

AFRICAN DEVELOPMENT FUND



GHANA

INCENTIVE-BASED RISK-SHARING SYSTEM FOR AGRICULTURAL LENDING (GIRSAL) PROJECT

RDGW/AHFR/COGH/PGCL DEPARTMENTS

September 2018

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Currency Equivalents

As at July 2018

1 UA	=	GHS 6.39
1 USD	=	GHS 4.35
1 UA	=	USD 1.41

Fiscal Year

1st January – 31st December

Weights and Measures

1 metric tonne	=	2,204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft.)
1 millimetre (mm)	=	0.03937 inch (")
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ADF	African Development Fund
AFD	L'Agence française de développement
AGRA	Alliance for a Green Revolution in Africa
AVC	Agriculture Value Chain
BoG	Bank of Ghana
CGIAR	Consultative Group on International Agricultural Research
CRI	Crop Research Institute
CSP	Country Strategy Paper
DA	District Assembly
DFID	Department for International Development
DVCC	Divisional Value Chain Committee
EA	Executing Agency
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
EPA	Environmental Protection Authority
FAO	Food and Agriculture Organisation of the United Nations
GHS	Ghana Cedi
GPRS-I	Ghana Poverty Reduction Strategy-Phase I
GPRS-II	Growth and Poverty Reduction Strategy-Phase II
GSGDA	Ghana Shared Growth and Development Agenda
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IITA	International Institute of Tropical Agriculture
JICA	Japan International Cooperation Agency
METASIP	Medium Term Agriculture Sector Investment Plan
MLGRD	Ministry of Local Government and Rural Development
MOF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
NEPAD	New Partnership for Africa's Development
NIC	National Insurance Commission
NPV	Net Present Value
NRGP	Northern Rural Growth Programme
NSEZ	Northern Savannah Ecological Zone
PFI	Participating Financial Institutions
PFJ	Planting for Food and Jobs
PMU	Project Co-ordination and Management Unit
PSC	Project Steering Committee
ROG	Republic of Ghana
RSF	Risk Sharing Facility
SAPIP	Savannah Zone Agricultural Productivity Improvement Project
SME	Small and Medium Enterprise
SSE	Small Scale Enterprise
SNV	<i>Stichting Nederlandse Vrijwilligers</i> (Netherlands Development Organisation)
TASI	Transformation of African Savannah Initiative
USAID	United States Agency for International Development
UA	Unit of Account
WFP	World Food Program

Loan information

Client's information

RECIPIENT : **REPUBLIC OF GHANA (ROG)**
EXECUTING AGENCY : **GIRSAL LIMITED**

Financing plan

Source	Amount (million)		Instrument
	UA	USD	
African Development Fund (ADF)	10.00	14.16	Loan to ROG
RoG/MOF	34.64	49.09	Counterpart Equity
TOTAL PROJECT COST	44.64	63.25	-

ADF's key financing information

Loan currency	UA
Interest rate	100 Basis Points
Tenure	30 Years
Grace period	5 Years
Commitment fee	50 Basis Points
Service Charge	75 Basis Points

Timeframe - Main Milestones (expected)

Identification Mission	May, 2017
Preparation Mission	August 2017
Concept Note Approval	September, 2017
Appraisal Mission	February, 2018
Programme approval	19 September, 2018
Effectiveness	19 November, 2018
Completion	November, 2023
Last Disbursement	February, 2024

Ghana Incentive-Based Risk-Sharing System for Agricultural Lending (GIRSAL) Project
Result-Based Logical Framework (RBLF)

Country and Project name:		Ghana Incentive Based Risk Sharing System for Agricultural Lending (GIRSAL)				
Purpose of the Project:		To create a medium-term facility that would provide; financing, technical assistance, risk management and management information systems that enhance objective pricing of agricultural credit.				
RESULTS CHAIN		PERFORMANCE INDICATORS	BASELINE	TARGET (2018-2023)	MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES
IMPACT	Increased economic growth and reduction in poverty	Expanded commercial bank and financial institutions lending in agricultural value chains	3.4%	6.8% ¹	BoG statutory report / Ghana Bureau of Statistics Statutory Bank Lending Profiles/Afdb supervision	Macroeconomic risks - slow economic growth Mitigation measure: GIRSAL will intensify the dialogue with the government to adopt supportive macroeconomic policies
OUTCOMES	OUTCOMES					
	Outcome 1: Increased leveraging effect of public funding to incentivize private sector lending to Agribusiness	1.1 Multiplier effect of credit guarantees for crowding-in commercial lending into Agriculture	X1	X3	BoG Reports, GIRSAL Quarterly Performance Reports	Risk: BoG increasing the base lending rate Mitigation: Ensuring Base + minimum % possible
	Outcome 2: Improved Financing Terms for Agribusiness	2.1 Reduced effective interest rates for agribusiness loans attached to GIRSAL credit guarantee scheme	35% (as at July 2017)	30% or less	Review of samples of signed term sheets	
		2.2 Reduced Loan Processing Time	base lines studies	10% reduction	Review of samples of signed term sheets	
		2.3 Improved Loan Tenor Terms	transition from seasonal financing	towards term financing	Review of samples of signed term sheets	
OUTPUTS	OUTPUTS					
	Component 1: Promoting De-risking Instruments for the Agriculture Sector					
	Establishment of: (i) Credit Guarantee Scheme (ii) Technical Assistance (iii) Insurance Facility (iv) Digital Finance Platform for design and roll out of low cost distribution systems for Financial Services	1.1 No of new Financial Institutions that commit to lending Agribusinesses	3	6	Portfolio Management reports	Risk: No Stakeholder interest Mitigation: FI stakeholder sessions organised to get buy in from all major commercial banks, MFIs and rural banks.
1.2 No. of FIs with dedicated Agriculture Desk/Loan/Credit Officers to serve Agribusiness Portfolio		3	6			

¹ Over a 10 year period

KEY ACTIVITIES		1.3 No. of Agribusinesses with successful loan submissions (% of which are women and youth owned businesses);	0	10% utilization in first year (Min 30% would be women and youth owned businesses)		Commercial risks - sharp rise in supply of agricultural commodities domestically and globally Mitigation measure: GIRSAL will work closely with its Ghana based and global crop market experts to gather pricing data Productivity risks - failure to achieve forecast crop and livestock yield Mitigation measure: GIRSAL will proactively support the Ministry of Food and Agriculture Risk: Challenges with Interoperability Mitigation: GIRSAL ICT Experts to build integrated platform and run numerous tests prior to systems launch
		1.4 Increased volume of new Agribusiness Lending by select value chains: i) Rice; ii) Legume- Soybean/Maize; iii) Sorghum iv) Horticulture	0	5% p.a		
		1.5 No. of Agribusinesses across the value chains paying insurance premiums (by product)	1 (large processors)	5	Insurance Desk Reports	
		1.6 Improved Quality of Agribusiness Portfolios in Participating FIs i) No. of NPLs reduced;	9.8% of total NPLs (USAID Stats)	Reduce by 1% p.a	BoG/MOF/MOFA/GIRSAL Reports	
		1.7 Integrated System accessible by: i) Participating FIs; ii) Insurers	0	To register 100% of all GIRSAL actors/beneficiaries on the platform	IT System Reports	
	Component 2: Program Management/ Monitoring & Evaluation					
	1. Institutional set-up of GIRSAL 2. Work plan and operations are implemented	2.1 Rate of implementation of the annual work plan 2.2 Development, implementation and monitoring of the ESMS	0	100% in all cases at the end of the programme	Project Implementation Manuals GIRSAL Quarterly Progress Reports, Sustainability Plan delivered at Mid-Term Review	Risk: Fiduciary risks related to the use of MOF systems. Mitigation: The Project resources would be ‘ring fenced’ and channelled through dedicated accounts, with designated signatories and subject to periodic external audits.
	3. Program activities monitored and information produced regularly	3.1 No. of technical reports prepared	0	4		
		3.2 No. of audit reports produced	0	5		
		3.3 No. of monitoring visits conducted by BoG	0	10		
		3.4 No. of Technical Committee meetings held	0	16		
		3.5 No. of Board meetings held	0	8		
COMPONENTS						SOURCES OF FINANCE
KEY ACTIVITIES	Component 1: Promoting De-risking Instruments for the Agriculture Sector Establishing credit guarantee scheme and reinsurance hedge; Developing Agribusiness Linkages and agribusinesses’ capacity to access finance; Technical Assistance for financial institutions to objectively appraise and manage agribusiness portfolios; Development of agriculture credit policies and guidelines for FIs; Technical Assistance for Facilitating Access to Agricultural Insurance; Development of Insurance Products; Risk-Return modelling (pairing and pricing insurance + guarantees); Technical Sessions on Insurance Regulation (Policy makers and Insurance regulators); Development of GIRSAL Secure Web Applications (Guarantee Application Portal; GIRSAL Payment Portal; Knowledge and Innovation Centre Portal; Risk Scoring Engine; Data Warehouse)					Total Project Cost (UA million) : 44.64 ADF Loan : 10.00 Republic of Ghana : 34.64
	Component 2: Program Management, Monitoring and Evaluation Project management activities; day-to-day management, management of studies on key policy issues; development, implementation and monitoring of the ESMS; development of a results based framework for M&E; and procurement, disbursement and audit functions.					Components: Component 1 : 42.37 Component 2 : 2.27

