



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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Rome, 28-29 April 1999

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF GHANA

FOR THE

**UPPER-EAST REGION LAND CONSERVATION AND SMALLHOLDER
REHABILITATION PROJECT - PHASE II**



TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROJECT AREA	iv
LOAN SUMMARY	v
PROJECT BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Ghana	2
PART II THE PROJECT	4
A. Project Area and Target Group	4
B. Objectives and Scope	5
C. Components	5
D. Costs and Financing	8
E. Procurement, Disbursement, Accounts and Audit	10
F. Organization and Management	10
G. Economic Justification	11
H. Risks	12
I. Environmental Impact	12
J. Innovative Features	12
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	13
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT (WILL BE TABLED AT THE SESSION)	15



APPENDIXES

I. COUNTRY DATA	1
II. PREVIOUS IFAD LOANS TO GHANA	2
III. LOGICAL FRAMEWORK	3
IV. ORGANIZATION AND MANAGEMENT	5



CURRENCY EQUIVALENTS

Currency Unit	=	Cedi (GHC)
USD 1.00	=	GHC 2 300
GHC 1 000	=	USD 0.43478

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 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

AWP/B	Annual Work Programme and Budget
DAs	District Assemblies
DACF	District Assembly Common Fund
DCC	District Coordinating Committee
DPMU	District Project Management Unit
FTD	Farmer Training and Demonstration
IEM	Interim Evaluation Mission
IGAs	Income-Generating Activities
LACOSREP	Land Conservation and Smallholder Rehabilitation Project
MOFA	Ministry of Food and Agriculture
NGOs	Non-Governmental Organizations
PBs	Participating Banks
PCU	Project Coordination Unit
SOE	Statement of Expenditure
RCF	Revolving Credit Fund
UER	Upper-East Region
VIP	Village Infrastructure Programme
WUAs	Water User Associations

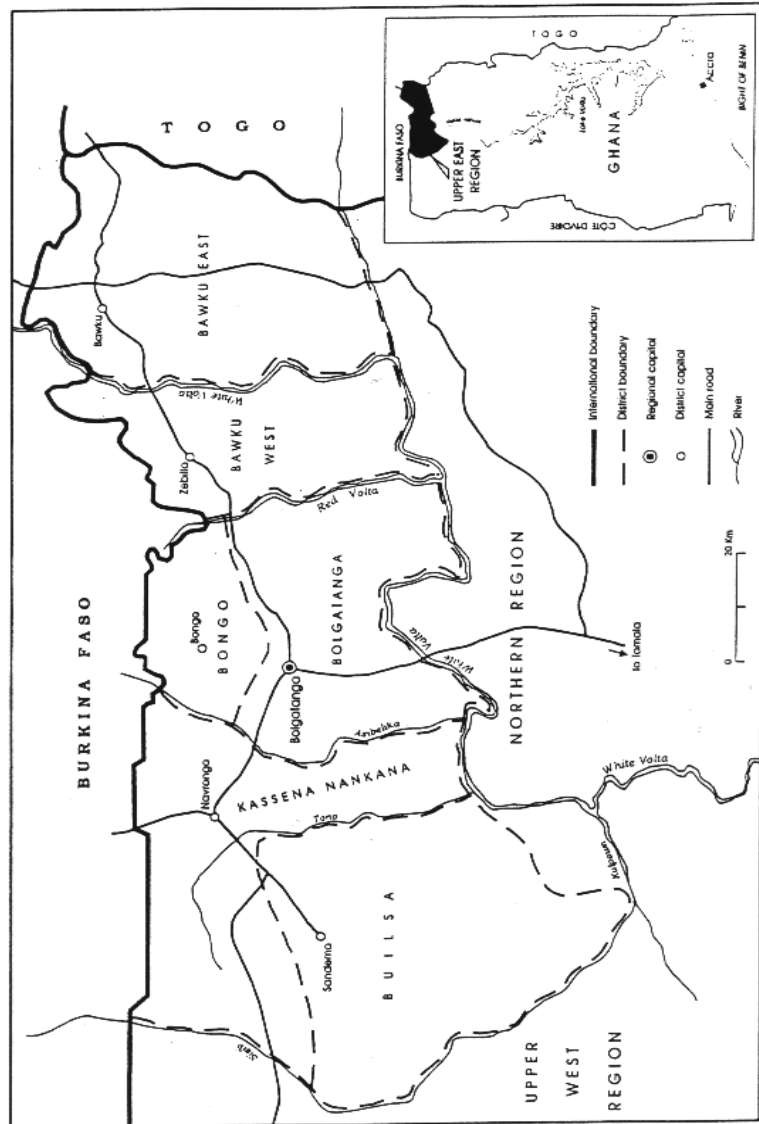
GOVERNMENT OF THE REPUBLIC OF GHANA

Fiscal Year

1 January - 31 December



MAP OF THE PROJECT AREA



Source: Appraisal Report

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.



REPUBLIC OF GHANA

**UPPER-EAST REGION LAND CONSERVATION AND SMALLHOLDER
REHABILITATION PROJECT - PHASE II**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Ghana
EXECUTING AGENCY:	Ministry of Food and Agriculture (MOFA)
TOTAL PROJECT COST:	USD 13.9 million
AMOUNT OF IFAD LOAN:	SDR 8.3 million (equivalent to approximately USD 11.5 million)
AMOUNT OF IFAD GRANT:	USD 99 270
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
CONTRIBUTION OF BORROWER:	USD 1.1 million
CONTRIBUTION OF BENEFICIARIES:	USD 842 700
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries? The beneficiaries are rural people and consist of smallholders, near landless farmers and women in general, along with female-headed households. The beneficiaries are drawn from the “at risk” category that embraces both economic and social criteria, and includes those most at risk from malnutrition, ill health and a generally low quality of life. They come from an area that has the highest population growth rate (over 3%) and densities (136 people/km²) and the lowest living standards of all areas in Ghana. These include, the lowest school enrolment rates, the poorest access to health care and clean water, a maternal mortality of over 3%, the highest illiteracy rates, etc. As women play an important role in the household and bear a disproportionate share of the pain and stress that results from food insecurity compared to their male counterparts, the project will target women. The total number of direct beneficiaries has been estimated at 34 400, which represents about 50% of the target group. Indirect beneficiaries will include those benefiting from drinking water supplies (between 4 000 and 5 000 families), latrines, feeder roads and crop-storage facilities.

Why are they poor? Poverty is due to a combination of factors including lack of resources and access to adequate basic services and facilities. The agro-ecological conditions of the Upper-East Region (UER) are characterized as fragile due to a long dry season (November to May) and erratic rains that threaten food availability and security for a large number of people. The food-producing sector has stagnated in recent years with production failing to keep up with population growth. All this damages the poor, particularly rural women and children since male family members outmigrate in search of work opportunities.

What will the project do for them? The project will assist beneficiaries by improving the capacity of poor members of the community (men and women) to actively participate in the decisions and implementation of development interventions. The project will: (a) strengthen formal and informal community organizations (especially women’s groups) as institutions through which technical and other support services can be provided; (b) further develop the potential for irrigated agriculture by rehabilitating or constructing new dams or wells; and (c) support income-generating activities and improve the most solicited rural infrastructure. As a result of these combined activities, the rural poor in the project area will improve their living conditions by raising incomes on a sustainable basis while also increasing household food security.

How will beneficiaries participate in the project? The thrust of future support will be to inject more participation into project activities, thus building an accrued sense of ownership among the final users. In the medium term, this should increase the capacity of the various stakeholders to identify, screen, implement and evaluate projects according to accepted priorities, criteria and procedures. Moreover, by adopting a demand-driven approach to support priority interventions selected by farmers, the project will contribute to a more efficient use of the limited resources available to the UER for agriculture-extension activities.

How was the project formulated? Project formulation has been highly participatory with substantial contributions from project staff, district authorities, beneficiaries and other local resources (non-governmental organizations (NGOs), traditional leaders and the private sector). Stakeholder empowerment at the design stage was essential in reducing the risk of low institutional commitment, poor beneficiary targeting and participation. The move to decentralization has facilitated several aspects of project design, including more scope for participatory planning that involve local communities and facilitate effective targeting. The formulation mission’s key role has been one of catalyst and facilitator of the process.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
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UPPER-EAST REGION LAND CONSERVATION AND SMALLHOLDER
REHABILITATION PROJECT - PHASE II**

I submit the following Report and Recommendation on a proposed loan to the Republic of Ghana for SDR 8.3 million (equivalent to approximately USD 11.5 million) on highly concessional terms to help finance the Upper-East Region Land Conservation and Smallholder Rehabilitation Project - Phase II. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Ghana is classified as a low-income, food-deficit country with a per capita GDP of USD 446 in 1996. The economy has traditionally depended to a high degree on primary (agricultural and mineral) production and exports. Inappropriate macroeconomic policies of the 1960s resulted in a rapid deterioration of the economy during the 1970s. By 1982 it had virtually collapsed. 1983 marked the inception of the Economic Recovery Programme with its related structural adjustment programmes. The Government is committed to pursuing adjustment. A strong emphasis is placed on continuing economic liberalization, private-sector revitalization and decentralization. In an attempt to find solutions to long-term post-structural adjustment problems, the Government launched in 1995 its Vision 2020 document. The goal of the prospective plan for national development is transform Ghana from a poor, low-income country into a prosperous, middle-income one by the year 2020. Signs of economic improvement are beginning to appear.

