



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Sixth Session
Rome, 4-5 September 2002

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF GHANA

FOR THE

RURAL ENTERPRISES 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	3
C. IFAD's Strategy for Collaboration with Ghana	4
PART II THE PROJECT	5
A. Project Area and Target Group	5
B. Objectives and Scope	6
C. Components	6
D. Costs and Financing	7
E. Procurement, Disbursement, Accounts and Audit	10
F. Organization and Management	10
G. Economic Justification	11
H. Risks	12
I. Environmental Impact	13
J. Innovative Features	13
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	13
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDIXES

I. COUNTRY DATA	1
II. PREVIOUS IFAD LOAN TO GHANA	2
III. LOGICAL FRAMEWORK	3
IV. COSTS AND FINANCING PLAN	6
V. ORGANIZATION AND MANAGEMENT	8
VI. ORGANIZATION CHART	12



CURRENCY EQUIVALENTS

Currency Unit	=	Cedi (GHC)
USD 1.00	=	GHC 7 787
GHC 1 000	=	USD 0.1284

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

AfDF	African Development Fund
AfDB	African Development Bank
ARB	Association of Rural Banks
AWP/B	Annual Workplan and Budget
BAC	Business Advisory Centre
BoG	Bank of Ghana
CIDA	Canadian International Development Agency
DA	District Assembly
DIC	District Implementation Committee
GRATIS	Ghana Regional Appropriate Technology Industrial Service
GTZ	German Agency for Technical Cooperation
MC	Master Craftsperson
MES	Ministry of Environment and Science
M&E	Monitoring and Evaluation
MSE	Micro- and Small Enterprise
NBSSI	National Board for Small-Scale Industries
NGO	Non-Governmental Organization
PCMU	Project Coordination and Management Unit
PRS	Poverty Reduction Strategy
REP	Rural Enterprises Project
RFSP	Rural Financial Services Project
RTF	Rural Technology Facility
UNOPS	United Nations Office for Project Services
WG-ME	Working Group on Microenterprise Development

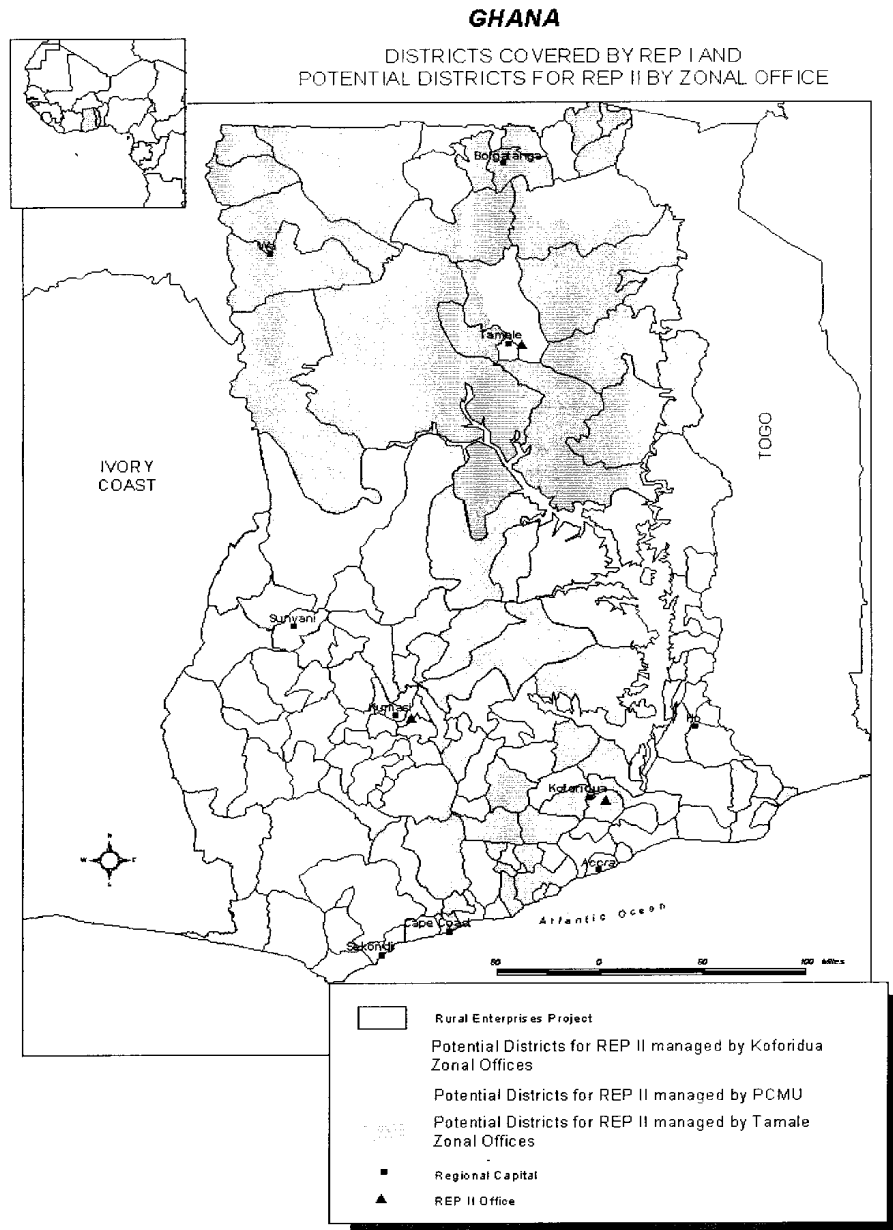
GOVERNMENT OF THE REPUBLIC OF GHANA

Fiscal Year

1 January - 31 December



MAP OF THE PROJECT AREA



Source: IFAD

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
RURAL ENTERPRISES PROJECT - PHASE II
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Ghana
EXECUTING AGENCY:	Ministry of Environment and Science (MES)
TOTAL PROJECT COST:	USD 29.27 million
AMOUNT OF IFAD LOAN:	SDR 8.50 million (equivalent to approximately USD 11.24 million)
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
COFINANCIERS:	African Development Fund (AfDF) Participating Ghanaian Financial Institutions
AMOUNT OF COFINANCING:	AfDF: USD 10.01 million Participating Ghanaian Financial Institutions: USD 181 200
TERMS OF COFINANCING:	To be determined
CONTRIBUTION OF BORROWER:	USD 5.45 million
CONTRIBUTION OF CLIENTS:	USD 2.39 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries? The beneficiaries will be rural families living in poverty, with special attention for the most vulnerable households. Project clients will mainly be the ‘entrepreneurial poor’ including rural unemployed poor interested in self-employment but lacking skills, technologies and initial capital; those with some basic skills who need skills upgrading, entrepreneurship-development training and initial capital to set up their businesses; and existing self-employed and owners of micro- and small enterprises (MSEs) who would like skills or technology upgrading to improve and/or expand their businesses, especially to create more jobs. The project will focus in particular on socially disadvantaged women, unemployed and underemployed youth, and young people already apprenticed to a trade but lacking the capital and/or acumen to start a business.

Why are they poor? Poverty is associated with constraints impeding smallholder farming and non-agricultural activities. Because the poor have few assets, cultivate small areas, use simple manual tools, and lack access to improved inputs and technologies, their productivity and output are low. Their lack of appropriate skills, capital, technologies and business information results in a limited range of off-farm activities. Producers of off-farm goods and services lack linkages with non-local market outlets and often face limited demand or saturated markets. Living conditions in poor rural districts throughout Ghana are difficult. Poverty in the project zone (mainly northern Ghana and the transitional zone) is widespread and in some cases increasing. People lack access to social services and safe water. In northern Ghana, two thirds of the households are at risk in terms of food security, with a high level of malnutrition and mortality among children, and an increasing prevalence of HIV/AIDS. The poor tend to be located in isolated villages with inadequate road and communication linkages. Rural poverty is also highly determined by gender and generational factors: woman-headed families and young families are particularly vulnerable. Poor women have little education and limited training in child-care and health practices. More than 70% of the population are illiterate and less than 50% of the children attend primary schools, of whom only 15% are girls.

What will the proposed project do for them? The project will improve the incomes and living conditions of the rural poor, especially the vulnerable groups, by creating (self-) employment and generating additional incomes. More particularly, it will seek to increase the productivity, product quality and output of rural non-agricultural MSEs and, indirectly, stimulate agricultural productivity. The project will deliver good-quality, easily accessible and sustainable services to rural MSEs to: (i) stimulate the establishment and expansion of self-employment and microenterprises; (ii) strengthen the production techniques and management practices of existing MSEs; (iii) enhance the quality, design and packaging of the goods and services produced by rural MSEs; (iv) improve marketing; (v) introduce environmentally friendly techniques; (vi) increase access to working capital and investment funds; and (vii) empower trade associations and client organizations, thus increasing their participation in decision-making and policy dialogue at local and national levels.

How will the beneficiaries participate in the project? The beneficiaries will participate in the identification of training needs and business opportunities through the local institutions and trade associations supported by the project. The project’s delivery mechanisms will be mainstreamed within the existing local government bodies. The project will empower local trade associations to represent the MSE sector through advocacy and policy consultations at local and national levels, and to improve the conditions under which the sector is currently producing. Trade associations will be actively involved in the identification of MSE support needs and the mobilization of clients for the support services provided through business advisory centres. Their role will particularly relate to project activities aimed at improving traditional apprenticeship training, marketing MSE goods and services, and collaborating with local government. Strong emphasis will be placed on cost-sharing by clients.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF GHANA
FOR THE
RURAL ENTERPRISES PROJECT - PHASE II**

I submit the following Report and Recommendation on a proposed loan to the Republic of Ghana for SDR 8.50 million (equivalent to approximately USD 11.24 million) on highly concessional terms to help finance the Rural Enterprises 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. **The economy.** The economic reforms launched in Ghana in 1983 led to a reversal of the economic decline that started in the 1970s. Economic growth averaged 4.3% in 1996-2001, with recovery strongest in the main export subsectors (mining and cocoa). Still, gross domestic product (GDP) per capita is low at USD 400. The new, pro-business government elected in 2001 has given priority to restoring macroeconomic stability and introducing further economic reforms. It has lowered inflation from 40% in 2000 to 21% at end 2001, with a decline to 11% expected in 2003. Interest rates also fell from 45-50% in mid-2001 to 24% by the end of the year. In December 2000, Ghana's total debt amounted to USD 5.8 billion, of which 30% was domestic, representing 124% of GDP. The new government has subscribed to the Debt Initiative for Heavily Indebted Poor Countries (HIPC), which is expected to lead to some USD 2.2 billion of debt forgiveness.