Programme Timeframe

Task Name	<u>2018</u>		<u>2019</u>				<u>2020</u>				<u>2021</u>				<u>2022</u>				<u>2023</u>				<u>2024</u>
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Negotiations																							
Board approval																							
Signature of Loan Agreement																							
Appointing remaining GIRSAL team members																							
Satisfaction of conditions for effectiveness and first disbursement																							
Programme launch and market awareness building																							
Finalization and validation of procedures manuals																							
Conducting baseline studies																							
Preparing, signing Master agreements with PFIs																							
Prepare, approve Bid docs and contract awards for Goods, Works & Services																							
Contracts execution for Goods, Works and Services																							
Quarterly reports submission																							
Annual reports submission																							
Programme Work plans and Budgets																							
Board Meetings																							
Bank's supervision missions																							
Audit																							
Mid-term review																							
Programme Completion Reporting																							
Impact assessment and technical audit																							

REPORT AND RECOMMENDATION OF MANAGEMENT TO THE BOARD OF DIRECTORS FOR THE PROPOSED ADF LOAN OF UA10 MILLION TO THE REPUBLIC OF GHANA FOR THE FINANCING OF THE GIRSAL PROJECT

Management submits the following report and recommendation on a proposed loan of UA10 million to support the guarantee book and working capital finance requirements of the Ghana Incentive-Based Risk-Sharing System for Agricultural Lending (GIRSAL).

I. STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

1.1.1 The Ghana Incentive-Based Risk-Sharing System for Agricultural Lending Project (GIRSAL) is designed within the context of Ghana's ongoing agricultural transformation including the **Ghana Shared Growth and Development Agenda II** (GSGDA II). The underlying theme of the GSGDA II is socio-economic transformation, which involves a change in the structure and composition of the national output in ways that enhance broad-based, inclusive and sustainable growth. The role of GIRSAL is to help accelerate financing and interconnectedness of the agriculture sector to ensure that across its key components, it is functioning at optimal levels.

1.1.2 GIRSAL is also guided by country's **Food and Agriculture Sector Development Policy (FASDEP)**. Which has the following as its pillars: (i) Food Security and Emergency Preparedness; (ii) Increased Growth in Incomes and Reduced Income Variability; (iii) Increased Competitiveness and Enhanced Integration into Domestic and International Markets; (iv) Sustainable Management of Land and Environment; (v) Science and Technology Applied in Food and Agriculture Development; and (vi) Improved Institutional Coordination. The FASDEP anchors on sub-sector policies including the Crop Development Policy; Cocoa Strategy; Livestock Development Policy; Fisheries Policy and Policies for Services Delivery (Extension, Irrigation, Plant Protection, Agricultural Mechanization).

1.1.3 The Government has targeted enhancing agricultural productivity and production through its **Planting for Food and Jobs (PFJ) Campaign**. The major interventions under the PFJ are organized around the following five pillars: (i) **Seed**: The program will catalyse market-led production of adequate quantities of quality seeds by private enterprises; (ii) **Fertilizer**: Private companies engaged in fertilizer production/blending and importation will be facilitated in meeting the fertilizer demands of the beneficiary farmers; (iii) **Extension Services**: In partnerships with the local governments and private inputs and service providers, the extension services will provide reliable and programmed technical assistance to beneficiaries; (iv) **Marketing**: It is envisaged that the facilitation of increased uptake of inputs will lead to increase in production of the targeted crops by the provision of storage warehouses; and (v) **E-Agriculture**: The PFJ Campaign will profile the beneficiaries by e-registering them and developing a state-of-art information and communication technology (ICT) platform.

1.1.4 GIRSAL is structured to support agriculture across the nation. While certain financing priorities will be provided to the Northern Savannah Ecological Zone (NSEZ) under the proposed Savannah Initiative, GIRSAL intends to balance market demand, government priorities and donor activity in its national spread. GIRSAL views its national footprint as critical to providing support for Ghana's balance of payments, macroeconomic stability, economic growth, food and nutrition security, job creation and poverty reduction.

1.1.5 The Project is anchored in the Financial Sector Department of the Ministry of Finance, and draws support from the Ministry of Food and Agriculture as well as the Bank of Ghana. GIRSAL is

organized to focus on six pillars of intervention and thereby contribute to the High-5 priorities that are crucial for accelerating Africa's economic transformation: Feed Africa; Industrialize Africa; and Improve the quality of life for the people of Africa. It will particularly contribute to the Feed Africa priority that focuses on transformation, scaling up agriculture as a business through financing and catalysing of value addition.

1.1.6 The Bank has a competitive advantage in supporting the financing and de-risking of agriculture value chains in Ghana. The Bank's growing expertise in risk sharing and issuance of credit guarantees in agriculture is a key capability for the transaction. By supporting GIRSAL, the Bank will help reduce poverty, reduce food importation and improve living conditions across Ghana's farming communities. This Project will achieve this by catalysing transactions designed to boost the scale up and competitiveness of various value-prioritized chains such as rice, maize, soybean and cocoa. The Project will also consolidate on the gains made through various previous Bank and third party interventions in agricultural finance².

1.1.7 GIRSAL's catalytic role in mobilizing private sector financing for agriculture will be critical to the success of emerging Government of Ghana initiatives such as the **One District One Factory (1D1F)** initiative. The initiative promotes agro-industrialization that will provide massive employment and wealth through value addition activities. A key precursor for 1D1F is the production of agricultural raw materials. GIRSAL's financing guarantees will be vital to securing the volumes of agricultural commodities produced locally, including foodstuff, agricultural commodities for industry and agricultural commodities for exports. GIRSAL's support will also enable 1D1F to champion agro-processing through promoting the setting up of factories or revamping underperforming factories in the communities.

1.1.8 GIRSAL is aligned to 2012-2017 Ghana Country Strategy Paper³ (CSP) extended to end 2018. The objective of the CSP is economic transformation leading to inclusive and sustainable growth. The strategy has two pillar namely: (i) Agriculture Enhancing Inclusive Growth and Economic Development; and (ii) Support to Industrialization through Private Sector Development. Based on the challenges to the country's development trajectory the two strategic areas of focus are investment in agriculture and energy. GIRSAL falls under Pillar (i) stated above. This Project is would allow the agriculture sector to be more inclusive through the leveraging of more finances for the various actors along the value chain.

1.2. Rationale for Bank's involvement

1.2.1 The African Development Bank's **Feed Africa Strategy** has identified innovative financing as critical to mobilizing resources to enable agricultural transformation.

1.2.2 The **Risk Sharing Financing Mechanism** has been proposed as one of the flagships for the Feed Africa Strategy and is premised on developing de-risking instruments, technical assistance, integrated ICT platforms, performance management and incentives that would bridge the gaps between the agriculture and financing value chains. The GIRSAL therefore offers a packaged solution to:

- i. Fix agricultural value chains in order to provide a reliable platform for de-risking agricultural lending;
- ii. Mobilize financing for Ghanaian agribusiness by using credit guarantees to address the risk of default;

² Technical Annex B1: Lessons learnt

³ Dialogue on the new CSP Pillars is ongoing

- iii. Provide technical assistance through capacity building across the value chains;
- iv. Reduce the cost of borrowing by agricultural producers from commercial banks;
- v. To provide technical advice to agribusinesses

1.2.3 While the concept of risk sharing for agriculture is relatively emerging, the Bank would profit from experiences of other donors e.g. USAID, AFD and NIRSAL experience to help in developing GIRSAL.

1.2.4 The Project has a great potential in contributing to the twin objectives of the Bank's 10-Year Strategy (TYS). GIRSAL will catalyse a wave of inclusive growth across agro-climatic zones and geographical locations, age and gender buckets. This will occur because the underlying agribusiness investments will take place across Ghana and involve regions with high levels of poverty e.g. the North, as well as youth and women agripreneurs. Reducing poverty indicators among these three social groups will boost Ghana's performance materially.

1.2.5 The Project will enhance agriculture financing and sector transformation through increased capital inflows into critical value chains. That increased inflow will ensure appropriate supply of inputs, extension services, critical infrastructure, skilled labour and related services to raise the productivity of crops and livestock. GIRSAL will also leverage on the activities of the Savannah Zone Agricultural Productivity Improvement Project (SAPIP)⁴ and link up with Transformation of the African Savannah Initiative (TASI)⁵ as a vehicle for attracting private sector investment in agriculture. Furthermore, the Project will provide technical assistance, entrepreneurship and business management training to value chain actors to improve their business operations.