2. The agricultural sector remains the dominant sector of the Ghanaian economy, contributing over 40% of GDP and about three quarters of export earnings. Cocoa is, apart from gold, the most important foreign exchange earner; however, food crops contribute by far the most to agricultural output, alone making up 30% of GDP. Agriculture is the main source of livelihood for about 60% of the labour force, providing it to about two thirds of the population. The small industrial sector depends on agriculture as a source of raw materials. Ghana's agriculture is predominantly smallholder, traditional and rainfed farming. Between 1983 and 1993, agricultural growth rates averaged less than 2%, which is below population growth. Recent years have shown only slight improvements; despite its vast potential, food production remains in deficit overall.

B. Lessons Learned from Previous IFAD Experience

3. IFAD has, so far, financed eight projects in Ghana. IFAD-funded projects in Ghana are among the largest in the subregion and the total cost of the eight projects amounts to about USD 184 million,

¹ See Appendix I for additional information.



of which IFAD contributions in loans and grants amount to USD 91 million. Of these projects, four are characterized as agricultural development, one as a programme loan, another as credit and another two as rural development. The recent IFAD portfolio (Smallholder Credit, the Input Supply and Marketing Project, the Rural Enterprises Project, the Root and Tuber Improvement Programme and the Village Infrastructure Programme (VIP)) has national coverage. Household food insecurity and rural poverty have been addressed by IFAD investments that are designed to boost the purchasing power of rural households to buy food staples and essentials through small-scale rural enterprises or by specific income-generating activities for rural women. The Land Conservation and Smallholder Rehabilitation Project (LACOSREP) was completed in December 1997.

4. A Country Portfolio Evaluation was undertaken in 1996. The Evaluation found that the more important lessons learned during implementation of IFAD projects in Ghana were: (i) project design and financing arrangements should take into account that the provision of counterpart funds is untimely and inadequate, and constitutes the most important problem of implementation; (ii) due consideration should be given in project design to the implementation capacities of public-sector institutions (especially at the district and subdistrict levels, non-governmental organizations (NGOs) and private-sector entities charged with executing project activities); (iii) the project structure should be integrated within the existing decentralized institutional framework; (iv) strong community involvement and participatory planning and implementation are necessary to ensure sustainability of project interventions; (v) on matters of vital importance to the success and sustainability of projects (e.g., the maintenance of positive interest rates in real terms on revolving funds held by the Bank of Ghana), representations obtained from government agencies are often inadequate and the necessary conditions need to be incorporated in legal agreements with the Government; and (vi) gender-equity considerations need to be mainstreamed and internalized in each component's design. A Country Strategic Opportunities Paper prepared in 1998 drew heavily on the Evaluation to confirm IFAD's strategic and operational thrusts in Ghana.

5. On completion of LACOSREP, both the Government and IFAD indicated their willingness to continue cooperating in developing this highly depressed, impoverished and food insecure region. Consequently, an Interim Evaluation Mission (IEM) was sent to evaluate the effectiveness of project interventions. The IEM concluded that "the project has been implemented satisfactorily within the period stipulated in project design, and households beneficiaries were positively affected. Most physical targets of project activities have been achieved and disbursement of IFAD loan amounted to 98% by February 1998. Interim Evaluation field work demonstrated that the contribution of the water resources development component to rural household food security, increased employment opportunities, and improved household income is significant. There is still ample scope for further intervention in this area in the UER to maximise such impact... Notwithstanding these achievements, a number of critical project initiatives in grassroots capacity-building, gender equity, and cost recovery as well as sustainability of WUAs [Water User Associations], credit schemes, and catchment area protection are only partially accomplished and would therefore require further consolidation."

C. IFAD's Strategy for Collaboration with Ghana

IFAD's Strategy in Ghana

6. IFAD's country strategic framework for Ghana includes the following five elements: (i) sustainable improvement of smallholder food production and food security while simultaneously addressing problems of environmental degradation; (ii) improvement of opportunities for farm and non-farm income generation among the rural poor; (iii) poverty alleviation, improving the quality of rural life and devising more effective ways of reaching targeted poverty groups; (iv) providing specific, targeted support to rural women; and (v) working with and through NGOs, community-



based organizations and local government agencies, especially at the district and unit level, in line with the Government's decentralization policies. In addition, IFAD seeks to empower potential beneficiaries through the establishment of participatory mechanisms for group activities and to support to grass-roots organizations, particularly women's groups. All IFAD projects in Ghana focus on: (i) food crops; (ii) smallholders as a target group, including support for rural women; (iii) participatory group development; (iv) small-scale credit for on and off-farm activities; (v) village level rural infrastructure; and (vi) sustainability and replicability of the activities funded. IFAD's operations in the future will continue to emphasize the Northern, the Upper-East, and the Upper-West Regions, which have the highest incidence of poverty in the country.

Opportunities for Strategic Linkages with Other Bilateral and Multilateral Donors

7. IFAD is particularly concerned about the need to increase the opportunities for strategic linkages with other donors and to reach a common and broad understanding of development assistance to the country. To that effect and with regard to rural finance, agricultural research and extension, natural resource management and development of basic infrastructure, IFAD has had the opportunity to discuss and agree on areas of strategic alliances and cooperation with the World Bank. Currently, VIP and the Root and Tuber Improvement Programme are supervised by the World Bank (the World Bank is a main financier of VIP). A framework for the integration of donor support to reinforce and complement IFAD activities in the Upper-East Region (UER) and to avoid any overlapping and duplication of efforts within the context of future interventions is pursued under LACOSREP II.

Ghana's Policy for Poverty Eradication

8. With the growing realization of the persistence of poverty, recent agricultural policy statements of the Government emphasize measures for rural poverty alleviation, particularly in the most affected northern regions. Broad-based social and rural development is seen as critical in achieving a better quality of life for all Ghanaians. Rural development is a declared priority because 68% of the population live in rural areas, where the worst problems of deprivation are found, and where women are particularly underprivileged. Recognizing that wider access to basic social services and rural infrastructure is a precondition for economic growth, the Government is building a national framework for poverty reduction and development of human and physical resources in the rural sector. The national framework envisages promoting sustainable economic growth in rural areas, especially through activities in agriculture.

Project Rationale

9. Poverty is widespread in the UER and there is a very high degree of household food insecurity among the rural population. The reasons are the following: (i) dependence of the farmers on a single cropping season for their incomes; (ii) low and erratic rainfall resulting in a narrow choice of crops (mainly subsistence), the high risk of crop failure and the consequent unwillingness of farmers to use purchased inputs; (iii) the lack of capital and often technical knowledge to undertake non-farm income-earning opportunities. Furthermore, in areas of high and increasing population density, farm sizes are shrinking and soil fertility is declining, making it difficult for rural families to eke out an existence without recourse to seasonal or even permanent urban migration in search of wage employment. While progress has been achieved in terms of physical implementation of productive infrastructure and the building of a local capacity to properly manage the newly developed potential, villages and districts in the UER are still ranked as being the most food insecure and poorest of the entire country.

10. Ample opportunities exist to extend the benefits from dam rehabilitation, ascertain the sustainability of Water User Associations (WUAs), improve the access of women to land and build on existing credit experience to **improve household food security**. This calls for a two-pronged



approach that aims to: (i) improve access to food during the dry season either by promoting **irrigated agriculture** (for which there is an unexploited and demonstrated potential) or by increasing household incomes so supplementary food can be bought; and (ii) raise the **productivity and long-term sustainability** of food production at the farm level. In addition to addressing the technical issues, challenges remain in the following areas: the financial aspects of smallholder operations (rural savings and credit groups); the importance of empowering smallholders through group activities; and beneficiary participation and promotion of grass-roots organizations, particularly those promoting the interests of women. The institutional framework that facilitates the implementation of these field-level programmes also needs to be developed further if they are to be sustainable.

PART II - THE PROJECT

A. Project Area and Target Group

11. **Project area.** The UER is bounded to the north by Burkina Faso, to the east by Togo, and to the south and west by the Northern and Upper-West Regions. The UER is the smallest region of Ghana representing slightly more than 3% of the land area. However, with an estimated population of 1.2 million (about 6.6% of the national population), the density of 113 persons/km² is among the highest in the country. Eighty per cent of the active population is employed in agriculture. The UER has about 18% of the cattle and 9% of the small ruminants in Ghana, which is relatively high compared with its land area. Poultry is also important in poor household economies with the domesticated guinea fowl as the most significant. The UER has the lowest living standards of all areas in Ghana, the lowest school enrolment rates, the poorest access to health care and clean water, a maternal mortality of over 3%, the highest illiteracy rates, etc. Rural women and children are the most seriously affected by these low living standards and poverty in general. The region's topography is mainly flat. Peak rainfall, often in the form of violent storms, occurs during August and September when cereals are flowering. The dry season, which lasts from November to April, is characterized by dry, dust-laden harmattan winds from the Sahara.

