.000	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	13/10/12
	DESIGNING OF OPERATIONAL MANUAL-ARB APEX BANK	NO	4	7.500	III	DC	30.000	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	13/10/12
	RECRUIT POLICY EXPERT FOR LOCAL SME	NO	3	6.000	III	DC	18.000	3/2/2012	yes	23/3/12	20/4/12	5/5/12	5/6/12	6/15/2011	7/6/2012	13/7/12	13/10/12
Sub-total							**102.000**										
COMPONENT 5: PROJECT COORDINATION AND MANAGEMENT UNIT / MONITORING & EVALUATION																	
	Hire of consultant to carry out GIS	Consultant	2	25.000	III	QCBS	50.000	30/4/12	yes	2/7/12	3/9/12	17/10/12	31/10/12	7/11/12	14/11/12	21/11/12	21/3/13
	Hire of Auditors for Project Annual Audit	Firm	2	20.000	III	LCS	40.000	30/4/12	yes	2/7/12	3/9/12	17/10/12	31/10/12	7/11/12	14/11/12	21/11/12	21/3/13
	Installation of M & E Software	Consultant	1	80.000	III	SIC	80.000	30/4/12	yes	2/7/12	3/9/12	17/10/12	31/10/12	7/11/12	14/11/12	21/11/12	21/3/13
	Baseline Survey	Consultant	2	40.000	III	SL	80.000	30/4/12	yes	2/7/12	3/9/12	17/10/12	31/10/12	7/11/12	14/11/12	21/11/12	21/3/13

ANNEX 9: PROGRAMME COST AND FINANCING

	IFAD	AfDB	PFIs	Clients	District Assemblies	GoG (NBSSI)	GoG (GRATIS F)	GoG (Budget)	GoG (Taxes)	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
I. Investment Costs										
A. Civil Works	450,1	2.767,4	-	-	-	-	-	-	-	3.217,5
B. Vehicles and motorcycles	1.327,9	3.099,6	20,1	-	-	-	-	-	1.906,1	6.353,7
C. Equipment & Material	661,1	7.517,1	-	-	-	-	-	-	1.476,1	9.654,4
D. Technical Assistance										
1. Local/regional TA	607,1	1.070,0	-	-	-	-	-	-	-	1.677,1
2. International TA	39,1	-	-	-	-	-	-	-	-	39,1
Subtotal Technical Assistance	646,2	1.070,0	-	-	-	-	-	-	-	1.716,2
E. Studies	531,4	61,8	-	-	-	-	-	-	39,0	632,1
F. Training and Workshops										
Staff Training	2.109,0	2.937,5	57,5	7,1	-	-	-	-	-0,0	5.111,0
Client Training	10.928,2	22.480,5	-	10.764,1	-	-	-	-	-0,0	44.172,8
Workshops	1.216,1	1.153,5	-	163,3	-	-	-	-	-0,0	2.532,8
Subtotal Training and Workshops	14.253,3	26.571,5	57,5	10.934,4	-	-	-	-	-0,0	51.816,7
G. Credit Lines	4.000,0	-	6.080,0	2.913,4	-	-	-	850,0	-	13.843,4
H. Matching Grant	1.900,0	-	-	-	-	-	-	-	-	1.900,0
I. Technology Promotion Funds	-	19.235,1	-	-	-	-	-	-	-	19.235,1
Total Investment Costs	23.769,9	60.322,6	6.157,6	13.847,8	-	-	-	850,0	3.421,3	108.369,1
II. Recurrent Costs										
A. BAC/RTF Staff Salaries	-	291,3	-	-	18.763,4	11.981,1	7.272,5	-	-	38.308,2
B. PCMU Staff Salaries	3.647,0	272,3	-	-	-	-	-	-	-	3.919,3
C. PCMU Operating & Maintenance	1.026,8	2.224,2	-	-	-	-	-	1.269,0	156,8	4.676,8
D. BAC/RTF Operating and Maintenance Costs										
1. Travel allowances	904,0	1.276,7	54,5	-	4.235,9	-	-	-	0,0	6.471,0
2. Other Operating Costs	2.152,4	5.621,0	9,8	-	15.448,3	-	-	-	158,7	23.390,2
Subtotal BAC/RTF Operating and Maintenance Costs	3.056,3	6.897,7	64,3	-	19.684,2	-	-	-	158,7	29.861,2
Total Recurrent Costs	7.730,1	9.685,5	64,3	-	38.447,5	11.981,1	7.272,5	1.269,0	315,5	76.765,5
Total PROJECT COSTS	31.500,0	70.008,1	6.221,9	13.847,8	38.447,5	11.981,1	7.272,5	2.119,0	3.736,7	185.134,6