1.3. Private Sector Engagement

1.3.1 The key private sector financing partners are primarily commercial banks (e.g. Ghana Commercial Bank, Agriculture Development Bank and Société Générale), microfinance institutions, private equity investors and specialized credit providers. Existing lender and investor activities centre primarily on provision of loans and lines of credit to value chain participants on a limited tenure basis. Projects financed include agricultural inputs, mechanization, production, processing, and logistics.

1.3.2 Private sector alignment mechanisms include various industry groups at the value chain; segment and activity level e.g. Ghana Chamber of Commerce, Agriculture Sector. In adjacent markets – insurance – the Ghana Agriculture Insurance Pool (GAIP) is a club of underwriters who work together to provide insurance cover to the sector.

1.3.3 Key on-going financing activities are extensive and vary by financial institution. Based on discussions with various partners, the pipeline of transaction opportunities exceeds tens of millions of USD. For example, the oil palm value chain, for one single bank (Access Bank), represents a potential lending portfolio of \$8 - \$10M/annum targeted to growers and processors only. Limited coordination of private sector actors is required as the commercial process for originating and managing the agricultural investment pipeline is sufficiently well developed.

⁴ The SAPIP Project was approved by the AfDB in December 2017 aims at transforming agricultural value chains for food and nutrition security, job and wealth creation in the Northern Savannah Zone of Ghana. The Project main components: (i) Crop Productivity Improvement; (ii) Value Chains & Agribusiness Development; (iii) Infrastructure Development and will be implemented over a five-year period (2018 – 2023) at a total cost of UA 40.38 million.

1.4. Donors' coordination

1.4.1 The key development partners that are active in the sector are: L'Agence française de développement (AFD); Department for International Development (DFID); Global Affairs Canada; European Union; German Dev. Co-op (KfW Development Bank and GiZ); Netherlands Embassy; Australian High Commission; JICA; USAID and World Bank; UN Agencies (IFAD, FAO and WFP). Others are IFPRI, AGRA and international NGOs such as Engineers without Borders, SNV and Catholic Relief Services. Donor activities cuts across ranges mostly targets various commodity value chains development, productivity enhancement, agricultural production and processing infrastructure development, mechanization, irrigation, sustainable land management, climate change adaptation and mitigation, nutrition, food safety, MSE and agribusiness development, access to finance, access to land and ICT for agriculture.

1.4.2 Donor coordination mechanisms for the Agriculture Sector in Ghana are effective. Coordination under the Agriculture Sector Working Group (ASWG) began in 2002 and provides a platform for sharing information on ongoing and planned future activities with the aim of harmonizing interventions. The group holds annual joint sector reviews where donors, Government, implementation partners, civil society organizations (CSOs), and the private sector review the performance of the sector to inform planning and decision-making. The ASWG is an open group of donors; quasi donors; implementers including NGOs, CSOs, private sector, etc.; and Government Ministries.

1.4.3 Key on-going/pipeline interventions by donors include a EUR160 million (UA133 million) support for productive investment for sustainable agriculture development capacity building of decentralized institutions and community development in the part of the Northern Development Authority Zone. The Government of Canada is also supporting the sector with a CAD125 million (UA 83 million) facility for Modernizing Agriculture in Ghana (MAG). IFAD has provided USD71.60 million (UA 51 million) as loan for sustainable rural poverty reduction in rural areas and a grant of USD10.0 million (UA7 million) to mitigate the effects of climate change. The Bank has successfully co-financed projects in the sector with other donors. Notable among these is the just ended Northern Rural Growth Program and the on-going Rural Enterprises Program, which were/are both co-financed with IFAD. A matrix of interventions by donors is presented in Annex A2 of the Technical Annexes. The coordination of aid through the ASWG is enhancing aid effectiveness through harmonization and alignment of development partner support.

II. PROJECT DESCRIPTION

2.1. Project Details

2.1.1 Project development goal:

- i. Reduce risk faced by commercial banks by providing guarantees to finance risk sharing arrangements;
- ii. Improve lending risk profiles by providing technical agricultural and business-related assistance to commercial banks and farmers;
- iii. Facilitate creation of appropriate insurance and other risk mitigation products;
- iv. Provide financial rewards to banks that are able to increase agricultural lending in a financially responsible manner⁶;

⁶ This could be in the form of cash back or interest rebates to the participating commercial banks. On their end, they would be encouraged to extend the same to beneficiary firms that repay loans i.e. akin to an insurance policy without claim/loss.

- v. Establish internationally credible and robust Bank-rating system;
- vi. Develop integrated systems for sharing information on credit behaviour of agribusinesses

2.1.2 The integrated development objective of the Project is to transform access to finance and risk sharing across agricultural value chains. Doing so will boost food and nutrition security, job and wealth creation. The specific Project objective is : To increase formal sector lending to across the agricultural value chain especially the upstream, primary stages by sharing the risk of lending with financial institutions. Such increased lending backed by GIRSAL's credit guarantee is expected to mobilize credit creation and strengthening of agribusinesses. That will in turn help to increase incomes of actors along selected value chains on a sustainable basis.

2.2. *Project components*

2.2.1 The Project will have two Components. (i) Promoting de-risking for the Agriculture Sector; (ii) Project Management, Monitoring and Evaluation.

Component 1: Promoting de-risking for the agriculture sector:

The Project will utilize four instruments to reduce risks associated with lending to agribusinesses:

- *Credit Guarantee Scheme (CGS)*: This would entail the provision of guarantees to participating commercial banks and other financial institutions on an individual or portfolio basis. All banks and other financial institutions which shall be eligible for guarantees under the CGS, are prohibited from financing items under the Bank Group's Negative List. The Bank Group's Negative List is included in Annex C of the appraisal report. The CGS will provide differential risk coverage ranging from 50% - 80%; with the scheme providing greater risk coverage for upstream activities (production and primary processing) and lower coverage for downstream activities (value added processing, services, logistics and marketing). Associated risks would be covered on a partial loss arrangement with loan tenure depending on: the volume of lending; profitability of the value chain activities; the type of financial intermediary, experience and capacity for agricultural lending. GIRSAL has developed: A business plan and investment strategy for the Risk Sharing Facility (RSF); a Financial Model; term sheets & tailored products (Guarantees, Letter of Credit, debt, equipment leasing, warehouse receipt financing etc.); financing and operational guidelines for RSF transactions (origination, credit diligence, default and contract management, development of risk management framework (risk pricing) and agriculture value chain (AVC) selection and prioritization criteria.
- *Technical Assistance Facility (TAF)*: This would involve capacity building for both Financing Value Chain actors (supply side actors) and Agriculture Value Chain actors (demand-side actors). Capacity building targeting demand side actors (such as input suppliers, producers, aggregators, processors, trade & logistics) will include training to improve farm and financial management, value addition and marketing. GIRSAL will also provide coaching and advisory services targeting Micro, Small and Medium Enterprises (MSMEs). GIRSAL will provide technical training through the Banking and Insurance Colleges of Ghana to enhance the capacity of financial intermediaries to assess and manage agricultural credit risk. Training modules and technical support will include: establishing agriculture desks, product development and distribution, risk management and improving credit information systems. It will also support development of knowledge and innovation centres. The TAF will focus on MFI's given that as at end-December 2016, there were five hundred and sixty four (564) MFIs provide commercial credit to agribusinesses (71 money lending companies, 11 Financial NGOs and 482 microfinance companies).

- *Agriculture Insurance Facility (AIF)*: While insurance presents opportunities for managing upstream risks, the uptake of agriculture insurance in Ghana remains low. As part of efforts to reduce exposure, GIRSAL guidelines have made provisions for borrowers to purchase insurance policies (where the local market provides appropriate insurance at competitive prices). The pairing of guarantee and insurance products offers a more holistic de-risking solution and could have positive impact on risk-adjusted interest rates over the long run. GIRSAL will collaborate with Ghana Agriculture Insurance Pool; the insurance regulator to define the regulatory framework for agriculture insurance in Ghana. The GIRSAL implementation team has initiated discussions with re-insurers such as SwissRe and AfricaRe to share costs development and rollout new products. The feasibility studies identified need for area-yield index insurance for annual crops, index insurance for tree crops, livestock insurance to cover both commercial and smallholder farmers, aquaculture insurance to cover commercial aquaculture). During year 1 and year 2, the Project will need to define models for low-cost distribution of these products through the private sector.
- *Digital Finance Platform*: GIRSAL's Digital Finance Platform is a cloud-based platform that would facilitate GIRSAL reporting, and development of predictive models. The platform consists of 3 elements:
 - (i) Secure web applications that support: a guarantee application portal; payments portal and a knowledge and innovations centre portal (KIC);
 - (ii) A Risk scoring engine to be used by lenders in making credit guarantee applications decisions, and by GIRSAL to make guarantee approval decisions. The engine presents yet another innovative opportunity for automating loan risk assessment as well as profiling potential borrowers and
 - (iii) A data warehouse that integrates information from numerous sources to build Know-Your-Customer (KYC) data on production: transaction, insurance coverage, input purchases, sales and purchases. The portal will allow capability for integrating information from Credit Reference Bureaus, Academic Institutions, Mobile Money providers, utilities etc.

