

Document: EB 2019/LOT/P.17/Rev.1  
Date: 18 December 2019  
Distribution: Public  
Original: English

**E**



Investing in rural people

## **President's report**

## **Proposed loan**

## **Republic of Ghana**

# **Affordable Agricultural Financing for Resilient Rural Development Project**

Project ID: 2000002672

### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

**Lisandro Martin**  
Regional Director  
West and Central Africa Division  
Tel.: +39 06 5459 2388  
e-mail: lisandro.martin@ifad.org

**Hani Elsadani-Salem**  
Country Director  
Tel.: + 233 (0) 302610945  
e-mail: h.elsadani@ifad.org

#### Dispatch of documentation:

**Deirdre Mc Grenra**  
Chief  
Institutional Governance and  
Member Relations  
Tel.: +39 06 5459 2374  
e-mail: gb@ifad.org

---

**For: Approval**

# Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Map of the project area</b>	<b>iii</b>
<b>Financing summary</b>	<b>iv</b>
<b>I. Context</b>	<b>1</b>
A. National context and rationale for IFAD involvement	1
B. Lessons learned	3
<b>II. Project description</b>	<b>4</b>
A. Objectives, geographic area of intervention and target groups	4
B. Components, outcomes and activities	5
C. Theory of change	5
D. Alignment, ownership, and partnerships	5
E. Costs, benefits and financing	6
<b>III. Risks</b>	<b>8</b>
A. Risks and mitigation measures	8
B. Environment and social category	9
C. Climate risk classification	9
D. Debt sustainability	9
<b>IV. Implementation</b>	<b>9</b>
A. Organizational framework	9
B. Planning, monitoring and evaluation, learning, knowledge management and communications	10
C. Implementation plans	10
<b>V. Legal instruments and authority</b>	<b>11</b>
<b>VI. Recommendation</b>	<b>11</b>
<b>Appendices</b>	
I. Negotiated financing agreement	
II. Logical framework	

---

## Project delivery team

---

Regional Director:	Lisandro Martin
Country Director:	Hani Elsadani-Salem
Project Technical Lead:	Jonathan Agwe
Finance Officer:	Claudio Mainella
Climate and Environment Specialist:	Pathe Sene
Legal Officer:	Itziar Garcia-Villaneuva

---

## Abbreviations and acronyms

1D1F	One District One Factory Programme
AAFORD	Affordable Agricultural Financing for Resilient Rural Development Project
ABC Fund	Agribusiness Capital Fund
AfDB	African Development Bank
AGRA	Alliance for a Green Revolution in Africa
AWP/B	annual workplan and budget
COSOP	country strategic opportunities programme
FBO	farmer-based organization
FSD	Financial Sector Division
GCF	Green Climate Fund
GCX	Ghana Commodity Exchange
GIRSAL	Ghana Incentive-based Risk Sharing System for Agricultural Lending
ISU	implementation support unit
M&E	monitoring and evaluation
PFI	participating financial institution
PFJ	Planting for Food and Jobs
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures

## Map of the project area



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

Map compiled by IFAD | 08-10-2019

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower/recipient:</b>	Republic of Ghana
<b>Executing agency:</b>	Ministry of Finance
<b>Total project cost:</b>	US\$69.7 million
<b>Amount of IFAD loan:</b>	US\$11.5 million
<b>Amount of IFAD grant:</b>	US\$3.5 million (Green Grant initiative)
<b>Terms of IFAD loan:</b>	Sixty-seven per cent highly concessional terms and thirty-three per cent blend terms
<b>Cofinanciers:</b>	Alliance for a Green Revolution in Africa (AGRA), Green Climate Fund (GCF), Agribusiness Capital (ABC) Fund, African Development Bank (AfDB) and participating financial institutions (PFIs)
<b>Amount of cofinancing:</b>	AGRA: US\$1 million GCF: US\$9.9 million ABC Fund: US\$4.3 million AfDB: US\$3.5 million PFIs: US\$4.3 million
<b>Terms of cofinancing:</b>	Grant from AGRA; all the others are loans
<b>Contribution of borrower/recipient:</b>	US\$25.8 million
<b>Contribution of beneficiaries:</b>	US\$5.9 million
<b>Amount of IFAD climate finance:</b>	US\$2,006,617
<b>Cooperating institution:</b>	IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 61.

### I. Context

#### A. National context and rationale for IFAD involvement

##### National context

1. The Republic of Ghana is West Africa's second-largest economy after Nigeria. It is a lower-middle-income country, with GDP per capita of US\$2,260 in 2019. The economy is highly dependent on the export of a limited number of commodities – in particular gold, cocoa and petroleum – and consequently remains vulnerable to commodity price shocks.
2. About 23 per cent of the total population of 28.8 million is poor. The proportion of poor people has fallen by 8.5 per cent since 2006, but by only 0.8 per cent over the past four years. Rural poverty is almost five times higher than urban poverty. The rural population accounts for approximately 45 per cent of the total population. The agricultural sector contributes one fifth of Ghana's GDP. It is also an important contributor to export earnings and a major source of inputs for the manufacturing sector.
3. The rural areas of northern Ghana have a higher prevalence of poverty, with 61 per cent reported as being poor.<sup>1</sup> Poverty has shown a declining trend in the central area, but the extreme poverty rate remains higher than the national average. Around 71 per cent of formal employment in rural areas is in the agricultural sector, which indicates the importance of increasing agricultural incomes as a means of reducing rural poverty.<sup>2</sup> Poverty in rural areas is driven by fewer opportunities for intensifying and commercializing agriculture, and by poor access to credit, inputs, output markets and advisory services, and high post-harvest losses.
4. Approximately 85 per cent of farming households are smallholders. More than two thirds of these own less than two hectares of cultivable land, resulting in a very large group of poor semi-subsistence farmers. These smallholders often suffer from inadequate and uncertain income resulting from the above-mentioned constraints.
5. The formal banking sector is overseen by the Bank of Ghana. There are several financial institutions present, including commercial banks, rural and community banks and savings and loan companies. Village savings and loan associations are widespread and operate as member-managed, women-oriented and savings-led groups. The ARB Apex Bank functions as the regulator of the rural and community banks. Despite the range of financial institutions, only 37 per cent of the rural population can open accounts in formal financial institutions. Overall, loans designated as "agricultural" account for only 5 per cent of credit to the private sector.
6. The gap in the flow of financial services – particularly to smallholders in the agricultural sector – has resulted from both demand and supply constraints.
7. **National strategies, policies and lead institutions.** The Ministry of Finance has set a target of increasing financial inclusion to 75 per cent by 2023,<sup>3</sup> and has established a Development Finance Unit to promote financial inclusion and rural financial services.

<sup>1</sup> World Bank, November 2018.

<sup>2</sup> World Bank, 2016.

<sup>3</sup> National Financial Inclusion and Development Strategy.

8. The Ministry of Food and Agriculture has developed the Planting for Food and Jobs (PFJ) strategy, which provides policy actions to support implementation of the Government's flagship programmes. The Ministry of Trade and Industry and its National Board for Small-Scale Industries are in charge of working with micro, small and medium-sized enterprises. The Ministry has started the One District, One Factory (1D1F) initiative, closely linked to the PFJ strategy.
9. **Initiatives by development partners.** The Government and development partners have recently launched several initiatives aiming at de-risking agricultural production loans, lowering interest rates, and stabilizing the incomes of smallholder farmers. The Ghana Incentive-based Risk Sharing System for Agricultural Lending (GIRSAL) project is supported by the African Development Bank (AfDB) and the Government of Ghana. The Ghana Commodity Exchange (GCX) is a government initiative that provides commodity storage and trading services to farmers. The Ghana Agriculture Insurance Pool is a partnership among the leading insurance companies to offer crop insurance products.
10. Other donor initiatives include one supported by Germany – the Outgrower and Value Chain Fund – which is a refinancing facility for partnering financial institutions to support off-takers/aggregators that are linked to outgrower schemes.