	Totals Including Contingencies								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
A. Business Development Services	8.568,7	12.086,0	10.659,7	11.370,3	11.604,1	11.513,3	11.545,8	11.714,5	89.062,4
B. Technology Promotion & Dissemination	6.583,2	11.940,3	10.464,3	7.788,0	7.506,4	7.233,2	7.076,0	6.658,1	65.249,5
C. Enabling MSE Environment									
1. Access to Rural Finance	4.324,7	3.702,1	1.553,4	1.530,9	1.446,3	1.391,7	1.392,3	1.392,8	16.734,2
2. Institutional Capacity Building & Policy Dialogue	502,6	1.164,4	277,4	202,6	206,7	210,8	200,7	204,7	2.969,8
Subtotal Enabling MSE Environment	4.827,3	4.866,5	1.830,8	1.733,5	1.653,0	1.602,5	1.593,0	1.597,5	19.704,0
D. Programme Implementation									
1. Programme Coordination	1.122,5	1.174,0	980,2	1.019,1	1.018,7	995,0	960,0	981,5	8.250,9
2. Monitoring & Evaluation	496,7	305,3	317,8	455,5	295,1	298,2	392,1	307,1	2.867,8
Subtotal Programme Implementation	1.619,2	1.479,3	1.298,0	1.474,5	1.313,8	1.293,2	1.352,1	1.288,6	11.118,7
Total PROJECT COSTS	21.598,4	30.372,1	24.252,9	22.366,3	22.077,3	21.642,2	21.566,8	21.258,6	185.134,6

			Enabling MSE Environment		mme Implementation		
	Business Development Services	Technology Promotion & Dissemination	Access to Rural Finance	Institutional Capacity Building & Policy Dialogue	Programme Coordination	Monitoring & Evaluation	Total
I. Investment Costs							
A. Civil Works	450,1	2.756,8	-	-	10,6	-	3.217,5
B. Vehicles and motorcycles	3.807,6	1.573,1	145,6	447,8	331,4	48,3	6.353,7
C. Equipment & Material	726,2	8.597,8	3,7	216,7	99,1	11,0	9.654,4
D. Technical Assistance							
1. Local/regional TA	779,3	403,6	94,6	-	-	399,6	1.677,1
2. International TA	-	-	-	-	39,1	-	39,1
Subtotal Technical Assistance	779,3	403,6	94,6	-	39,1	399,6	1.716,2
E. Studies	-	61,8	12,4	-	260,1	297,9	632,1
F. Training and Workshops							
Staff Training	1.041,9	1.372,8	611,9	1.078,1	199,5	806,8	5.111,0
Client Training	37.280,6	6.892,3	-	-	-	-	44.172,8
Workshops	2.258,1	-	-	255,5	19,2	-	2.532,8
Subtotal Training and Workshops	40.580,6	8.265,0	611,9	1.333,6	218,8	806,8	51.816,7
G. Credit Lines	-	-	13.843,4	-	-	-	13.843,4
H. Matching Grant	-	-	1.900,0	-	-	-	1.900,0
I. Technology Promotion Funds	-	19.235,1	-	-	-	-	19.235,1
Total Investment Costs	46.343,8	40.893,2	16.611,4	1.998,1	959,0	1.563,6	108.369,1
II. Recurrent Costs							
A. BAC/RTF Staff Salaries	23.962,2	14.346,0	-	-	-	-	38.308,2
B. PCMU Staff Salaries	-	-	-	-	3.247,7	671,6	3.919,3
C. PCMU Operating & Maintenance	-	-	-	-	4.044,2	632,6	4.676,8
D. BAC/RTF Operating and Maintenance Costs							
1. Travel allow ances	5.066,2	1.299,9	104,9	-	-	-	6.471,0
2. Other Operating Costs	13.690,2	8.710,3	17,9	971,7	-	-	23.390,2
Subtotal BAC/RTF Operating and Maintenance Costs	18.756,4	10.010,3	122,7	971,7	-	-	29.861,2
Total Recurrent Costs	42.718,6	24.356,3	122,7	971,7	7.292,0	1.304,2	76.765,5
Total PROJECT COSTS	89.062,4	65.249,5	16.734,2	2.969,8	8.250,9	2.867,8	185.134,6
Taxes	1.254,9	1.761,6	44,2	336,9	286,1	40,0	3.723,8
Foreign Exchange	3.303,3	7.108,7	124,8	465,1	757,3	360,6	12.119,8