Component 2: Project Co-ordination and Management Unit (PMU):

The GIRSAL team will implement the PMU. They will be responsible for the day-to-day management of the Project. They will also be responsible for Institutional set-up of GIRSAL, Operations (origination, due diligence, structuring and approval) and Monitoring and Evaluation. The summary of activities is in Table 2.1 below:

Table 2.1: Summary of Activities in the Components

Component	Est. Total Cost (UA million)/ % of Base costs	Component Description
Component 1: Promoting de-risking for the Agriculture Sector	42.37 (94.9%)	This component will prioritize implementation and rollout of key GIRSAL elements: <ul style="list-style-type: none"> - Design and implementation of the credit guarantee scheme - Design and rollout of technical assistance products, including negotiating with technical partners - Rollout of an insurance support program designed to raise the awareness and use of insurance products in agriculture - Design and roll out of the digital finance services platform
Component 2: Project Co-ordination and Management Unit (PMU):	2.27 (5.1%)	The PMU will be responsible for: <ul style="list-style-type: none"> - The day-to-day management of the Project. - Due diligence - Operations - M&E - Gender empowerment/equity issues, - Implementation of the Project ESMP

2.3. Technical solutions retained and other alternatives explored

2.3.1 Table 2.2 presents design options considered and reasons for their rejection.

Table 2.2: Project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
Instrument: Direct Lending	Creation of a budget financed fund to provide on-lending support to Ghana's agriculture sector lenders; BoG mechanism would secure funds at low interest rate and disburse at a moderate spread	Approach replicates past instruments whose key weakness is the adverse selection problem, moral hazard, and lack of sufficient prudence;. GIRSA has in place TA support for banks and farmer borrowers to enhance their performance & productivity. It require borrowers to subscribe to insurance before accessing loans under GIRSA. GIRSA would create special modules to facilitate low cost credit that can address gender issues and therefore "Direct Lending" would only be considered in this case.
Instrument: Limited RSF	Replication of existing RSFs akin to partnership between AGRA and commercial banks across Africa to provide first loss guarantee on targeted portfolios	While attractive, approach has limited appeal due to its lack of scale, involvement of the entire financial system, and limited capacity to deliver technical change
Instrument: Nigeria-style Full Risk Sharing	Risk sharing facility based on the Nigeria model i.e. NIRSAL	GIRSA will have a second evaluation on its Digital Platform (NIRSAL did not have it), of all approved bank loans to satisfy itself before a decision on guarantee would be taken

2.4. Project type:

This is a lending Project financed with an ADF loan.

2.5. Project cost and financing arrangements

2.5.1 The total cost of the Project is estimated at UA 44.64 million of which the ADF contribution is UA 10.00 million (net of taxes and based on 2018 prices). The financing structure attributes UA 11.69 million (26.18%) of the total cost to foreign currency transactions, and UA 32.95 million (73.82%) to local costs.

2.5.2 The total Project cost of UA 44.64 million will be financed by:

- An ADF loan of UA 10.00 million (22.4% of Project costs). The ADF loan would largely be channelled towards financing of the credit guarantee because this component provides the highest potential for income generation that would not only service the loan, but also allow GIRSA to finance the non-income generating components of the scheme;
- The Government of Ghana will contribute the equivalent of UA 34.64 million (77.6% of Project costs) to cover: capitalization of the credit guarantee, targeted technical assistance and agricultural insurance activities, digital platform, operating and capital expenditures associated with start-up and staffing costs;
- As part of efforts to leverage GIRSA financing and capitalize on existing Agricultural finance operations in Ghana, the GIRSA implementation team has proposed creating a Technical Assistance consortium which will include donors active in the agricultural finance space and key project managers for government-financed agricultural finance operations. Technical assistance activities that contribute directly towards achievement of GIRSA's mandate have been identified with cost estimates simulated in *Tables 2.4 and 2.6* of this report. The contribution of the Technical Assistance consortium is estimated to cover 1.3% of the Project costs and should be considered as in-kind contribution since resources will not be disbursed through GIRSA but will remain tied to their respective projects. The modalities for the memorandum to govern activities of the Technical Assistance consortium will be prepared following effectiveness of this Project. Given the nature of the Project, (no works involved) and discussions with Government of Ghana, there will be no provisions made for physical and price contingencies.

2.5.3 Justification for Local Costs Financing: The ADF loan will finance 25.41% of GIRSAL's financing. At least 50% of GIRSAL's seed capital would be invested in local treasury bills to generate interest income for re-investment and to cover recurrent costs. At least 0.06% of the ADF loan resources will be dedicated to carrying out Project Management activities that ensure proper fiduciary management of the Project. Given the significant human resource capacity in Ghana, it is likely that various technical assistance assignments would be locally sourced. The GoG has approached the Bank to support the financing gap given the focus the bank has on the Feed Africa Strategy. The summary of estimated costs by component, expenditure category, sources of financing as well as an expenditure schedule are presented in the tables below:

Table 2.3: Summary of Project Cost by Component (USD/UA)

COMPONENTS	(USD '000)			(UA '000)			% Foreign Cost	% Base Costs
	Local Cost	Foreign Cost	Total Cost	Local Cost	Foreign Cost	Total Cost		
Component 1: Promoting de-risking for the agriculture sector	43,560.21	16,467.09	60,027.29	30,744.85	11,622.49	42,367.35	99.4%	94.9%
Component 2: Project Co-ordination and Management Unit	3,125.99	92.05	3,218.04	2,206.33	64.97	2,271.29	0.6%	5.1%
TOTAL BASELINE PROJECT COSTS	46,686.19	16,559.14	63,245.33	32,951.18	11,687.46	44,638.64	100.0%	100.0%
PRICE CONTIGENCIES	-	-	-	-	-	-	-	-
TOTAL PROJECT COSTS	46,686.19	16,559.14	63,245.33	32,951.18	11,687.46	44,638.64	100%	100%

Table 2.4: Summary Project Cost by Expenditure Categories (USD/UA)

CATEGORY	(USD '000)			(UA '000)			%Foreign	% Total
	Local	Foreign	Total	Local	Foreign	Total	Costs	Base Costs
I. INVESTMENT COSTS								
A. WORKS	-	-	-	-	-	-	-	-
B. GOODS								
1.EQUIPMENT & MATERIALS								
Projected CAPEX	1,449.71	-	1,449.71	1,023.21	-	1,023.21	0.00%	2.29%
ICT Hardware/ Digital Finance Platform	213.10	-	213.10	150.41	-	150.41	0.00%	0.34%
Sub-Total, Goods	1,662.82	-	1,662.82	1,173.62	-	1,173.62	0.00%	2.63%
C. SERVICES								
1.GUARANTEEE CAPITALIZATION	41,349.55	14,082.82	55,432.37	29,184.57	9,939.67	39,124.24	85.05%	87.65%
2. AGRIC. INSURANCE								
Climate data + Risk Modelling	12.57	-	12.57	8.87	-	8.87	0.00%	0.02%
3. CAPACITY DEVELOPMENT								
Product Development	-	1,257.21	1,257.21	-	887.34	887.34	7.59%	1.99%
Regulatory Framework	4.45	-	4.45	3.14	-	3.14	0.00%	0.01%
Training for Policy Makers, Insurers, Bankers	25.14	-	25.14	17.75	-	17.75	0.00%	0.04%
4.TECHNICAL ASSISTANCE								
Agribusiness Linkages, A2F	-	827.06	827.06	-	583.74	583.74	4.99%	1.31%
Fls (lenders + Insurers)	821.23	-	821.23	579.63	-	579.63	0.00%	1.30%
Access to Insurance	518.85	-	518.85	366.20	-	366.20	0.00%	0.82%
Digital Finance Platform	-	300.00	300.00	-	211.74	211.74	1.81%	0.47%
5. PMU								
ESMS	-	23.01	23.01	-	16.24	16.24	0.14%	0.04%
Audit	-	49.31	49.31	-	34.80	34.80	0.30%	0.08%
M&E, MTR, PCR	-	19.73	19.73	-	13.92	13.92	0.12%	0.03%
Sub-Total, Services	42,731.80	16,559.14	59,290.94	30,160.16	11,687.46	41,847.63	100.00%	93.75%
TOTAL INVESTMENT COSTS	44,394.62	16,559.14	60,953.76	31,333.78	11,687.46	43,021.24	100.00%	96.38%
II. RECURRENT COSTS								
A. AGRIC INSURANCE								
Re-insurance Premium	615.30	-	615.30	434.28	-	434.28	0.00%	0.97%
Projected OPEX	1,676.27	-	1,676.27	1,183.12	-	1,183.12	0.00%	2.65%
TOTAL RECURRENT COSTS	2,291.57	-	2,291.57	1,617.40	-	1,617.40	0.00%	3.62%
TOTAL BASELINE COSTS	46,686.19	16,559.14	63,245.33	32,951.18	11,687.46	44,638.64	100.00%	100.00%
Price Contingencies	-	-	-	-	-	-	0.00%	0.00%
TOTAL PROJECT COSTS	46,682.90	16,562.43	63,245.33	32,951.18	11,687.46	44,638.64	100.00%	100.00%