12. **Target group.** As in Phase I, the project's target groups are defined as those sections of the rural population that are most at risk from malnutrition, ill health and a generally low quality of life. However, rural people are drawn into the 'at risk' category due to a combination of factors, including lack of resources and access to adequate basic services and facilities. The definition therefore embraces both economic and social criteria. In Phase II, effective targeting will be based on a number of criteria similar to those utilized in Phase I, but adapted to the new implementation focus. Geographic area targeting will be the first step. Criteria definition will seek to identify the less advantaged groups within the communities. These will have to be more flexible and should be finalized by the communities themselves. In the UER, there are many instances of groups of villages and individual communities that are particularly far from any major economic centres; most often deep rural poverty is found here. Hence within the region, these areas should be prioritized in the allocation of project resources. As women continue to suffer from social and economic restrictions, specifically focused targeting is also required. Consequently, while the whole region is the first general target, women as a subgroup still remain the project's main group target within the region. There is also a need to systematically consider the roles and responsibilities of men and women and the way in which gender and development considerations affect, positively or negatively, the capacity of each to participate in the project, while ensuring an equitable distribution of its benefits.

13. Based on the scenario used for calculating financing requirements, the total number of direct beneficiaries has been estimated at 34 400, representing about 50% of the target group. About 9 300 will benefit from the development of irrigation (375 ha); and 9 000 will participate in Farmer Training and Demonstration (FTD). 13 100 will be the incremental beneficiaries that receive credit



for income-generating activities (IGAs) beginning from PY3 due to the additional credit line, and 3 000 households, among the most deprived, will receive a grant for animal production or equipment. Indirect beneficiaries will include those benefiting from drinking water supplies (4 000 to 5 000 families), latrines, feeder roads and crop storage facilities.

B. Objectives and Scope

14. The overall objective of LACOSREP II is to empower rural populations living in poverty to use the opportunities provided by the project to: (i) access improved technology, services and credit in order to increase and stabilize their farm incomes through irrigation, improved technology, and IGAs; and (ii) to develop their social infrastructure to improve their living conditions and environment. The project will also need to strengthen the capacity of LACOSREP staff and stakeholders to integrate gender aspects into their work. Specific objectives will be to: (i) build the capacity of key formal and informal institutions that provide technical and social services to use demand-driven participatory approaches at the district and subdistrict levels; (ii) further develop irrigation in the UER; (iii) increase productivity through farmer training and demonstrations of new technologies for increasing productivity of crops, livestock and fish; and (iv) construct rural infrastructure to reduce the female labour burden and take measures to mitigate the possible risks of negative health and environmental impacts.

C. Components

Capacity-Building

15. Under this component, the project will strengthen project delivery skills and management capacities of the key implementing agencies. It will finance the following: (i) promotion of the project and its demand-driven, participatory approach to development among decision-makers and communities that will be involved in the project at the regional, district and subdistrict levels; (ii) training of project managers, district level planners, implementing agencies, front-line extension workers, NGOs², unit committees and community-based organizations in participatory rural appraisal, group development, gender approach, negotiating skills, training-needs assessment and identification of small projects; (iii) specific training in functional literacy for female farmers and girls; (iv) training courses for rural bank staff; and (v) local language radio programmes and other media campaigns.

Agriculture

16. **Irrigation facilities.** The component's four activities will be closely linked and, to a large degree, complemented by the infrastructure sub-component described below: (i) as part of the development of irrigation facilities, thirty dams will be rehabilitated and six new ones constructed. At least 372 ha of irrigable area will be developed³. Because of the need to consolidate Phase I activities, sensitize and organize participating communities, and carry out surveys and design work, construction work on rehabilitation and new dams will be undertaken subject to satisfactory completion of the training and proper functioning of WUAs to the satisfaction of the proposed mid-term review of the project; (ii) in addition to the 36 WUAs to be formed under Phase II, the existing 44 WUAs formed during Phase I and an estimated 20 communities currently outside LACOSREP attention will be targeted through formal training covering technical, organizational, managerial and gender issues. Training will involve the "training-of-trainers"; (iii) as part of catchment area protection, about 20 ha of catchment area immediately adjoining the reservoirs' high water mark will form part of the dam infrastructure. This area will be mechanically bunded while grass planting will

² Priority will be given to NGOs that are already well established in the communities that enjoy a good record of achievement and are likely to be involved as implementing agents in the project.

³ Experience has shown that the actual area irrigated generally exceeds the design irrigable area.



be the responsibility of the WUAs. The area outside the 20 ha is to be targeted and will be managed by the Department of Forestry-Managed Savannah Resources and Management Programme; and (iv) using expertise from an appropriate country, demonstrations of cheap hand-operated tube wells technology will be established in all districts to supersede manual extraction of water from open shallow wells and increase possibilities for additional small-scale irrigation.

17. **Schistosomiasis control.** In order to obtain a clearer picture of the trends in the incidence of schistosomiasis, a water-borne disease spread partly through faecal contamination of water and the resultant ingestion of infected water and other water-borne diseases such as malaria and hookworm, parasitological surveys will be conducted at all smallholder irrigation dams in the UER; a programme of cost-effective preventive and control measures to minimize the spread of these diseases will be instituted and will be implemented by the Regional Health Directorate, working in close collaboration with NGOs with proven experience in this field; wells to supply potable water at each reservoir site will be provided and latrines will also be built to minimize the spread of disease; and support for a community education programme on disease and nutrition matters will be provided.

18. **Agricultural development.** Under this component, provision will be made to implement a largely demand-driven programme of FTD. These will focus on technologies that farmers request to see demonstrated as well as technologies that may be little known to them (water harvesting and conservation, integrated pest management, post-harvest technologies, etc.), but which respond to their concerns. The project will support **technology generation and research** studies and technical assistance to help farmers deal with specific problems that concern them. It will also support ongoing investigations such as the development of specific integrated pest-management curricula for dry season crops. Front-line agriculture staff, including non-Ministry of Food and Agriculture (MOFA) personnel, will also be trained and equipped to carry out their specific functions under the project. Without interfering in the overall functioning of the market, it is possible to initiate under LACOSREP II a set of activities that could help small-scale producers around rehabilitated dams address their marketing problems. Support for **marketing and processing** will include the setting up a market-information system and providing funds for the demonstration of simple processing equipment and storage structures to be operated at the community and household levels.

19. **Livestock development.** Animal husbandry improvement will focus on small ruminants and guinea fowls. Simple improvements in health care and housing for guinea fowls will be provided through poultry drugs and veterinary assistance, along with intensive training by community livestock workers and the construction of simple housing for the guinea fowl. Support for sheep and goat production will take the form of operational funds for staff carrying out annual vaccination programmes against *Pest Reléts Ruminats* (PRR) and Anthrax. Improvements in housing will be supported with credit under the IGA programme.

20. **Fishery development.** Support will be provided for fishery development, mainly fingerling multiplication and stocking of rehabilitated or newly constructed dams.

Promotion of Income-Generating Activities

21. The project will continue to support the promotion of IGAs begun in the first phase. The project will provide related capacity-building of participating banks (PBs), credit staff of project coordination unit (PCU)/district project management units (DPMUs) and selected NGO representatives. The training will focus on savings-mobilization strategies, financing through self-help groups and gender issues in microcredit. The project will also provide mobile banking facilities and increased mobility and equipment support of PBs. More emphasis will be placed on sharing knowledge and experience from other IFAD credit activities (Smallholder Credit, the Input Supply



and Marketing Project, the Rural Enterprises Project, the Upper-West Agricultural Development Project) on promoting reduction in transaction costs and increases in recovery rates.

22. **Mobilization of savings and credit groups.** About 425 village group animators, each working with four to five “*susu* (traditional savings) groups”, will create awareness of the need for group decision-making and the actions required to develop savings linked to credit for IGAs. The area level community credit management committees will be revitalized to act as direct links between the beneficiary groups and PBs. The project will finance intensive training of beneficiaries, group executives, community credit management committees and village group animators.

23. **Revolving Credit Fund.** Over the first four years of project implementation, an additional USD 1.4 million will be provided to replenish the Revolving Credit Fund (RCF) established under LACOSREP to its original level⁴. The RCF will be disbursed through PBs for short-term loans to finance and off-farm IGAs on an incremental basis and for medium-term loans for agricultural purposes. Over the project implementation period of five years, some 31 500 target group smallholders and small-scale investors in 2 100 groups will benefit from project-financed loans. In addition, the project will finance the costs of special studies in rural microfinance.

24. **Pilot programme.** The pilot programme under grant finance will incorporate and follow up the recommendations of the IFAD/German Agency for Technical Cooperation/German Foundation for International Development and Government co-sponsored workshop on “Innovations in Microfinance for the Rural Poor”, held in Accra in 1998. It will test and demonstrate the effectiveness of: (i) NGO partnerships for promoting group savings and microcredit management; and (ii) a family credit scheme. Initially, the pilot programme will be implemented in two districts. Training costs will be borne by the project and family loans will be provided by a PB.

