
President's memorandum
Proposed additional financing
Republic of Ghana
Rural Enterprises Programme

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Action: The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 62.

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Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Ministry of Finance
Executing agency:	Ministry of Trade and Industry
Total programme cost:	US\$264.8 million
Amount of original IFAD loan:	Special drawing rights (SDR) 19.7 million (equivalent to approximately US\$31.5 million)
Terms of original IFAD financing:	Highly concessional
Amount of additional IFAD financing 1:	SDR 28.35 million (equivalent to approximately US\$40.0 million)
Terms of additional IFAD financing 1:	Highly concessional
Amount of additional IFAD financing 2:	US\$15 million
Terms of additional IFAD financing 2:	Blend
Cofinanciers:	African Development Bank (AfDB); ARB Apex Bank; participating financial institutions; district assemblies; micro, small and medium-sized enterprise clients
Amount of cofinancing:	AfDB: US\$70 million
Terms of cofinancing:	AfDB loan and grant
Contribution of borrower/recipient:	US\$91.9 million
Contribution of beneficiaries:	US\$16.4 million

I. Background and programme description

A. Background

1. The Rural Enterprises Programme (REP) was approved by the Executive Board in September 2011 for an eight-year period and entered into force on 12 January 2012. The original total financing was composed of a highly concessional loan from IFAD of SDR 19.7 million (equivalent to US\$31.5 million); a loan and grant from the African Development Bank (AfDB) of US\$70 million equivalent; a contribution from the Government of Ghana of US\$25.1 million, a contribution from the district assemblies of US\$38.5 million; a contribution from participating financial institutions (PFIs) of US\$6.2 million; and a contribution from the beneficiaries of US\$13.8 million. The Ministry of Trade and Industry (MOTI) is the lead implementing agency.¹
2. In 2017, the Government requested and obtained additional financing (AF1) of SDR 28.35 million, equivalent to US\$40 million at the time of approval, with a two-year extension of the implementation period.² This additional loan was on highly concessional terms. In 2022, REP received a further two-year no-cost extension, bringing its completion and closing dates to 31 March 2024 and 30 September 2024, respectively.
3. In August 2022, the Government requested a second additional financing (AF2) in the form of a loan in the amount of US\$15 million, which will be on blend terms.
4. AF2 will be allocated under the 2022–2024 cycle of the performance-based allocation system. The activities to be supported by AF2 respond to REP's objectives and are aligned with programme design and the activities supported by AF1.

B. Original programme description

5. The goal of the programme is to improve the livelihoods and income of rural poor micro and small enterprises/entrepreneurs (MSEs). The objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities. The scope is to scale up and mainstream a district-based MSE support system nationwide within the public institutional system.
6. REP consists of three technical components and a fourth one focusing on programme coordination, monitoring and evaluation, as follows: (1) business development services; (2) agricultural commodity processing infrastructure development, later renamed technology promotion and dissemination; and (3) enabling MSE development.
7. Component 3 has three subcomponents: 3.1 – access to rural finance (ARF); 3.2 – institutional capacity-building and policy dialogue; and 3.3 – the One District-One Factory initiative and Empowering Novel Agribusiness-Led Employment for Youth (ENABLE Youth). Subcomponent 3.3 was financed by the AfDB and was introduced during REP's midterm review in 2015 due to the need to refocus on youth mainstreaming. The financing agreement was not amended to reflect this change.
8. REP has the following outcomes: (i) business development services accessible to MSEs in rural districts; (ii) technical skills transferred and technologies disseminated; (iii) access of MSEs to finance ensured; (iv) pro-poor MSE support institutions and policies in place.

¹ <https://webapps.ifad.org/members/eb/103/docs/EB-2011-103-R-16.pdf>.

² <https://webapps.ifad.org/members/eb/122/docs/EB-2017-122-R-7.pdf?attach=1>.

II. Rationale for additional financing

A. Rationale

9. REP is on track to achieve its objective to increase the number of rural MSEs that generate profit, growth and employment opportunities. As of June 2022, REP had created 80,083 new job opportunities. In addition: (i) 95 business advisory centres (BACs) have been established; (ii) 37-AfDB funded BRCs have been built and are operational and 30 more (financed by IFAD) are being developed; (iii) 21 existing technology service centres are fully operational; (iv) 21,912 master craft persons and apprentices have been trained; (v) 13,274 clients have participated in occupational safety, health and environmental management training; (vi) 13,690 graduate apprentices have been supported by REP to sit for certification examinations; (vii) 6,603 business start-up kits have been provided to graduate apprentices; (viii) 71 financial institutions have been accredited to participate in REP's activities, with US\$12,124,880.43 disbursed to 19,755 clients; (ix) 333 PFI staff have been trained; and (x) an estimated 20,233 clients have access to affordable credit and grants, leading to business expansion and growth.
10. The rationale for the additional financing is threefold. **First**, REP implementation has contributed to the establishment of a significant number of MSEs, some of which still need support to strengthen their business acumen. The activities to be funded will benefit from an enabling environment that will sustainably support the MSEs after programme completion. Hence, AF2 will: (i) contribute to consolidating and strengthening REP's achievements and the associated creation of more jobs; and (ii) provide institutional strengthening to the different stakeholders that would provide services/support to the MSEs.
11. **Second**, in 2017, REP's activities were realigned with the objectives of the Government's Industrial Transformation Agenda spearheaded by MOTI. As part of the agenda, the Government committed to the One District-One Factory initiative; which is partly aimed at addressing the youth unemployment challenges facing the country. REP was identified as a vehicle to contribute to achieving this development initiative. However, this has created a financing gap. The Government has requested the second batch of additional financing to help fill this gap.
12. **Third**, the increased demand for loanable funds under the access to rural finance subcomponent called for additional financing. Hence, some of the AF2 funding will be used to scale up financial products that are in high demand under this subcomponent.
13. The AF2-supported activities respond to REP's objectives and are aligned with the programme design.