Table 2.5: Summary Project Cost Schedule by Components (UA '000)

COMPONENTS	Totals in UA ('000)					
	2019	2020	2021	2022	2023	Total
Component 1: Promoting De-Risking For The Agriculture Sector	40,489.00	565.18	488.71	488.71	335.75	42,367.35
Component 2: Project Co-ordination and Management Unit	1,244.29	225.95	247.30	270.96	282.79	2,271.29
TOTAL PROJECT COSTS	41,733.29	791.14	736.00	759.67	618.54	44,638.64

Table 2.6 Source of Finance by Category of Expenditure (UA ‘000)

Expenditure Category	ADF Loan	GoG	Total	ADF: Total Expenditure (%)
I. INVESTMENT COSTS				
A. WORKS	-	-	-	0.0%
B. GOODS				
1. EQUIPMENT & MATERIALS				
Projected CAPEX	-	1,023.21	1,023.21	0.0%
IT Hardware - Digital Finance Platform	-	150.41	150.41	0.0%
Sub-Total, Goods	-	1,173.62	1,173.62	0.0%
C. SERVICES				
1. GUARANTEE CAPITALIZATION	9,939.67	29,184.57	39,124.24	22.3%
2. AGRIC. INSURANCE				
Climate data + Risk Modelling	-	8.87	8.87	0.0%
3. CAPACITY DEVELOPMENT				
Product Development	-	887.34	887.34	0.0%
Regulatory Framework	-	3.14	3.14	0.0%
Training for Policy Makers, Insurers, Bankers	-	17.75	17.75	0.0%
4. TECHNICAL ASSISTANCE				
Agribusiness Linkages, A2F	-	583.74	583.74	0.0%
FIs (lenders + Insurers)	-	579.63	579.63	0.0%
Access to Insurance	-	366.20	366.20	0.0%
Digital Finance Platform	-	211.74	211.74	0.0%
ESMS	11.60	4.64	16.24	0.0%
Audit	34.80	-	34.80	0.1%
M&E, MTR, PCR	13.92	-	13.92	0.0%
Sub-Total, Services	10,000.00	31,847.62	43,021.24	22.4%
TOTAL INVESTMENT COSTS	10,000.00	31,847.62	43,021.24	22.4%
II. RECURRENT COSTS				
A. AGRIC INSURANCE				
Re-insurance Premium	-	434.28	434.28	0.0%
Projected OPEX	-	1,183.12	1,183.12	0.0%
TOTAL RECURRENT COSTS	-	1,617.40	1,617.40	0.0%
TOTAL BASELINE COSTS	10,000.00	34,638.64	44,638.64	22.4%
Price Contingencies	-	-	-	-
TOTAL PROJECT COSTS	10,000.00	34,638.64	44,638.64	22.4%

Table 2.7: Project Costs by Financing Sources (UA ‘000)

SOURCES OF FINANCE	Foreign Cost	Local Cost	Total Cost	% of Total Cost	% of Foreign Cost
ADF Loan	10,000.00	-	10,000.00	22.5%	85.6%
GOG	1,687.46	32,951.18	34,638.64	77.5%	14.4%
Total	11,687.46	32,951.18	44,638.64	100.0%	100.0%

2.6. Project's target area and population

2.6.1 The Project is designed to be implemented across Ghana as a national intervention targeting selected agribusiness ecosystem⁷. GIRSAL will have two levels of beneficiaries:

Type 1: Direct Beneficiaries

- This consists of financial institutions and intermediaries who sign Master Agreements with GIRSAL to retail guarantees to agribusiness market participants. These will initially be commercial and universal banks primarily. Overtime, the mix will also come to include specialized lenders, microfinance companies, private equity investors and other types of sector focused sources of risk capital;
- Benefits will be delivered in a number of forms inclusive but not limited to the following:
- Protection for downside risks to their loan and financing portfolio i.e. up to 80% reduction in loss risk subject to the terms of individual contracts purchased;
- Improved quality of data and market insights regarding agribusiness lending and default likelihoods. Data sharing provided by GIRSAL (on a blinded basis) would be able to show at a high level key shifts in the agribusiness financing landscape;and
- Commercial intelligence related to what investment type and region is attractive versus others.

Type 2: Indirect Beneficiaries

- Group includes the majority of Ghana's non-subsistence farmers i.e. commercial farmers of all sizes, input suppliers, logistics service providers, processors and retailers;
- Benefits will be delivered in a number of forms inclusive but not limited to the following: Reduction in implied risk premium demanded by lenders to finance agriculture; use of credit guarantees will likely trigger a decline in the need for collateral in agricultural lending;
- Improve overall commercial, agronomic and financial capabilities across the agribusiness ecosystem as the impact of technical assistance investments start to kick-in;
- Improvement in business environment and confidence on agriculture, setting up potential for a virtuous shift in attitudes towards agriculture lending and investments;
- Given that the mix of direct and indirect beneficiaries will largely map to current economic and demographic structures, the Bank anticipates that women and youth will be critical beneficiaries of the proposed intervention. Women and youths are important participants at most stages of value chains e.g. primary production, storage and processing. Therefore, in the absence of special interventions, we expect proportionate representation in GIRSAL's guarantee and technical assistance footprint.

2.7. Participatory process for programme identification, design and implementation

2.7.1 The preparation mission had a general consultation and technical working sessions with Government personnel and key stakeholder groups in agriculture including development partners. The outcome of the discussions was the development of a logical framework for the Project and the preparation report that is forming the basis for the appraisal report.

⁷ Value chain prioritization is based on export potential (cocoa, vegetables, rubber, cashew & pineapples) and import substitution (soybean, maize, rice, cassava, fisheries & sorghum). The Value chain actors will vary depending on the commodity and would include input suppliers, farmers, aggregators, quality control, private haulers (transporters), warehousing, marketers and processors.

2.7.2 A GIRSAL- Financial Institutions workshop was held on the 15th March 2017, with multiple attendees (45) drawn from Ghana's commercial banks and related financial institutions and Bank of Ghana..

2.8. *Bank Group experience, lessons reflected in the Project design*

2.8.1 The lessons learnt from the Bank's operations in Ghana and in its recent work on credit guarantee systems country has enhanced Project design for implementation efficiency and sustainability. For example, the CSPE (2002-2015) indicated that project design flaws limited the sustainability of agriculture sector projects, particularly the lack of clear management plans for the maintenance of key assets such as pack houses and markets. This flaw has been addressed in this Project by the new approaches, which considers intervening to fill the gaps in the operations of actors along the value chains of interest as against the concentration of the activities supported by the Project around just the farmers. Thus, GIRSAL's design has a more robust approach to technical assistance than previous Bank projects have had. In addition, the Bank's lessons from its engagement with Sovereign and Non-Sovereign borrowers including Private Equity firms have shaped the design. These lessons include considerations related to the importance of governance, optimizing donor network investments, use of investment committees and management of potential conflicts of interest.

2.9. *Key performance indicators*

The overall impact of GIRSAL is to increase the proportion of lending to agriculture from the 3.4% total lending at the end of 2015 to a minimum of 6.8% at the end of the ten-year period.

III. PROJECT FEASIBILITY

3.1. *Financial and economic performance*

3.1.1 The viability of GIRSAL has been evaluated through the income model, potential scenarios for guarantee payouts and operating expenses. This in turn informed determination of the fund size. The following perspectives of capital have been identified as being critical to GIRSAL's stability:

- The size of capital;
- Timing of Capitalization;
- Cost of capital and prevailing market prices;
- Securing a fall-back guarantee cover for the capital.