Rural Infrastructure

25. To a major degree, water resource development will determine the placement of wells for potable water, latrines and repairs to feeder roads. To minimize the spread of schistosomiasis, potable water and latrines will be built near targeted dam sites (see paragraph 17). Attention to feeder roads will be linked to expected increases in agricultural production as a result of the expansion in irrigable land. A local NGO with substantial experience will be supported in constructing about 450 hand-dug wells over the five years of project-life using communal labour. Each well is expected to serve about 200-250 people. Because project-targeted dams without adequate potable water will receive priority, many of the wells and latrines (five per well) will be located near those sites. The project, in conjunction with the districts, will determine the location of the facilities on the basis of assessed needs, including the location of the dam sites. The NGO will be responsible for community sensitization and construction.

26. **Feeder roads.** About 75km of feeder road will be spot-improved and 45km regavelled in three UER districts not targeted by a World Food Programme-supported project. The roads will generally be linked to project activities.

Project Organization and Management

27. The project will finance PCU and DPMU costs and will provide vehicles and office equipment. Studies in support of monitoring and evaluation activities will include a baseline survey, a gender-focused study, a land-tenure study and a mid-term evaluation.

⁴ The erosion of the RCF was due to negative real term interest rates paid by the Government on RCF funds, and was in no way connected with any defaults by PBs who were, on the contrary, very regular in repayment of their dues.



D. Costs and Financing

28. The total project cost, including duties, taxes and contingencies, is estimated at USD 13.9 million over a period of five years, of which USD 3.2 million (23%) will be in foreign exchange. The most important component will be irrigation development, amounting to USD 4.0 million or 32% of the total base costs. Rural infrastructure, support to IGAs and agricultural development cost USD 2.3 million (19%), 2.2 million (18%) and 1.8% (15%), respectively. Management costs amount to 14% of base costs, which is less than the average for IFAD projects in Ghana. Duties and taxes are estimated at USD 560 000. Price and physical contingencies are estimated at USD 645 000 and 922 000, respectively.

29. **Financing.** IFAD will finance USD 11.5 million equivalent as a loan and USD 99 270 as a grant. The IFAD loan will be disbursed over a five-year project implementation period from envisaged effectiveness. This should take place in fiscal year 1999. The Government will contribute USD 1.1 million and the beneficiaries will contribute USD 842 628. The NGOs will contribute USD 341 377. The closing date shall be the date six months after the project completion date, five years from such effectiveness. Table 1 below summarizes the project costs.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Capacity-building	323 997	53 811	377 808	14	3
B. Agriculture					
1. Irrigation facilities	2 684 924	1 289 912	3 974 836	32	32
2. Agricultural development	1 539 550	263 900	1 803 450	15	15
Subtotal	4 224 474	1 553 812	5 778 286	27	47
C. Rural infrastructure	1 724 666	581 929	2 306 595	25	19
D. Promotion of IGAs	1 982 944	200 938	2 183 881	9	18
E. Management and organization	1 220 216	452 423	1 672 639	27	14
Total base costs	9 476 297	2 842 913	12 319 210	23	100
Physical contingencies	484 342	160 286	644 628	25	5
Price contingencies	678 361	243 920	922 282	26	7
Total project costs	10 639 000	3 247 119	13 886 119	23	113

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD)

Components	Gov'/District Assembly		IFAD Grant		IFAD		NGOs		Beneficiaries		Total		Foreign	Local (Excl.	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Exchange	Taxes)	
A.Capacity-building	357	0.1	-	-	438 320	99.0	-	-	-	-	438 367	3.2	63 096	375 224	357
B. Agriculture			-	-											
Irrigation Facilities	604 848	13.1	-	-	3 834 085	83.3	-	-	162 773	3.5	4 601 705	33.3	1 500 965	2 822 675	278 065
Agricultural Development	208 731	10.2	-	-	1 478 851	72.3	-	-	357 573	17.5	2 045 156	14.7	302 159	1 654 730	88 266
Subtotal	813 579	12.2	-	-	5 312 935	79.9	-	-	520 346	7.8	6 646 861	47.9	1 803 124	4 477 405	336 331
C. Rural Infrastructure	101 324	3.9	-	-	1 938 852	74.4	242 107	9.3	322 282	12.4	2 604 564	18.8	663 905	1 846 718	93 942
D. Promotion of IGAs	60 001	2.6	99 270	4.3	2 061 563	88.9	99 270	4.3	-	-	2 320 104	16.7	216 983	2 088 089	15 031
E. Management and Organization	131 528	7.0	-	-	1 744 386	93.0	-	-	-	-	1 875 914	13.5	500 011	1 294 894	81 009
Total	1 106 789	8.0	99 270	0.7	11 496 056	82.8	341 377	2.5	842 628	6.1	13 886 119	100.0	3 247 119	10 082 330	556 670

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

30. Procurement of goods and works shall be carried out in accordance with IFAD Procurement Guidelines. Procurement of equipment, materials and vehicles valued over USD 100 000 per contract will be subject to international competitive bidding procedures. Contracts for goods valued each less than USD 100 000 and more than 50 000 will be subject to national competitive bidding. Those not exceeding USD 50 000 each will be procured through local shopping procedures. Given the nature of the construction work, which is scattered in the rural environment, no international competitive bidding for civil works is envisaged. Construction contracts costing more than USD 50 000 each will be subject to tendering and non-competitive bidding. For contracts of up to USD 50 000, the district assemblies (DAs) will request price quotations from at least three contractors and administer such contracts through PCU. Consultancy contracts will be awarded following internationally acceptable guidelines and conditions of service satisfactory to IFAD.

31. Disbursements for vehicles, works, equipment and materials under contracts that cost more than USD 50 000 each will be fully documented. Those for subloans, incremental costs, operating costs, contracts for vehicles, works and equipment valued at less than USD 50 000 each and consultant services contracts valued at less than USD 15 000 each may be made against statement of expenditures (SOE).

32. A Special Account (Account A) for the project, excluding the provision of rural credit, will be opened in a commercial bank approved by the Fund, and most likely located in Tamale. An initial amount of USD 500 000 will be deposited into the account for the first year of operations. It will be increased to the full amount of the authorized allocation, USD 800 000, during the second year. In addition, a project account in Cedis will be set up for receipt and disbursement of the borrower's counterpart funds. An initial deposit of USD 50 000 equivalent by the borrower will be a condition of effectiveness of the IFAD loan. In addition to Special Account A and the project account, a separate USD Special Account (Account B) for RCF will also be opened in a commercial bank approved by the Fund, also most likely located in Tamale. The authorized allocation of USD 250 000 will be deposited into account upon its opening, within 30 days of effectiveness.

33. In addition, separate accounts will be opened for each of the six participating districts. Funds for the implementation of the first three months of the approved annual work programme and budget (AWP/B) will be transferred from Special Account A to these accounts. Withdrawal from these accounts will be made from the MOFA accountants who are members of DPMU after joint approval by the District Director of Agriculture and the district coordination officer. The SOE will be submitted on a monthly basis to PCU. Projects under the rural infrastructure development component will be financed through the district assembly common fund. Advances will be made to the District Assembly Common Fund (DACF) on the basis of a 90-day advance (i.e., USD 20 000-30 000 per district). The Special Accounts, project accounts and SOEs will be audited by an independent auditing firm on an annual basis. At the district level, a semi-annual performance review will be carried out by an auditing firm.

F. Organization and Management

34. The overall responsibility for management of the project will lie with MOFA. A project coordination committee headed by the Regional Minister will be charged with overall responsibility for coordinating the implementation of project components at the regional level. As in the first phase, MOFA's Regional Director of Agriculture will be the project coordinator in charge of the project coordination unit (PCU) in Bolgatanga. The project coordinator will be responsible for the technical supervision of project interventions and the day-to-day coordination of all project activities at the regional level. Management of interventions at the district and community levels will be the responsibility of the district director of agriculture assisted by a small DPMU. The DAs will be



responsible for managing the activities under the rural infrastructure component in line with arrangements under VIP. At the district level, each community will be responsible for identifying, through participatory needs assessment, the initiatives for approval by the project district committee. Approved project proposals will then be part of the district's AWP/B on the basis of which the project's APW/B will be consolidated from the six districts.

35. **Implementation manual.** The potential development impact of LACOSREP II is dependent upon establishing an effective institutional capacity to organize, plan, implement, and monitor the components and activities of the project and to provide for the sustainability of post-project implementation. As such new operational procedures should be developed. A living document describing the agreed procedures and criteria for the implementation of the various project interventions will be developed. During project start-up, priority tasks are likely to be the joint preparation and implementation of APW/Bs, including procurement contracting, training programmes, and plans for monitoring and supervision. Special attention will be given to identifying the level of outputs which can realistically be achieved in five years, and specifying achievement milestones through the life of the project. Attention will be drawn to critical assumptions that need to be monitored. To tie all these elements together, the implementation team will build on the logframe matrix developed during appraisal.

G. Economic Justification

36. **Financial benefits.** The financial analysis confirmed that embarking on dry season irrigated vegetable production is highly profitable. A small plot of 0.04 ha increases the income from farming by 24%. In case the farming families use improved crop husbandry practices on 45% of their rainfed land (in addition to dry season vegetable growing), the family income increases by 37%. Those farming families that do not have access to irrigable land will still be able to increase this income 19% by introducing recommended practices. The returns to incremental labour, ranging from GHC 7 700 for IGA to GHC 23 000 on newly built dams are substantially higher than the prevailing wage rate for daily labourers.