2. **Agriculture** accounts for more than 35% of GDP and employs 57% of the labour force. Despite its importance, the agricultural sector has lagged behind. It is highly volatile as most farming depends on an unpredictable rainfall pattern. In recent years, agricultural production has increased by 4% per year, mainly due to strong expansion in the cocoa and forest subsectors. As part of broader economic reforms, the Government has removed food price controls; raised cocoa prices for producers; and withdrawn subsidies for agricultural inputs, causing a severe drop in fertilizer use.

3. **Rural employment.** Services account for 34% of total employment, and industry only 10%. Although statistics on unemployment are inadequate in Ghana, a recent pilot labour market survey by the Ministry of Manpower Development and Employment indicates an unemployment level of 35% (with unemployment among youth still higher), which may include various forms of under-employment. Annually from 240 000 to 270 000 new labourers enter the labour market. Available data also show that non-agricultural self-employment is of major and growing importance in both urban (50% of all employment) and rural areas (21%), especially for women (64% and 28% respectively). Incomes from self-employment represent a crucial element of household budgets, particularly for rural women, but remain low despite long working hours.

¹ See Appendix I for additional information.



4. **Rural poverty.** The overall incidence of poverty in Ghana fell from 52 to 40% between 1992 and 1999. About 27% of the population lived in absolute poverty in 1999, down from 37% in 1992. However, the decline was not evenly distributed and, in the northern rural savannah areas, poverty increased from 63 to 69%, and the poor became even poorer. Throughout Ghana, the depth of poverty (the average percentage by which a poor person's per capita expenditure falls below the poverty line) fell slightly from 36% in 1992 to 35% in 1999, although it increased significantly for people in the northern rural areas (from 42 to 46%). In terms of economic activity, poverty is highest among food crop farmers.

Rural Development and Poverty Eradication

5. **Ghana's poverty-reduction strategy (PRS)** covers the 2002-04 period but will be expanded into a long-term comprehensive PRS programme. Its overall goal is to achieve equitable economic growth and accelerated poverty reduction within a sustained democracy. The PRS emphasizes stabilizing the economy, laying the foundations for increased and equitable economic growth, and reducing geographical disparities. Its main thrusts include providing social services, taking measures to reduce extreme poverty, increasing production and gainful employment opportunities, facilitating direct support for human resources, and enhancing good governance. It stresses private-sector development, commercial agriculture, the expansion of agro-based industries, an enhanced government role as a facilitator, investments in social services, decentralization as the key mechanism for policy implementation, and public-sector reforms to leverage private-sector productivity.

6. **Institutional framework.** Administratively the country is subdivided into ten regions and 110 districts. The district assemblies (DAs) are the real level of local government with part of their members elected. The decentralization of powers to the DAs is well advanced. Each DA prepares a district development plan and has a common fund into which central government allocates a portion of national revenue according to a combination of need, population, responsiveness and equity criteria. The project will mainstream its delivery mechanisms (business advisory centres - BACs) within the DAs, which will contribute to project financing. The National Board for Small-Scale Industries (NBSSI) is Ghana's main agency for the promotion of micro- and small enterprises (MSEs)² and is mandated to provide both financial and non-financial services. At present, the NBSSI is implementing, with assistance from the German Agency for Technical Cooperation (GTZ), a project to provide financial services to the 'higher end' of the MSE sector in two urban areas. Based on the lessons learned from the first phase of the Rural Enterprise Project (REP-I), the NBSSI will continue to play a crucial role in the project by providing key staff for the BACs and technical expertise to supervise them. The Ghana Regional Appropriate Technology Industrial Service (GRATIS) is one of the better-known technology development and transfer organizations in Africa. With the long-term support of the Canadian International Development Agency (CIDA) and the European Union, GRATIS has set up regional technology transfer centres (RTTCs) in all regional capitals, providing training and equipment services to the surrounding MSEs. GRATIS has increased availability of equipment for animal traction, food processing and rural transport. It is, however, sometimes perceived as competing with private enterprises, and its dissemination strategies are inefficient. Its role within the new project has been reviewed based on REP-I experience.

7. **MSE trade associations.** Many active trade associations exist at both national and local levels. Their origin is usually social, often beginning as mutual insurance schemes. Some provide price guidelines to their members, organize security at industrial areas, and collect certain government taxes. The Association of Small-Scale Industries functions, with mixed success, as an apex body of MSE associations. At local level, small groups of microentrepreneurs often work together in various

² Micro- and small enterprises refer to: (i) income-generating activities, essentially self-employment in traditional, often rural activities, (ii) microenterprises in more non-traditional activities, employing from one to ten family workers, apprentices and some casual workers, and (iii) small enterprises with 11-20 workers.



ways. Although some are officially registered as associations, most are informal self-help groups. Their members, generally poor artisans and women microentrepreneurs, frequently have problems paying their dues, making it difficult for the associations to provide tangible services.

8. **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 are likely to be smaller and weaker than their urban counterparts. They have only limited access to productive resources, finance, markets and information, and also face difficulties reaching non-local markets because of poor infrastructure and transportation. MSE production in general is hampered by low levels of technology, and weak technical, business and marketing skills. This results in mediocre MSE goods and services, limiting their appeal to consumers, and ultimately in low productivity and meagre incomes. Commercial and rural banks are generally not interested in providing financial services to MSEs, viewing them as risky because of their lack of collateral, business skills and a track record. MSE associations are generally weak despite their large number, and are unable to provide useful services to their members. Finally, governmental regulatory and support frameworks for MSE development are still highly inadequate.

9. **Gender considerations.** While most MSEs are woman-headed, women entrepreneurs are faced with special constraints including household responsibilities, the small size of their businesses, and the low rate of return to capital investment. Women working from home cannot easily reach clients in business districts and lucrative markets. Their higher illiteracy rates also limit their access to market information, and make them less confident than men to approach formal institutions for credit and technical assistance. They are also more likely than men to lack collateral and start-up capital.

B. Lessons Learned from Previous IFAD Experience

10. Since 1988 IFAD has financed 11 projects in Ghana covering community and commodity-based approaches to agricultural development, rural finance and microenterprise development, rural infrastructure, and support to decentralized and pro-poor delivery mechanisms. Six projects are ongoing: REP-I; the Upper West Agricultural Development Project; the Upper-East Region Land Conservation and Smallholder Rehabilitation Project – Phase II; the Root and Tuber Improvement Programme; the Village Infrastructure Programme, cofinanced with the World Bank and the German Credit Institution for Reconstruction; and the Rural Financial Services Project (RFSP), cofinanced by the World Bank and the African Development Bank (AfDB). A seventh operation, the Northern Region Poverty Reduction Programme, approved in December 2001, is expected to become effective shortly.

11. The design of this project draws on the lessons learned from REP-I. The Interim Evaluation (IE) of the project, fielded in 2000, found that “new and existing businesses assisted by the project have contributed to increased economic activity, increased employment and poverty reduction in rural areas. The performance and impact of the project’s technology and business skills training and counselling programmes to create new businesses and employment demonstrate that they can be used as a model for reducing rural poverty in Ghana.” Implementation flexibility has been a key success factor. Although the contribution of local partners has sometimes been disappointing, REP-I has succeeded in creating a sense of project ownership among DAs, who are actively involved in the project, some even seconding staff to BACs. REP-I has also fostered working relationships with local trade associations, which have played a major role in identifying training and technology needs and have participated in the planning and implementation of project activities.

12. The IE also pointed to a number of weaknesses. The performance of technology development and transfer has been below expectations. Capital equipment has been costly in relation to the small number of clients served. Training of master craftspersons (MCs) has been no guarantee of subsequent employment. The technology development model needs to be improved by creating more



bottom-up processes to incorporate the experiences of the end-users and by involving trade associations and innovative MSEs. The basic training organized by the BACs also needs to be more market-driven and expanded to cover more economic activities. In terms of financial services, the financial intermediary institutions should be given full decision-making power in the provision of loans, and measures taken to ensure that the pricing of financial services is market-driven. In addition, project clients should cover a greater part of service costs.

13. The IE also noted a lack of synergy because of uncoordinated, piecemeal project support and failure to build up the capacity of local institutions to respond effectively to the needs of diverse communities and target groups. It found that, if adequately supported, activities initiated by communities and existing interest groups can be successful. Coordinated support is needed to ensure the effective use of resources, and the participation of community and interest groups in planning, implementation, and monitoring and evaluation (M&E).

C. IFAD's Strategy for Collaboration with Ghana

14. **Ghana's policy for poverty reduction.** The Government has developed a full-fledged PRS (see para. 5) whose overriding goal is to reduce poverty through economic growth, rural development, expansion of employment opportunities and improved access to public services. Four aspects of the PRS are highly relevant to this project. First, in the context of the Debt Initiative, the PRS prioritizes government expenditure and savings to ensure that essential services are provided to the poor, with special focus on the deprived areas where IFAD operates. Second, effective decentralization is considered essential to successful PRS implementation. Third, the PRS envisages increasing rural production and employment by establishing agribusinesses and by providing facilities, support services and legal recognition for rural small businesses. Finally, the PRS gives high priority to private-sector development.