**Special aspects relating to IFAD's corporate mainstreaming priorities**

11. In line with the mainstreaming commitments of the Eleventh Replenishment of IFAD's Resources, the project has been classified as:
  - Climate-focused;
  - Nutrition-sensitive;
  - Youth-sensitive.
12. Gender inequality is prevalent over several socio-economic areas. For example, women's average hourly earnings are 57 per cent those of men, irrespective of the type of employment. The key factors are low literacy rates, lower exposure of women to education and training, and limited access to land, credit, technologies and extension services.
13. Youth between 15 and 35 years age constitute 56 per cent of the rural population. They often contribute to family labour for agricultural production, and engage in processing, warehousing, transportation, small enterprises and marketing. Youth unemployment is a growing concern, attributed to inadequate training, lack of job opportunities and illiteracy. Young people are often unable to pursue farming on their own due to limited access to land, credit, quality inputs and markets.
14. Overall levels of malnutrition in Ghana have decreased significantly over the past decade. However, nutrition-related deficiencies in the relatively poor northern zone are up to three times higher than in the rest of the country. Malnutrition is a growing public health concern, leading to high rates of stunting of children under five (19 per cent), child wasting (5 per cent), and anaemia in women of reproductive age (46 per cent). There is also an increasing prevalence of overweight and obesity.
15. Most of the country's agricultural production relies on small, rainfed plots that are highly vulnerable to erratic precipitation patterns and the impacts of climate change. Rising temperatures are projected to lower yields in the main staple crops. In Ghana's northern zone, total crop failure is expected once every five years, due to delayed or diminished rains. Smallholder and subsistence farmers are particularly vulnerable to all types of climatic or economic shocks, owing to their high dependence on local natural resources, chronic food insecurity, physical isolation, lack of access to formal safety nets, and exposure to pest and disease outbreaks.

### **Rationale for IFAD involvement**

16. The Affordable Agricultural Financing for Resilient Rural Development Project (AAFORD) targets areas in the northern and central areas of Ghana that suffer from high levels of rural poverty, arising from: relatively small cultivable areas; low yields; weak bargaining power; weak community institutions; and a lack of access to credit. The AAFORD interventions will assist semi-subsistence smallholders, including women and youth and their associations, to develop secure market linkages that can encourage them to borrow and invest in increasing agricultural production, thus improving food security and nutrition and developing resilience to climate change effects. It will also develop the skills of youth and women entrepreneurs, increase their access to finance and support a range of microenterprises along the agricultural value chains.
17. AAFORD will benefit from IFAD's country presence and convening capacity to network with relevant government ministries and development partners – such as the AfDB and the Alliance for a Green Revolution in Africa (AGRA) – to support policy dialogue based on AAFORD's experience and to invest jointly in scaling up good practices nationwide in Ghana. Unlike other efforts in the sector, AAFORD will address both the demand and the supply sides for agricultural credit, through the engagement of the key stakeholders.
18. AAFORD will capitalize on the opportunities created by other IFAD-, donor- and government-supported projects to address the critical challenges faced, specifically the IFAD-supported Ghana Agricultural Sector Investment Programme, which has forged partnerships with strong off-takers linked to newly formed farmer-based organizations (FBOs), supporting them in increasing their outreach to the target group. Similarly, wherever possible, AAFORD will partner with the business resource centres developed by the IFAD-supported Rural Enterprises Programme for enterprise training and capacity-building of youth and women entrepreneurs. The Government, in partnership with the AfDB, has recently established GIRSAL as a risk-sharing mechanism that will enable AAFORD to promote agricultural lending at affordable rates. Similarly, the GCX has recently rolled out a certified warehousing facility and warehouse receipts. These, along with the 1D1F initiative of the Ministry of Trade and Industry, have created new marketing opportunities for smallholders. AAFORD will work closely with all of the above initiatives to help them achieve their target of reaching poor smallholder farmers.
19. The proposed project is in line with IFAD's Strategic Framework 2016-2025 and the Ghana country strategic opportunities programme (COSOP) for 2019-2024, which is being presented to the Executive Board in December 2019. AAFORD is aligned with the three interrelated strategic objectives of the COSOP and will contribute to its focus on geographical targeting, developing the marketing capacity of the FBOs, increasing the role of the private sector and improving access to finance.
20. IFAD has accumulated extensive experience with rural development programmes in Ghana, focusing on a range of areas that are relevant to AAFORD, such as productivity improvement, developing rural institutions, marketing improvement through off-taker linkages, supporting access to finance, enhancing skills development for young people and their microenterprises, and developing resilient livelihoods.

### **B. Lessons learned**

21. Several lessons learned from implementation of other IFAD- and donor-funded programmes have been taken into consideration in the design of AAFORD.
22. While national programmes have proved beneficial since they promote countrywide institutional development, AAFORD will concentrate its operations in the northern and central belts, to ensure a strong presence at the community level.
23. The very small project coordination offices in Accra and the mainstreaming of implementation within regular civil service protocols have led to bottlenecks.



AAFORD will address this challenge through a well-resourced project coordination unit located close to the implementation area, backed by regional project coordination units.

24. In the past, concentrating on supply-oriented measures in the higher parts of the pyramid has led to poor results. AAFORD will therefore follow a bottom-up demand-driven approach to ensure that capable target households have firm access to sustainable, affordable, pro-poor financial support.
25. Previous studies have indicated that the gap in dedicated credit funds within previous rural finance projects in Ghana limited the final results. As a result of this gap, the enhanced capacities of the financial intermediaries developed through the Rural and Agricultural Finance Programme did not necessarily result in the flow of financial resources to the IFAD target group in the communities. AAFORD will address this issue by setting up the "blended finance facility", with the objective of addressing the gap in the availability of affordable agricultural production loans to semi-subsistence smallholder farmers with less than two hectares of cultivable land.
26. The experience of providing support to FBOs has been mixed. AAFORD implementation structures will include a strong community presence aimed at developing the bond between the communities and the project, and will provide a strong platform for the FBOs to adopt long-term institutional changes.
27. Experience from earlier projects has shown the crucial role of the private sector in supporting smallholders and their FBOs. AAFORD recognizes private sector off-takers as the primary vehicle for smallholder farmers to gain access to credit.

## **II. Project description**

### **A. Objectives, geographical area of intervention and target groups**

28. The project goal is to support food security and improve the living standards of smallholder farmers, and poor and vulnerable women and youth. The corresponding development objective is to improve productivity, income and resilience through: increased access to affordable finance in support of better marketing linkages, sustainable and climate change-adapted agricultural intensification, skills and enterprise development in agricultural value chains, support for inclusive policy engagement and increased capacity of women and youth to contribute to household resilience.
29. AAFORD will provide services to 90,000 poor rural households across 350 communities, in 30 clusters in the erstwhile Northern region in northern Ghana and the Brong-Ahafo region in the central belt. These areas have been identified as having a large rural population, high level of poverty, large percentage of rural women and youth, prevalent food insecurity and malnourishment, and high levels of inequality, together with the presence of economic opportunities, potential participating financial institutions (PFIs) and off-takers relevant to the implementation of AAFORD.
30. The project will directly target 75,000 smallholder households, classified into five groups: (i) smallholder semi-subsistence households; (ii) market-oriented smallholder households; (iii) large farming households; (iv) youth; and (v) women. Approximately 80 per cent of the beneficiaries will be from semi-subsistence smallholder households and the remainder from market-oriented and large farming households, with special emphasis on the inclusion of women and youth. The indirect target group comprises 15,000 households. AAFORD will apply a combination of geographical targeting, self-targeting and direct targeting mechanisms. Target group selection is consistent with IFAD's targeting policy and mainstreaming objectives.