ANNEX 10: ECONOMIC AND FINANCIAL ANALYSIS

1. The purpose of Annex 10 is to quantify, as far as is possible, the financial and economic internal rate of return of the Programme. In line with REP's objectives, the approach adopted is centred on small-scale production and marketing, rather than on macro considerations of national/regional trade balance or export earnings.

2. For both the financial and the economic analysis the shadow price of unskilled rural labour was estimated at GH¢ 4.5 and the exchange rate to the USD of GH¢ 1.5 was utilised. All goods and services are at prices prevailing during April 2011. Furthermore, the following assumptions have been used:

i. Financial Analysis

3. The aim of the financial analysis is: (i) to examine the financial viability of the interventions at the individual client or enterprise level; (ii) to provide an analysis of the adequacy of the clients' borrowing arrangements as well as their capacity to borrow for investment into income-generating activities; and (iii) to serve as a reference point for BAC staff when advising clients on business development.

4. It is assumed that the subprojects to be financed under REP are similar to those financed under REP II. The basic parameters of the main types of businesses supported under REP I and II were reviewed, and enterprise models for 14 predominant and 3 potential REP-supported enterprises were updated during the design of REP in April 2011. Most businesses are BAC-supported and only two (welder and carpenter) represent the RTF clientele. The models represent the operations of these businesses regarding their type and level of production, prices, production cycle duration and labour input, with adjustments made in case of unrepresentative features. The profitability indicators [Internal Rate of Return (IRR), Net Present Value (NPV), Return to Labour] are derived from the difference of this cash flow stream against the assumed previous situation, and are thus representative of the actual viability of REP clients' enterprises.

5. These profitability indicators were derived from budget models which assumed the generation of net incremental incomes with certainty under a riskless business environment. Taking cognizance that these MSE operators are risk verse and operate in a risky business environment and the MSE models embody intrinsic risks, risks and MSE operators expectations of net income streams and risk are factored in the derivation of the MSEs financial feasibility and viability (expected net income [ENI], risk adjusted net present value [RadjNPV], and modified internal rate of return [MIRR]), and risk indicators (standard deviation [S.D], and coefficient of variation [CV] of expected net incremental incomes). For the financing of incremental investments and working capital, estimates for the loan sizes and maturities, which lead to manageable repayment over short periods, have been applied. All models comprise a "without Programme" and a "with Programme" situation, the former being representative of a typical enterprise in the absence of any Programme interventions, the latter showing the same enterprise after it has adopted the improvements promoted under the Programme.

6. The financial analysis shows that most of the enterprises supported by the Programme are financially viable with financial rates of return from 15% to 208%.

ii. Economic Analysis

7. As REP is demand driven, it is not possible to know ex ante precisely how resources will be allocated. However, a simulation and sensitivity analysis, based on realistic assumptions, was done to estimate the cost-effectiveness of the investments and the economic rate of return. Conversion factors are then estimated to translate the financial flows into economic values to be used to calculate the Economic Rate of Return (ERR). It is based on direct costs and benefits, social benefits have not been taken into account.