15. **Other major development partners' poverty-reduction operations through MSE support** include the GTZ Promotion of Small and Microenterprises Project and the Reintegration of Ghanaian Returnees Project directed at MSEs in two urban areas. The Department for International Development is developing a programme on rural livelihoods, which supports private-sector development to create an enabling environment for pro-poor business development. CIDA is planning a large food security programme in northern Ghana, including support to agro-processing and agribusiness development. The United Nations Industrial Development Organization supports the formulation of relevant policies for small and medium enterprises (SMEs). The International Labour Organization has recently supported the launch of a rural radio programme directed at small producers. The AfDB is preparing an agribusiness project and has agreed to cofinance the project. Two international non-governmental organizations (NGOs), TechnoServe and Sasakawa Global 2000, promote new technologies. AMEX International, TechnoServe and CARE participate in a programme funded by the United States Agency for International Development to provide technical, management and marketing assistance to SMEs in the non-traditional export sector. Most of these partners participate in the Working Group on Microenterprise Development (WG-ME), initiated by IFAD and the Ministry of Environment and Science (MES), and have shown a willingness to collaborate more closely at both policy and programme levels.

16. **IFAD's strategy for collaboration with Ghana** is based on the *Strategic Framework for IFAD 2002-2006*, its regional strategy for Western and Central Africa, and its 1998 Country Strategic Opportunities Paper (COSOP) on Ghana. This project fulfils an important strategic objective expressed in the first two documents which is to seek to raise the incomes of the rural poor by diversifying income sources and building the necessary human capital. The COSOP targets smallholders, especially women and other vulnerable groups and has three main thrusts: (i) improving food security and arresting environmental degradation; (ii) assisting resource-poor subsistence



farmers; and (iii) enhancing income-generating activities. This project falls clearly within the scope of the third thrust.

17. **Project rationale.** Despite economic reforms, market liberalization and past efforts by development partners to reduce poverty, unemployment and under-employment have reached serious levels in Ghana. Smallholder farming is impeded by the lack of assets and labour constraints, leading to low agricultural productivity. Non-agricultural activities, carried out in self-employment and microenterprises, are increasingly important as a source of income for the rural poor and particularly women. Rural MSEs are, however, smaller and weaker than urban ones. They have low returns to labour and limited access to productive resources, finance, markets and information. On the other hand, policy and support frameworks for rural MSE development need to be established, effectively linking marketing, financial services, technology promotion and business development services. The project will build up the market for MSE support services by strengthening the capacity of public and especially private-sector service providers, and enhancing demand for their services. To ensure effective participation and sustainability, major support is needed from the public and private sectors, MSE trade associations, NGOs and community organizations, working together at district and sub-district levels. The major challenge for the project is to build a strong rural MSE sector while operationalizing both the decentralization policy and the PRS. Project experience will also be useful in terms of better operation and scaling up of the MSE sector to the national level.

PART II - THE PROJECT

A. Project Area and Target Group

18. The **project area** encompasses some 65 districts in all regions of Ghana (including the 13 districts covered by REP-I). The project will expand gradually, taking into consideration the advantages of contiguous extension and managerial prudence. Districts will be selected according to the following criteria: rural characteristics, level of poverty (along the PRS principles), potential for small-business development, existence of complementary initiatives, and the readiness of districts to participate in the project. Interested districts need to demonstrate their capacity to continue activities set up by the project when project funds cease. The actual entry of the project in a district will take place once contractual agreements with the DAs (and other partners) are concluded. IFAD's financing will be concentrated on the northern regions and the transitional zone, where the prevalence of poverty is the greatest, while financing from the African Development Fund (AfDF) will be concentrated on the southern regions.

19. The ultimate **target group** will be the rural families living in poverty, with special attention to the most vulnerable households. Project clients will be the 'entrepreneurial poor' including the rural unemployed poor interested in self-employment but lacking skills, technologies and initial capital; those with some basic skills who need skills upgrading, entrepreneurship-development training and initial capital to set up their businesses; and existing self-employed and owners of MSEs who want to be assisted, especially in creating more jobs. The project will focus on socially disadvantaged women, unemployed and underemployed youth, and young people already apprenticed to a trade who lack the capital and/or acumen to start a business.

20. **Targeting.** Project design is based on the active participation of clients, trade organizations, DAs and other stakeholders. To facilitate targeting of extra resources to the poorer areas, and to complement and avoid duplication of external support, districts will be selected according to the incidence and depth of poverty and available support. The project will combine four targeting mechanisms: self-targeting by the entrepreneurial poor, activity-based targeting, targeting through working with MSE trade associations, and intra-community targeting. It will mainstream gender considerations in all activities; address the present gender imbalance in project management; and train



all levels of staff and partners in gender awareness, planning and implementation. Proposals and bids for consultancy jobs will include a strategy to address gender concerns.

B. Objectives and Scope

21. The goal³ is to reduce poverty and improve the living conditions and incomes of the rural poor, with emphasis on women and vulnerable groups, through increased self- and wage-employment. The specific objective is to build up a competitive rural MSE sector, supported by relevant, good-quality, easily accessible and sustainable services. The project aims to create a more enabling environment; stimulate the establishment and expansion of self-employment and microenterprises, mainly through business and technology skills development; strengthen MSE production techniques and management practices; enhance the quality, design and packaging of the goods and services produced by rural MSEs; improve the marketing of MSE products; introduce environmentally friendly production techniques; increase MSE access to working capital and investments funds; and empower trade associations and client organizations.

22. Building on the experience and lessons learned from REP-I, the project will have an eight-year investment period and will support approximately 60 000 MSE ventures in 65 districts, and the creation of about 110 000 new jobs. To provide for both sustainability and efficiency, the project will have three main orientations. First, its delivery processes will be mainstreamed into local government institutions. The DAs will substantially contribute to cofinancing project activities through their common fund, which is the main instrument to channel Debt Initiative funds. Second, the project will seek to develop the market for business and development services by building up the supply of such services, stimulating demand and emphasizing cost-sharing arrangements. Third, it will strengthen local trade associations to improve the conditions under which the rural MSEs operate, and further build up their social capital, including through their participation in policy dialogue. The project will complement other existing operations (including IFAD-financed projects) in key areas such as rural finance, agro-processing and village infrastructure. Interventions will be implemented in concert with other government, development agency and NGO partners operating in the districts.

C. Components

23. The project will have five components: business development services; technology promotion and transfer; rural financial services; support to rural MSE organizations and partnership-building; and project management. It will have two district-based delivery mechanisms: BACs, which will identify opportunities for MSE promotion and furnish relevant support services by contracting specialized providers; and rural technology facilities (RTFs), which will focus on technology promotion and support to apprenticeship.

24. **Business development services.** This component will be implemented through BACs to be established through a tripartite partnership arrangement between the project, the DAs and the NBSSI. The project will promote a range of rural MSEs based on the outcomes of the Business Opportunity Identification Survey (BOIS) and the interests of the potential clients. It will organize: (i) literacy and numeracy training on a pilot basis; (ii) business orientation seminars; (iii) community-based training; (iv) small business management training and counselling; (v) marketing support to link rural MSEs with urban markets and larger commercial enterprises; and (vi) information and referral services. The project will also assist the NBSSI in providing backstopping support to BACs.

25. **Technology promotion and transfer.** The RTFs will spearhead the technology upgrading of the rural MSE sector. One RTF will be established for every three districts covered. The project will provide support to the RTFs for the construction of workshops, the extension of utilities, and the

³ A logframe analysis of the project showing the linkages, verifiable indicators and assumptions made is presented in Appendix III.



procurement and installation of equipment. Technical backstopping contracts will be signed with institutions such as GRATIS and/or private-sector members for the provision of services. The RTFs will collaborate with local workshops and, in the medium term, may be linked to local trade associations. They will also support the apprenticeship system (including training for the MCs and apprentices), promote and disseminate 'intermediate' technologies through in-house and field demonstrations, and support technology through repairs and equipment use in the rural MSE sector. They will promote available new technologies on the basis of interest from local producers and the existence of effective demand.

26. **Rural financial services.** The project will form partnerships with rural banks and other formal or informal microfinance institutions, planning activities in close coordination with the IFAD-financed RFSP. For small-scale savings and loans, the project will work with client groups facilitated by the respective financial institutions. It will also support medium-scale products for individual clients. Loans will be used for operating and investment capital for rural production, services and trade. The participating Ghanaian financial institutions will be encouraged to test and develop innovative operations to increase the relevance of their products for rural businesses, and to reduce their delivery costs. The project will finance a limited credit line to complement Bank of Ghana (BoG) lending activities to rural banks and other microfinance institutions. The interest rate of the wholesale loans will be closely linked to BoG's inter-bank rate to prevent the inflationary erosion of funds. To ensure the responsible delivery of the credit line by the financial institutions, the project will collaborate closely with the RFSP to support the Association of Rural Banks (ARB) Apex Bank. It will also seek to strengthen the financial institutions' savings and loan delivery mechanisms through technical assistance, training, the establishment of improved loan tracking systems, and new product development. A monitoring unit will be created in the ARB Apex Bank to improve rural banks' monitoring, including the regular analysis, compilation and sharing of information.

27. **Support to rural MSE organizations and partnership-building.** The project will seek to empower local trade associations and build up their social capital, both through this specifically designed component and through activities carried out with local trade associations across its other components. The project will help trade associations to improve services to their members by providing training on the management of associations and the organization of joint services. It will also assist the associations in forging partnerships with the DAs, exploring issues of common interest (such as land allocation, environmental concerns, electricity connections and access roads) and building mutual trust. The BACs will also facilitate the networking of local trade associations, and the eventual formation of district-wide and regional coalitions. The project will empower rural microentrepreneurs to participate in policy debates at local and national levels and in decision-making processes (at project level and within DAs) relative to MSE development. It will support the WG-ME enabling it to become a recognized player in the formulation of MSE policies. The WG-ME will be enlarged to include representatives of trade associations, women entrepreneurs, NGOs, grass-roots organizations and the private sector.

28. **Project management.** The project will finance the establishment of the project coordination and management unit (PCMU) and zonal offices and will provide support for the various implementation arrangements spelled out in Section F.

D. Costs and Financing

29. The total project investment and incremental recurrent costs, including physical and price contingencies, are estimated at USD 29.27 million. A summary of costs by component and cofinancier is given in Tables 1 and 2 respectively.