37. **Economic analysis.** The economic benefits of irrigated and rainfed land were calculated after deducting the irrigation capital and operation and maintenance costs (all irrigation-related costs are used, including construction, training, technical services and schistosomiasis control). A similar approach was used for the credit programme assuming that, on average, beneficiaries are taking USD 115 per annum and earning a net surplus of USD 40 after loan repayment and payment of interest. The costs are included in the economic analysis and in the calculation of the aggregated total USD 10.5 million, i.e., 76% of the total project cost. The costs for domestic water and latrines are not included as the associated benefits (e.g., better health and reduced number of days of sickness), better access to markets, increased producer prices, etc.) are not easily quantifiable. The overall economic internal rate of return is 20.6%.

38. **Access to project benefits.** Women will have unconstrained access to participation in all project activities. In addition, some activities are specifically geared to benefit women's groups. These include credit for IGA (1 500 of the 2 100 groups anticipated), irrigation (not less than 40% of the irrigated area is reserved for women), labour-intensive works (50-80% of recruitment) and membership in WUA executive committees (not less than 50%). Furthermore, the project will provide for access to potable water, improved wood stoves made of mud and other time and energy-saving devices and skills training to facilitate equal participation by women in project activities.

H. Risks

39. There is always a risk that the demand for some interventions (e.g., FTD, latrines, credit for IGAs) may not meet the levels anticipated in the design. To minimize this risk, it is essential to



monitor carefully the uptake of the different interventions and either intensify promotional activities to strengthen demand or to move funds into other activities for which there is already a strong demand. In addition, as funds for infrastructure development (e.g., rural roads, latrines and wells) will be channelled to DAs through the DACF, it carries the risk that the funds may, in some cases, be diverted to non-project activities by DAs that are experiencing budgetary problems. Frequent monitoring will be necessary to ensure that the funds are flowing smoothly to implementing agencies for these interventions. A possible deterioration of the macroeconomic environment is a further risk. This could result in inflation exceeding a level and thereby adversely affecting viable savings mobilization and credit activities.

I. Environmental Impact

40. Mitigating measures have been included in the project to reduce possible health hazards that could arise from the introduction of irrigation — mostly related to risk of the spread of schistosomiasis in areas surrounding the dams. This will result in an overall positive impact of LACOSREP II with respect to the living conditions of the target group. Other positive environmental impacts include: (i) recharging the groundwater table, thus increasing the base flow in the downstream part of the catchment area; (ii) stabilizing the water supply to wells further downstream; and (iii) reducing siltation of the Akosombo reservoir, through catchment-area protection as well as by trapping any silt entering the reservoir. The water resources development component is classified as Category B. As such, completion of environmental impact assessment studies will be required as a precondition for the financing of new dam construction under this project. The main negative impact could arise from increased pressure on the areas surrounding the reservoir, resulting from the grazing and movement of cattle during the dry season; this will require tight monitoring. Mitigating measures should be discussed on a case-by-case basis within each WUA. The spot improvement and regravelling of existing feeder roads is not expected to damage the environment.

J. Innovative Features

41. Two innovative features have been built into the design compared to the previous phase. General **decentralization** policies are increasingly **empowering** regional administrations and DAs at the local level. The implementing agencies for the different interventions, including NGOs and private-sector organizations, will be represented on the project's governing bodies (project coordination committee, DCCs), or become partners (PCU and DPMUs). To support these initiatives, the project will promote the concept that administrators avoid getting directly involved in infrastructure construction and service delivery. Rather they should facilitate development by formulating policies, providing incentives, encouraging the formation of socio-professional groups, training farmers, and further devolving certain authority to relevant groups and communities. More emphasis will be placed on facilitation to make empowerment and devolution worthwhile. Financial and technical resources provided by the project will be transferred to **targeted** communities and groups, on a **demand-driven, yet participatory** basis. This participatory approach will facilitate the implementation and sustainability of rural development in the UER. At the same time, greater flexibility and gender considerations are also systematically mainstreamed within each component.



PART III - LEGAL INSTRUMENTS AND AUTHORITY

42. A Loan Agreement between the Republic of Ghana and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated Loan Agreement is attached as an annex.
43. The Republic of Ghana is empowered under its laws to borrow from IFAD.
44. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

45. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Ghana in various currencies in an amount equivalent to eight million three hundred thousand Special Drawing Rights (SDR 8 300 000) to mature on and prior to 15 March 2039 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 18 february 1999)

1. Each district coordinating committee (DCC) will prepare, on the basis of sub-project proposals submitted by the beneficiaries and selected by the relevant DPMU, a draft district-encompassing AWP/B for each project year. The DCCs will submit the draft AWP/Bs to the PCU for approval of a draft consolidated AWP/B by the project coordination committee. The PCU will adopt the consolidated AWP/B substantially in the form approved by IFAD and may propose adjustments in the AWP/B during the relevant project year which will become effective upon approval by the lead project agency and IFAD.
2. The Government of Ghana (the "Government") and the Bank of Ghana will enter into an administration agreement under terms and conditions satisfactory to IFAD, and setting forth, among others, that: (i) the Bank of Ghana will administer and transfer to PBs the relevant portion of the proceeds of the loan; (ii) the Government will bear the risk resulting from changes in the foreign exchange and the Cedis under the administration agreement and the subsidiary Loan Agreements to be concluded with the PBs; (iii) the interest spread to PBs will cover their administration and risk costs; and (iv) the Bank of Ghana will make subsidiary loans to eligible PBs at an initial reference rate of interest acceptable to IFAD and exceeding the Government's official rate of inflation.
3. The lead project agency and IFAD will exchange views on the implementation of the project during the third project year (the "Mid-Term Review"), on the basis of terms of reference subject to approval by IFAD and the other participating parties. The Government will ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of IFAD.
4. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account in accordance with the provisions of the General Conditions, upon the occurrence of any of the events set forth therein or any of the following events:
 - (a) The Credit By-laws of a PB, or any provision thereof, will have been suspended or terminated in whole or in part, or waived, or amended so as to, in the reasonable opinion of IFAD, affect materially and adversely the carrying out of the credit components;
 - (b) The project implementation manual, or any provision thereof, will have been suspended, terminated, waived or amended, in whole or in part, without the prior consent of IFAD, and IFAD will have determined that such suspension, termination, waiver or amendment has had, or is likely to have, a material adverse effect on the project; and
 - (c) Two months after the due date, the Government will have failed to make a semi-annual replenishment of the project account required under the relevant provisions of the Loan Agreement.
5. A PCU, headed by the Regional Director of Agriculture acting as project coordinator, will be maintained in Bolgatanga throughout project implementation. The PCU will maintain at all times the project coordinator under terms of reference and with qualifications satisfactory to IFAD.
6. Day-to-day management of interventions at the district and community levels will rest with the relevant district director of agriculture assisted by a DPMU. This unit will be vested with responsibility, among others, for providing support for the organization of preparatory project promotion activities, and



ANNEX

assisting potential beneficiaries in the identification of priority areas for project intervention and sub-project identification.

7. The PCU will prepare a draft project implementation manual, setting forth clearly the new operational procedures and agreed criteria and procedures for project implementation and monitoring, and including, *inter alia*, a description of the beneficiaries, targeting criteria, a first definition of quantitative and qualitative indicators for balancing the descriptive with the analytic elements of sub-project monitoring and evaluation, and normal procedures for preparing, screening, approving and implementing sub-projects. Within ninety (90) days after the effective date, the project coordinator will submit the draft project implementation manual to the project coordinating committee and the lead project agency for approval. The lead project agency will thereafter adopt the project implementation manual substantially in the form approved by IFAD. The PCU will further update and revise the project implementation manual from time to time on the basis of planning workshops.

8. Priority interventions under the project will be identified by each community through a participatory needs assessment. The priority interventions so identified will be developed into sub-project proposals using a simplified standard format. In order to be eligible for financing under the project, each sub-project proposal will: (i) be demanded by the community and stem from a participatory exercise of assessment needs, with particular emphasis on the intervention of women; (ii) impact on a substantial share of the direct beneficiaries/participants who are ranked by the community among the poorest, with women adequately represented; (iii) include evidence of financial viability and long-term sustainability; (iv) conform with the overall project objectives; (v) include a definition of the implementation agency and implementation procedures; (vi) contain an indication of the proposed budget; and (vi) spell out the contribution from community participation as well as the other possible sources of financing, such as those to be provided by NGOs and district assemblies under the District Assembly Common Fund.

9. The credit component will be carried out by qualified PBs selected and appraised by the Bank of Ghana as performing satisfactorily and which: (i) are and undertake to remain duly established and operating under the Government's legislation; (ii) conduct their business with sound administrative and financial practices and under the supervision of competent and experienced management and personnel; and (iii) maintain Credit By-laws setting forth a lending and investment policy acceptable to IFAD, and suitable procedures and a number of qualified staff adequate to enable them to effectively appraise the financial, technical, environmental and economic feasibility of the project interventions for which the subloans are requested. Each PB so selected will be approved by IFAD prior to its engagement.