The period of analysis is 20 years. A number of scenarios were tested to establish the economic viability of the total Programme in the event of adverse factors. The results are presented in Table 1.

8. The results of the economic analysis justify the Programme's investments in supporting the establishment of micro and small enterprises. The economic analysis shows that the Programme has the capacity to generate an economic rate of return (ERR) of approximately 21.9% over a 20-year period. In this base case, 35,000 businesses are established (7.5% of the total number of 485 500 beneficiaries of a BAC activity over 8 years).

9. The sensitivity analysis indicates the risk that extended delays might threaten the investment's viability. Delays of benefits for one year have significant impact of the programme (reduction of ERR to 15.8%). A 2-year lag in programme benefits would reduce the ERR to about 12.2%.

10. A 10% increase in costs or a 10% decrease in benefits would reduce the rate of return by around 3%.

11. The degrees at which clients adopt the proposed models, affect the ERR was explored by varying the number of businesses created. In case 48500 businesses are established the ERR increases to over 32 %. In case only 24 200 businesses are established, the ERR decreases significantly from 21.9% to 12.8%.

12. The Economic and Financial Analysis adequately affirms that REP is a feasible, viable and sustainable programme worth the investments.

Table 1: Sensitivity Analysis of Economic Rates of Return

Scenario	ERR
Base case 20% of RTF clients establish their own business; 7.5% of total number of BAC training participants leads to a business (35 000 businesses)	21.9%
5% of total number of BAC trainings participants leads to the establishment of a business (24200 businesses)	12.8%
10% of total number of BAC trainings leads to the establishment of a business (48 500 businesses)	32.0%
Benefits decreased by 10%	18.5%
Costs increased by 10%	18.8%
Benefits lagged by one year	15.8%
Benefits lagged by two years	12.2%
Benefits decrease by 20% p.a. after PY10	19.3%

13. In addition to the financial and economic viability of the programme, the programme would address the urgent need to provide employment the district in order to increase incomes and standards of living among rural communities and also sow the seed for rural industrialization and entrepreneurship. The programme has been designed within the constraints of the country and the district with objectives that are attainable without compromising sustainability. All the constituent commercial activity models are financially viable at the current lending rates. The MSE models are financially viable at current lending rates, and REP has an acceptable economic rate of returns. One of the major benefits from the programme would be the opening up of districts which are currently isolated and largely under-exploited. On a conservative basis, the MSE models would increase the income of households coming from the poorest and remote villages of the country.

iii. Sustainability of BACs and RTFs

Institutional performance of BACs and RTFs

14. Monitoring how BACs and RTs at delivering services to clients is vital to improving BACs and RTFS performance and ensuring that they deliver results that matters. To assess overall technical efficiency of RTF and BAC, performance data for the immediate past year as at the end of December 2010 is used. The relative technical efficiency of individual BACs and RTF was evaluated using the nonparametric frontier methodology, the Data Envelopment Analysis (DEA). Data Envelopment Analysis (DEA), which is a well-known linear-programming method for measuring relative efficiencies of Decisions Making Units (DMUs). One of the most important features of DEA is its ability to manage the multiple characteristics of a BAC/RFT, which use several inputs and outputs. It also provides the means to determine the most productive economic size at which the BACs/RTFs can operate.

15. The efficiency analysis of the BAC/RTFs broadly show the following reveal: (i) generally that the efficiency in support to client was variable and that significant efficiency gains could be made with adequate measures put in place; (ii) fluctuations in relative technical efficiency scores among the 51 RTFs and BACs analyzed. The average technical efficiency score during 2011 is 0.56; (ii) some 13 RTFs and BACS were found to be efficient with efficiency scores of 100%, while 38 RFT/BACs were deemed less efficient.

Business modelling of BACs and RTFs

16. The operating costs of a BAC are presented below. Client contribution of 20% (basic courses) and 40% (intermediate and advanced courses) would be more or less sufficient to cover the operating expenses of the BACs and its vehicles.