## **B. Components, outcomes and activities**

31. The project will have the following components:
- **Component 1:** technical assistance for the development of sustainable and climate-resilient agricultural value chains;
  - **Component 2:** expanding and directing affordable finance in a conducive environment; and
  - **Component 3:** implementation support.
32. Component 1 addresses technical assistance needs at three different levels. Subcomponent 1.1 (capacity development of target groups to expand marketable surpluses) will see to build up demand by identifying the target groups' potential, constraints and needs at the community level; increase their knowledge of improved agricultural practices; raise productivity; and build financial and business skills, working through groups to access markets and finance. Subcomponent 1.2 (capacity-building for institutional partners and intermediaries) identifies opportunities with intermediary institutions in both marketing and finance, building capacity and adapting products to targeted groups. Subcomponent 1.3 (marketing and ICT for outreach with rural financial and agricultural services) bridges the gap by supporting institutions in marketing their products and supporting the target groups and intermediaries. Its activities include: identification of key technical partners and service providers; assessment of the needs of community clusters; mobilization of youth community facilitators; the community outreach development plan; selection of partner institutions; development of outreach and linkage business plans; capacity-building; and cluster linkage problem-solving.
33. Component 2 mobilizes funds and risk mitigation instruments on affordable terms for the beneficiaries, and seeks to improve the coordination of interventions and the policy, strategic and regulatory framework. Subcomponent 2.1 (blended finance facility) will work through the Bank of Ghana and ARB Apex Bank to leverage commercial funds and risk mitigation instruments that are currently not reaching the target groups. Subcomponent 2.2 (enhancing the environment for market access) envisages the replication of successful cases and lessons learned, by engaging stakeholders and promoting improvements in the overall framework. Activities include collaboration with other IFAD programmes, development partners and apex organizations for knowledge-sharing, policy dialogue and replication.
34. A grant will be provided under the Green Grant initiative in the amount of US\$3.5 million, to support youth, gender and community development activities to enhance targeting and ensure full integration of community development initiatives with the agricultural finance activities.

## **C. Theory of change**

35. The main challenges in the project areas are high levels of poverty, unemployment, food insecurity and malnutrition. Low productivity of rainfed systems, poor resilience to climate shocks, degraded natural resources and lack of access to finance are key constraints to participating in agricultural value chains, especially for the most vulnerable. Component 1 will build the capacities of target groups, intermediaries and market-enhancing institutions. Component 2 will support financial institutions and marketing facilitators to deepen their outreach through various measures. AAFORD interventions, implemented in an integrated manner, will increase the production and availability of food to overcome food insecurity and nutrition deficiency, while increasing marketable surpluses and marketing opportunities, which will lead to the achievement of AAFORD's development objective.

## **D. Alignment, ownership, and partnerships**

36. AAFORD is aligned with: Sustainable Development Goal (SDG) 1, particularly targets 1.2 and 1.5; SDG 2, particularly targets 2.3 and 2.4; SDG 5, particularly

target 5.5; and SDG 15, particularly target 15.3. The project is aligned with the Government's core development strategies. The project approach and concept were validated through a consultation process with key stakeholders. It was also discussed during the COSOP consultation with the line ministries and with development partners. AAFORD will create synergies with the following partners: AfDB, the Agribusiness Capital (ABC) Fund, AGRA, the Green Climate Fund (GCF), the ARB Apex Bank and other IFAD projects.

## E. Costs, benefits and financing

### Project costs

37. Project component 1 (technical assistance for the development of sustainable and climate-resilient agricultural value chains) and component 2 (expanding and directing affordable finance in a conducive environment) are partially counted as climate finance. As per the Multilateral Development Banks Methodologies for Tracking Climate Adaptation and Mitigation Finance, the total amount of IFAD climate finance for this project is estimated at US\$2,006,617, which represents 13 per cent of the IFAD investment.
38. The total cost of the project is estimated at US\$69.7 million including contingencies. The costs of activities have been assessed at US\$28.5 million for component 1, US\$36.5 million for component 2 and US\$4.6 million for component 3. These components represent 40.9 per cent, 52.4 per cent and 6.6 per cent of the total cost respectively.

### Project financing and cofinancing strategy and plan

39. The project will be financed by an IFAD loan of US\$11.5 million, corresponding to 16.5 per cent of total costs and a grant of US\$3.5 million, corresponding to 5.0 per cent of total costs. Additional contributions will come from: the GCF with US\$9.9 million (14.3 per cent); the Government with US\$25.8 million through a line of credit, guarantee fund, and tax and duties exemptions (37.1 per cent); PFIs with US\$4.3 million (6.1 per cent), the ABC Fund with US\$4.3 million (6.1 per cent), the AfDB with US\$3.5 million (5.1 per cent) and AGRA with US\$1 million in parallel financing (1.4 per cent); and project beneficiaries with US\$5.9 million (8.4 per cent) in cash, labour, inputs and equipment<sup>4</sup>.
40. For each US\$1 of IFAD financing, the domestic contribution is US\$2.4 and the international contribution is US\$1.5. The domestic contribution accounts for a robust 51 per cent of total project costs, including that of the beneficiaries. The international contribution accounts for the remaining 49 per cent.

Table 1  
Project costs by component and financier  
(Thousands of United States dollars)

Component	IFAD loan		IFAD green grant		GCF		Other cofinanciers		Beneficiaries		Borrower/recipient		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Technical assistance for the development of sustainable and climate-resilient agricultural value chains	3 986	14	3 479	12	2 985	10	4 021	14	241	1	13 827	48	28 539	41
2. Expanding and directing affordable finance in a conducive environment	3 867	11			6 942	19	9 033	25	5 614	15	11 075	30	36 531	52
3. Implementation support	3 666	80			-	-	-	-	-	-	929	20	4 595	7
<b>Total</b>	<b>11 519</b>	<b>17</b>	<b>3 479</b>	<b>5.0</b>	<b>9 927</b>	<b>14</b>	<b>13 054</b>	<b>19</b>	<b>5 855</b>	<b>8</b>	<b>25 831</b>	<b>37</b>	<b>69 665</b>	<b>100</b>

<sup>4</sup> The overall project scope may be downsized in the event of a co-financing party defaulting on its respective financing obligations.

Table 2  
Project costs by expenditure category and financier  
(Thousands of United States dollars)

Expenditure Category	IFAD loan		IFAD green grant		GCF		Other cofinanciers		Beneficiaries		Borrower/recipient		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Equipment, goods and vehicles	525	82	-	-	-	-	-	-	-	-	116	18	641	1
2. Consultancies	2 042	31	1 474	22	1 646	25	345	5	-	-	1 074	16	6 581	9
3. Training and workshops	2 402	26	2 005	22	1 509	17	1 312	14	241	3	1 654	18	9 123	13
4. Grants and subsidies	843	11	-	-	2 464	31	-	-	3 243	41	1 450	18	8 000	11
5. Credit, guarantee funds	2 496	6	-	-	4 308	10	11 397	28	2 371	6	20 747	50	41 319	59
6. Salaries and allowances	2 352	80	-	-	-	-	-	-	-	-	600	20	2 952	4
7. Operating costs	859	82	-	-	-	-	-	-	-	-	190	18	1 049	2
<b>Total</b>	<b>11 519</b>	<b>17</b>	<b>3 479</b>	<b>5.0</b>	<b>9 927</b>	<b>14</b>	<b>13 054</b>	<b>19</b>	<b>5 855</b>	<b>8</b>	<b>25 831</b>	<b>37</b>	<b>69 665</b>	<b>100</b>