10. The Government, through the Bank of Ghana, will make available to the PBs as a loan the proceeds of the loan allocated to the credit component under Subsidiary Loan Agreements to be entered into between the Bank of Ghana and the PBs under the terms and conditions satisfactory to IFAD, and providing, among others, that the PB will maintain personnel in reasonable number and a capital adequacy and interest rate in accordance with sound financial principles, and that the subsidiary loan will be made at an initial reference rate of interest acceptable to IFAD and exceeding the Government's official rate of inflation, so as to ensure that the said reference rate of interest is at all times positive in real terms, and will have a maturity not exceeding two years, including a grace period of one year.

11. Each PB will be responsible for approving or rejecting subloan requests, bearing the credit risk and losses associated thereto, and making subloans to beneficiaries in accordance with the Credit By-laws and on terms whereby the PB obtains by written contract or other appropriate legal means the right to: (i) require the beneficiary to carry out and operate the project intervention with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; (ii) ensure that the beneficiary undertake procurement in accordance with established



commercial practices acceptable to IFAD; (iii) require the beneficiary to maintain adequate records and accounts; (iv) inspect by itself or jointly with the representatives of IFAD or the Bank of Ghana its operations and any relevant records and documents; (v) obtain all such information as IFAD or the Bank of Ghana will reasonably request relating to the foregoing; and (vi) suspend or terminate the right of the beneficiary to use the proceeds of the subloan upon the failure of the beneficiary to perform its obligations towards the PB.

12. Each PB will adopt Credit By-laws approved by IFAD and apply them to extend subloans. The said Credit By-laws will include, among others, the following provisions: (i) terms and conditions regarding the target group; (ii) eligibility criteria; (iii) women's participation; (iv) eligible activities and purposes; (v) collateral; (vi) loan ceilings, which shall not exceed 90% of the cost of the activity to be financed thereunder; (vii) interest rates and repayment periods; and (viii) payment of incentive rebates for timely repayment of group loans to the community credit management committee.

13. In consultation with IFAD, the Bank of Ghana will maintain the RCF operating under adequate and financially sound procedures and credit regulations, in an account which accrues positive interest in real terms and into which all net revenues from subloans made to beneficiaries will be deposited. The PBs will use the Revolving Fund to fund further subloans to beneficiaries in accordance with the Loan Agreement.

14. The Government and the lead project agency will maintain appropriate pest management practices under the project and, to that end, will ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization Recommended Classification of Pesticides by Hazard 1996-1997.

15. No withdrawals will be made in respect of expenditures:

- (a) under civil works for the construction and rehabilitation of dams of the water resources development component, unless and until for the dam in connection with which the withdrawal is requested: (i) the relevant WUA having responsibility for the dam catchment area has been duly registered with the District Assembly and is fully operational to the satisfaction of IFAD; (ii) communities have been animated and educated on the rehabilitation or construction works; (iii) the environmental impact study has been completed and approved by the lead project agency and IFAD; (iv) the Government's Irrigation Development Authority and the Traditional Authority have concluded an agreement setting forth the obligations of both the Land Allocation Committee of the District Assembly and of the Traditional Authority with respect to the catchment area protection, reservoir rehabilitation, construction and irrigation works, allocation of land and water rights, and the collection and payment of water charges; (v) the Government has provided to IFAD a written confirmation that the land required for the carrying out of the construction is available free of all encumbrances; and (vi) IFAD is satisfied that other conditions required under the project implementation manual and AWP/B to ensure the environmental, social, and economic sustainability of the irrigation system in question have been duly satisfied; and
- (b) under subloans to be provided under the credit component, until and unless: (i) the Government will have committed in full all funds available in the RCF; (ii) the Administration Agreement will have been approved by IFAD in draft, a signed copy thereof will have been delivered to IFAD, and all conditions precedent to the effectiveness will have been fulfilled; (iii) for the PB in connection with which the withdrawal is requested (A) the subsidiary Loan Agreement will have been approved by IFAD in draft, a signed copy thereof will have been delivered to IFAD, and all conditions precedent to the effectiveness will have been fulfilled and (B) the Credit By-laws of



ANNEX

the PB will have been approved by IFAD and adopted by the PB; and (iv) the subloan has been made in accordance with the relevant provisions of the Loan Agreement.

16. The following are the conditions precedent to the effectiveness of the Loan Agreement:
- (a) project coordinating committee will have been duly established in accordance with the relevant provisions of the Loan Agreement;
 - (b) PCU will have been duly staffed with human and economic resources in accordance with the relevant provisions of the Loan Agreement;
 - (c) The project coordinator will have been appointed by the lead project agency and approved by IFAD in accordance with the relevant provisions of the Loan Agreement;
 - (d) The Government will have duly opened the project account in accordance with the relevant provisions of the Loan Agreement;
 - (e) The Government will have made the initial deposit of USD 50 000 into the project account in accordance with the relevant provisions of the Loan Agreement;
 - (f) The Loan Agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
 - (g) A favourable legal opinion, issued by the Government's Office of the Attorney General or other legal counsel approved by IFAD, in respect of the pertinent matters set forth in the Loan Agreement, in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.



COUNTRY DATA

GHANA

Land area (km² thousand) 1995 1/	228	GNP per capita (USD) 1996 2/	360
Total population (million) 1996 1/	18	Average annual real rate of growth of GNP per capita, 1990-96 2/	1.5
Population density (people per km²) 1996 1/	80	Average annual rate of inflation, 1990-96 2/	26.9
Local currency	Cedis (GHC)	Exchange rate: USD 1 =	GHC 2 300
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-96 1/	3.1	GDP (USD million) 1996 1/	6 344
Crude birth rate (per thousand people) 1996 1/	36	Average annual rate of growth of GDP 1/ 1980-90	3.0
Crude death rate (per thousand people) 1996 1/	10	1990-96	4.4
Infant mortality rate (per thousand live births) 1996 1/	71	Sectoral distribution of GDP, 1996 1/	
Life expectancy at birth (years) 1996 1/	59	% agriculture	44.4
Number of rural poor (million) 1/	4	% industry	16.6
Poor as % of total rural population 1/	34.3	% manufacturing	9.4
Total labour force (million) 1996 1/	8	% services	38.9
Female labour force as % of total, 1996 1/	50.6	Consumption, 1996 1/	
Education		General government consumption (as % of GDP)	12.3
Primary school gross enrolment (% of relevant age group) 1995 1/	76.0	Private consumption (as % of GDP)	79.5
Adult literacy rate (% of total population) 1995 3/	64.5	Gross domestic savings (as % of GDP)	8.2
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	2 574	Merchandise exports, 1996 1/	1 684
Index of daily calorie supply per capita (industrial countries=100) 1995 3/	82	Merchandise imports, 1996 1/	3 219
Prevalence of child malnutrition (% of children under 5) 1990-96 1/	27.4	Balance of merchandise trade	-1 534
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1990-95 1/	1.4	before official transfers, 1996 1/	- 806
Physicians (per thousand people) 1994 1/	n.a.	after official transfers, 1996 1/	- 324
Percentage population without access to safe water 1990-96 3/	35	Foreign direct investment, 1996 1/	120
Percentage population without access to health services 1990-95 3/	40	Government Finance	
Percentage population without access to sanitation 1990-96 3/	45	Overall budget surplus/deficit (including grants) (as % of GDP) 1995 1/	-2.6
Agriculture and Food		Total expenditure (% of GDP) 1995 1/	22.1
Food imports as percentage of total merchandise imports 1996 1/	n.a.	Total external debt (USD million) 1996 1/	6 202
Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/	43	Present value of debt (as % of GNP) 1996 1/	56.3
Food production index (1989-91=100) 1994-96 1/	143	Total debt service (% of exports of goods and services) 1996 1/	26.4
Land Use		Nominal lending rate of banks, 1996 1/	n.a.
Agricultural land as % of total land area, 1994 4/	56.7	Nominal deposit rate of banks, 1996 1/	34.5
Forest area (km ² thousand) 1995 1/	90		
Forest area as % of total land area, 1995 1/	39.7		
Irrigated land as % of cropland, 1994-96 1/	0.1		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1998