3.1.2 GIRSAL's seed capital will be GHS 250 million to be secured at the beginning of year 1, with additional capital investments envisaged over GIRSAL's 10-year life. The key assumptions underlying the analyses include: (i) Active participation of at least 10 financial intermediaries/digital financial services providers with universal coverage in Ghana⁸; (ii) a leveraging effect of at least 3 times as a result of use of the GIRSAL credit guarantees to crowd-in commercial lending into Agriculture; (iii) financial institutions would increase their risk appetite as a result of their improved assessment of agricultural financing risks; (iv) AVC borrowers would improve their farm management and financial

⁸ In March 2018, the GIRSAL implementation team held a technical session with Financial Intermediaries in Ghana to validate the assumptions for the Master Agreement. This agreement would define the terms of engagement between GIRSAL and the Financial Intermediaries. Chief Risk Officers attended the session from 18 Financial Intermediaries; two of which account for 66% of commercial lending to agribusinesses in Ghana. Based on continued negotiations, GIRSAL's implementation team envisions active participation of at least 6 FIs by 2023.

management as a result of TAF consortium and GIRSAL interventions. For the economic analysis, (i) incremental benefits from the Project are realized over a 10-year time period; (ii) the applicable discount rate is estimated at 20%. The summary of financial and economic analysis is included in Technical Annex B6 of the appraisal report.

3.1.3 Financial analysis: Three capitalization scenarios were considered (capitalization of GHS 600 million/ GHS 400 million/ GHS 250 million). Fund mobilization for GIRSAL is currently secured at GHS 263 million (for capitalization, OPEX and CAPEX), which informed the decision to initiate GIRSAL using a capitalization baseline of GHS 250 million. The FIRR analysis generated Net Present Value (NPV) of GHS 393,503,981 over the first 5 years. This capitalization scenario presents a break even IRR.

3.1.4 Economic analysis: The economic analysis was conducted using the same approach as the financial analysis. Economic analysis yielded an NPV of GHS 731,137,197 over the 10-year horizon and IRR of 6%. While the IRR projections for GIRSAL are modest, they are likely to increase if: (i) there is additional capitalization of GIRSAL over the 10-year horizon. Simulations project an IRR of 10% at an increased capitalization of GHS 400 million and 12% at an increased capitalization of GHS 600 million.

Table 3.1: key economic and financial figures

FIRR : 0%	NPV (base case) is GHS 393,503,981
EIRR : 6%	NPV (base case) is GHS 731,137,197

3.2. Environmental and social impacts

3.2.1 Environment:

3.2.1.1 Given its magnitude and the expected minimal environmental and social impacts, the Project is classified as a **Category 4 FI-C** for which no ESA studies are required. This is because the Project will support FIs through promotion of agriculture sector de-risking credit guarantee schemes, promoting incentives and enablers of agricultural financing and project management. Some of the financing will go towards, project management. However, GIRSAL will be required to develop an ESMS Environmental and Social Management System (ESMS) that will allow it to apply the requirements of the Bank's ISS requirements – in a manner appropriate to the scale and nature of GIRSAL operations. GIRSAL will be required to apply the Bank's Negative and Exclusion list; Bank's ISS requirements; and to comply with applicable national environmental and social regulations including labour laws. The Project has integrated E & S risk management procedures within the GIRSAL Risk Management procedures and will develop an ESMS and finalise by 31st December 2018. The ESMS will be reviewed and cleared by AfDB and the ESMS will be disclosed in the GIRSAL's website in compliance with AfDB requirements for Category 4 projects. The Project will have the following positive impacts: it will fill the gap in agricultural lending and increase financial inclusion especially of youth and women involved in agribusinesses; thereby enhancing the incomes of farmers and vendors including women and the youth, and increasing employment opportunities.

3.2.1.2 As a commitment to ensuring implementation of the ESMS, the Project Management Component has budgeted for: ESMS development and training of GIRSAL Staff by a consultant (USD20, 000); ESMS implementation and monitoring (USD5, 000 – USD10, 000 per year for five years); and capacity building and institutional strengthening resources for GIRSAL staff on ESMS implementation within the Technical Assistance Component (USD30, 000).

3.2.2 Assessment of Institutional Capacity:

In line with the Fund's requirements, GIRSAL will have to have adequate human, technical and financial resources for effective implementation of the ESMS. To ensure the commitment and effective implementation of the ESMS, GIRSAL higher management levels will be involved in ESMS development and implementation. The Chief Risk Officer will be the focal point in GIRSAL for ESMS development and implementation and he/she will provide oversight for E&S risk management within GIRSAL. The proposed ESMS Implementation Task force will comprise of GIRSAL staff from the following departments/sections: risk management; agricultural insurance and technical assistance. The Project-staffing plan includes Credit Risk Officers within GIRSAL and all participating Financial Institutions would be staffed with credit risk officers and these will be trained to assess and manage E&S Risks. Currently GIRSAL does not have the adequate capacity and it will be strengthened through technical capacity building to ensure effective implementation of the ESMS and this has been reflected in the Project cost. The overall responsibility of environmental and social risk monitoring as well as reporting on Project E & S performance will lie with GIRSAL as part of the overall Project monitoring and reporting arrangements.

3.2.3 Climate risks:

Ghanaian agriculture and food systems are climate dependent and the sector is recognized as one of the most vulnerable sectors to climate change. The proposed programme will have to take into account climate risks that may affect the risk sharing for agricultural lending activities. The Project will also support use of improved seeds and climate smart agriculture technologies to support resilience to climatic shocks. The bundling of financing with derisking instruments would adequately protect agribusiness borrowers from losses resulting from climate events and would provide indemnity for financial institutions that extend debt to these agribusinesses. GIRSAL will deploy technical assistance to support both agribusinesses and financial institutions to mitigate/manage risks. In addition, the facility would also leverage the use of ICT based services to enhance climate and market information.

3.2.4 Gender Aspects

3.2.4.1 In Ghana, women constitute 52% of the national Agricultural labour force and contribute 46% to the total GDP and produce 70% of subsistence crops (MOFA, 2002). Women play a major role in the agriculture value chain, from farming to food processing and marketing. However, women experience more constraints in accessing agricultural productive resources, compared to men. According to FAO, such limitations involve several dimensions such as: (i) ownership of land, livestock or other agricultural resources; (ii) management of agricultural resources; (iii) use of financial services and other inputs for agriculture (FAO, 2011). As the study mentions, access to credit and other financial services is a serious constraint to many actors in the agriculture sector especially the smallholder farmers, who are mostly women, for whom funding from the banks is simply out of reach.

3.2.4.2 The obstacles of women to access funding for agribusinesses are mainly: limited access and ownership of land, as an essential collateral, limited knowledge and capacity in elaborating bankable business plans, limited access to information on how and where to access finance, lack of guarantee for climate change related risks, mind-sets about the agriculture; considered as for households needs; etc. The available data in Ghana are not gender disaggregated to indicate the number of female-owned agribusinesses borrowing for agricultural production, but based on the qualitative information and estimates, women are poorly involved in the sector, due essentially to the mind-sets and perceptions of agriculture: cultivating for households needs and not for businesses. In most financial institutions, women generally receive smaller loans than men, even for the same activities. Female-led

agribusinesses largely source financing from microfinance institutions, small savings and credit services and some types of micro insurance, for food processing and marketing. Women are underrepresented as borrowers and members in many rural and urban finance programs and cooperatives that tend to favour larger agricultural production loans.

3.2.4.3 To address these challenges of women in agricultural financing and increase the number of women owned businesses in the agriculture sector, the GIRSAL Project intends to put in place the following actions & measures: (i) propose a Gender policy, including for the key affiliated institutions; (ii) The selected PFIs may elaborate or review their credit policy to reflect their commitment to advancing the empowerment of women; (iii) Create a networking platform for women entrepreneurs in the agriculture sector to foster peer-to-peer learning, mentoring and the sharing of information and knowledge within communities, and enhance their ability to elaborate the Bankable projects (through the TAF) (iv) Provide incentives to PFIs lending to women; v) Develop and provide innovative bank's products specific to the needs and interest of women; vi) Organise the sensitization campaigns to uplift the level of consideration of agriculture's sector among the population. The budget allocated to implement specific activities and measures for gender equality and women's empowerment is equivalent to 0, 5million UA.

3.2.5 Involuntary Resettlement

There is no involuntary resettlement or land acquisition or any loss, by the population, of property, sources of income and livelihoods envisioned within the implementation of the Project activities.

IV. IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The GoG, through the Ministry of Finance (MoF) will be the borrower of the loan. GIRSAL Limited (also the Company) will be the executing agency. The loan proceeds will be on lent by MoF to the Company (an autonomous, specialized limited liability company focused on enabling the acceleration of access to risk adjusted credit in Ghanaian agriculture), by signing a subsidiary loan agreement (on-lending) on terms and conditions acceptable to the Fund. . The Company will operate independently of BoG, and other agents and institutions of the Government of Ghana. Its structural and operational designs were arrived at after close collaboration with various stakeholders including farmer groups, financial institutions (FIs), Ministries, Departments and Agencies (MDAs), other agribusiness ecosystem participants, donor partners and financial services providers.