Table 3  
Project costs by component and project year (PY)  
(Thousands of United States dollars)

Component	PY1		PY2		PY3		PY4		PY5		PY6		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Technical assistance for the development of sustainable and climate-resilient agricultural value chains	220	1	2 984	10	5 749	20	7 338	26	7 024	25	5 224	18	28 539	41
2. Expanding and directing affordable finance in a conducive environment	96	-	65	-	5 899	16	8 774	24	8 161	22	13 537	37	36 531	52
3. Implementation support	706	15	607	13	629	14	1 070	23	777	17	806	18	4 595	7
<b>Total</b>	<b>1 022</b>	<b>1</b>	<b>3 656</b>	<b>5</b>	<b>12 277</b>	<b>18</b>	<b>17 182</b>	<b>25</b>	<b>15 962</b>	<b>23</b>	<b>19 566</b>	<b>28</b>	<b>69 665</b>	<b>100</b>

### Disbursement

41. IFAD funds will be disbursed into an account denominated in United States dollars at a commercial bank and will be operated by the Financial Sector Division (FSD) of the Ministry of Finance. An operational bank account in local currency will also be used.
42. The proceeds from the designated account will be used exclusively to finance eligible project expenditures, as stipulated in schedule 2 of the financing agreement. Funds will be periodically transferred from the designated account to the operational account for expenditures eligible for financing by IFAD. Funds flow arrangements shall be organized in line with public financial management procedures adopted by the Government of Ghana, including report-based disbursement arrangements. The ceiling for the authorized allocation and accepted disbursement methods will be specified in the letter to the borrower/recipient issued for AAFORD.

### Summary of benefits and economic analysis

43. AAFORD will directly and indirectly benefit 90,000 households. The expected benefits include: increased incomes; the adoption of environmentally sustainable and climate-resilient technologies and practices; strengthening of the capacities of target groups, communities and clusters; and formation of new village savings and loan associations. The project is expected to train and mobilize 200 young people, resulting in: 6,000 households using warehouse receipts to leverage funds for household consumption; 1,500 households benefiting directly from community outreach development plan training; 15,000 households increasing their knowledge

on climate change, good agricultural practices, financing mechanisms and institutions, and potential business opportunities; 60 community institutions preparing institutional business plans; and the formation of 60 new FBOs and women's and youth groups. In addition, AAFORD is expected to result in: 60 per cent of the targeted households gaining access to credit; 300 micro, small and medium-sized enterprises supported through value chain processors; 24 new off-takers; and 12,500 households adopting food-processing mechanisms. The net present value is positive (US\$7.3 million, equivalent to 44.4 billion Ghanaian cedis). The economic internal rate of return is estimated at 27 per cent, with net present value of US\$8.8 million, which demonstrates project profitability. The economic analysis suggests that AAFORD is feasible.

#### **Exit strategy and sustainability**

44. The AAFORD exit strategy is built on:
- (i) Developing profitable and sustainable linkages between private sector buyers/off-takers and targeted producer households, while meeting the standards required by the off-takers;
  - (ii) Support in removing administrative bottlenecks, and promoting business relationships based on market principles;
  - (iii) Successful engagement of PFIs in supporting pro-poor business linkages between off-takers and producers;
  - (iv) Policy dialogue and engagement to create an enabling environment;
  - (v) Achievement of strengthened institutional and human capacities; and
  - (vi) Development of a network of commercial service providers to continue supporting and replicating AAFORD's achievements.

### **III. Risks**

#### **A. Risks and mitigation measures**

45. Key project risks are related to: (i) institutional implementation and sustainability capacity (project management constraints, and implementation arrangements constraints); (ii) technical aspects (diluted effectiveness, farmers' unwillingness to access credit, lack of off-taker participation, PFIs' stiff lending criteria and side selling); (iii) financial management (cofinancing delay/complexity and impact on the efficiency of the finance unit); (iv) procurement (knowledge of procurement procedures and contract management); and (v) climate change (with extreme weather events having a negative impact on agriculture productivity).

Table 4  
**Risks and mitigation measures**

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Political/governance	Medium	Government is stable
Macroeconomic	Medium	Continued sound macroeconomic management
Sector strategies and policies	Medium	Inclusive finance and rural development experiences contribute to policy dialogue and the strengthening of financial institutions and FBOs
Institutional capacity	Medium	Dual implementation modality; partnership with service providers and clarity of roles; proximity between the implementation support unit (ISU) and steering committees; ensure consistency with national policies
Portfolio	Medium	Conduct missions twice a year; continuous and intensive implementation support
Fiduciary		
Financial management	Medium	In the event cofinancing arrangements do not materialize, project activities will be scaled down accordingly. Staff will be trained on a regular basis to ensure the finance unit is able to accommodate financial management requirements of all cofinanciers
Procurement	Medium	Possible procurement risks at the project levels are identified. Such risks will be mitigated through provision of trainings and periodic monitoring.

Environment and climate	Medium	A range of measures, including capacity-building on climate-resilient agricultural practices and facilitating climate-proof agricultural loans
Social	Medium	Financing from the GCF sought, recognizing the higher costs generated by climate change
Other specific risks	-	-
<b>Overall</b>	Medium	-

## **B. Environment and social category**

46. In line with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP), AAFORD is classified as a category "B" operation, indicating that it is likely to have minimal adverse environmental effects. Two key risks to environmental and social management are: (i) poor environmental governance of loan products, which will be mitigated through capacity-building for multiple actors in technical, management and governance aspects, and strengthening the financial institutions' capacity in the use of climate risk tools; and (ii) low productivity and degraded natural resources, to be mitigated through the promotion of sustainable land and water management practices. AAFORD will not invest in high-risk activities, and will ensure the inclusion of women and youth.

## **C. Climate risk classification**

47. AAFORD is rated "high" under the climate risk categorization guidelines. The climate-smart activities introduced by AAFORD will ensure that greenhouse gas emissions are further reduced. Capacity-building and awareness-raising on climate change for key actors along the agricultural value chains will help beneficiaries and financial institutions to reduce key risks. Given that the target regions have varying levels of climate exposure, AAFORD will ensure that the environmental and social management plan of the SECAP is implemented in line with IFAD guidelines to mitigate/alleviate any existing or future negative environmental impacts and to generate substantive positive impacts for beneficiaries through mainstreaming efforts.

## **D. Debt sustainability**

48. The overall debt distress risk rating is assessed as "high". Ghana remains precariously exposed to investor sentiment. Public debt is still high. The restructuring of the financial sector is not yet complete, which – along with loss-making state-owned enterprises in the energy sector – poses a significant fiscal risk. Given Ghana's legacy of political budget cycles, the 2020 elections will represent a key test of the Government's commitment to macroeconomic discipline and reform demonstrated so far.<sup>5</sup>

# **IV. Implementation**

## **A. Organizational framework**

### **Project management and coordination**

49. The Government's lead agency will be the Ministry of Finance with close collaboration from the Ministry of Food and Agriculture and the Ministry of Trade and Industry. Implementation of AAFORD will rely on a mix of community, public and private-sector and technical service providers. Beneficiary households will play a lead role through the cooperating institutions.
50. A project steering committee and two zone steering committees will be formed (one for each implementation zone) to oversee planning, review progress, facilitate linkages between project stakeholders and remove bottlenecks.
51. AAFORD will have a two-level organizational structure, with an ISU and a zonal coordination unit for each implementation zone.

### **Financial management, procurement and governance**

<sup>5</sup> International Monetary Fund (2019). Ghana: Seventh and Eighth Reviews Under the Extended Credit Facility Arrangement.