Table 2: Operational cost and turnover of a BAC (going concern)

Cost Items	Cost	Paid by
Salaries		
BAC Head	5,300	GoG (through NBSSI)
Business Development Officer	5,300	DA
Administrative Assistant	4,240	DA
Driver	4,240	GoG (through NBSSI)
Total	**19,080**	
Operating expenses		
Office O&M	3,000	DA
Meeting	360	DA
Office Accommodation	.	Provided by DA
Utilities	1,000	DA
Total	.**4,360**	
Operating costs Vehicles		
Motorbike	600	DA
4WD Vehicle	3,800	DA
Total	**4,200**	DA
Training sessions	26,200	19,360 donor-funding 6,840 client contribution (20% & 40%)

17. The operating costs of an RTF are presented in Annex 10. Client contribution of 20% (training) would be more or less sufficient to cover the operating expenses of the RTFs. However, the RTFs also generate significant revenues as they are metal workshops that work for projects and private sector clients. These revenues are not clear because of the weak accounting system, but should be sufficient to cover operating costs, a

significant part of salaries or replacement of equipment. An improved accounting system would allow clarifying financial sustainability of an RTF.

Table 3: Operational cost of an RTF (going concern)

Cost Items	Cost USD	Paid by
Salaries		
RTF Manager	8,400	GoG (through NBSSI)
RTF Supervisor	5,300	DA
Technician/machinist	4,240	DA
Technician/fabricator	4,240	GoG (through NBSSI)
General Duty Clerk	5,300	
Driver	4,240	
Watchman	3,180	
Total	**34,900**	
Operating expenses		
Office O&M	3,000	DA
Total	**3,000**	DA
Operating costs Vehicles		
Motorbike	600	DA
4WD Vehicle	3,800	DA
Total	**4,200**	DA
Training sessions	14,000	11,200 donor-funding 2,800 client contribution (20%)

ANNEX 11: DRAFT PROGRAMME IMPLEMENTATION MANUAL

1.

Available Manuals	Actions to be undertaken
REP II Project Implementation Manual	To be adjusted by a consultant (May-June 2011)
REP II Accounting Manual	To be adjusted by a consultant (May-June 2011)
RTF Operational Manual	To be adjusted by the PCMU
BAC Operational Manual	To be adjusted by the PCMU
Operational Manual for the Implementation of the REDF	None
Operational Manual for the Implementation of the Matching Grant Fund	None
Guidelines on the Establishment and Functions of the Subcommittee on MSE Promotion	None
M&E Manual for BAC	To be developed by PCMU.
Performance Management Manual	To be developed by PCMU with assistance from a specialized consultant (November-December 2011)

ANNEX 12: COMPLIANCE WITH IFAD POLICIES

1. REP is also in line with the COSOP, as well as IFAD's corporate policies in the field of private sector & rural enterprise development. Details are presented below.

IFAD policies	Compliance
Strategic Framework (SF) 2011-2015	Highly aligned to the draft 2011-2015 SF (provisionally, to be approved by the May 2011 EB). REP is consistent with the principles behind the SF. The focus of REP is on promoting rural entrepreneurship. Particular emphasis is placed for the inclusion of women and youth.
Private sector development and partnership strategy	Highly aligned. The key areas of action in REP are: (i) delivery of business development services; (ii) skills training; (iii) institutional capacity building and policy dialogue for district level private sector development. Opportunities for partnerships to leverage additional investments will be sought by the BACs.
Rural Entreprises Policy	Highly aligned. IFAD's longer term vision and strategy in Ghana is to support development of rural entrepreneurship and know-how for better income generation. REP in particular, works with partners to promote and facilitate the development of small and micro rural enterprises and MSE support institutions. In this respect, REP will facilitate access to services (financial and non-financial) and skills training. The approach will be comprehensive, and will be demand-driven. Building linkages between entrepreneurs and markets and encouraging an enabling environment to facilitate these linkages will be pursued.
Rural Finance Policy	Aligned. The "Access to Rural Finance" subcomponent is in line with IFAD Guidelines. A detailed analysis of compliance is presented in Annex 4.
Targeting Policy	Highly aligned. REP uses self-targeting and direct targeting and building the capacity of poor rural people. REP will also support institutional strengthening of those actors (BAC, RTF, PFIs) who provide services to the target group which assist in their further development. Building strong partnerships amongst actors is a key element in this approach. • clear definition of target group of rural poor; • combination of self-targeting strategy and direct targeting; • strategy and action plan for youth and women; • definition of enabling measures to ensure inclusiveness of vulnerable groups; • definition of empowerment and capacity building measures. A particular focus will be placed on investments in activities that enable disadvantaged groups (including women and youth) to improve their livelihoods and seize income-generating opportunities.
IFAD gender policy	Aligned. See Table below.
Environmental and Social Review Note (ESRN)	Aligned. See Appendix 1 below (+ Working paper 7)