Special aspects relating to IFAD's corporate mainstreaming priorities

14. In line with IFAD's mainstreaming commitments, the programme has been validated as:
 - Youth-sensitive
15. **Gender.** Considerable work is still needed to achieve gender equality. The adolescent birth rate is 78 per 1,000 women aged 15–19 as of 2018, up from 75.1 per 1,000 in 2016. Women of reproductive age (15–49 years) often face barriers with respect to their sexual and reproductive health and rights. Despite progress, in 2018, just 40.4 per cent of women had access to modern methods for family planning.
16. REP is strongly focused on gender mainstreaming; all programme activities have a minimum target of 50 per cent female participation. As of August 2022, the results indicate that women are the main beneficiaries of REP interventions (with an average of 63 per cent).

17. **Youth.** According to the National Youth Policy (2022–2032), young people are defined as those between 15 and 35 years.³ The policy covers 19 areas, including: education and skills training; youth in modern agriculture; gender mainstreaming; and youth in conflict prevention and peacebuilding.
18. The youth employment programme inventory, carried out in 2016 by the World Bank, found that out of a pool of 145,000 applicants, only 29 per cent had access to programmes run by NGOs and private institutes. Private sector programmes, which focus mostly on skills and entrepreneurship training, tend to be more expensive and operate on a smaller scale relative to public sector programmes.⁴
19. In the context of agriculture, rural women and youth face barriers in access to land. Young people have little say in decision-making even within family farms (e.g. in decisions relating to the modernization of farms and extension activities).
20. REP has focused on youth beneficiaries, contributing to a reduction in youth unemployment and addressing the challenges faced by youth entrepreneurs. By August 2022, a total of 67,481 new businesses had been established (65 per cent owned by women, and 46 per cent by young people) - 193 per cent with respect to the target. Youth are also targeted under subcomponent 3.3 by the AfDB.
21. **Nutrition.** Ghana is on course to meet two global nutrition targets for maternal, infant and young child nutrition, reducing anaemia among women of reproductive age and achieving the target of a 30 per cent reduction in low birth weight. No progress has been made towards achieving the exclusive breastfeeding target, with just 42.9 per cent of infants aged 0-5 months exclusively breastfed. The country is on course to meet the target for stunting, with 17.5 per cent of children aged under 5 affected, but the proportion rises to 33 per cent in the Northern Region. Some progress has been made towards achieving the target for wasting. The prevalence of overweight children under 5 is 1.4 per cent, and the country is on course to prevent the figure from increasing. A long-term Food and Nutrition Security Strategy has been developed and is being used to review the National Nutrition Policy.
22. **Climate Change.** Ghana is highly vulnerable to climate change. Rising sea levels, drought, higher temperatures and erratic rainfall negatively impact infrastructure, hydropower production, food security and coastal and agricultural livelihoods. Approximately a quarter of the population live along the coast in rapidly expanding urban areas like Accra, and are especially vulnerable to flooding and waterborne diseases. Drought and reduced rainfall threaten access to power sources, which are already erratic and insufficient. The climate and socio-economic environment in semi-arid, coastal and wetland areas across Ghana makes communities vulnerable to food insecurity and unstable livelihoods and has led to unsustainable agroecological systems, crop failure and unproductive rangelands.⁵
23. **Environment.** The main factors that increase the vulnerability of Ghanaians are that (i) poor areas in the country (especially in the north) disproportionately suffer from droughts, floods and soil erosion, which adversely affect agricultural production; (ii) the country relies mainly on wood, oil and electricity for its energy requirements. Since 1985, about 12 million cubic metres of wood and charcoal are being consumed annually accounting for 70 per cent of the country's total energy usage. Declining trends are observed in the biodiversity of forests, dry and subhumid savannah, marine, coastal and inland water areas, especially in some reserves and off-reserve areas. Although there is evidence of an increase in populations of some forest species, there is also evidence of a decline in others, especially over-utilized species.

³ <https://www.youthpolicy.org/factsheets/country/ghana/>.

⁴ https://elibrary.worldbank.org/doi/10.1596/978-1-4648-1579-9_ch4.

⁵ United States Agency for International Development (USAID) (2017). Climate Change Risk Profile, Ghana. https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID_Climate%20Change%20Risk%20Profile%20-%20Ghana.pdf.