52. The FSD of the Ministry of Finance will be responsible for ensuring financial accounting and management of AAFORD resources and for the effective execution of the annual workplan and budget (AWP/B) in accordance with IFAD policies and procedures. Day-to-day fiduciary functions will be the responsibility of the AAFORD finance manager. The project implementation unit (PIU) of the FSD will manage project funds on behalf of the executing agency; keep financial records through a dedicated accounting software and according to international standards; implement internal controls and internal audit arrangements in accordance with the project financial management systems in place; and ensure that annual external audits are conducted by the Ghana Audit Service as part of overall project planning, coordination and implementation. The project implementation unit will be responsible for preparing and submitting quarterly interim financial reports to project financiers and stakeholders in compliance with the financing agreement's requirement to submit audited annual reports for all AAFORD's financial management activities.
53. Based on the procurement risk assessment, the AAFORD organizational structure will include: an ISU with a dedicated procurement team; a procurement plan; a contract management team; a third-party quality assurance/control service provider; and IFAD reviews to ensure conformity with procurement guidelines. AAFORD will comply with Ghana's Public Procurement (Amendment) Act, 2016 (Act 914), the Government's procurement regulations and the IFAD Procurement Handbook (2010). National systems will apply to all procurement with the exception of international competitive bidding, which will follow World Bank procedures.

## **B. Planning, monitoring and evaluation, learning, knowledge management and communications**

54. The main planning tool for AAFORD will be the AWP/B, prepared using a participatory bottom-up approach with clusters. Its progress and performance will be measured against AWP/B targets and periodic assessments of progress in achieving impact. Key monitoring and evaluation (M&E) activities will be set forth in the project implementation manual and will include a baseline survey, progress reports, electronic management information system development, a midterm review, a project completion survey and a project beneficiaries' database. At project launch, AAFORD will promote visibility and knowledge management, ensure the inclusion of knowledge management indicators in the M&E system, and facilitate exchanges with projects/agencies to disseminate results and attract the interest of other partners.

### **Innovation and scaling up**

55. AAFORD will introduce a set of processes and technical and partnership innovations to overcome past challenges, increase employment and profitability, and support scaling up and replication.

## **C. Implementation plans**

### **Implementation readiness and start-up plans**

56. The IFAD Country Office will follow up on the implementing agency's readiness to proceed with implementation by ensuring preliminary mapping and identification of clusters; cooperation with stakeholders with a good track record of partnership; and coordination with cofinanciers, the donor community and participating agencies/institutions.

### **Supervision, midterm review and completion plans**

57. Supervision will be carried out directly by IFAD. One supervision mission and one follow-up mission will be undertaken yearly. The Ministry of Finance will carry out the midterm review jointly with IFAD and the implementing partners at the end of year three, and will be responsible for organizing the project completion review. A completion evaluation will also be conducted.

## **V. Legal instruments and authority**

58. A financing agreement between the Republic of Ghana and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached in appendix I.
59. The Republic of Ghana is empowered under its laws to receive financing from IFAD.
60. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

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

RESOLVED: that the Fund shall provide a loan on sixty-seven per cent highly concessional and thirty-three per cent blend terms to the Republic of Ghana in an amount of eleven million five hundred thousand United States dollars (US\$ 11,500,000) and a grant under the Green Grant initiative in an amount of three million five hundred thousand United States dollars (US\$3,500,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President



# Negotiated financing agreement: "Affordable Agricultural Financing for Resilient Rural Development Project"

(Negotiations concluded on 11 December 2019)

Loan No: \_\_\_\_\_  
Loan No: \_\_\_\_\_  
Grant No: \_\_\_\_\_

Project name: Affordable Agricultural Financing for Resilient Rural Development Project ("the AAFORD"/ "the Project")

Republic of Ghana (the "Borrower/Recipient"), represented by the Ministry of Finance.

and

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

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

**WHEREAS** the Borrower/Recipient has requested two loans and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

**WHEREAS**, the Green Climate Fund (GCF), the Alliance for a Green Revolution in Africa (AGRA), the Agribusiness Capital (ABC) Fund, African Development Bank (AFDB) and Participating Financial Institutions (PFIs) have expressed interest in cofinancing the Project;

**WHEREAS**, the Fund has agreed to provide financing for the Project;

**NOW THEREFORE**, the Parties hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide two Loans (the "Loans") and a Grant (the "Grant" and collectively the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## **Section B**

1. The amount of the Loan eligible for highly concessional terms is seven million seven hundred thousand United States dollars (USD 7 700 000).

2. The amount of the Loan eligible for blend terms is three million and eight hundred thousand United States dollars (USD 3 800 000).

3. The amount of the Grant is three million five hundred thousand United States dollars (USD 3 500 000).

4. The Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Financing by the Fund's Executive Board. The rate is fixed for the life of the loan based on the related service charge in force at the time of approval of the Loan. The Loan is payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

5. The Loan granted on blend terms shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board.

6. The Loan Service Payment Currency shall be in United States dollars (USD).

7. The first day of the applicable Fiscal Year shall be the first (1<sup>st</sup>) of January.

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

9. There shall be a Designated Accounts in United States dollars, for the exclusive use of the Project opened in the Central Bank of Ghana, which will receive the Financing. Funds shall be periodically transferred from the Designated Account to the Project Operational Account for the purpose of financing the Project's eligible expenditures financed by IFAD. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Account.

10. A single counterpart funding account denominated in Ghanaian cedi will be opened to receive Borrower/Recipient contributions for the Project taxes, duties and for other activities as allocated. The Borrower/Recipient shall transfer, based on the approved annual work plan and budget (AWPB), counterpart funds on a semester basis.

11. The Borrower/Recipient will provide counterpart financing for the Project in the amount of approximately twenty five million eight hundred thousand United States dollars (USD 25 800 000), part in cash and part as taxes and duties exemption.

**Section C**

1. The Lead Project implementing Agency shall be the Ministry of Finance (MoF) with close collaboration with the Ministry of Food and Agriculture (MoFA), and the Ministry of Trade and Industry (MoTI).
2. The following are designated as additional Project implementing Partners: Ghana Incentive-based Risk Sharing System for Agricultural Lending (GIRSAL), Ghana Commodity Exchange (GCX), Ghana Agricultural Insurance Pool (GAIP), and Participating Financial Institutions (PFIs).
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement laws, to the extent such are consistent with the IFAD Procurement Guidelines.

**Section D**

1. The Fund will administer the Financing and supervise the Project, and the Borrower/Recipient will implement and conduct its own administration and supervision of the Financing and the Project.

**Section E**

1. The following is designated as additional ground for suspension of this Agreement: The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.
2. The following are designated as additional general conditions precedent to withdrawal:
  - (a) IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.
  - (b) IFAD no objection to the appointment of the Project Coordinator and the Finance Manager shall have been obtained.
3. This Agreement is subject to ratification by the Borrower/Recipient.

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

For the Republic of Ghana:

Chief Director Minister of Finance  
Minister of Finance  
Ministry of Finance  
Finance Drive, Accra  
PO Box MB 40  
Accra  
Republic of Ghana

For the Fund:

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

This Agreement, [dated \_\_\_\_\_], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

REPUBLIC OF GHANA

\_\_\_\_\_  
Ken Ofori-Atta  
Minister of Finance

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Hougbo  
President

Date: \_\_\_\_\_

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall directly aim to benefit 75,000 households which are mostly smallholder households based and classified into five groups: (i) smallholder semi-subsistence households having access to up to 2 hectares of land; (ii) market-oriented smallholder households having access to between two to ten hectares; (iii) large farming households having access to more than ten hectares; (iv) youth; and (v) women, and indirect target group comprises 15,000 households.