30. IFAD will contribute about USD 11.24 million (or about 38% of the total costs). AfDF will finance costs associated with BACs in the southern zone and all costs for the RTFs, for a total of



about USD 10.01 million (34%). Clients will be expected to contribute, either in cash or materials, to training courses (USD 2.39 million) while the participating Ghanaian financial institutions and the ARB Apex Bank will contribute approximately USD 181 200 to the costs associated with the delivery of rural financial services. The Government's contribution will be in the form of taxes and duties and the cost of office space for the project staff located in the PCMU. The project will finance the costs associated with the PCMU and zonal offices. It will also meet expenses for the WG-ME and jointly finance the salaries and allowances of PCMU support staff. IFAD and AfDF will cover the recurrent expenditures (exclusive of salaries) of the BACs and RTFs during the four years in which the project operates in a district, on a declining scale, through a fund established under the project. It is estimated that the participating financial institutions will contribute USD 181 200 in kind, the clients and the Government will contribute USD 2.39 million and USD 5.45 million, respectively.

Table 1: Summary of Project Costs^a
(USD '000)

Component	Local	Foreign	Total	Foreign Exchange	% of Base Costs
A. Business Development Services	9 423.5	2 585.3	12 008.8	22	46
B. Technology Promotion and Transfer	6 254.5	1 647.1	7 901.6	21	30
C. Rural Financial Services	1 040.6	165.6	1 206.3	14	5
D. Support to Rural MSE Organizations and Partnership-Building	175.8	271.0	446.9	61	2
E. Project Management					
1. PCMU	2 500.2	662.0	3 162.2	21	12
2. Zonal Offices	1 321.9	292.1	1 614.0	18	6
Subtotal Project Implementation	3 822.1	954.1	4 776.2	20	18
Total BASELINE COSTS	20 716.6	5 623.2	26 339.8	21	100
Physical Contingencies	675.5	241.6	917.1	26	3
Price Contingencies	1 642.6	374.8	2 017.4	19	8
Total PROJECT COSTS	23 034.6	6 239.6	29 274.2	21	111

^a Discrepancies in totals are due to rounding

Table 2: Financing Plan^a
(USD '000)

	IFAD		AfDF		ARB Apex Bank, Ghanaian Financial Institutions		Clients		Government								Total	Foreign Exch.	Local (Excl. Taxes)	Duties and Taxes		
									NBSSI /Das		Budget		Duties and Taxes		Total						Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
A. Business Development Services	6 482.6	47.9	2 792.2	20.6	-	-	1 225.3	9.1	2 338.0	17.3	-	-	687.3	5.1	3 025.2	22.4	13 525.3	46.2	2 891.7	9 946.4	687.3	
B. Technology Promotion and Transfer	-	-	6 656.0	76.3	-	-	1 164.1	13.3	553.0	6.3	-	-	350.7	4.0	903.7	10.4	8 723.8	29.8	1 830.1	6 543.0	350.7	
C. Rural Financial Services	1 063.9	82.9	-	-	181.2	13.1	-	-	-	-	-	-	38.6	3.0	38.6	3.0	1 283.7	4.4	174.5	1 070.6	38.6	
D. Support to Rural MSE Organizations and Partnership-Building	479.9	98.1	-	-	-	-	-	-	-	-	8.0	1.6	1.1	0.2	9.1	1.9	489.0	1.7	289.1	198.7	1.1	
E. Project Management																						
1. PCMU	2 525.5	72.9	-	-	-	-	-	-	-	-	593.9	17.1	346.3	10.0	940.2	27.1	3 465.7	11.8	726.9	2 392.5	346.3	
2. Zonal offices	693.0	38.8	563.1	31.5	-	-	-	-	-	-	337.0	18.9	193.5	10.8	530.5	29.7	1 786.7	6.1	327.2	1 265.9	193.5	
Subtotal	3 218.5	61.3	563.1	10.7	-	-	-	-	-	-	930.9	17.7	539.8	10.3	1 470.7	28.0	5 252.3	17.9	1 054.1	3 658.4	539.8	
Total	11 244.9	38.4	10 011.3	34.2	181.2	0.6	2 389.4	8.2	2 891.0	9.9	938.9	3.2	1 617.5	5.5	5 447.4	18.6	29 274.2	100.0	6 239.6	21 417.1	1 617.5	

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

31. **Procurement** will be undertaken by the PCMU, zonal offices and the BACs in line with government regulations and IFAD's procurement guidelines; or in the case of the southern-zone BACs and all RTFs, in line with AfDF guidelines. Given the large amount of training in this project and its wide geographic spread, most procurement will be small, and local shopping procedures followed. The PCMU will coordinate and monitor procurement, including the bulking of vehicles, machinery, equipment and goods for procurement where appropriate, and when several BACs and/or RTFs are involved. Contracts in excess of USD 100 000 equivalent (for vehicles and specialized equipment) will be awarded under international competitive bidding procedures. Contracts for less than USD 100 000 but more than USD 20 000 (mostly for civil works) will be procured through local or national competitive bidding procedures acceptable to IFAD and the AfDF. Contracts for less than USD 20 000 will be awarded through local shopping procedures with at least three quotations. Any contract estimated to cost more than USD 50 000 for whatever category of procurement will be subject to prior review by the cooperating institution. Contracts for consultants' services and studies will be awarded in accordance with UNOPS guidelines acceptable to the Fund.

32. **Disbursements** for civil works, machinery, vehicles, equipment and consultant services will be fully documented. Withdrawals from the loan account may be made against statements of expenditures (SOEs) for categories of expenditures jointly determined by the Government, IFAD and the cooperating institution. The relevant documentation justifying these expenditures will be retained by the project and made available for inspection by supervision missions and auditors. All other withdrawal from the loan account will be made on the basis of full supporting documentation. To facilitate timely payment of works, services and supplies, a special account in United States dollars will be opened and maintained by the Ministry of Finance (MoF) in a commercial bank satisfactory to IFAD. A second special account will be opened for IFAD's contribution to the credit line. The MoF and MES will be joint signatories to the IFAD special accounts. Disbursements from the special accounts to the project accounts will be made against approved annual workplans and budgets (AWP/Bs) and SOEs. Upon loan effectiveness and satisfaction of disbursement conditions, IFAD will deposit a combined total of USD 900 000 in the special accounts, equivalent to IFAD's share of expenditure for six months.

33. **Accounts and audits.** The PCMU, zonal offices, BACs and RTFs will establish independent project accounts for all IFAD-financed activities. The accounting systems will be reviewed and standardized in line with government financial instructions and to meet acceptable international standards. Acceptance of the accounting system by IFAD and the Government will be a condition for disbursement. The PCMU will ensure that the agreed accounting procedures are fully implemented. Operations at all levels will be subject to audits carried out in accordance with international standards. The annual financial reports from all implementing partners will be subject to audits by acceptable independent external auditors working to international standards. The auditors will examine all expenditures and provide a separate opinion thereon. The audited financial statements will be submitted no later than six months after the end of the fiscal year.

F. Organization and Management

34. **Overall responsibility** for project management will rest with the chief director of MES (see the organization chart in Appendix VI). Together with the project steering committee, MES will provide general policy direction for project implementation and maintain contacts with relevant ministries. The steering committee will orient project implementation strategy, oversee project planning, and review progress and impact. It will include representatives of: (i) the main government departments and agencies (i.e. NBSSI, GRATIS and BoG); (ii) the private sector (e.g. local trade associations, the Association of Ghana Industries and NGOs); and (iii) DAs.



35. **Project coordination management unit and zonal offices.** The PCMU and two zonal offices (to be established in the northern and southern zones) will be responsible for day-to-day project management. The PCMU will be based in Kumasi and staffed by a project coordinator and four senior technical officers. Zonal offices will be staffed by a zonal coordinator and two technical officers. The PCMU will handle the operational management of the project, coordination of planning, and monitoring of progress and impact, and will direct implementation of project activities in the central zone. It will also provide technical backstopping support to the zonal offices, BACs and RTFs. After project completion, the PCMU will be integrated into the Planning Division of MES where it will continue to provide technical and technological support services to the rural MSE sector and to backstop DAs with regard to environmental aspects of district-level business development promotion. The project will pay special attention to the human resource development of project staff, continually introducing national and international best practices in MSE development.

36. **District implementation committee (DIC).** A DIC will be set up in each district to assist in operational matters, including coordination of planning, implementation of project activities, and conflict resolution. It will have about 12 members, including relevant district officers, heads of relevant implementing units in the district (BAC and RTF) as *ex officio* members, two representatives of project clients (including at least one woman and a representative of local trade associations), representatives of the area council and the private business sector, and other members as deemed necessary. The DIC will endorse the AWP/Bs for the activities of the project implementers in the district.

37. **Local trade associations** will be instrumental in project implementation, in addition to being clients. They will be a vital link between the individual project clients, the BACs and MSE service providers, and will also be linked to RTF operation. In addition, they will assist in identifying areas for training and promote project activities among their members and other potential clients.

38. **Other project partners.** In addition to the close relations to the DAs and trade associations, the project will maintain special relations with the NBSSI and GRATIS. In view of their institutional mandates and experiences, these agencies will develop a special relationship to the BACs and RTFs, and are expected to continue their involvement when the project withdraws from the district. They will be supported to supervise the BACs and RTFs.

39. **Monitoring and evaluation.** M&E will be used to identify and address problems, and to enhance impact by developing systems responsive to client needs. The logical framework will be the basis for results-based and objective-oriented project implementation. The project will rationalize the monitoring system, focusing on the analysis of key leading indicators and broadening the system to incorporate all clients and implementing partners. Project performance will be monitored based on client perceptions of the quality of services provided. The project will adopt a triangular approach to impact assessment, using: (i) data collected from clients via enterprise learning diaries and focused interviews; (ii) baseline and exit surveys carried out by a suitably qualified institution, contracted for the purpose; and (iii) national surveys that track indicators of long-term impact. A mid-term review, scheduled for the fourth project year (PY), will make a preliminary evaluation of the project, reorienting its activities as required to meet objectives and improve impact on the target group. A project completion report, focusing on verifiable results and impact, will be submitted after project completion.