B. Description of geographical area and target groups

24. The programme has nationwide coverage, and is being implemented in all 16 regions and in 161 out of 216 districts. The same geographical coverage will be maintained AF2.
25. The target group is composed of (i) poor entrepreneurs in rural communities; (ii) local business associations and their umbrella organizations at the district, regional and national levels; and (iii) institutional partners including the Ghana Enterprise Agency (GEA), district assemblies, the Bank of Ghana, the Association of Rural Banks (ARB) Apex Bank, Ghana Regional Appropriate Technology Industrial Service (GRATIS), other relevant public sector institutions and NGOs.
26. Particular attention is given to: (i) rural poor people, particularly women, youth and persons with disabilities; (ii) vulnerable individuals or groups; (iii) young people who have completed their education; and (iv) existing MSEs along identified value chains that have the potential to grow. AF2 will continue to target these groups.

C. Components, outcomes and activities

27. The programme has four components but AF2-supported activities will fall under components one, three and four. Activities to be financed under AF2 are within the framework of the REP design but some adjustments have been made to improve operational efficiency and ensure sustainability.
28. **Outcomes.** AF2-supported activities will contribute to the achievement of the following REP outcomes: (i) business development services accessible to MSEs in rural districts; (ii) access of MSEs to finance is ensured; and (iii) pro-poor MSE support institutions and policies are in place.
29. **Activities.** The activities to be financed by AF2 are summarized below.
30. **Component 1: Business development services.** This component seeks to upgrade the technical and entrepreneurial skills of rural MSEs by providing access to business development services. AF2 will focus on the following activities: (i) operationalizing business resource centres (BRCs) in the context of the general privatization scheme, guided by a public-private partnership adviser and a transaction adviser to be recruited under the current financing; (ii) formalization/registration of MSEs; (iii) virtual private network connectivity for the BACs; (iv) update of the programme's monitoring and evaluation database and geographic information system; (v) coaching/internship for selected micro and small-scale entrepreneurs; and (vi) hosting, maintenance and management of e-commerce and knowledge management platforms.
31. **Component 3: Enabling MSE development**, which has three subcomponents: **3.1 – access to rural finance**, which aims to continue supporting REP's rural enterprise development fund (REDF) to benefit and improve the livelihoods of households and groups operating MSEs; **3.2 – institutional capacity-building and policy dialogue**, which supports activities to augment the capacity of selected institutions thereby increasing the likelihood of their sustainability. AF2 activities include: (i) support to the GEA Head Office Monitoring Unit; (ii) organization of policy dialogue; and (iii) support for GRATIS through provision of equipment and technical assistance; **3.3 – One District-One Factory (1D1F) – Empowering Novel Agribusiness-Led Employment for Youth (ENABLE Youth).** This subcomponent seeks to contribute to the achievement of the Government's industrial transformation agenda's objective being spearheaded by MOTI. AF2 will be used to fund processing equipment, minor works and support for licensing and certification-related processes. As highlighted above, this subcomponent, supported originally by the AfDB, was not in the original programme design. This memorandum seeks to have the financing agreement modified to reflect its inclusion.

32. **Component 4: Programme management, monitoring and evaluation** will continue to be undertaken by the programme coordination and management unit (PCMU). AF2 will support some interventions under this component to help the PCMU to bring REP activities to completion. Target activities include: (i) REP exit strategy implementation preparations; (ii) documenting of lessons and successes; and (iii) knowledge consolidation workshops and packaging of REP-generated knowledge.

D. Costs, benefits and financing

Programme costs

33. The combined REP incremental investment and recurrent costs for both the original financing, AF1 and AF2, including price and physical contingencies, are estimated at US\$265.8 million. IFAD's original loan amounted to US\$31.5 million equivalent; REP then received additional financing of US\$40.0 million equivalent, as approved by the Executive Board in 2017; the second additional financing from IFAD is estimated at US\$15 million; and the Government's counterpart contribution is US\$918,000.
34. The AF2 funding will be used as follows: component 1 - US\$5.9 million (37.2 per cent of total AF2); component 3 - US\$8.8 million (55.3 per cent); and component 4 - US\$1.2 million (7.4 per cent). Recurrent costs will be kept below 15 per cent.

Table 1

Original and additional financing summary

(Thousands of United States dollars)

	Original financing	Additional financing 1	Additional financing 2	Total
IFAD loan	31 500	40 000	15 000	86 500
AfDB	70 008	-	-	70 008
PFI	6 222	4 929	-	11 151
Beneficiaries (grantees and clients)	13 848	2 526	-	16 374
Government (taxes + GEA* + DAs** + GRATIS)	63 557	17 282	918	81 757
Total	185 135	64 737	15 918	265 790

* Ghana Enterprises Agency.

** District Assemblies.

Table 2

Additional financing: programme costs by component (and subcomponent) and financier

(Thousands of United States dollars)

Component/subcomponent	IFAD AF 2		Additional		Total	
			Government-taxes AF2			
	Amount	%	Amount	%	Amount	%
1. Business development services	5 928	100.0	-	-	5 928	37.2
2. Technology promotion and dissemination	-	-	-	-	-	-
3. Enabling MSE development						
3.1. Access to rural finance	3 900	100.0	-	-	3 900	24.5
3.2. Institutional capacity-building and policy dialogue	701	85.1	123	14.9	824	5.2
3.3. ENABLE Youth	3 286	80.5	795	19.5	4 081	25.6
Subtotal enabling MSE development	7 887	89.6	918	10.4	8 805	55.3
4.1. Programme coordination and management	1 186	100.0	-	-	1 186	7.4
Total	15 000	94.2	918	5.8	15 918	100.0