GENDER-SENSITIVE DESIGN AND IMPLEMENTATION

	Issues
1. The PDR contains – and programme implementation is based on - gender-disaggregated poverty data and analysis of gender differences in the activities or sectors concerned.	The REP PDR is based on gender dimension in MSE's and due cognizance is given to a strategy to reach women. A specific analysis of women entrepreneurs is available in Annex 2.
2. The project design report articulates – or the project implement – actions with aim to: • Expand women's economic empowerment through access to and control over fundamental assets ; • Strengthen women's decision-making role in community affairs and representation in local institutions; and • Improve women's knowledge and well-being and ease their workloads by facilitating their access to basic rural services and infrastructure.	Women leadership development is included in design. Women's access to financial services is catered for through the matching-for women's Though women's decision- making roles are not very strong through the Gender Action Plan it will be strengthened through capacity-building and women's representation in MSE sub- committees Through the provision of processing equipment and skills training women's knowledge will be enhanced especially using the GALS methodology
3. The PDR describes - and the programme implements - operational measures to ensure gender- equitable participation in, and benefit from, project activities. These will generally include:	
3.1 Allocating adequate resources to implement the gender strategy;	The planning and implementation of the Gender Action Plan has been budget for.
3.2 Ensuring and supporting women's active participation in project-related decision-making bodies and committees;	Presently women's participation in project related decision-making bodies and committees is 25%(MSE subcommittee). Women leadership development will be encouraged.
3.3 Ensuring that programme management arrangements (composition of the PCMU, PCMU terms of reference, etc.) reflect attention to gender equality and women's empowerment concerns; and	The issues in gender development have to do with commitment and capacity to implement gender equality strategies. The project will implement the GAP which will cater for gender in a systematic and sustainable way. "Gender" is included in the ToR of the M&E manager (see: Annex 5, Appendix 2)
3.4 Ensuring direct programme outreach to women (for example through appropriate numbers and qualification of filed staff), especially where women's mobility is limited.	The capacities of field staff will be built to ensure gender responsiveness (see: annex 5, Appendix 3). Through the appropriate targeting techniques activities women will be reached.
4. The programme's logical framework and monitoring and evaluation (M&E) system specify in design – and project M&E units collect – gender-disaggregated performance and impact data.	The Programme logical framework has indicators to monitor and evaluate gender-disaggregated performance and impact.

APPENDIX 1: ENVIRONMENTAL AND SOCIAL REVIEW NOTE

1. REP has been classified as category B low since the level environmental impact of micro-scale, rural-level activities are considered as minimal and mitigating measures can be put in place at programme level for some components.

2. Key rural enterprises to benefit from the REP are: palm oil/kernel, shea butter processing, soap making, bread/confectionery making, blacksmithing, wood and metal works, automobile repairs, bamboo processing, batik and tie and dye making, dressmaking, hairdressing, agro-processing, food services, bee keeping, grasscutter, snail and guinea fowl rearing, etc.

3. The likely but negligible environmental impacts of these types of rural enterprises are: increased fuelwood depletion, smoke emission, spillage of chemicals, and heat emission.

4. Activities of potential clients may not have any significant impact on the environment, as most of the projects are micro/small in nature. However, considering the likely cumulative impact, it is important for certain mitigating measures to be put in place.