G. Economic Justification

40. The project will reduce rural poverty by generating additional income through new or strengthened jobs, and the diversification of existing income-generating activities. Some 40 000 clients will receive marketing and management training to develop small businesses; about 30 000 clients will receive training to become traders; and about 6 000 apprentices and 5 000 MCs will benefit from technical training. Some 30 000 working and investment capital loans, and 6 000



matching grants to provide seed capital to apprentices for start-ups, will be extended. The project will create about 110 000 new jobs over eight years, while strengthening 60 000 MSE ventures. Overall, the economic rate of return is estimated at 15.9% based on the experience of REP-I. It is expected that, by PY 8, a dynamic and profitable MSE sector will be built, based on the strong technical and financial linkages established by the project, from the grass-roots to the national policy level.

41. Other project benefits include: (i) enhanced MSE productivity and product quality, broader product range and diversification into new products and markets will result in higher turnovers and increased profit levels; (ii) advocacy and policy activities will strengthen the position of MSEs in the markets in which they operate and catalyse more suitable national and local government support; (iii) manufacturing and repair of farm implements and agro-processing equipment will provide a stimulus for agriculture and especially smallholder farming; and (iv) increased supply of consumer items at potentially lower prices will improve the well-being of the rural population, which, together with increased job opportunities, may counteract the strong push and pull factors currently driving rural-urban migration.

42. At the institutional level, the project will provide a strong impetus for the DAs to support business development at the district level. The BAC will be an innovative instrument to link up with the local business sector, providing it with relevant support services. Most importantly, the project will contribute towards the empowerment of the MSE sector. Working with associations representing the local MSE sector will give a major boost to their functioning. Structural improvements for the development context of the MSE sector will be achieved both nationally (by stimulating the formulation of relevant policies) and locally.

43. **Poverty-reduction impact.** If its multiplier effects are taken into consideration, the project is likely to increase the incomes of some 250 000 MSE owners and workers, while a much larger number of families will benefit indirectly from better service provision as a result of the capacities built. The creation of new jobs and the income generated by the MSEs will significantly boost poverty-alleviation efforts in the project area, improving prospects especially for poor rural women and unemployed youth. Given the project's gender focus and approach, it will have a strong impact on woman-headed MSEs since most rural microentrepreneurs are women. Moreover, there is evidence that women have better absorptive capacities than men (e.g. they are more likely to work well in groups, seek stable incomes and repay loans). Project activities will result in higher health and nutritional impact since women, more than men, use incomes from self-employment to improve household welfare.

H. Risks

44. The greatest risk is the limited demand for the goods and services produced by rural MSEs, which will directly influence their interest in project services and their willingness and capacity to contribute to the costs of these services. To mitigate this risk, the project will carry out regular market studies to ensure that project services are directed at economic activities for which adequate demand exists, and it will foster policy dialogue to establish an enabling environment for the development of rural MSEs. Another risk concerns the reliability of trade associations, and their capacities to deliver services to their members and advocate for them. To address this risk, the project will first upgrade the associations' management and technical capacities and then build up partnerships with associations whose functioning is transparent. The third risk is that capacity-building of the Ghanaian financial institutions will lag behind the popular expectation of receiving loan funds, thus creating frustrations among clients and implementing staff. To avoid this situation, the project will provide timely training programmes and technical assistance to increase the financial institutions' capacity to administer loan funds efficiently.



I. Environmental Impact

45. The project will not have a major impact on the physical environment. It is, instead, expected to contribute positively to environmental management through the promotion of more environmentally friendly technologies. To mainstream environmental concerns, the project will evaluate, at the planning stage, the likely environmental impact of project activities. Environmental concerns will be incorporated in all training programmes, especially technical courses. As part of the technology-promotion activities, the project will pay special attention to the manufacturing and dissemination of environmentally friendly production techniques and equipment. It will also organize workshops to discuss environmental and occupational safety and health issues.

J. Innovative Features

46. The project will have a number of innovative features. It will: (i) build a mechanism to scale up REP-I activities through intensive policy dialogue (i.e. WG-ME) and partnership-building; (ii) establish a bridge between the Government's decentralization policy and the project delivery mechanisms; (iii) build on the traditional trade associations and their existing social capital and knowledge to the extent possible; and (iv) implement project funded-activities in a flexible and demand-driven process, with activities responding to client initiatives and needs. The project will also foster innovation in terms of support to apprenticeship training and provision of seed capital allowing apprentices to start their own businesses. Another feature is the catalytic use of IFAD resources to bring together a critical mass of funds from local and central government, other development partners and clients. Furthermore, the major thrusts of IFAD's support are consistent with its strategic framework and emphasize both sustainability and empowerment of the rural poor, particularly women, to increase their access to, and management of, resources, infrastructure and services. The framework has created sustainable linkages that will continue after external funding comes to an end.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

47. 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.

48. The Republic of Ghana is empowered under its laws to borrow from IFAD.

49. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

50. 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 five hundred thousand Special Drawing Rights (SDR 8 500 000) to mature on and prior to 1 May 2042 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.

Lennart Båge
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 24 July 2002)

1. The Government of the Republic of Ghana will ensure that MES (the lead project agency) opens and maintains a current account for project operations (the project account), denominated in Ghanaian cedis, in a bank acceptable to IFAD. The project coordinator and project accountant will be authorized signatories for the project account and both authorized signatories will be required to make any withdrawal from the account.
2. The Government will cause each zonal office to open and maintain a current account denominated in cedis in a bank acceptable to IFAD for project operations in their respective project zone (the zonal accounts). The zonal coordinator and zonal accounts assistant of each zonal office will be authorized signatories for the relevant zonal account and both authorized signatories will be required to make any withdrawal from the account.
3. The Government will cause each DA to open and maintain a current account denominated in cedis in a bank acceptable to IFAD for project operations by the BACs (the BAC accounts). The head of each BAC, the district coordinating director and district finance officer of the relevant district will be authorized signatories for each BAC account and two authorized signatories, of which one will be the head of the BAC, will be required to make any withdrawal from the account.
4. The Government will make counterpart funds available from its own resources to the lead project agency during the project implementation period in an aggregate amount of approximately USD 2.48 million equivalent, in accordance with each AWP/B. The Government's counterpart funds will cover salaries, allowances, and vehicle and office operating and maintenance costs, excluding taxes. To this end, the Government will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant project year and make such allocations available quarterly to the lead project agency by depositing such amounts in the project account.
5. The Government will ensure that the PCMU will be integrated into the planning division of the lead project agency after project completion in order to continue providing technical and technological support services to the rural small- and microenterprise (SME) sector, as well as backstopping of DAs with regard to the environmental aspect of district-level business development promotion.
6. The Government will ensure that gender equity considerations are integrated into all project activities during implementation. Gender issues will be mainstreamed into all project activities and the gender imbalance in management of the first project phase (REP-I) will be redressed. Project staff and partners will be trained at all levels in gender awareness, planning and implementation. Gender will be one of the main areas for which the PCMU will assign a technical officer, preferably a woman. The Government will ensure that each DIC will include a representative from the Ministry for Women's and Children's Affairs and, where these are absent, designate one officer with responsibility for ensuring the integration of gender concerns into project activities at the district and sub-district level. For recruitment of new staff and consultants, specific consideration will be given to candidates with a proven capacity to ensure that gender aspects are properly mainstreamed, and all proposals and bids for consultancy contracts must include a strategy to address gender issues and concerns. Additionally, preference will be given to women and youth for participation in the business orientation seminars provided under the business development services component.



7. The Government will ensure that the terms of reference for the mid-term review will specify the following: the performance of NBSSI and GRATIS under the project will be reviewed; the pilot programme for literacy and numeracy training set up under the business development services component will be reviewed to determine whether such activities should be continued.

8. As the project is highly demand-driven and will seek to be responsive to identified needs, the Government will ensure that the project M&E function will be used as a management tool to identify problems, make corrections and enhance impact by developing systems more responsive to client needs. The M&E officer of the PCMU will be responsible for M&E of project implementation at the national level. At the field level, BACs, RTFs and participating Ghanaian financial institutions will be responsible for periodic reporting to the PCMU (or zonal offices, where relevant) on implementation progress. The banking and supervision department of BoG will perform supervision and monitoring of financial institutions. To the extent possible, the project will use existing bank reporting systems and formats for data on project beneficiaries/clients. Financial institutions will forward the agreed information on clients directly to the zonal offices, which will update the project's information management system and forward the banking information to the responsible BAC.

9. The Government will ensure that: (a) project beneficiaries/clients participating in training courses will contribute to the courses in either cash or materials; and (b) project training and support services will be open to all those in the target group meeting the criteria set out in the project implementation manual.

10. The Government will ensure that the project will work with those local trade associations that are functioning well and that offer transparent processes to their membership for participation in project interventions.

11. The Government will exempt from taxes the importation, procurement and supply of all goods and services financed by the IFAD loan. To this end, the Government will issue tax waiver certificates and/or make annual budgetary provisions for taxes, as appropriate, which will be reflected in the AWP/Bs.

12. The following is specified as a condition for disbursement of funds from the project account to any BAC account:

No disbursement will be made unless the DIC for the district concerned has been established and the DA has entered into a memorandum of agreement with the project, as described in the loan agreement.

13. The following is specified as a condition for disbursement of funds for expenditures related to incremental credit:

No disbursement will be made until a copy of the signed BoG subsidiary agreement, prepared by the Government in accordance with the loan agreement, has been delivered to IFAD; the signature and performance thereof by the Government and BoG have been authorized and ratified by all necessary corporate, administrative and governmental action; and all conditions precedent to its effectiveness have been fulfilled.