Table 3
Additional financing: programme costs by expenditure category and financier
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD AF2</i>		<i>Government-taxes AF2</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Civil works	-	-	-	-	-	-
2. Equipment & material	3 832	82.8	795	17.2	4 627	29.1
3. Technical assistance and studies	5 927	98.0	123	2.0	6 050	38.0
4. Training and workshops	323	100.0	-	-	323	2.0
5. Credit funds	3 908	100.0	-	-	3 908	24.6
6. Salaries and operating costs	1 011	100.0	-	-	1 011	6.3
Total	15 000	94.2	918	5.8	15 918	100.0

Table 4
Programme costs by component and programme year (PY)
 (Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY4</i>	<i>PY5</i>	<i>PY6</i>	<i>PY7</i>	<i>PY8</i>	<i>PY9</i>	<i>PY10</i>	<i>PY11</i>	<i>PY12</i>	<i>PY13</i>	<i>PY14</i>	<i>Total</i>
<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
1. Business development services	8 569	12 086	10 660	11 370	11 604	11 513	20 029	21 229	5 499	5 131	4 000	1928	3 841	159	127 618
2. Technology promotion and dissemination	6 583	11 940	10 464	7 788	7 506	7 233	7 089	6 689	602	611	-	-	-	-	66 506
3. Enabling MSE development															
3.1. Access to rural finance	4 325	3 702	1 553	1 531	1 446	1 392	5 781	4 390	1 000	2 739	2 088	780	3 120	-	33 848
3.2. Institutional capacity-building and policy dialogue	503	1 164	277	203	207	211	3 510	568	-	-	-	100	712	12	7 466
3.3. ENABLE Youth							1 044	1 547	2 457	2 038	1 000	1 286	2 007	787	12 167
Subtotal enabling MSE development	4 827	4 867	1 831	1 733	1 653	1 602	10 335	6 505	3 457	4 777	3 088	2 166	5 839	799	53 480
4. Programme coordination, monitoring and evaluation															
4.1. Programme coordination	1 122	1 174	980	1 019	1 019	995	1 688	2 982	1 036	1 330	739	41	818	326	15 269
4.2. Monitoring and evaluation	497	305	318	455	295	298	392	307							2 868
Subtotal programme implementation	1 619	1 479	1 298	1 475	1 314	1 293	2 080	3 289	1 036	1 330	739	41	818	326	16 951
Total	21 598	30 372	24 253	22 366	22 077	21 642	39 532	37 711	10 594	11 849	7 828	4 136	10 498	1 285	265 741

Financing and cofinancing strategy and plan

35. Originally, total cofinancing amounted to approximately US\$153.6 million, including the AfDB contribution of US\$70 million equivalent, the PFIs' contribution of US\$6.2 million, the beneficiaries' contribution of US\$13.9 and the Government's contribution of US\$63.5 million. As a result of AF1 in 2017, the cofinanciers' contribution increased to US\$178.3 million. The Government's contribution increased, to US\$80.8 million, the PFIs' contribution to US\$11.1 million, and beneficiaries' contribution to US\$16.3 million.

Disbursement

36. Disbursement arrangements will remain as per the original agreement, except for the updated paragraphs identified in the updated letter to the borrower shared with the borrower and the programme in July 2022. IFAD funds will be disbursed through a designated account in United States dollars and will be processed against duly certified withdrawal applications in accordance with updated IFAD disbursement procedures. Further details concerning disbursement will be provided in the programme financial management and financial control arrangements letter (FMFCL) and the programme financing agreement. The proposed thresholds for the direct payments will be outlined in the FMFCL.

Summary of benefits and economic analysis

37. REP was originally designed to improve the livelihoods and incomes of rural MSEs and increase the number of profitable MSEs, their growth and employment opportunities. The goal and objective have not changed as a result of AF2. During AF2, it is estimated that REP will yield a positive economic rate of return (ERR) of 22.8 per cent and a positive net present value of US\$303.8 million. The programme is highly profitable from an economic standpoint. A sensitivity analysis indicates a high degree of resilience to an increase in costs and reduction in benefits, as REP would still yield an ERR of 14.7 per cent if benefits were reduced by 10 per cent and 15.5 per cent as a result of costs increasing by 10 per cent.

Exit strategy and sustainability

38. Specific activities are being implemented to ensure that benefits continue to flow long after REP closure. These include: (i) establishment of new, and strengthening of existing, service provision institutions (BACs, BRCs and rural technology facilities). In addition, steps are being taken to ensure the continuity of these institutions, for example through franchising and public-private partnerships in order to promote their independence and their desire to provide quality services (value for money) and, consequently, attract and retain clients. The above institutions are already being used by various clients, including a number of Ghana's development partners, to provide services to MSEs; (ii) capacity-building of government institutions (GEA and GRATIS) charged with the responsibility of overseeing effective and efficient performance of the MSEs; and (iii) increased and continued access to reasonably priced financial services. This is being ensured through REDF and the revolving credit fund to be operated on a commercial basis after programme closure by the ARB Apex Bank and the PFIs.