4.1.2 The National Insurance Commission (NIC) and Bank of Ghana (BoG) will regulate the Company. The CEO will be in charge of the day-to-day operation supported by the Chief Operating Officer (COO) and Credit Risk Officer (CRO). The various functional units including the Treasury, Financial Control, and Administration will report to the CRO whilst Agriculture Insurance, Technical Assistance, Marketing and DFS report to the COO. The Board of Directors shall provide overall governance of the Company whose operational guidelines would follow the Basel Guidelines on Corporate governance principles. The Board shall also have the overall responsibility for approving and overseeing management's implementation of the entity's strategic objectives, governance framework and corporate culture. To enhance control, there shall be an internal audit function, which will carry out periodic reviews of the Company's operations and report to the audit committee of the Board. Internal Audit will also monitor implementation of external audit recommendations.

4.1.3 The Company will have the full complement of staffing with the requisite qualifications and experiences to ensure that it operates effectively. External recruitment will complement the initial staff

who may be seconded from Bank of Ghana (bound with an MOU signed for return at the end of 2 years) to ensure that the Company operates efficiently from the onset.

Financial Management

4.1.4 The overall financial management of the Company including the Fund's funding will be handled by the Finance and Administration Manager (competitively recruited), who shall be a seasoned chartered accountant with hands-on experience in the application of International Financial Reporting Standards (IFRS) in the banking and insurance environments, with some knowledge of agricultural products and multilateral projects. He will be assisted by an experienced Accounts Officer, who would also be chartered accountant (to be hired) with reasonable experience in the application of IFRS and knowledgeable in financial services, insurance, agricultural financing and donor funded projects. An accounting software (ERP) would be procured and used for accounting entries and financial reporting. An accounting policies procedures manual (in draft) that has been customised from BoG's existing finance Manual and will be implemented to ensure unified financial management practices within GIRSAL Limited. The Finance and Administration Manager will use the accounting software to produce monthly, quarterly and annual reports. Quarterly interim unaudited financial reports must be shared with the Bank within 30 days of the end of each calendar quarter reported on, while the annual financial statements must be audited in accordance with terms of reference approved by the Bank, and submitted to the Bank within six months of the end of the year audited.

4.1.5 Other key draft manuals customised from existing BoG's manuals including: (i) Human resources policy; (ii) Internal Audit Procedures; (iii) Information Security Policy; (iv) Communications Policy; and (v) Procurement Manuals will be finalised in time to ensure a smooth start to operations.

4.1.6 Disbursement: Three (3) of the Bank's four disbursement methods shall be used in disbursing funds from the Bank to GIRSAL namely: (i) Reimbursement; (ii) Direct payments; and (iii) Payments through Special Account (SA). All payments relating to consultancies will be made through direct payments based on milestones achieved, as verified by GIRSAL Limited's management. The ADF resources to fund the risk sharing facility (RSF) will be advanced in a single tranche to a segregated USD denominated Special Account (approved by the Minister of Finance), opened at the Bank of Ghana (BoG) for GIRSAL. A second local currency investment account will be opened at BoG, for investing all GIRSAL RSF funds (in less risky instruments) and drawdowns made as and when the guarantee is called upon. All disbursements under the Project will follow the disbursements procedures outlined in the Bank's *Disbursement Handbook*.

4.1.7 External audit arrangements: An external audit firm will audit the Company in full compliance with the country's practices for limited liability companies. In fulfilment of the Ghana's Companies act, 1963 (Act 179) and registration, GIRSAL has appointed PricewaterhouseCoopers (PwC) as its external auditor, whose appointment shall be renewed annually based on satisfactory performance for a maximum of 5 years. PwC is experienced in the Bank's auditing requirements and the audit ToR must be agreed with the Bank before commencement of the audit. The audited financial statements and the accompanying management letter must be submitted to the Bank within 6 months after each financial year. As neither the financial management staff, nor the proposed system is in place, the overall financial management risk at appraisal is deemed substantial. To mitigate the risk, the GIRSAL team will need to ensure appropriately qualified and experienced staff are brought on board at the earliest, and further actions as listed in the FM action plan are implemented.

4.1.8 *Procurement arrangements:* “Procurement of goods (including non-consultancy services), and the acquisition of consulting services” financed by the Fund for the Project, will be carried out in accordance with the “*Procurement Policy and Methodology for Bank Group Funded Operations*” (BPM), dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, procurement would be carried out as follows:

- i. *Bank Procurement Policy and Methodology (BPM):* Bank standard PMPs, using the relevant Bank Standard Solicitation Documents (SDDs), will be used for International Competitive Bidding (ICB), and National Competitive Bidding (NCB) procedures for contracts of goods, while the procurement process for the acquisition of Consulting Services will be undertaken through shortlists as indicated in the Technical Annex B5, Para. B.5.3.2.
- ii. *Procurement Risks and Capacity Assessment (PRCA):* The assessment of procurement risks at the Country, Sector, and Project levels and of procurement capacity at the Executing Agency (EA), were undertaken⁹ for the Project and the output have informed the decisions on the procurement regimes (Banks PMP) being used for specific transactions or groups of similar transactions under the Project. The appropriate risks mitigation measures have been included in the procurement PRCA action plan proposed in Annex B5, Para. 5.3.8.

4.2. *Monitoring*

4.2.1 The foundation for the overall Project monitoring and evaluation systems will be the logical framework, a series of key performance indicators and project operational manual (POM) which will be prepared by the PMU within GIRSAL Limited shortly after Project loan approval. MOF will have an oversight role and monitor all operations for planning and facilitation purposes. The PMU will monitor and evaluate overall impact of the Project including environmental and social compliance and performance and compile the Project’s half year (first year and quarterly thereafter) and annual reports for dissemination to the Bank Group, MOF, and relevant line ministries. A mid-term review (MTR) will be undertaken two years after Project start to review the Project’s achievements and constraints. Similarly, upon completion of project investments at the end of program year four, the PMU will prepare a Borrower’s project completion report.

4.2.2 The initial assessment of national capacity indicates a satisfactory rating. The Ghana Statistical Service leads the efficient production and management of quality official statistics based on international standards, and will be used to assess the contribution of the Project towards the country and regional development goals and objectives as defined in the relevant development plans. In using the performance indicators and targets specified in the results-based framework, Project implementers tracking progress towards Project results are expected to take special note of changes that reflect advancement towards the translation of outputs into development outcomes. In developing monitoring and planning indicators, they will be disaggregated along gender lines. The key functions of the M&E Officer in the PMU will be to ensure quality and accountability of monitoring; information management; facilitation of knowledge building; and knowledge sharing on monitoring and evaluation.

4.3. *Governance*

4.3.1 Based on Bank’s experience in implementing projects in Ghana, the existing governance practices and controls have been deemed satisfactory. The implementation of GISAL requires

⁹ See Technical Annexes for details

excellent governance across multiple layers of the agriculture ecosystem and within multiple value chains. This is in relation to better responsiveness, transparency, accountability and efficiency in the use of resources. Hence, the institutional arrangement has been designed to ensure good governance, and will serve as an instrument for achieving Project objectives.

4.4. Sustainability

4.4.1 The ownership and sustainability of the Project is enhanced by the roles that various stakeholders played during formulation and preparation of the Project. Leading the process on behalf of the Government of Ghana was the BoG. The BoG chaired a systematic review, consultation and design process that has since resulted in the formation of the Company. On a day-to-day basis, the BoG Team Leader worked with and consulted parties from inside the Government including the Ministry of Food and Agriculture and Ministry of Finance. The BoG chaired process acted as a technical review team of experts with respect to the various reports and recommendations produced by PwC.

4.4.2 Post-launch, the Company has been transferred to the MOF and will function as an autonomous and independent legal entity for accelerating growth in Ghana's agribusiness sector. That structure is important in order to avoid any conflicts of interest between BoG's role as a financial systems regulator and GIRSAL Limited's role that also participants in the agriculture financial sector.

4.4.3 A key part of that crystallization will be achieved by ensuring that GIRSAL Limited is launched with a start-up operating budget that would be sufficient to fund its annual recurrent budget. It is anticipated that within 3 to 5 years of launch, GIRSAL Limited will be able to self-fund itself using a combination of its fee income and drawdowns from its investment portfolio.

4.5. Risk management

4.5.1 The current agricultural finance policy and sectoral strategies of Ghana have been developed in a consultative manner with the full participation of all relevant stakeholders. The Bank Group will engage in continuous policy dialogue to ensure that the policy, institutional and funding (particularly public expenditure) environment remain conducive to agricultural growth and development. Furthermore, social risks will be reduced through gender-sensitive approaches and ensuring that the poor are not excluded from Project benefits. GIRSAL is expected to be classified as a Category 4-FI C because the Project activities are expected to have environmental and social impacts that can be avoided and minimised since they will mostly be transaction-specific. Direct impact on climate change is expected to be immaterial to limited; hence, climate screening was approached with a degree of flexibility. The following are the main risks identified and with mitigation measures.