ANNEX

14. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) a project steering committee has been established;
 - (b) the PCMU has been established and the project coordinator, project accountant and M&E officer of the PCMU have been appointed;
 - (c) IFAD has received written evidence that the Government has made all assets of REP-I available to the project, including the remaining funds of the rural enterprise development fund established and operated under REP-I;
 - (d) IFAD has received a letter from the Government confirming that it has initiated a process to elaborate an SME policy and strategy, and that the working group on microenterprise development, sponsored by REP-I, is involved in this exercise. The letter must also indicate the timetable and other practical arrangements for elaboration of the policy and strategy;
 - (e) the Government has opened the special accounts;
 - (f) the lead project agency has opened the project account;
 - (g) the Government has made an initial deposit of at least 25% of the counterpart funds for project year one in the project account;
 - (h) a draft AWP/B, including all project activities and financing, has been submitted to IFAD for approval;
 - (i) the project implementation manual has been approved by IFAD in draft;
 - (j) the lead project agency has established a project accounting system acceptable to IFAD;
 - (k) the loan agreement has been signed, and the signature and performance thereof by the Government have been authorized and ratified by all necessary administrative and governmental action; and
 - (l) a favourable legal opinion, issued by the Attorney-General of the Government or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

GHANA

Land area (km² thousand) 2000 1/	228	GNI per capita (USD) 2000 1/	350
Total population (million) 2000 1/	19.2	GNP per capita growth (annual %) 2000 1/	1.2
Population density (people per km²) 2000 1/	84	Inflation, consumer prices (annual %) 2000 1/	25.2
Local currency	Cedi (GHC)	Exchange rate: USD 1 =	GHC 7 787
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-99 2/	2.9	GDP (USD million) 2000 1/	5 419
Crude birth rate (per thousand people) 2000 1/	30 a/	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2000 1/	10 a/	1980-90	3.0
Infant mortality rate (per thousand live births) 2000 1/	57 a/	1990-99	4.3
Life expectancy at birth (years) 2000 1/	58 a/		
Number of rural poor (million) (approximate) 1/	4.1	Sectoral distribution of GDP 2000 1/	
Poor as % of total rural population 2/	34	% agriculture	35
Total labour force (million) 2000 1/	9.1	% industry	8
Female labour force as % of total 2000 1/	51	% manufacturing	9
		% services	56
		Consumption 2000 1/	
Education		General government final consumption expenditure (as % of GDP)	10
School enrolment, primary (% gross) 2000 1/	n.a.	Household final consumption expenditure, etc. (as % of GDP)	75
Adult illiteracy rate (% age 15 and above) 2000 1/	29	Gross domestic savings (as % of GDP)	15
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1997 3/	2 611	Merchandise exports 2000 1/	1 400
Malnutrition prevalence, height for age (% of children under 5) 2000 1/	26 a/	Merchandise imports 2000 1/	2 400
Malnutrition prevalence, weight for age (% of children under 5) 2000 1/	25 a/	Balance of merchandise trade	-1 000
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2000 1/	4.7	before official transfers 1999 1/	-1 386
Physicians (per thousand people) 1999 1/	n.a.	after official transfers 1999 1/	-766
Population using improved water sources (%) 1999 4/	64	Foreign direct investment, net 1999 1/	n.a.
Population with access to essential drugs (%) 1999 4/	44		
Population using adequate sanitation facilities (%) 1999 4/	63		
		Government Finance	
Agriculture and Food		Overall budget deficit (including grants) (as % of GDP) 1999 1/	n.a.
Food imports (% of merchandise imports) 1999 1/	12	Total expenditure (% of GDP) 1999 1/	n.a.
Fertilizer consumption (hundreds of grams per ha of arable land) 1998 1/	42	Total external debt (USD million) 1999 1/	6 928
Food production index (1989-91=100) 2000 1/	166.5	Present value of debt (as % of GNI) 1999 1/	66
Cereal yield (kg per ha) 2000 1/	1 292	Total debt service (% of exports of goods and services) 1999 1/	19.9
Land Use		Lending interest rate (%) 2000 1/	n.a.
Arable land as % of land area 1998 1/	15.8	Deposit interest rate (%) 2000 1/	28.6
Forest area (km ² thousand) 2000 2/	63		
Forest area as % of total land area 2000 2/	27.8		
Irrigated land as % of cropland 1998 1/	0.2		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database

2/ World Bank, *World Development Indicators*, 2001

3/ UNDP, *Human Development Report*, 2000

4/ UNDP, *Human Development Report*, 2001

PREVIOUS IFAD LOANS TO GHANA

Loan/Grant Acronym	Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
GH-I-34	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	100%
GH-I-198	Smallholder Rehabilitation and Development Programme	IFAD	UNOPS	HC	03 Dec 86	25 Jan 88	31 Dec 95	SDR	5 900 000	96%
GH-S-2	Smallholder Rehabilitation and Development Programme	IFAD	UNOPS	HC	03 Dec 86	25 Jan 88	31 Dec 95	SDR	4 400 000	94%
GH-I-247	Smallholder Credit, Input Supply and Marketing Project	IFAD	UNOPS	HC	05 Dec 89	01 Mar 91	31 Dec 98	SDR	9 100 000	100%
GH-S-19	Smallholder Credit, Input Supply and Marketing Project	IFAD	UNOPS	HC	05 Dec 89	01 Mar 91	31 Dec 98	SDR	3 950 000	99%
GH-S-26	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	100%
GH-S-38	Rural Enterprises Project	IFAD	UNOPS	HC	02 Dec 93	01 Feb 95	31 Dec 02	SDR	5 550 000	88%
GH-I-388	Upper West Agricultural Development Project	IFAD	UNOPS	HC	14 Sep 95	20 Mar 96	30 Sep 03	SDR	6 750 000	77%
GH-I-429	Village Infrastructure Programme	World Bank: IDA	World Bank: IDA	HC	04 Dec 96	02 Apr 98	31 Dec 03	SDR	6 950 000	23%
GH-I-461	Root and Tuber Improvement Programme	IFAD	World Bank: IDA	HC	04 Dec 97	15 Jan 99	31 Dec 04	SDR	6 550 000	67%
GH-I-503	Upper-East Region Land Conservation and Smallholder Rehabilitation Project - Phase II	IFAD	UNOPS	HC	29 Apr 99	14 Jan 00	30 Sep 05	SDR	8 300 000	35%
GH-I-532	Rural Financial Services Project	IFAD	World Bank: IDA	HC	03 May 00	29 Jan 02	30 Sep 08	SDR	8 200 000	5%
GH-I-571	Northern Region Poverty Reduction Programme	IFAD	UNOPS	HC	06 Dec 01			SDR	9750000	



LOGICAL FRAMEWORK

Narrative Summary	Indicators	Means of Verification	Assumptions/Risks
Goal			
Additional income generated for the entrepreneurial rural poor, with special emphasis on women and other vulnerable groups, living in the targeted districts through self- and wage employment.	<ol style="list-style-type: none"> 1. Increased income 2. Reduction in un(under)-employment rates (particularly of youth) 3. Sustained increase in the percentage of children enrolled in school 4. Reduction in the prevalence of child malnutrition 	Ministry of Education/District Assembly (DA) Ministry of Health/DA Labour market surveys (MAESW) Demographic and Health Surveys (DHSs) Census and statistics on MDGs	
Objective			
Competitive rural microenterprise sector established in participating districts, supported by relevant, good-quality, easily accessible and sustainable services.	<ol style="list-style-type: none"> 1. Number of businesses established by project (by type and gender of owner) reporting sustained profits, two years after 'exit' 2. Number of businesses supported by project (by type and gender of owner) that have added employees (number), two years after 'exit' 3. Number of BACs operating two years after 'exit' 4. Increase in inter-district (and inter-region) Trading of MSE goods 	BAC records Project evaluation surveys DA records MoTI records	Serious downturn in general economic situation (e.g. following natural disasters or failed macroeconomic government policies) <i>Mitigation: Project builds on decentralization efforts and the Government's economic reforms</i> Services provided are unsustainable <i>Mitigation: Gradual introduction of fees for all services provided and capacity-building of local partners</i>
Outputs			
1. Concerns of rural MSEs addressed in national and district policy fora through policy dialogue among all concerned partners and translated into coherent and effective rural microenterprise strategy.	<ol style="list-style-type: none"> 1.1. Number and type of issues forwarded by WG-ME for consideration by regulatory/legislative bodies 1.2. Number of DA development plans that include activities to stimulate MSE sector. 1.3. Rural ME development strategy paper completed by PY 2 	WG-ME minutes BAC reports DA plans	Workload and/or institutional interests of local, national and international stakeholders hamper cooperation <i>Mitigation: Well-planned short meetings and well-focused interventions proposed</i>

3



Narrative Summary	Indicators	Means of Verification	Assumptions/Risks
<i>Outputs</i>			
2. Client-responsive business advisory services made available and supported by DAs.	2.1. Number of new businesses established during Pys 2.2. Number of 'repeat' clients (by gender and type of request) 2.3. At least 53 BACs established and functioning by end of PY 5 2.4. 50% of BAC operating costs supplied by DAs by end of second year of operation	BAC records DA records Client monitoring teams Enterprise learning diaries NBSSI supervision reports	Lack of qualified and experienced BAC staff <i>Mitigation: Staff training, technical assistance and capacity-building.</i>
3. Production techniques and management practices of MSEs improved.	3.1. At least 18 RTFs established by end of PY 5 3.2. Number of businesses adopting improved technologies (by type) 3.3. Reduction in enterprise unit costs	BAC records RTFs Client monitoring teams Enterprise learning diaries GRATIS supervision reports	No (or too few) potential technology service providers are identified in rural areas <i>Mitigation: capacity-building</i>
4. Market linkages of MSEs initiated and strengthened.	4.1. Number of MSEs reporting sales outside of village, district or region 4.2. Number of MSEs linked to larger commercial operations and enterprises 4.3. Number of new trades operating by district 4.4. Number of trade shows held by district	Client monitoring teams Enterprise learning diaries Evaluation surveys	Limited demand for MSE production. <i>Mitigation: Marketing specialist at BAC responsible for developing new markets for MSE products/services</i>
5. Access of MSEs to working capital and investment funds increased.	5.1. Increase in savings deposited 5.2. Loan disbursements (amounts and clients, by gender) – annual upward trend (by district) 5.3. Increased number of financial service providers operating in rural areas 5.4. Increased number of MSEs accessing rural financial services	Reports/records of participating Ghanaian financial institutions Client monitoring teams Client interviews by project Evaluation surveys	Capacities of Ghanaian financial institutions are too low to handle a portfolio of small loans <i>Mitigation: Promotion of group-secured loans, close relations with RFSP and GTZ involved in institution building of the financial institutions</i>
6. Rural microentrepreneur groups and trade associations strengthened.	6.1. Number of groups active in sector 6.2. Number of networks created (by activity, trade type, district) 6.3. Number participating in policy dialogue		