III. Risk management**A. Risks and mitigation measures**

39. The main risks and corresponding mitigation measures have been identified for the additional financing phase and are presented in the integrated programme risk matrix. The PCMU will be trained to refine the matrix during implementation and establish a risk log, including tools for the identification, analysis, prevention, monitoring and management of risks. The risk log will be updated regularly to inform decision-making.

Table 5
Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	High	Substantial
Sector strategies and policies	Substantial	Moderate
Environment and climate context	High	Moderate
Programme scope	Substantial	Moderate
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Moderate	Low
Programme procurement	Substantial	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Moderate
Overall	Substantial	Moderate

40. **Fiduciary.** The programme's overall financial management risk rating is moderately satisfactory as per the last supervision with some weaknesses identified: (i) PCMU delays in implementing most of the recommendations from previous missions; (ii) PCMU faces significant challenges in the monitoring and oversight of implementing partners' activities and expenditures at the regional and district levels; (iii) delayed submission and approval of the annual workplan and budget (AWPB) resulted in low budget execution in FY 2022. A fast-track plan is in place to facilitate execution before year-end. In future years, timely submission and approval of the AWPB will ensure timely execution of implementation arrangements for subsequent years.

B. Environment and social category

41. The environmental and social category of REP has been classified as **moderate** since the environmental impact of small-scale rural activities is considered minimal and mitigating measures can be put in place. Building on the original REP and AF1 activities, AF2 will have no severe negative impacts, such as involuntary land acquisition or restrictions on land-use, which could result in physical or economic displacement. The programme will have no adverse effects on Indigenous Peoples or on sites of historical, religious or cultural significance.
42. The potential environmental impacts are manageable and include: (i) contamination from effluent of processing systems; (ii) degradation of the biotope and possible deforestation; and (iii) increased use of pesticides. In terms of social aspects, impacts could be linked to: (i) access to land; and (ii) increased risk of potential conflict between communities. All these impacts have been taken into account and adequate mitigation measures will be taken, including training on waste and effluent management, promotion of agroecological techniques and promotion of bio-pesticides.

C. Climate risk classification

43. From a climate change risk assessment standpoint, the programme is classified as **high**. The target communities are substantially dependent on climate-sensitive natural resources, especially rainfed agricultural plots and tree crops. Large parts of the programme area are increasingly experiencing droughts and flash-flooding. Green house gas emissions resulting from increased production and processing, along with climate variability, including unexpected dry spells, unpredictable rainfall and low/high temperatures, could affect the programme's impact, sustainability and returns on investments. However, climate resilience measures can be adopted, such as improved techniques for crop cultivation and processing and systematic use of integrated agroforestry system to address risk of deforestation. Systematic climate risk analysis will be undertaken by REP throughout implementation to ensure adequate and timely monitoring and management of climate change risks.

IV. Implementation

A. Compliance with IFAD policies

44. Certain IFAD policies were not in place at the time of original design. However, the design and implementation of AF2-supported activities have now been duly aligned with (i) IFAD's Strategic Framework 2016-25; (ii) Gender Equality and Women's Empowerment (2012); (iii) IFAD's Youth Action Plan (2019-2021); (iv) IFAD's 2020 Private Sector Financing Programme; (v) IFAD's Social, Environmental and Climate Assessment Procedures (SECAP); and (vi) IFAD's Inclusive Rural Finance Policy, which is focused on the sustainability of improvements in beneficiaries' livelihoods.
45. REP and the AF2-supported activities are fully aligned with the current country strategic opportunities programme (COSOP) 2019-2024. They contribute to all three strategic objectives (SOs): SO1 – improve resource mobilization for agriculture; SO2 – strengthen productivity in inclusive value chain development; and SO3 – strengthen capacities and economic opportunities.

B. Organizational framework

46. **Management and coordination.** REP is implemented by MOTI. Day-to-day management is the responsibility of the PCMU, including consolidation of AWPBs, procurement, progress and financial reports, monitoring and evaluation, knowledge management and providing support to and coordination of programme interventions of all implementing partners (IPs).
47. Programme oversight, direction and guidance will continue to be the responsibility of the programme steering committee, chaired by MOTI. It comprises representatives from the Ministry of Finance and Economic Planning, Ministry of Local Government and Rural Development, Ministry of Food and Agriculture, Ministry of Women and Children's Affairs, Ministry of Employment and Social Welfare and the National Development Planning Commission (NDPC), NBSSI, the GRATIS Foundation, ARB Apex Bank and also representatives from the private sector (e.g. local business associations, Association of Ghana Industries [AGI]), and two district chief executives representing the participating districts of REP.
48. **Financial management.** The financial management arrangements of the original design will remain in place for AF2. The programme's inherent risk was assessed as moderate in the fiduciary risk assessment done during AF2 design. The inherent risk for the additional financing was also maintained at moderate, consistent with the REP financial management ratings during the most recent supervision mission.
49. **Procurement.** The procurement section in the original financing agreement needs to be changed to indicate that IFAD's General Conditions for Agricultural Development Financing, Procurement Guidelines and Procurement Handbook will be in force. Other procurement arrangements (such as procurement methods, thresholds, guidelines for prior review, etc.) will be detailed in the letter to the borrower. The PCMU will remain in charge of the procurement process.
50. The preparation of annual procurement plans (PPs) will form the basis for all procurement exercises and will be consistent with the approved AWPB. The PP should comply with IFAD standards in both format and content and will be submitted (together with the AWPB) to the Steering Committee for approval and to IFAD for no objection.
51. Procurement of works, goods and services will be coordinated by the PCMU in accordance with national procurement rules and regulations, to the extent that these are consistent with IFAD's Procurement Guidelines.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