2. *Project area.* The Project will provide services to around 90,000 poor rural households directly and indirectly across communities within clusters, with each cluster comprising between 10 to 15 communities that are recognised as a production base for a recognised value chain, in two geographical zones: (i) the Northern zone in the Northern belt of Ghana corresponding to the erstwhile Northern region which currently comprises the Northern, Savannah and North-east regions; and (ii) the Middle zone, which currently consists of the Bono, Bono East and Ahafo regions (the "Project Area").

3. *Goal.* The goal of the Project is to support food security and improve the living standards of smallholder farmers, and poor and vulnerable women and youth.

4. *Objectives.* The objective of the Project is to improve productivity, income and resilience through increased access to affordable finance in support of better marketing linkages, sustainable and climate change-adapted agricultural intensification, skills and enterprise development in agricultural value chains, support for inclusive policy engagement and increased capacity of women and youth to contribute to household resilience.

5. *Components.* The Project shall consist of the following Components:

5.1 Component 1: Technical Assistance for the Development of Sustainable and Climate-Resilient Agricultural Value Chains.

5.1.1 *Sub-Component 1.1: Develop capacities of target groups.*

- (a) *Identification of key technical partners and service providers.* The Implementation Support Unit (ISU) shall engage technical partners that are actively supporting smallholder agricultural value chains in Ghana. The technical partners and service providers shall be selected according to criteria specified in the Project Implementation Manual (PIM).
- (b) *Identification and needs assessment of community clusters.* In consultation with District Departments of Agriculture and existing projects, a Service Provider (SP) shall be engaged to identify clusters of communities in the Project area. The SP shall carry out a stakeholder identification survey. Based on the findings of the needs assessment survey, the SPs shall structure capacity building packages tailored to the needs of the different target groups.
- (c) *Mobilization of Youth Community Facilitators.* Youth Community Facilitators (YCFs) from the selected communities shall be engaged for each cluster to facilitate community mobilization and interaction with AAFORD.
- (d) *Community Outreach Development Plan (CODP).* A SP shall be engaged to support and oversee the YCFs to develop CODP in each Project cluster. The desired social, economic and productive changes envisioned in the community through AAFORD implementation shall be presented in the CODPs along with the specific Project interventions.

- (e) *Capacity building of target groups.* Technical Assistance (TA) shall be adapted to the identified needs of each community cluster and detailed in the CODPs. TA shall also be provided for formation and strengthening the governance of community associations and promoting nutrition-sensitive or nutrition-intensive agricultural production, processing, preservation, storage, distribution of food and marketing. The Project SPs shall coordinate the implementation of these activities with key partners; such as the District Departments of Agriculture and existing projects. The Project shall also partner with the Rural Enterprises Programme (REP) and its associated Business Advisory Centres/ Business Resource Centres (BACs/BRCs) operating in AAFORD areas to facilitate business planning and access to financing for promising microenterprises arising out of this activity.
- (f) *Support to Community Institutions (CIs):* AAFORD shall identify partner CIs (including offtaker-outgrower arrangements) in each community with potential and expressed desire to develop marketing and financial linkages. The AAFORD SPs working with other partners shall work with the CIs in each cluster having met the selection criteria to establish linkages with market and financial intermediaries.
- (g) *Community-based savings and credit groups (CSCGs) for women and youth.* AAFORD shall partner with agencies that are already implementing CSCGs in Ghana to extend the model to women and youth groups in its targeted clusters.

#### 5.1.2 Sub-Component 1.2: Capacity building of institutional partners and intermediaries.

- (a) *Mapping, needs assessment and selection of partner institutions.* This exercise shall engage a Service Provider (SP) to map out the institutions providing marketing, storage, processing, financial, risk mitigation and digital services in the Project area, and assess their needs for capacity building to better serve the value chains, communities and beneficiaries being targeted by AAFORD. In addition, national institutions providing market-enhancing instruments as well as relevant Apex institutions shall be assessed for their potential and interest in serving intermediaries in project areas. Candidate partner institutions shall be invited to orientation workshops on the potential business opportunities for increasing outreach to smallholder farmers (directly or through intermediaries), women and youth, and the possibilities available through this subcomponent.
- (b) *Development of Outreach and Linkage Business Plans (OLBP).* Selected partners shall be given TA through a SP engaged by AAFORD to develop OLBP, which shall clearly indicate the outreach, profitability and other benefits they will achieve in the Project communities. The OLBP review committee in AAFORD shall review and approve submitted OLBP as a basis for delivery of TA and capacity-building and outreach support.
- (c) *Capacity-building of selected partner intermediaries.* Partner institutions will receive TA support from the AAFORD partner SPs for activities identified in their OLBP, including: (a) sensitization and skills training for staff; (b) supporting the establishment of agricultural finance desks, training agricultural finance officers, or special windows for agricultural production financing; (c) product and systems development to enhance outreach; and (d) sensitization and training of Rural Microfinance Institutions (RMFIs). Training of RMFIs on risk mitigation instruments and relevant products shall include board members as well as managers and credit officers/analysts, to facilitate policies to adopt such products. The BACs/BRCs working with REP in the AAFORD areas shall also be considered as AAFORD partners and receive training in evaluating and advising clients on the creditworthiness of their MSMEs and options for financing. Regional workshops shall bring together BAC/BRCs and PFIs to promote mutual understanding and development of mutually suitable business planning and assessment tools.

- (d) *Youth Institutional Internship (YII) Programme*. In this capacity-building activity, youth will be trained in skills identified by partner marketing and financial institutions as relevant to increasing their outreach to smallholder farmers (especially women and youth), offtakers and other agricultural value chain actors.
  - (e) *Cluster Linkage Problem-solving*. Multi-stakeholder platforms meeting at the cluster level shall be organized by the project in collaboration with the District Departments of Agriculture to identify critical bottlenecks and challenges to implementation in a particular area and value chain, and to identify specific institutions and individuals to solve them.
- 5.1.3 *Sub-Component 1.3: Marketing and ICTs for outreach of rural financial and agricultural services*.
- (a) Support increased access to relevant information and services, including using mobile phones and adapted DFSs, needed to improve agricultural production, access markets, mitigate risks and lower costs.
  - (b) Partnerships with key market-enhancing institutions shall focus on marketing to intermediaries (financial and offtakers) serving smallholder FBOs in AAFORD clusters, and on utilizing YIIs (Subcomponent 1.2) and the BFF (Subcomponent 2.1).
- 5.2 *Component 2: Expanding and Directing Affordable Finance in a Conducive Environment*.
- 5.2.1 *Sub-Component 2.1: Blended Finance Facility (BFF)*. A BFF shall be established to provide wholesale funds on concessional or blended terms to PFIs to on-lend for smallholder agricultural production, and cost-sharing grants (premium subsidies). It shall seek to leverage commercial funds and risk mitigation instruments that are currently not reaching AAFORD target groups. The BFF shall utilize the existing disbursement structure of the credit line from the BoG through ARB Apex Bank to RCBs and non-bank PFIs, or directly to participating universal banks.
- 5.2.2 *Sub-Component 2.2: Enhancing the environment for market access*. Envisaging the replication of success cases based on lessons learned, by engaging stakeholders in a learning process and a sustainable policy dialogue, enabling improvements in the overall framework to address the current weaknesses that inhibit public and private investment in agricultural value chains. Activities include collaboration with other IFAD programmes, relevant Ministries, Department and Agencies (MDAs), development partners and apex organizations for knowledge-sharing, policy dialogue and replication.

## **II. Implementation Arrangements**

### **A. Organisation and Management**

6. *Lead Project Implementation Agency (LPIA)*. The LPIA shall be the Ministry of Finance with close collaboration with the Ministry of Food and Agriculture (MoFA), and the Ministry of Trade and Industry (MoTI). These ministries will form the core of an inter-ministerial platform by ministers to provide policy guidance and consistency with government's development agenda. It shall have an annual meeting cycle.