2/ World Bank, *Atlas*, 1998

3/ UNDP, *Human Development Report*, 1998

4/ World Bank, *The World Development Indicators CD-ROM*, 1998

PREVIOUS IFAD LOANS TO GHANA

Project/Programme Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Volta Region Agricultural Development Project	World Bank: IDA	World Bank: IDA	HC	06 May 80	08 Jan 81	31 Dec 88	SDR	9 550 000	99.9
Smallholder Rehabilitation and Development Programme	IFAD	UNOPS	HC	03 Dec 86	25 Jan 88	31 Dec 95	USD	189 500	76.2
Smallholder Rehabilitation and Development Programme	IFAD	UNOPS	HC	03 Dec 86	25 Jan 88	31 Dec 95	SDR	5 900 000	95.6
Smallholder Rehabilitation and Development Programme	IFAD	UNOPS	HC	03 Dec 86	25 Jan 88	31 Dec 95	SDR	4 400 000	94.0
Smallholder Credit, Input Supply and Marketing Project	IFAD	UNOPS	HC	05 Dec 89	01 Mar 91	31 Dec 98	USD	120 000	100
Smallholder Credit, Input Supply and Marketing Project	IFAD	UNOPS	HC	05 Dec 89	01 Mar 91	31 Dec 98	SDR	9 100 000	99.9
Smallholder Credit, Input Supply and Marketing Project	IFAD	UNOPS	HC	05 Dec 89	01 Mar 91	31 Dec 98	SDR	3 950 000	99.1
Upper-East Region Land Conservation and Smallholder Rehabilitation Project	IFAD	UNOPS	HC	01 Oct 90	14 Jun 91	31 Dec 97	USD	120 000	88.2
Upper-East Region Land Conservation and Smallholder Rehabilitation Project	IFAD	UNOPS	HC	01 Oct 90	14 Jun 91	31 Dec 97	SDR	9 200 000	99.9
Rural Enterprises Project	IFAD	UNOPS	HC	02 Dec 93	01 Feb 95	31 Mar 02	USD	200 000	100
Rural Enterprises Project	IFAD	UNOPS	HC	02 Dec 93	01 Feb 95	31 Mar 02	SDR	5 550 000	46.6
Upper-West Agricultural Development Project	IFAD	UNOPS	HC	14 Sep 95	20 Mar 96	30 Sep 03	USD	40 000	100
Upper-West Agricultural Development Project	IFAD	UNOPS	HC	14 Sep 95	20 Mar 96	30 Sep 03	SDR	6 750 000	41.9
Village Infrastructure Programme	World Bank: IDA	World Bank: IDA	HC	04 Dec 96	02 Apr 98	31 Dec 03	USD	50 000	100
Village Infrastructure Programme	World Bank: IDA	World Bank: IDA	HC	04 Dec 96	02 Apr 98	31 Dec 03	SDR	6 950 000	
Root and Tuber Improvement Programme	IFAD	World Bank: IDA	HC	04 Dec 97	15 Jan 99	31 Dec 04	USD	50 000	100
Root and Tuber Improvement Programme	IFAD	World Bank: IDA	HC	04 Dec 97	15 Jan 99	31 Dec 04	SDR	6 550 000	



LOGICAL FRAMEWORK

Narrative Summary	Impact and Key Performance Indicators	Monitoring and Evaluation Sources of Verification	Critical Assumptions or Risk
<p style="text-align: center;">GOAL</p> <p>Sustainable alleviation of poverty, increased household food security and improved living conditions of rural poor, particularly women, in UER.</p>	<ul style="list-style-type: none"> - Increased incomes and reduced incidence of poverty. - Enhanced calorie intake and reduced malnutrition and disease. - Women utilize diversified income-earning opportunities and undergo less drudgery. 	<ul style="list-style-type: none"> - Key indicators for baseline survey and impact evaluation defined by workshop. - Baseline survey. - Studies of household incomes, food supply, nutritional and health status, and role of women. - Independent Impact Evaluation (IIE). 	<ul style="list-style-type: none"> - Stable macroeconomic, social and natural environment.
<p>Project Development Objective</p> <p>Rural poor (men and women) in UER enabled to access technology, services and capital to increase their incomes.</p>	<ul style="list-style-type: none"> - Beneficiary organizations (e.g., WUAs, credit groups) participating in decision-making bodies for project execution. - 31 800 families (50% of the target group) participate directly in the project. - Equitable division of benefits among participants (number of beneficiaries from each target group, e.g., women – at least 40% - poorer farmers, increases in income obtained by different groups, etc.). - 9 000 families benefit from participating in farmer training and demonstration programmes. - 13 000 persons (mainly women) are enabled to undertake financially viable IGAs. 	<ul style="list-style-type: none"> - Manual of participatory procedures for project implementation prepared and in use. - Monitoring reports and quarterly reports of project activities by PCU. - Baseline survey and IIE. - Midterm review. - Terminal evaluation/ ex-post evaluation. 	<p>Project development objective to sector goal</p> <ul style="list-style-type: none"> - Rainfall and weather patterns remain normal. - Commodity prices remain stable at levels attractive to farmers.
<p style="text-align: center;">Outputs</p> <p>(1) Demand-driven, participatory approaches at district and subdistrict levels developed and utilized.</p>	<ul style="list-style-type: none"> - Project implementation manual for using demand-driven participatory project implementation procedures for main components and sub-components prepared. - Publicity conducted (including use of public media) and public awareness created for project and its new demand-driven, participatory approach. - Project managers, district level planners, implementing agencies, NGOs and CBOs trained in new methodology. - implementing agencies (MOFA departments, NGOs) and service providers (banks, private sector) regularly informing target group organizations of available opportunities/services and responding to requests from them for these services. - Number of beneficiary-proposed sub-projects financed. 	<ul style="list-style-type: none"> - Project implementation manual in use. - Project's quarterly progress reports. - IIE assessments of awareness/knowledge of project among potential target groups. - PCU reports on training sessions conducted. - IIE evaluation of effectiveness of training. - Supervision reports of cooperating institution. 	<p>Outputs to Project Development Objectives</p> <ul style="list-style-type: none"> - Project fully funded with adequate staffing and counterpart funds released on time. - Strong links and good coordination among Government and NGOs acting as implementing agencies. - Decentralized administrations at district and subdistrict levels adopt demand-driven, participatory approach.





APPENDIX III

Narrative Summary	Impact and Key Performance Indicators	Monitoring and Evaluation Sources of Verification	Critical Assumptions or Risk
<p>Outputs (contd.)</p> <p>(2) Small irrigation schemes rehabilitated /constructed and managed sustainably using demand-driven, participatory methods.</p>	<ul style="list-style-type: none"> - 30 dams and irrigation systems rehabilitated and 6 new dams and irrigation systems constructed. - Irrigable area developed (387 ha) is fully used by target group (25/ha). - About 9 700 families benefit from irrigation development. - WUAs trained and successfully managing irrigation infrastructure, including O&M and repairs to irrigation system. - No. of ha of catchment area protected. 	<ul style="list-style-type: none"> - Supervision. - Project M&E reports. - Project periodical newsletter and communications with regional and central authorities. - Results of proposed "walk-through" of the irrigation systems at the end, and before the start, of every irrigated cultivation season. - Mid-term review and IIE reports. 	<ul style="list-style-type: none"> - Land allocation procedures do not lead to community conflicts. - Low risk of gluts in the commodities produced under irrigation. - Significant increase in income derived from dry season irrigated cropping.
<p>(3) Farmer-managed demonstrations of yield enhancing/ stabilizing technologies for rainfed and irrigated farming, livestock, fisheries and post-harvest activities carried out on demand and farmers trained in these technologies.</p>	<ul style="list-style-type: none"> - No. of demonstrations requested by farmers. - No. of farmers participating in demonstrations. - No. trained and adopting demonstrated farming techniques. - Increased yields and profits obtained through adoption. 	<ul style="list-style-type: none"> - Baseline survey. - M&E reports. - Annual IIE reports. - Final IIE evaluation. 	<ul style="list-style-type: none"> - Active demand among farmers for improved technology as a result of reduced climatic risk.
<p>(4) Efficient delivery of client-oriented credit and savings mobilization for income-generating activities.</p>	<ul style="list-style-type: none"> - Participating banks and rural communities trained in rural savings mobilization and credit operations. - Financially viable IGAs developed. 	<ul style="list-style-type: none"> - IGA models. - M&E reports and IIE. - Records and annual reports of lending banks. - Interviews with bank officers and clients. - M&E reports. - IIE Baseline survey and annual evaluations. - Surveys of morbidity among target populations. 	<ul style="list-style-type: none"> - Stable financial situation with interest rates at an acceptable level. - Transaction costs are reduced and banks make special effort to lend to women's groups. - Financial intermediaries trained and receptive to granting loans on time to rural clients.
<p>(5) Construction and proper maintenance of rural infrastructure to reduce the female labour burden and mitigate risks of negative health and environmental impacts.</p>	<ul style="list-style-type: none"> - A range of social infrastructure facilities provided with accompanying training in their use and maintenance, in coordination with other ongoing projects (VIP). - No. of drinking water wells & latrines built. - Km. of feeder roads rehabilitated. - No. of cases of schistosomiasis and other water-borne diseases. - No. of Community Hygiene educators trained. - No. of target population receiving health and nutrition education. - No. of focal applications to reduce snail populations. 	<ul style="list-style-type: none"> - Project declared effective, personnel recruited and letters of appointment issued. - Quarterly and annual reports. - Supervision. - Evaluation reports. 	<ul style="list-style-type: none"> - Funds made available in a timely manner.
<p>(6) Project management.</p>	<ul style="list-style-type: none"> - PCUs and DPMUs set up. - PCUs and DPMUs operating. - M&E, reporting and accounting accurate and on schedule. 		



ORGANIZATION AND MANAGEMENT

1. Almost all the managerial responsibility of the project will be at the regional level. The project coordination committee (PCC) (to be chaired by the Regional Minister) will be the highest decision-making body responsible for policy matters and overall direction of the project. The PCU will undertake all the principal contracting arrangements with the different implementing agencies at the regional level and day-to-day coordination of project interventions.