Narrative Summary	Indicators	Means of Verification	Assumptions/Risks
Outputs			
7. Project effectively managed with strong stakeholder participation and equitable gender balance.	7.1. APW/B and progress reports submitted/approved on time 7.2. Disbursement rate from IFAD and AfDF loans at acceptable levels	Evaluation surveys (including with BACs) PCMU reports Supervision mission recommendations	Too rapid expansion of the project would pose risks for efficient management Mitigation: <i>phased project expansion</i> Project partners, especially DAs, are inhibited by institutional inertia and/or other priorities Mitigation: <i>intensive communication promoted by PCMU; capacity-building.</i>

Activities			
Inputs			
Civil works Equipment and vehicles Training Technical assistance Credit Salaries and allowances Operating costs	IFAD loan: USD 11.0 million AfDF loan: USD 10.0 million Contributions from Government, DAs, participating banks and clients		Project approved by IFAD Executive Board in September 2002 Timely approval by AfDB Board.



COSTS AND FINANCING PLAN

Expenditures Accounts by Components – Base Costs (USD '000)

	Business Development Services	Technology Promotion	Rural Financial Services	Support to Rural MSE Organizations and Partnership Building	Project Management		Total	Physical Contingencies	
					Project Coordination and Monitoring Unit	Zonal Management and Monitoring Offices		%	Amount
I. Investment Costs									
A. Civil works	265.0	450.0	-	-	10.0	-	725.0	5.0	36.3
B. Vehicles and motorcycles	1 378.0	171.0	20.0	-	230.0	144.0	1 943.0	5.0	97.2
C. Equipment and Material	449.2	1 418.0	18.9	-	156.6	92.3	2 134.9	5.0	106.7
D. Technical assistance									
1. Contracted staff	-	-	-	-	1 212.0	813.4	2 025.4	-	-
2. Specialist services	151.8	77.4	85.5	90.0	181.0	-	585.7	-	-
Subtotal	151.8	77.4	85.5	90.0	1 393.0	813.4	2 611.1	-	-
E. Studies	118.0	36.0	24.0	181.0	210.0	-	569.0	-	-
F. Training and Workshops									
Staff Training	80.6	22.3	445.3	-	131.4	31.6	711.2	5.0	35.3
Client Training	5 408.1	3 308.2	-	119.0	-	-	8 835.3	5.0	438.1
Workshops	170.0	-	-	29.6	17.5	-	217.1	5.0	10.9
Subtotal	5 658.7	3 330.5	445.3	148.6	148.9	31.6	9 763.7	5.0	484.3
G. Onlending Funds	-	-	348.0	-	-	-	348.0	-	-
H. Technology Promotion Funds	-	1 584.0	-	-	-	-	1 584.0	-	-
Total Investment Costs	8 020.7	7 066.8	941.7	419.7	2 148.5	1 081.3	19 678.7	3.7	724.4
II. Recurrent Costs									
A. Salaries	1 508.2	393.5	198.0	-	383.0	910.6	2 579.9	-	-
B. Operation and Maintenance	1 077.6	67.5	30.0	-	211.2	103.0	1 489.3	5.0	74.5
C. Other Operating Costs									
1. Travel allowances	750.2	81.8	21.6	19.2	243.5	215.5	1 331.8	5.0	66.6
2. Other Operating Costs	652.1	292.0	15.0	8.0	176.0	117.0	1 260.1	4.1	51.6
Subtotal Other Operating Costs	1 402.3	373.8	36.6	27.2	419.5	332.5	2 591.9	4.6	118.2
Total Recurrent Costs	3 988.1	834.8	264.6	27.2	1 013.7	1 346.1	6 661.1	2.9	192.7
	12 008.8	7 901.6	1 206.3	446.9	3 162.2	1 614.0	26 339.8	3.5	917.1
Physical Contingencies	500.1	286.9	27.5	8.8	58.6	35.2	917.1	-	-
Price Contingencies	1 016.4	535.4	49.9	33.3	244.9	137.5	2 017.4	3.6	72.5
	13 525.3	8 723.8	1 283.7	489.0	3 465.7	1 786.7	29 274.2	3.4	989.6
Taxes	687.3	350.7	38.6	1.1	346.3	193.5	1 617.5	2.8	46.0
Foreign Exchange	2 891.7	1 830.1	174.5	289.1	726.9	327.2	6 239.6	4.1	257.2



**Expenditures Accounts by Financiers
(USD '000)**

	IFAD		African Development Fund				ARB				District				Govt. Ghana (Budget)		Govt. of Ghana (Taxes)		Total		Local	Duties		
	Amount	%	Amount	%	Amnt	%	Amnt	%	Amnt	%	Amnt	%	Amnt	%	Amnt	%	Amnt	%	Amount	%	Exch.	Taxes)	and	
I. Investment Costs																								
A. Civil Works	188.5	23.4	576.3	71.6	-	-	-	-	-	-	-	-	-	-	-	-	40.3	5.0	805.1	2.8	322.0	442.8	40.3	
B. Vehicles and motorcycles	1 599.9	74.0	290.7	13.5	-	-	-	-	-	-	-	-	-	-	-	-	270.1	12.5	2 160.8	7.4	1 836.7	54.0	270.1	
C. Equipment & Material	491.8	20.7	1 583.6	66.8	-	-	-	-	-	-	-	-	-	-	-	-	296.5	12.5	2 371.8	8.1	1 925.6	149.8	296.5	
D. Technical Assistance																								
1. Contracted staff	1 560.5	71.0	363.4	16.5	-	-	-	-	-	-	-	-	-	-	-	-	274.8	12.5	2 198.7	7.5	-	1 923.9	274.8	
2. Specialist services	483.4	78.3	133.9	21.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617.3	2.1	578.2	39.1	-	
Subtotal	2 043.9	72.6	497.3	17.7	-	-	-	-	-	-	-	-	-	-	-	-	274.8	9.8	2 816.0	9.6	578.2	1 963.0	274.8	
E. Studies	531.1	87.1	78.7	12.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	609.9	2.1	255.0	354.9	-	
F. Training and Workshops																								
1. Staff training	667.0	85.0	79.4	10.1	38.6	4.9	-	-	-	-	-	-	-	-	-	-	-	-	785.1	2.7	48.2	736.9	-	
2. Client training	3 446.2	34.1	4 274.5	42.3	-	-	-	-	2 389.4	23.6	-	-	-	-	-	-	-	-	10 110.1	34.5	-	10	-	
3. Workshops	156.8	64.4	86.7	35.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	243.4	0.8	-	243.4	-	
Subtotal	4 270.0	38.3	4 440.6	39.9	38.6	0.3	-	-	2 389.4	21.5	-	-	-	-	-	-	-	-	11 138.6	38.0	48.2	11	-	
G. Onlending Funds	348.0	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348.0	1.2	-	348.0	-	
H. Technology Promotion Funds	-	-	1 584.0	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 584.0	5.4	-	1 584.0	-	
Total Investment Costs	9 473.2	43.4	9 051.3	41.5	38.6	0.2	-	-	2 389.4	10.9	-	-	-	-	-	-	881.7	4.0	21 834.2	74.6	4 965.6	15	881.7	
II. Recurrent Costs																								
A. Salaries	470.8	16.8	126.5	4.5	-	-	104.1	3.7	-	-	911.0	32.5	577.2	20.6	236.3	8.4	376.3	13.4	2 802.3	9.6	-	2 425.9	376.3	
B. Operating and Maintenance	549.9	32.4	287.7	16.9	-	-	16.6	1.0	-	-	78.4	4.6	381.2	22.4	172.5	10.2	212.3	12.5	1 698.6	5.8	1 274.0	212.3	212.3	
C. Other Operating Costs																								
1. Travel allowances	563.8	37.2	270.4	17.9	-	-	13.6	0.9	-	-	208.3	13.8	171.9	11.4	285.9	18.9	0.0	-	1 514.0	5.2	-	1 514.0	-	
2. Other operating costs	187.2	13.1	275.3	19.3	-	-	8.3	0.6	-	-	563.0	39.5	-	-	244.1	17.1	147.2	10.3	1 425.1	4.9	-	1 277.9	147.2	
Subtotal	751.0	25.6	545.8	18.6	-	-	21.9	0.7	-	-	771.3	26.2	171.9	5.8	530.0	18.0	147.2	5.0	2 939.1	10.0	-	2 791.9	147.2	
Total Recurrent Costs	1 771.7	23.8	960.0	12.9	-	-	142.6	1.9	-	-	1 760.7	23.7	1 130.3	15.2	938.9	12.6	735.8	9.9	7 440.0	25.4	1 274.0	5 430.1	735.8	
	11 244.9	38.4	10 011.3	34.2	38.6	0.1	142.6	0.5	2 389.4	8.2	1 760.7	6.0	1 130.3	3.9	938.9	3.2	1 617.5	5.5	29 274.2	100.0	6 239.6	21	1 617.5	