52. **Planning.** The AWPB is a key instrument for implementation and subject to IFAD's review and no objection.
53. **Monitoring and evaluation.** The monitoring and evaluation (M&E) system is coordinated by the PCMU and includes the logical framework, an M&E framework, an M&E database and a web-based Geographic Information System.
54. To the extent possible, special emphasis will be placed on the need to integrate planning and monitoring as standard responsibilities in the work of the implementing partners/service providers and to ensure regular and consistent recording of progress.
55. IFAD will undertake periodic monitoring and evaluation and supervision missions to assess the status of implementation and assess future directions.
56. **Learning, knowledge management and strategic communication.** REP will share knowledge through learning events and stakeholder workshops, etc. and through various media (website, social media, radio, television, YouTube, etc.), particularly on the themes of gender and youth, vulnerability reduction and livelihood diversification as a means of household risk management.
57. AF2 will cover the cost of hosting and managing an e-commerce and knowledge management platform (already developed but not yet operational). It will also fund the documentation and sharing of lessons learned through professional publications and documentaries, to be distributed during knowledge capitalization workshops among IPs and stakeholders; and the organization of REP exit strategy meetings with relevant stakeholders to ensure sustainability.

D. Proposed amendments to the financing agreement

58. The REP financing agreement will be amended to: (i) reflect the additional financing of US\$15 million; (ii) include the latest reforms introduced by the Financial Management Services Division on Interim Financial Reporting-based disbursements; (iii) formalize a memorandum of understanding between MOTI and the programme to address internal audit arrangements; (iv) reflect subcomponent 3.3 in the programme description schedule of the financing agreement; and (v) extend the completion and closing dates by one year. The Government will cover taxes in the form of exemptions.

V. Legal instruments and authority

59. The amendment to the financing agreement will constitute the legal instrument for extending the proposed financing to the borrower. The financing agreement will be amended following approval of the additional financing.
60. The Republic of Ghana is empowered under its laws to receive financing from IFAD.
61. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

62. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Government of Ghana in an amount of fifteen million United States dollars (US\$15,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Updated logical framework incorporating the additional financing

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach REP	1.b Estimated corresponding total number of households members							
	Household members - Number of people			1000000				
	1.a Corresponding number of households reached							
	Women-headed households - Number							
	Non-women-headed households - Number							
	Households - Number			250000				
	1 Persons receiving services promoted or supported by the programme							
	Females - Number			125000				
	Males - Number			125000				
	Young - Number							
Total number of persons receiving services - Number of people			250000					
Programme Goal To improve the livelihoods and income of rural poor micro and	Reduced % of rural poverty				National hh expenditure surveys; National statistics on MDGs			
	Percentage - Percentage (%)	29						
	Reduced unemployment rates							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
small entrepreneurs	male - Percentage (%)							
	female - Percentage (%)							
	Reduced prevalence of child malnutrition (weight for age of boys/girls)				National hh expenditure surveys; National statistics on MDGs			
	Percentage - Percentage (%)	14						
	Development Objective To increase the number of rural micro and small enterprises that generate profit, growth and employment opportunities	2.2.1 Persons with new jobs/employment opportunities				REP database; Reference surveys, studies; Tracer study; Client profile and poverty analysis		
Males - Number				60000				
Females - Number				90000				
youth - Number				79500				
People - Number of people				150000				
Young persons with new jobs/employment opportunities								
male youth - Number				39750				
female youth - Number				39750				
Businesses created				REP database; Reference surveys, studies;				
MSE - Number					37000			
male owned - Number					18500			
female owned - Number					18500			

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	youth male owned - Number			7280	Tracer study; Client profile and poverty analysis			
	youth female owned - Number			7280				
	Existing businesses strengthened				REP database; Reference surveys, studies; Tracer study; Client profile and poverty analysis			
	businesses - Number			70000				
	male owned - Number			35000				
	Female owned - Number			35000				
	Enterprises graduating from survival to normal and rapid growth categories (growth measure)				REP database; Reference surveys, studies; Tracer study; Client profile and poverty analysis			
	MSE - Number			20000				
	male owned - Number			10000				
	female owned - Number			10000				
	Enterprises in operation after 3 years (sustainability measure)				REP database; Reference surveys, studies; Tracer study; Client profile and poverty analysis			
	MSE - Number			45000				
	male owned - Number			22500				
	female owned - Number			22500				
	% increase in household							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Percentage - Percentage (%)	0		30	REP database; Reference surveys, studies; Tracer study; Client profile and poverty analysis			
Outcome Business development services accessible to MSEs in rural districts	Operational REP model BACs							
	model - Number	0		161				
	Turnover of BACs							
	Money - Money (USD' 000)			30				
	Level of institutional performance of BACs							
	average efficiency - Rating	0		1				
	Level of effectiveness of BDS training							
	Percentage - Percentage (%)	0		60				
Output BACs are established and strengthened	New BACs established				REP database & reports			
	BAC - Number			95				
	Staff of BACs (re)trained							
	Staff - Number			835				
Output Capacity of rural MSEs and their	Rural MSEs counselled				Successful restructuring of NBSSI			
	MSE - Number	0		122880				
	male owned - Number	0		61440				