5. Major health hazards that are likely to occur are:

- There could be accidents due to spillage of chemicals and lipids. There could also be pollution of soil or water bodies as a result of this spillage.
- Smoke inhalation (field visits suggest that that most clients use the tripod cook stove which produce more smoke at the same time environmentally unfriendly.

6. A detailed analysis, including mitigation measures, is presented in Working Paper 7 (Environmental and Social Review Note). These measures include the following: (i) the DAs will be actively involved in selections of project sites; (ii) environmental management issues will form part of the training and technology promotion programmes of REP; iii) monitoring on environmental issues will form part of the M&E function of REP; iv) all RTFs will organize Occupational Safety & Health and Environmental Management Seminars. There is a well-established national institution capable of developing and monitoring frameworks for the mitigation of impacts, which will be involved in M&E of REP.

ANNEX 13: CONTENTS OF THE PROGRAMME LIFE FILE

Contents of the Programme Life File

Concept Note
Aide-memoire of the PDR
Design Report
Minutes CPMT1
Minutes CPMT2
Minutes CPMT3
MAT-QE
QE Panel Report
OSC Minutes
QA Compliance Note
Project Document Report (PDR) – Main Report
Project Document Report (PDR) – Appendices and Annexes

Working Papers:

Working paper I:	Business Development Services
Working Paper II:	Technology Promotion and Dissemination
Working Paper III:	Innovative Financial Instruments
WorkingPaper IV:	Results-Based Monitoring and Evaluation
Working Paper V:	Programme Cost and Financing
Working Paper VI:	Institutional, Economic and Financial Analysis
Working Paper VII:	Environmental and Social Review Note (ESRN)
Working Paper VIII:	Programme Management and Implementation Arrangements
Working Paper IX:	Training and Capacity Building

ANNEX 14: SCALING-UP THE REP MODEL

1. Scaling up idea

What	The IFAD co-funded Rural Enterprises Project II (REP II) will be scaled up. The second phase of REP (2003-2011) is being implemented in 66 districts nationwide. Phase one was implemented from 1995 to 2002 in 13 districts in the Ashanti and Brong-Ahafo regions.
Whose idea	Ministry of Trade and Industry (MOTI)
Pilots / tests / evaluations	Micro and small-scale enterprises promotion as a key tool for rural poverty reduction been tested and evaluated in Ghana since 1995. The experience has shown that there was great potential for replication and scaling up (see also Interim Evaluation of REP II). Elements of rural enterprises promotion are being implemented in other ongoing IFAD co-funded projects in Ghana including the Root & Tuber Improvement & Marketing Programme (RTIMP) and the Northern Rural Growth Programme (NRGP).

2. Vision

Achieve-ments	REP II promotes the establishment and growth of micro and small-scale enterprises through the provision of business development services, access to technologies and financial services. REP I&II have supported 66 districts each to establish district-based Business Advisory Centres (BACs) and 21 Rural Technology Facilities (RTFs). The REP II has, as at March 2010, achieved a total outreach of 177,000 people, facilitated access by 19,000 people to non-financial services; trained over 30,000 in income-generating activities; trained 45,000 in business and entrepreneurship skills; enrolled 128 Participating Financial Institutions (PFIs), delivered total credit of about USD1.5 million; supported the formation of Micro and Small-Scale Enterprise Sub-committees in 66 districts.
Vision	The goal is to convert the REP experience into a nationwide programme that covers at least 130 rural districts. The vision is to improve the living conditions of the rural poor, especially women, through increased incomes thereby contributing to poverty reduction.