2. **PCC.** The PCC will meet every four months. PCC functions will be to periodically review the project implementation and ensure that main policy lines are followed. It will also exercise budgetary and financial control through review and approval of the AWP/B. The PCC will provide a forum for the resolution of any bureaucratic or financial impasse. In addition to the chairman, the PCC will include: the project coordinator (PC), (acting as PCC Secretary), representatives of the Ministry of Finance and Economic Planning (MFEP), the IDA, members of DAs (1 per district), DDAs (6), PBs (3), farmers, associations, participating NGOs (up to 3), other implementing agencies, the PCU financial controller (FC), the PCU Monitoring and Reporting Officer (M&R), and the PCU Communication and Gender Specialist (C&G). The PCC could co-opt other members, such as representatives of the Traditional Authority, as and when it is considered necessary for the conduct of any specific session. The RADOs will be invited to attend PCC meetings whenever the discussion touches upon topics of their concern.

3. **PCU.** The PCU, based in Bolgatanga, will undertake all the principle loan management functions and day-to-day coordination of project interventions. It will consist of eight senior officers: the PC, the FC, the Irrigation Agronomist, the M&R, the Credit Supervisor (CS), the C&G (most likely a female candidate)⁵ and agriculture development and the rural infrastructure specialists. Including junior staff, there will be 13 people in the PCU. In its staffing, specific consideration will be given to candidates with a proven capacity to assure that gender aspects are properly mainstreamed. In addition, a gender specialist will assist the PCU, on contract, to ensure that gender issues are integrated in all project interventions.

4. The functions of the PCU include the following: coordinate all project activities and ensure consistency with appraisal report recommendations; prepare AWP/B, based on contribution from DDAs and other implementing agencies; submit and defend the budget before the PCC and, when it has been approved, submit it to the IFAD cooperating institution for clearance; and contract relevant implementing agencies. The PCU will also ensure release of approved funds to the districts and implementing agencies in a timely manner; facilitate the implementation of both internal and external evaluation of the project at all levels; monitor planned implementation in the areas of physical activities and financial expenditure; and prepare and submit reports and studies as specified in the project appraisal report. The PCU will also make networking arrangements to ensure cross-fertilization of ideas and exchange of experiences with other IFAD-funded projects in Ghana and the region.

5. **District level.** Day-to-day management of interventions at the district and community level will be the responsibility of the DDA, assisted by a small DPMU. This will be composed of the District Manager (DDA/DM), his deputy, one district and information database officer responsible for monitoring and one accountant. All together, there will be 24 staff working for the project (in addition to their regular duties) in the six districts. The functions of the DPMUs will be: to support the organization of preparatory project-promotion activities; assist potential beneficiaries in identifying priority areas for project interventions; perform project management activities

⁵ PCU staff is currently 99% male.



APPENDIX IV

(contracting out project activities to implementing agencies; screen and select sub-project proposals submitted by groups and communities and assess performance of the potential project partners; prepare the district AWP/B, based on the DCC approved sub-projects; submit quarterly reports and monthly accounts; submit M&E reports regularly; and monitor IA performance.

6. Project interventions at the district level have to be in line with broad policy guidelines from the five-year district development plans of the DA. DPMU proposals should reflect these guidelines and should be ratified by the DCC executive body of the DA. Similarly, the programme of work and budget of the District Chief Executive (DCE) of the DA for the infrastructure component will have to be approved by the DCC. The DCC will be chaired by the DCE, and will be composed of one presiding member of the DA, the DDA, the two chairmen of the Planning and Economic Development subcommittees, the DIDO, the district MOFA accountant, representatives of farmers' organizations and other beneficiaries groups (3), NGOs (2) and other implementing agencies and local PBs. The DA needs to be made fully aware of their participation in the project and the need to contribute cofinancing of district sub-projects from the district assembly common fund.

A. Implementing Arrangements and Responsibilities

7. Project interventions will be implemented through subcontracting arrangements with a range of partners for the execution of different project interventions. The implementing agencies will be chosen from a broad range of actors supporting economic development in UER: MOFA district and regional staff, research specialists, NGOs, agencies specialized in group formation, the private sector, consultants and CBOs. With respect to planning, designing, tendering and supervision of construction of dams and irrigation schemes, it is anticipated that the GIDA, in collaboration with contracted technical staff and WUAs, will be the sole responsible agency. Works will be implemented by labour and equipment-based contractors, with strong participation by the WUAs. The GIDA will also participate in strengthening the O&M capacities of the WUAs. Wells for irrigation and drinking water will be planned and implemented by Rural Aid and/or other NGOs under subcontract with the PCU. The Department of Feeder Roads will be designated as the implementation agency and will operate in close coordination with its programme under the VIP.

8. **Selection criteria for sub-projects.** In order to be eligible for LACOSREP II financing, each sub-project proposal should have the following characteristics: (i) it should be demanded by the community and stem from a participatory exercise of needs assessment including women; (ii) a substantial proportion of the direct beneficiaries/participants should be ranked by the community as being among the poorest, and women should be adequately represented; (iii) financial viability and long term sustainability should be presented; (iv) it should conform with project overall objectives; (v) the implementing agency and implementation procedures should be defined; (vi) it should include an indication of the proposed budget; and (vii) the contribution from community participation should be clearly spelled out, along with other possible sources of financing (NGOs, DA) in addition to IFAD.

9. In the specific case of dam rehabilitation or construction, the following steps will constitute essential preconditions to be satisfied before physical implementation of the irrigation facilities can commence: (i) animate and educate communities on the rehabilitation and construction works, spelling out clearly the role, rights and obligations of the project, DAs and that of the communities; (ii) identify actual and potential beneficiaries within the community. Emphasis should be placed on the participation of women arriving at a quota of at least 40% for women beneficiaries in all stages of the rehabilitation process and, more crucially, the quota on right of cultivation of land by women; (iii) conduct physical surveys and map out the area encompassing the catchment area, the reservoir area and irrigable area site for legal acquisition by the DA; (iv) use PRA methods to formulate community-perceived benefits of the dam infrastructure; (v) train all interested parties on the



importance of organizing a WUA; and (vi) conduct engineering surveys for rehabilitation and construction. Each selected community should be made aware that failure to play the agreed role could lead to the shifting of the opportunity to another community. In all cases, a pre-condition for eligibility will be the lack of major intra-community conflicts.

10. **Project implementation manual (PIM).** Project implementation depends heavily on the capacity of the Regional MOFA and DA to understand the needs of farmers and to reach out, motivate and organize them to utilize the services provided. Capacity-building under the project will also extend beyond what the project is able to implement, as NGOs and local communities will also be organized without undue reliance on an increase in government staff. It is therefore essential that new operational procedures be developed. The PIM will describe beneficiaries, targeting criteria and a first definition of quantitative and qualitative indicators for balancing the descriptive with the analytic elements of monitoring and evaluation. Soon after the project start-up process, workshops will be convened with the aim to enhance project awareness and to guide initial project activities. The workshops will address project activities and scope, roles and responsibilities, and coordination arrangements. Updating and developing the logframe will enable the team to describe the project components and indicators to be monitored, consistent with agreed objectives and to specify all necessary activities.

B. Participation Arrangements

11. All potential project partners should clearly understand the reasons for LACOSREP II implementation of a number of activities through the private sector and NGOs. Project interventions at the community level will be implemented through subcontracting arrangements with a range of partners for the facilitation of all sorts of project-sponsored services. The PCU and DPMU/DA at the district level will be responsible for selecting the most appropriate implementing agent/agency according to the type and location of each intervention and based on a proposal received by the interested community. These implementing agencies will have the following comparative advantages: (i) a demonstrated technical competence and implementation capacity; (ii) previously acquired experience of working with specific communities in a given area; and (iii) their demonstrated willingness to participate in the project as a full partner. The definition of the share of the contribution of each IA to the overall budget is an essential feature that should be spelled out in the letter of agreement between the project and implementing agencies. In case a proposed IA is not able to contribute the minimum required share of the budget, counterpart funding might come from a different local source (the district fund, DA, unit committee).

C. Monitoring and Evaluation

12. The objectives of monitoring and evaluation will be to assess: (i) the effectiveness of programme management and implementation; (ii) the efficiency of processing beneficiaries requests; (iii) the performance of supporting NGOs, contractors and implementing agencies; and (iv) the impact on the beneficiaries. The M&E section will monitor and evaluate the performance of the DAs, CBOs, NGOs and implementing agencies, giving special attention to the disaggregation of gender aspects. In the light of the decentralization process, the district information and database officer, who will be a full member of the DPMU, will play a major role in data collection and maintaining a district level database, complementing the regional data base on key monitoring indicators. The activities of the M&E section will be complemented by: (i) an Independent Impact Assessment (IIA), comprising a baseline survey; and (ii) annual impact evaluations conducted by an academic institution, a recognized NGO or a competent consulting firm with a track record in this type of work, using PRA techniques. The baseline survey and evaluations should take gender and poverty-related aspects into consideration. Apart from quantitative indicators on project achievements (such as number of groups, acreage covered, yields and prices, incremental income), information on qualitative indicators will also be collected and analysed.



ORGANIZATIONAL CHART

MINISTRY OF FOOD AND AGRICULTURE (MOFA)