Results Hierarchy	Indicators				Means of Verification			Assumptions				
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility					
associations strengthened	female owned - Number	0		61440								
	Young - Number	0		49152								
	Not Young - Number	0		73728								
	2.1.2 Persons trained in income-generating activities or business management				Successful restructuring of NBSSI							
	Females - Number	0		231267								
	Males - Number	0		231268								
	Young - Number			185014								
	Not Young - Number			277521								
	Persons trained in IGAs or BM (total) - Number			462 535								
	People receiving vocational training								Successful restructuring of NBSSI			
	Males - Number	0		46777								
	People - Number			140 330								
	Females - Number	0		93553								
	People trained in business/entrepreneurship				Successful restructuring of NBSSI							
	People - Number			205050								
	Males - Number	0		102525								
	Females - Number	0		102525								
	People trained in income generating activities				Successful restructuring of NBSSI							
	Males - Number	0		51940								
	People - Number			103880								
Females - Number	0		51940									
LBAs supported/trained				Successful restructuring of NBSSI								
Males - Number	0		33650									
Females - Number	0		33650									

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	People - Number of people	0		67300				
	Associations - Number							
Output Access to non-financial services	2.1.1 Rural enterprises accessing business development services							
	Rural enterprises - Number	0		106400				
Outcome Technical skills transferred and technologies disseminated	Operational RTFs				GRATIS records; REP database & reports; Tracer-study			Decentralization policy remains supportive for sustainability of RTFs.
	RTF - Number	0		51				
	Proportion of operational RTFs using accounting software				GRATIS records; REP database & reports; Tracer-study			
	Percentage - Percentage (%)	0		90				
	Turnover of RTFs				GRATIS records; REP database & reports; Tracer-study			
	RTF - Money (USD' 000)	0		20				
	RTF management boards operational				GRATIS records; REP database & reports; Tracer-study			
	Board - Number	0		51				
	NVTI certifications Training aligned with COTVET				GRATIS records; REP database & reports; Tracer-study			
	Certification - Number	0		23000				
Males - Number	0		11500					
Females - Number	0		11500					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Effectiveness of training & start-up kits							
	Level (%) - Percentage (%)	0		60				
	Male level (%) - Percentage (%)			60				
	Female level (%) - Percentage (%)			60				
Output RTFs are established	New RTFs are established							
	RTF - Number	0		30				
Output Capacity of rural master craft persons and apprentices developed	Staff of RTFs (re)trained				RTF reports; MSE Sub-committee reports; GRATIS reports; REP database & reports; Periodic reports from partners		Co-financing available in time; GRATIS Foundation continues support to RTFs.	
	People - Number of people	0		153				
	Master craft persons trained							
	Males - Number	0		15160				
	Females - Number	0		15160				
	People - Number of people	0		30320	RTF reports; MSE Sub-committee reports; GRATIS reports; REP database & reports; Periodic reports from partners		Co-financing available in time; GRATIS Foundation continues support to RTFs.	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Traditional apprentices trained				RTF reports; MSE Sub-committee reports; GRATIS reports; REP database & reports; Periodic reports from partners		Co-financing available in time; GRATIS Foundation continues support to RTFs.	
	Males - Number	0		15160				
	Females - Number	0		15160				
	People - Number	0		30320				
	Technical apprentices trained				RTF reports; MSE Sub-committee reports; GRATIS reports; REP database & reports; Periodic reports from partners		Co-financing available in time; GRATIS Foundation continues support to RTFs.	
	Males - Number	0		948				
	Females - Number	0		948				
	People - Number of people	0		1895				
	Graduate apprentices provided with start-up kits							
	Males - Number	0		9500				
	Females - Number	0		9500				
	People - Number of people	0		19000				
	Output Technology transfer	People accessing facilitated advisory services						
Males - Number		0		67777				
Females - Number		0		67777				
People - Number				135553				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outcome Access of MSEs to finance is ensured	Value of gross loan portfolio				Annual Outcome and Impact Survey	Annual	PCMU	Effective linkages with other IFAD programmes (mainly RAFiP); PFIs' capacities remain sufficient to handle a portfolio of small loans
	Money - Money (USD' 000)	0		8528				
	% reduction of portfolio at risk							
	Percentage - Percentage (%)			5				
	Financial Institutions participating in programme							
	PFI - Number			80				
	Staff of Financial Institutions trained							
	Males - Number			173				
	People - Number			345				
	Females - Number			172				
	1.2.5 Households reporting using rural financial services							
Households - Percentage (%)								
Women-headed households - Number								
Non-women-headed households - Number								
Output Credit Access	1.1.5 Persons in rural areas accessing financial services				PCMU Report	Quarterly	PCMU	
	Total number of accesses to financial services - Number			26000				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Men in rural areas accessing financial services - credit - Number			13000				
	Women in rural areas accessing financial services - credit - Number			13000				
	Young people in rural areas accessing financial services - credit - Number							
	Total persons accessing financial services - credit - Number of people			26000				
Output MGF operational	MSEs accessing MGF (not part of the 2nd additional financing)				REP reports; BoG reports; ARB Apex Bank reports			
	MSE - Number			6000				
	male owned MSE - Number			3000				
	female owned MSE - Number			3000				