3. Drivers

Leadership	The scaling up of REP is clearly a reflection of political as well as the developmental values of GOG e.g. Ministry of Trade and Industry (MOTI) and the National Development Planning Commission.
Champions	MOTI, through GRATIS Foundation and the National Board for Small-scale Industries (NBSSI). District Assemblies (DA) and Local Business Associations (LBA)
External catalysts	Rural poverty and unemployment of youth and women in rural districts.
Incentives	• GoG/MOTI: poverty reduction and rural employment • DA: local economic development, employment creation • Rural population and youth: job creation and opportunities • PFI: have not always an incentive to play their role

4. Spaces

Political space	BAC-concept is supported by local government (BACs) as well as national government (MOTI, MLGRD)
Policy space	National level: GPRS I & II, PSDS. Local level: MSE Sub-Committees will be mainstreamed. Establishment of the Department of Trade and Industry (DOTI) at the District level and mandating the District Assemblies to mainstream micro and small-scale enterprise development into the operations of the District Assemblies
Natural	Introduction of simple technologies to reduce environmental degradation.

resource space	Occupational Safety & Health and Environmental Management Seminars
Learning space	Successful scaling up as envisaged under REP III would require precise assignment of functions to specific actors at different levels and clear instructions on what they should do, how to do it and what tools to use. The use of friendly operational manuals would be very essential. It is important to continue 'learning by doing' and taking the necessary time to adapt innovation to local circumstances. Sufficient time and proportion are necessary to allow for testing, evaluating, adapting and simplifying the innovation. Scaling up is always more successful, when programmes are highly focused
Institutional & organizational space	A strong Project Steering Committee with membership from all relevant stakeholder Institutions and key Implementing Entities like NBSSI and GRATIS together with PFIs support the microenterprise activities under the Project. At the local level, the establishment of Business Advisory Centres (BACs), Rural Technology Facilities (RTFs), MSE sub-committees, support for formation/strengthening of trade groups/local business associations provide the required institutional and organizational space for the micro and small-scale enterprise development interventions to become sustainable.
Cultural space	Off-farm income generating activities including looking to micro and small-scale enterprises as an additional or substitute source of income for the rural poor, especially women, who are mostly peasant farmers is rapidly gaining cultural acceptability in Ghana, a condition that guarantees effectiveness and success. The REP stakeholders constantly raise awareness.
Financial/fiscal space	Government (national and local) finances most of the recurrent costs (salaries of BAC and RTF staff). The REP-concept will be mainstreamed in District Assembly structures.
Partnership space	IFAD/AfDB: loan to finance up scaling the system Partnership with NBSSI, GRATIS Foundation (national, regional and local) and District Assemblies to sustain the system.

5. Pathways

Which pathways?	The successful initiatives in rural enterprise development are being promoted by GOG to the District through an expansion path and phasing approaches. The process is being continuously adjusted and improved in accordance with the needs and local conditions of the beneficiaries. REP will be a major national programme for rural micro and small scale enterprises (MSEs) promotion, job creation and poverty reduction in all districts countrywide. It will also represent an important national vehicle for private sector initiatives and rural development with strong emphasis on in built mechanisms for sustainability. Its delivery processes will thus be mainstreamed through existing relevant institutions on the basis of REP II model.
Time horizon	8 years (2012-2019)
Role of drivers and spaces	Scaling up of rural MSE development interventions will be successful only when drivers and spaces find ways to link district-level institutions (Local Business Associations, private sector actors including service providers, marketers, etc.) effectively to local government structures so as to ensure harmony in investment decisions and the sustainability of operation.
Obstacles and risks	• lack of skill and ability of the field level staff to implement a rural based project; • the regional level is to be integrated, but has not yet been piloted.

6. IFAD's role

IFAD's specific role	IFAD should continuously support the drivers, provide financial support in the scaling up process and be a key factor in helping to keep momentum and focus. IFAD engagement in policy dialogue with GOG should ensure that country and sector

	strategies address the scaling up dimensions explicitly. Innovative M&E, based on geographic information systems.
Support from IFAD's policies, procedures, etc..	IFAD's role is consistent with IFAD's mission as stated in its Strategic Framework 2007-2010 "We encourage innovation and test new approaches. We work with governments and other partners to learn from experience, and replicate and scale up successes". IFAD could consider implementing a 'scaling up audit' for itself in order to induce a more systematic and effective focus on scaling up. In this regard, project preparation manuals and other operational policies, e.g. supervisions, mid-term reviews, evaluations, completion, should be amended to reflect the need for scaling up.