7





ORGANIZATION AND MANAGEMENT

1. **Ministry of Environment and Science.** The project will be based at the Ministry of Environment and Science (MES) whose chief director will have overall responsibility for project management. In particular, MES, together with the project steering committee (see below), will provide general policy direction for the implementation of the project, and maintain contacts with relevant ministries (e.g. MoF, the National Development and Planning Commission (NDPC), the Ministry of Trade and Industry (MoTI), and the Ministry of Local Government and Rural Development (MLG/RD)).
2. **Project management unit.** The day-to-day running of the project will be left to the project coordination and management unit (PCMU). The PCMU, which will continue to be based in Kumasi, will handle the operational management of the project, coordination of planning, and monitoring of project progress and impact. After project completion, the PCMU will be integrated into the Planning Division of MES, where it will continue to provide technical and technological support services to the rural MSE sector and backstopping to district assemblies (DAs) with regard to environmental aspects of district-level business development promotion.
3. **REP steering committee.** A national REP steering committee (RSC) will orient project implementation strategy, oversee project planning, and review progress and impact. The meetings of the RSC (which under REP-I was called the National Committee for Rural Small-Scale Enterprises) will be chaired by the MES chief director. To ensure appropriate and timely coordination with other initiatives aimed at strengthening the rural MSE sector, RSC membership will include government representatives (i.e. in addition to MES, NDPC, MoTI, the Ministry of Food and Agriculture (MoFA), MoF, MLGRD and the Ministry for Women's and Children's Affairs (MoWAC), government agencies (i.e. NBSSI, GRATIS and BoG), four representatives of the private sector (e.g. local trade associations, the Association of Ghana Industries and a national NGO) and one district chief executive (DCE) representing the districts in which operations were already started during REP-I and one DCE representing the new districts selected for coverage by REP-II.
4. **District implementation committee (DIC).** A DIC will be set up in each district to assist in operational matters, including coordination of planning, implementation of project activities and resolution of conflicts. A DIC will have around 12 members, including, as under REP-I, relevant district officers (e.g. district coordinating director, district planning officer, district finance officer and district budget officer), the heads of the relevant implementing units in the district (i.e. BAC and RTF - *ex officio* and without vote) and at least two representatives of project clients (one will be a women and one will represent the local trade associations). Under REP-II, the membership of the DIC will furthermore include: two area council representatives, one representative of the (established) private-business sector, and other members deemed relevant (e.g. a representative of a participating Ghanaian financial institution). In view of the importance of the traditional authorities, REP-II will ensure that the Councils of Traditional Chiefs are properly informed about project activities in their area.
5. The responsibilities of DICs include the following:
 - assisting in the planning of project activities on the basis of identified business opportunities, interest of the target group and need for support shared by the prospective project clients;



- aligning project activities into the districts' own development programmes to ensure efficient use of scarce resources; in this respect, REP-II will mainstream its activities and planning processes within the composite AWP/B at district and sub-district levels whenever this instrument is applied (e.g. within the context of the Northern Region with the support of the Northern Region Poverty Reduction Programme (NORPREP));
- supervising and monitoring the progress of project implementation on a regular basis to identify emerging problems, and proposing and administering appropriate remedial measures; and
- assessing the performance of the project to ensure the achievement of set objectives at minimum cost.

6. A prime task for the DIC is the endorsement of the AWP/Bs for the activities of the project implementers (BACs, RTFs and Ghanaian financial institutions) in the district, before they are submitted to the PCMU for consolidation and ultimate approval by REP's national steering committee and IFAD/UNOPS. The DICs will meet every quarter to review the progress of BACs, RTFs and financial institutions against the approved workplan.

7. **Area councils.** The area councils, in addition to being represented both permanently and ad hoc on the DICs, will also: (i) be actively involved in the organization and facilitation of client fora; and (ii) act as continuous focal points for interaction with local communities by making available information on REP training and any other support services. They will also register those interested in participating on behalf of the BACs.

8. **Local trade associations.** REP-II will actively involve local trade associations in the planning and implementation of project activities. They will contribute to the identification of support needs, design of support interventions, and (not exclusively) the selection of project clients. Under all its components and especially the support to rural MSE organizations component, the project will undertake activities to build the capacity of local associations to represent the MSE sector.

9. **Project partners.** In addition to the close relations to the DAs and trade associations in the districts where it will operate, REP-II will maintain special relations with NBSSI and GRATIS. In view of their institutional mandates and experiences, they will develop a special relationship to the BACs and RTFs, and are expected to be involved in their continuation upon withdrawal of the project from the district. They will be given contracts to supervise the BACs and RTFs respectively (to be reviewed at mid-term). The German Development Service (DED) is expected to make available DED workers to assist the PCMU and two RZOs in business development services, and especially in the areas of technology and marketing.

10. **Private sector.** Particular importance will be attached to the participation of the (established) private-business sector in the preparation and implementation of project activities. For this reason, REP-II will seek to involve private-business representatives at both the national level (i.e. as a member of the steering committee) and the district level. For the latter, the private business-sector will be involved as key informants during the *business opportunities identification surveys (BOIS)* and will provide a representative in the DICs.

Project Implementation Arrangements

11. **Project coordination and management unit.** The role of the PCMU is to ensure that the various project components are implemented in a timely, coordinated and coherent manner so that the project's stated objectives are met efficiently and effectively. To this end, the PCMU will specifically: (i) initiate project activities in new districts, including the establishment of a BAC and an RTF (for each three districts); (ii) oversee the planning and implementation of project activities;



(iii) consolidate district AWP/Bs prepared by BACs, RTFs and Ghanaian financial institutions into one AWP/B, to be submitted to and approved by the NSC and IFAD/UNOPS; (iv) review, on a regular basis, the status of project implementation with a view to adopting corrective measures if necessary; (v) coordinate and consolidate periodical reports from implementing units and participating agencies; (vi) identify training needs of project staff and organize training events, exposure visits, etc., to remedy such deficiencies; (vii) provide technical backstopping to the project's implementing units (i.e. the BACs and RTFs); (viii) monitor and evaluate project progress and problems; (ix) set up zonal offices (in PY 1 and 2); (x) keep close linkages with client organizations and trade associations; (xi) to keep MES and IFAD/UNOPS informed; and (xii) establish and maintain linkages with relevant government ministries and agencies, NGOs and private business organizations, donor projects and donors, and MSE service providers.

12. **Annual workplans and budgets.** The project will be implemented on the basis of an approved AWP/B, prepared in close consultation with the project clients and partners, especially the DAs and client organizations. The project's planning process combines two levels: the district and sub-district level participatory planning and the more formal project planning cycle.

13. The starting point of the project's planning process will be *client fora* held throughout the year. Their geographical coverage will correspond to that of the area councils and they will be organized by the BAC together with the area councils. During these fora, the findings of the BOIS will be discussed and matched with the interests of prospective project clients. The outcome will be a draft intervention matrix, prepared by the staff of the project implementing units, i.e. the BAC, RTF and Ghanaian financial institutions, indicating the constraints and proposed interventions for the project's clients to take advantage of these opportunities. The intervention matrix will form the basis for REP's implementing units to prepare AWP/Bs. These are discussed by the DIC in order to (i) assess the relevancy of the proposed MSE support services for the project's target group, and (ii) align the proposed interventions with the district development plan. When endorsed by the DIC, they are forwarded to the PCMU with a covering letter signed by the DCE.

14. The PCMU then consolidates the district AWP/Bs into one REP AAWP/B, which is subsequently submitted to the project's national steering committee. At its late-year session, the committee will be asked to approve the REP AWP/B proposed by the PCMU for the upcoming year. The findings, conclusions and recommendations of the NSC will be forwarded to the Minister for the Environment and Science for appropriate action, copied to IFAD and UNOPS for the ultimate 'no objection' (after taking into consideration their observations). The NSC will meet for a second time around mid-year to discuss the recommendations of the UNOPS supervision mission and review the progress of project implementation.

15. **Annual review workshop.** An annual review workshop will be carried out not later than end-September each year to discuss experiences gained in the implementation of project activities with a view to reviewing progress and identifying constraints and adjustments necessary for the following year. The review will be the main venue for learning, reflection and exchange of experiences and ideas. It will be attended by the main staff of DAs, NBSSI, GRATIS, rural banks, representatives of project clients, and all relevant PCMU, BAC and RTF staff. The report and recommendations of the workshop will be made available to the chief director of MES for decisions on key policy institutional and financial issues. These will be reflected in the subsequent year's AWP/B.

16. **Provision of MSE support services.** The project will provide MSE support services on the basis of the findings of the BOIS and interactions with its target group. It will seek to diversify the range of goods and services produced by rural MSEs, and take care not to saturate the (local) markets with products.



17. The BACs will function as facilitators, identifying the needs for training and other MSE support services, screening them against market opportunities for rural MSEs, and organizing service delivery through contracts with specialized providers. The underlying notion is that the development of the market for MSE business development services is based on principles such as competition and transparency, which are expected to ensure relevant and good-quality services. All persons and firms in the fields of MSE support services (in technical and management training, business counselling, intermediate technology and financial services), in both non-profit or for-profit sectors, will stand an equal chance of being contracted to provide the required to the project's clients.

18. The RTFs will similarly base their activities on the BOIS and prioritize their training and technology promotion on identified market niches. The training of the MCs and apprentices will be largely done by RTF staff, who will also be responsible for the organization of technology demonstrations and occupational safety and health (OSH) seminars. Alliances will be sought with other sector organizations that are also active in technical training and technology (e.g. training centres) to exchange information, curricula and experiences.

Monitoring and Evaluation

19. M&E will be used as a management tool to identify problems and make corrections and also to enhance impact by developing systems that are more responsive to client needs. The logical framework will be used to support results-based and objective-oriented project implementation. The project will rationalize the monitoring system, focusing on the analysis of key leading indicators and broadening the system to incorporate clients and implementing partners fully. Project performance will be monitored based on client perceptions of the quality of services provided. A triangular approach to impact assessment will be adopted by the project. Impact assessment will, first, be based on data collected from clients via the enterprise learning diaries and focused interviews. Second, a suitably qualified institution will be contracted to carry out a limited number of baseline and exit surveys. Third, the system will make use of national-level surveys that track indicators of long-term impact. A mid-term review scheduled for the PY 4 will be used to make a preliminary evaluation of the project and to reorient activities both to meet its objectives and to improve its impact on the target group. A project completion report will be prepared and submitted after project completion.



ORGANIZATION CHART