Results Hierarchy	Indicators				Means of Verification			Assumptions				
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility					
	MGF amount disbursed (not part of the 2nd additional financing)				REP reports; BoG reports; ARB Apex Bank reports							
	Money - Money (USD' 000)			3700								
Output REDF operational	MSEs accessing REDF (not part of the 2nd additional financing)				REP reports; BoG reports; ARB Apex Bank reports							
	MSE - Number			20000								
	male owned MSE - Number			10000								
	female owned MSE - Number			10000								
	REDF amount disbursed (not part of the 2nd additional financing)								REP reports; BoG reports; ARB Apex Bank reports			
	Money - Money (USD' 000)			6850								
Output AAFORD's BFF operational	MSEs accessing AAFORD's Blended Financial Facility (BFF) through participating financial institutions (MSEs previously accessing REDF)											
	MSE - Number			20000								
	male owned MSE - Number			10000								
	female owned MSE - Number			10000								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	BFF amount disbursed							
	Money - Money (USD' 000)			3800				
Outcome Promotion of self employment for and participation of tertiary graduates in the promotion and development of agriculture-related enterprises	Number of youth jobs created through the operationalisation of Enable Youth factories							
	Male - Number			807				
	Women - Number			2479				
	Total - Number			3286				
Output Equipmment of Enable Youth Factories and training of young graduates in the use of the facilities	Enable Youth factories fully equiped and operational							
	Factories - Number			58				
	Beneficiaries youth trained							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Male - Number			807				
	Women - Number			2479				
	Total - Number			3286				
Outcome Pro-poor MSE support institutions and policies in place	Disbursement rate of DAs				MSE sub-committee reports; Supervision reports			NBSSI and GRATIS are restructured and have capacity to fulfill their role
	Percentage - Percentage (%)			80				
	NBSSI is operational knowledge centre for BACs				MSE sub-committee reports; Supervision reports			
	Percentage - Percentage (%)			100				
	GRATIS is operational knowledge centre for BACs				MSE sub-committee reports; Supervision reports			
	Percentage - Percentage (%)			100				
	MSE Sub-Committees functional				MSE sub-committee reports; Supervision reports			
	MSE - Number			150				
	RECOMEPs operational at RCCs				MSE sub-committee reports; Supervision reports			
	RECOMEP - Number			10				
Functional ASSI branches at district level				MSE sub-committee reports; Supervision reports				
ASSI - Number			100					

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output Institutions strengthened at district and regional level	DOTI, MSE Sub-Committees, DA trained				REP reports; NBSSI reports			
	DOTI, MSE Sub-Committees, DA - Number	0		150				
	Government officials and staff trained				REP reports; NBSSI reports			
	Males - Number	0		161				
	Females - Number	0		161				
	People - Number			322				
	Establishment of Light industrial estates supported				REP reports; NBSSI reports			
	Estates - Number			20				
NBSSI staff is trained				PCMU's reporting	Quarterly	PCU		
NBSSI staff is trained - Number of people			177					
Output Support to policy dialogue	Number of policy initiatives emanating from REP and DAs				Supervision reports			
	Policy initiative - Number			2				
	Quality of policy initiatives emanating from REP and DAs							
	Policy initiative - Rating							
	Apex organisations formed/strengthened							
Apex - Number			161					

Updated Summary of the Economic and Financial Analysis

Table A: Financial Cash Flow Models

		Enterprise models' net incremental benefits (in US\$)							
		Gari Processing Ind.	Gari Processing Group	Mushroom Model Local	Mushroom Model Exotic	Bee Keeping	Bread Making	Soap making model	Pomade Making
	PY1	(280)	(6,883)	(51)	(228)	(399)	(435)	(540)	(80)
	PY2	1,265	14,041	59	122	79	(92)	43	65
	PY3	1,265	14,041	67	122	283	72	133	65
	PY4	1,265	14,041	71	122	338	194	133	65
	PY5	1,265	14,041	67	122	474	194	133	65
	PY6	1,265	14,041	71	122	474	194	133	65
	PY7	1,265	14,041	67	200	474	194	133	65
	PY8	1,265	14,041	67	200	474	666	133	65
	PY9	1,265	14,041	67	200	474	666	133	65
	PY10	1,265	14,041	67	200	474	666	133	65
	IRR/**	452%	204%	121%	50%	59%	281%	16%	79%
	NPV (\$)	6,370	67,254	301	569	1,556	894	130	270

Table B: Programme Costs and Logical Framework Targets

PROGRAMME COSTS AND INDICATORS FOR LOGFRAME						
TOTAL PROGRAMME COSTS (in million USD)				264.9		
Beneficiaries		1,000,000	people	250,000	Households	
Cost per beneficiary		265	USD x person		1,059	USD
Components and Cost (USD million)					WOP (\$)	WP (\$)
A. Business Development Services		127.6	Average increase in income per HH per year		-	2,114
B. Technology Promotion & Dissemination		66.5				
C. Enabling MSE Environment		52.6				
D. Programme Implementation		18.1				
Total		264.9				