## 7. *Project Steering Committee (PSC).*

7.1 *Establishment and Composition.* A high-ranking Project Steering Committee (PSC) to be chaired by the chief directors of MOF and MOFA shall be set up for the overall oversight of the Project. The committee shall include representatives of all relevant ministries and agencies (MoF, MoFA, MoTI and representatives from the regions of implementation), and both public and private institutions (representing financial sector intermediaries and agricultural market intermediaries) and non-state actors' representatives (such as NGOs), and representatives of youth and women who operate along the relevant agricultural value chains as practitioners or advocates. The PSC shall meet at least twice a year, and as necessary.

7.2 *Responsibilities.* The main responsibilities of the steering committee will include: (i) providing strategic and policy guidance to the Implementation Support Unit (ISU) for implementation and coordination of activities; (ii) ensuring overall conformity with government policies and strategies; (iii) reviewing Project's progress and performance; (iv) approving the Annual Work Plan and Budget (AWPB); (v) resolving implementation problems or conflicts; and (vi) assisting the ISU in obtaining government assistance and contributions to the Project when needed.

## 8. *Zonal Platform (ZP).*

8.1 *Establishment and Composition.* A Zonal Platform (ZP) shall be formed in each AAFORD implementation zone to oversee planning, review progress, facilitate linkages between project stakeholders and remove bottlenecks affecting smooth implementation. The ZP shall comprise representatives of MoFA (Regional Agricultural Development Units (RADUs), MoTI, district assemblies, financial institutions, agricultural market intermediaries such as offtakers (aggregators, processors and nucleus farmers), input suppliers and representatives of farmer groups and civil society organisations, among others in the private sector. The ZP shall meet at least twice a year, and as necessary. The ZP will constitute a ZSC Technical Committee (ZTC)\_from within the ZP members to meet whenever needed to resolve any project implementation bottlenecks encountered within the Zones.

## 9. *Implementation Support Unit (ISU).*

9.1 *Establishment.* The ISU shall be established in an implementation area of AAFORD to ensure effective implementation. Within the current targeting framework, the ISU is envisaged to be located in Sunyani. All ISU staff members shall be competitively recruited from the professional labour market and will work on a full-time basis for managing AAFORD. The ISU will operate within the supervision of the Financial Sector Division of MoF, which will provide oversight and strategic direction to the ISU. A Central Project Coordinator (CPC) will head the ISU's day to day operations. The CPC will be assisted by a central technical support team and a central operations support team as defined in the PIM.

## 10. *Zonal Coordination Unit (ZCU).*

10.1 *Responsibilities and Composition.* The ZCUs shall be responsible for the zonal operations of AAFORD and shall be staffed by professionals competitively recruited to manage AAFORD at the ZCU level on a full-time basis. The ZCUs shall carry out project implementation at the community level with the support of partners in the public and private sectors, such as service providers and NGOs. It shall monitor and ensure that implementation is coordinated in each community according to these plans leading to harmonisation of resources and interconnectivity of the components. The zonal team shall comprise (i) ZCU Project Coordinator (ZPC), (ii) Field Implementation Supervisor (FIS), (iii) Monitoring and Evaluation Focal Point (MEF).

11. *Mid-term Review (MTR).* The MOF, as the LPA, IFAD and implementing partners shall jointly carry out the MTR at the end of year three. The MTR findings shall be promptly



communicated to the implementing agencies and in consultation with the Borrower/Recipient and partners to inform the necessary design and financing agreements adjustments. If needed, amendments to the design shall be made to remove constraints and achieve the AAFORD objectives. The Borrower/Recipient shall ensure that the MTR recommendations are implemented within the specified time and to the satisfaction of IFAD.

## **B. Monitoring and evaluation, learning, knowledge management and communications**

12. *Monitoring and Evaluation.* The results-based approach will be adopted through the M&E system. The key responsibilities of the M&E system will rely on the M&E unit at the ISU. The service providers will be engaged to collect and analyse data to assess outcomes and impacts of the AAFORD activities with the support of youth interns and youth facilitators at the cluster level. The Operational and Results Management System (ORMS) will be incorporated within the M&E system along with the Annual Outcome Survey (AOS) tool which would allow for effective monitoring of the different project indicators. Key M&E activities will comprise the (i) PIM; (ii) baseline survey; (iii) progress reports; (iv) mid-term review; (v) project completion survey; and (vi) a Project beneficiaries database.

13. *Knowledge Management.* A Knowledge Management (KM) and communication strategy shall be developed and integrated into AAFORD management. The strategy will identify the thematic areas of learning to be addressed and outline how the knowledge generated will be disseminated through appropriate channels.

**Schedule 2***Allocation Table*

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

Category	67% of the Loan granted on Highly Concessional terms (USD)	33% of the Loan granted on Blend terms (USD)	Grant	Percentage
1. Equipment and Materials	300 000	200 000	-	100% net of Borrower/Recipient contribution
2. Salaries and allowances	1 900 000	900 000	-	100% net of Borrower/Recipient contribution
3. Credit, guarantee funds	1 600 000	800 000	-	100% net of GCF, other cofinanciers, Beneficiaries and Borrower/Recipient contributions
4. Grants and subsidies	500 000	300 000	-	100% net of GCF, Beneficiaries and Borrower/Recipient contributions
5. Training	1 400 000	700 000	1 800 000	100% net of GCF, other cofinanciers, Beneficiaries and Borrower/Recipient contributions
6. Consultancies	1 200 000	600 000	1 300 000	100% net of GCF, Other cofinanciers and Borrower/Recipient contributions
Unallocated	800 000	300 000	400 000	
<b>TOTAL</b>	<b>7 700 000</b>	<b>3 800 000</b>	<b>3 500 000</b>	

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

- (i) Salaries and Allowances – includes operating costs
- (ii) Training – includes workshops

2. *Cofinanciers.* The total Project cost of USD 69.7 million will include approximately USD 41.3 million for the Credit Guarantee Fund category. The following cofinanciers have expressed interest in co-financing the Project: GCF with USD 9.9 million; ABC Fund with USD 4.3 million, AfDB through GIRSAL Risk Sharing Facility with USD 3.5 million, participating financial institutions with USD 4.3 million; AGRA with USD 1 million and beneficiaries with USD 5.9 million. In addition, the Borrower/Recipient's counterpart financing will be USD 25.8 million of which USD 7.9 million as taxes and duties exemptions, USD 11.3 million as contribution through GIRSAL risk-sharing facility, USD 6 million as REP revolving funds contribution and the Borrower/Recipient's Project management contribution of USD 0.6 million.

### Schedule 3

#### *Special Covenants*

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

1. Within six (6) months of entry into force of the Financing Agreement, the Project will customize its own accounting software to ensure alignment to International Accounting Standards and IFAD's requirements.

2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

3. *Planning, Monitoring and Evaluation.* The Borrower/Recipient shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

4. *Indigenous People Concerns.* The Borrower/Recipient shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:

- (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
- (b) indigenous people are adequately and fairly represented in all local planning for Project activities;
- (c) IP rights are duly respected;
- (d) IP communities, participate in policy dialogue and local governance;
- (e) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower/Recipient on the subject are respected;
- (f) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.

5. *Land tenure security.* The Borrower/Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

6. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken:

*Environment and Social Safeguards.* The Borrower/Recipient shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower/Recipient's relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the

Project, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken.

7. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

8. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

9. *Use of Project Vehicles and Other Equipment.* The Borrower/Recipient shall ensure that:

- (a) all vehicles and other equipment procured under the Project are allocated to the Ministry of Finance and other Implementing Agencies for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

## Logical framework

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name of Indicator	Unit	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	1. Total number of persons receiving services promoted or supported by AAFORD	Persons	0	35,000	75,000	Project reports	Semi annual	AAFORD National/Zonal Project Coordination Unit	Effective and thorough stakeholder identification, mapping, needs assessment and gender/youth targeting at the cluster level  Community leaders are willing to include women and youth in project activities
	- Men (Non youth)	Persons	0	6,000	22,500				
	- Women (Non youth)	Persons	0	6,000	22,500				
	- Young men	Persons	0	3,750	15,000				
	- Young women <sup>6</sup>	Persons	0	3,750	15,000				
	1a. Corresponding number of households (HH) reached by AAFORD	HH	0	35,000	75,000				
	1b. Estimated corresponding total number of household members reached by AAFORD	Persons	0	210 000	450, 000				
	Indirect Beneficiaries	Persons	0	2,000	15,000				
<b>Goal:</b> Food secure smallholder farm households with improved living standards and remunerative, resilient agricultural livelihoods	Percentage reduction in the number of rural households in the Project supported districts living below the poverty line <sup>7</sup>	%	0.8 <sup>8</sup>	2.5%	5.0%	Ghana Statistical Services/ AAFORD surveys	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	Political stability. Macro-economic conditions remain stable or improve. No major political shocks in the region.
<b>Development Objective:</b> increased access to finance, inputs, Improve the income, food security and resilience of smallholder farmers through skill development, services and stronger farmers organizations	Percentage of target households in the Project supported districts reporting an increase in income as a result of services provided by the Project	%	0	20%	60%	Baseline survey, Project reports	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	Target group households are willing to borrow to enhance their farming area and income.
	Percentage reduction in 0-5 year child malnutrition in the Project supported communities.	%	22 (2014)	25%	30%	Ghana Statistical Services/ AAFORD surveys	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	Offtakers will continue with their

<sup>6</sup> 18-35 years

<sup>7</sup> Nutritionally-based, upper poverty line of 1314.00 Ghana cedis per adult per year: this incorporates both essential food and non-food consumption

<sup>8</sup> The decline in the poverty headcount between 2012/13 and 2016/17 was minuscule at 0.8 percentage points (that is, from 24.2 percent to 23.4 percent) - GLSS7, August 2018

	Number of women reporting improved quality diet (minimum dietary diversity for women)	%	0	3,750	18,750	AAFORD surveys/Project reports	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	model of prefinancing target households.
<b>Outcome 1</b>  Market Linkages between smallholder farmers and other value chain actors established (Outreach of market facilitators expanded and deepened to increase smallholder access to markets and finance)	2.2.3. No. of rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities	No.	0	70	324	AAFORD surveys/Project reports	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	Farmers will not practice side selling to the detriment of the offtaker.
	Value of wholesale funds disbursed by financial institutions on concessional terms	US\$M	0	3.9	24.20	M&E Data/Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	Offtakers and nucleus farmers will be able to meet the collateral requirements of the PFIs.
	1.2.5. Percentage of persons/households reporting using rural financial services	%	0	20.0%	60.0%	Baseline survey, project reports	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	
	No of financial institutions deploying risk mitigation instruments (guarantees and insurance) to meet financial needs of smallholder farmers	No.	0	5	10	Baseline survey, project reports	Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	
	No of financial institutions deploying marketing services (warehouses, warehouse receipts, electronic trading, digital services) to meet financial needs of smallholder farmers	No.	0	4	10	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	No. of financial institutions (commercial banks and rural/micro finance institutions) adapting affordable finance (BFF) to meet financial needs of smallholder farmers	No.	0	10	30	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	Jobs created for the youth as a result of the expansion of value chain activities	FTE	0	400	1,500	M&E Data, Component reports	Annually, Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	

<b>Output 1.1</b> Capacity of smallholder farmers, institutional partners and market intermediaries (including women and youth groups) enhanced.	No of HH receiving market linkages, access to inputs and services facilitated by other ongoing, relevant IFAD programmes	No.	0	2,000	12,500	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	1.1.2. Number of financial service providers supported in delivering outreach strategies, financial products (including green products) and services to rural areas	No.	0	50	50	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	1.1.7. Number of persons in rural areas trained in financial literacy and/or use of financial products and services	Persons	0	10,000	45,000	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	- Men	Persons	0	5,000	22,500				
	- Women	Person	0	5,000	22,500				
	- Youth	Persons	0	3,000	18,000				
	No of smallholder farmers sensitized about entry points for financial inclusion (community savings and credit groups) and digital financial services	Persons	0	200	1,000 <sup>9</sup>	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	- Women	Persons	0	100	500				
	- Youth	Persons	0	100	500				
	1.1.5. Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.)	Persons			45,000	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
- Men	Persons	0	5,000	22,500					
- Women	Persons	0	5,000	22,500					
- Youth	Persons	0	3,000	18,000					
Number of off-takers <sup>10</sup> accessing financial services to expand operations in value chains involving smallholders	No.	0	6	24	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit		
<b>Outcome 2</b>	No. of smallholder farmers implementing good agricultural practices (GAPs)	Persons	0	7,500	45,000	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	Enabling policy, regulatory and legal environment for the development of
	- Men	Persons	0	3,750	15,000				
	- Women	Persons	0	3,750	15,000				

<sup>9</sup> 50 groups with 20 members each

<sup>10</sup> Includes aggregators, nucleus farmers and processors



Increases in farmers' marketed surpluses and household welfare	- Youth	Persons	0	3,750	15,000	Baseline survey, Project reports	Annually, Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	agricultural value chains
	3.2.2. Percentage of persons reporting adoption of environmentally sustainable and climate resilient technologies and practices	%	0	10%	25%				
	- Men	%	0	5%	12.5%				
	- Women	%	0	5%	12.5%				
	- Youth	%	0	5%	12.5%				
	Percentage of smallholder farmers reporting an increase in crop yields	%	0	20%	60%	Baseline survey, Project reports	Annually, Mid-term Review and completion	AAFORD National/Zonal Project Coordination Unit	
	- Men	%	0	10%	30%				
	- Women	%	0	10%	30%				
	- Youth	%	0	10%	30%				
	Output 2.1 Productive capacity of smallholders farmers expanded	No of smallholder farmers supported to adopt GAPs	Persons	0	4,000	19,000	M&E Data, Component reports	Annually	
- Men		Persons	0	2,400	9,500				
- Women		Persons	0	2,400	9,500				
- Youth		Persons	0	1,500	7,600				
3.1.1. Number of groups <sup>11</sup> supported to sustainably manage natural resources and climate-related risks		No.	0	80	324	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
- Women groups		No.	0	50	250				
- Youth groups		No.	0	50	250				
No. of smallholder farmers trained in climate-resilient agricultural practices		Persons	0	12,000	30,000	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
- Men		Persons	0	12,000	15,000				
- Women		Persons	0	12,000	15,000				
- Youth		Persons	0	10,000	12,000				
3.1.4. Hectares of land brought under climate-resilient management		Ha	0	4,000	12,000	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
<b>Outcome 3</b> The policy and legal framework for agricultural value chains improved		No. of policy reforms related to agricultural value chains	No.	0	0	2	M&E Data, Component reports	Mid-term Review and completion	AAFORD National Project Coordination Unit

<sup>11</sup> This includes FBOs, MSMEs, Off-takers

Output 3.1 Policy development supported	No. of studies conducted to document lessons learned with respect to market-enhancing instruments	No	0	1	3	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	No of knowledge sharing forums and stakeholder engagements held	No	0	1	5	M&E Data, Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	
	No. of policy forums/dialogues on thematic issues held	No	0	1	2	M&E Data Component reports	Annually	AAFORD National/Zonal Project Coordination Unit	