Risks	Mitigation measures
Macroeconomic risks - High probability: slow economic growth and deterioration of the country's creditworthiness due to fall in cocoa and other commodity prices.	Mitigation measure: GIRSAL will intensify the dialogue with the government to adopt supportive macroeconomic policies to rationalize fiscal expenditure, protect exchange rate flexibility, strengthen the banking system to prevent systemic crisis, and implement structural reforms for economic diversification.
Productivity risks - Moderate to High probability: failure to achieve forecast crop and livestock yields due to soil conditions, inadequate access to extension workers, delays in rainfall, and inability to eradicate biological threats such as locusts	Mitigation measure: GIRSAL will proactively support the Ministry of Food and Agriculture to ensure that deep collaboration occurs between GIRSAL and itself, to ensure that critical productivity enablers are mobilized on schedule and at scale. Such support may occur in the context of normal technical assistance, or in addition to it
Commercial risks - High probability: sharp rise in supply of agricultural commodities domestically and globally, exerting downward pressure on prices, resulting in lower than planned price realization for farmers and other ecosystem participants	Mitigation measure: GIRSAL will work closely with its Ghana based and global crop market experts to gather pricing data as well as monitor early warning systems issued by 3rd parties e.g. US Dept. of Agriculture price forecasts for rice, corn, etc. If additional action is necessary based on the anticipated pathway for crop prices, then the Bank will work with GIRSAL to provide support to lenders on how to best communicate the shift, as well as prepare them for potential events of default. In addition, as appropriate, the Bank will support GIRSAL as it seeks out potential price hedging solutions and innovative tools to protect farmer earnings.

Environmental, Social and Climate Risk – Medium probability: The Project activities are anticipated to have transaction and site specific environmental and social risks. The proposed Project area (all of Ghana) is likely subject to climate change impacts, with impact zones more intensive in northern Ghana.	Mitigation measures: An ESMS will be developed for the Project and the Project will undergo climate screening and categorisation as appropriate. During project implementation, if required - and it is unlikely to be the case given the Project type - transaction site specific ESMPs will incorporate integrated pest management plans and climate risk mitigation and adaptation measures. As specific transactions warrant it, ESMP development and implementation will be part of the monitoring and reporting of the Project activities.
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4.6. Knowledge Building

Knowledge building will be vital to the success of the Project. Considering the new approach in agricultural value chain finance, the results of the Project will be monitored closely. Knowledge will be built on the evolving concept of risk sharing systems; the likelihood of reducing default probabilities by deploying technical assistance; the impact on interest costs; the role of value chain actors including farmers and farmers’ organization, women, youth, private sector, commercial and public sector. Knowledge will be captured using analysis of M&E database, supervision missions, mid-term reports, and periodic impact assessments and field exchange visits of the stakeholders within and outside the production clusters. In addition, knowledge would be disseminated using GIRSAL’s knowledge portal and the Bank’s communication systems (Intranet, short documentaries on Bank website, etc.). For the purposes of publicity and sharing of Project results, the Project may recruit a local firm as and when the need be. The Technical Assistance projects will serve as sources of innovative knowledge and information sharing learning tools empowering farmers and other actors of the value chain to train their peers, share knowledge and experiences, thus reducing their overdependence on the public extension agents. This will also expand significantly the number of value chain actors having access to the disseminated knowledge and information. The technical assistance supports will introduce and consolidate knowledge and skills, and facilitate technology and skills transfer at both the community and national levels.

V. LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1 The legal instrument to finance this operation is an ADF loan agreement for UA 10 million between the Republic of Ghana and the Fund.

5.2. Conditions associated with the ADF intervention

Entry into Force of the Loan Agreement

5.2.1 The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General Conditions of the Fund applicable to Loan Agreements and Guarantee Agreements.

A. Conditions precedent to first disbursement:

5.2.2 The obligation of the Fund to make the first disbursement of the loan shall be conditional upon the entry into force of the Agreement and the fulfilment by the Borrower, in form and substance satisfactory to the Fund, of the following conditions:

- (i) Submission of certified copies of GIRSAL Limited’s: (i) constitutional document or bylaws; (ii) certificate of registration; and (iii) applicable operating licenses;
- (ii) The execution and delivery of the Project Agreement between the Fund and GIRSAL Limited in form and substance satisfactory to the Fund;

- (iii) The execution and delivery of a Subsidiary Agreement between the Borrower and GIRSAL Limited in form and substance satisfactory to the Fund;
- (iv) Submission of evidence of the deposit of the Borrower's counterpart contribution to the Project in the amount of Two Hundred Million Ghana Cedis (GHS 200,000,000) in a bank account acceptable to the Fund; and
- (v) Provision of evidence of the competitive recruitment or secondment of key staff of GIRSAL Limited, with qualifications and terms of reference acceptable to the Fund, as follows: (a) a chief executive officer; (b) a chief risk officer; (c) a chief operating officer; (d) a finance and administration manager; and (e) a procurement officer.

B. Other Conditions:

The Borrower shall provide evidence, in form and substance satisfactory to the Fund, of the fulfilment of the following conditions:

- (i) Prior to disbursement, the opening of a foreign currency denominated account in the name of GIRSAL Limited at the Bank of Ghana into which Loan proceeds towards the Credit Guarantee Scheme (CGS) will be deposited by the Borrower;
- (ii) Prior to disbursement, the opening of an additional foreign currency denominated Special Account and a local currency account in the name of GIRSAL Limited at the Bank of Ghana for operational purposes;
- (iii) The establishment of Environmental and Social Management System (ESMS), in form and substance satisfactory to the Fund, within three (3) months of Loan disbursement;
- (iv) The appointment of a Board of Directors of GIRSAL Limited with a mandate and responsibilities satisfactory to the Fund, within six (6) months of Loan disbursement; and
- (v) Development of a risk management framework and procedures (including but not limited to risk pricing and AVC prioritization criteria), within six (6) months of Loan disbursement.

C. Undertakings:

The Borrower undertakes the following under the Loan Agreement:

- (i) To deliver to the Fund, Project half year during the first year, and thereafter quarterly and annual reports in form and substance acceptable to the Fund, setting out the Borrower's implementation of the ESMS (including but not limited to any implementation failures and related remedies, if any);
- (ii) To submit to the Fund updated lists of PFIs which would from time to time sign the Master Agreement with GIRSAL Limited;
- (iii) To take all appropriate measures and actions necessary to ensure that the Loan proceeds shall not be used to guarantee or otherwise finance any of the activities under the Bank Group's Negative List;
- (iv) To take all appropriate measures and actions necessary to ensure that the Loan proceeds shall not be used to guarantee banks, financial institutions or other, or otherwise to finance projects, involving predatory lending or other forms of financial exploitation;
- (v) To take all appropriate measures and actions necessary to ensure that no transfer of shares in GIRSAL Limited held by the Ministry of Finance or otherwise in excess of five percent (5%)

of the total issued share capital, either individually or cumulatively, is made unless with prior written approval of the Fund;

- (vi) To take all appropriate measures and actions necessary to ensure that the Executing Agency shall not use the Loan proceeds to guarantee loans or portfolios of loans contracted prior to signature of the Loan Agreement between the Fund and the Borrower; and
- (vii) To take all appropriate measures and actions necessary to ensure that the Executing Agency shall use the Loan proceeds to provide guarantees to PFIs pursuant to sound banking principles, including but not limited to the ability of the borrowers to repay the guaranteed PFIs.

5.3. *Compliance with Bank Policies*

- This Project complies with all applicable Bank policies.
- Non-standard conditions (if applicable): N/A

VI. RECOMMENDATION

Management recommends that the Board of Directors approve an ADF loan of UA10 million to the Republic of Ghana for the purposes of the activities in the proposed Project and subject to the conditions stipulated in the present report.

ANNEXES

ANNEX A1 -GHANA: COUNTRY COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Ghana	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2016	239	30,067	97,418	36,907
Total Population (millions)	2016	28.0	1,214.4	6,159.6	1,187.1
Urban Population (% of Total)	2016	53.7	40.1	48.7	81.1
Population Density (per Km²)	2016	123.2	41.3	65.1	33.8
GNI per Capita (US \$)	2015	1480	2,153	4,509	41,932
Labor Force Participation *: Total (%)	2016	77.1	65.7	63.5	60.0
Labor Force Participation **: Female (%)	2016	75.6	55.7	48.9	52.1
Sex Ratio (per 100 female)	2016	99.2	100.1	106.0	105.0
Human Develop. Index (Rank among 187 countries)	2015	139
Popul. Living Below \$1.90 a Day (% of Population)	2005	25.2	...	24.2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2016	2.3	2.5	1.3	0.6
Population Growth Rate - Urban (%)	2016	3.2	3.6	2.4	0.8
Population < 15 years (%)	2016	38.8	40.9	27.9	16.8
Population 15-24 years (%)	2016	19.3	19.3	16.9	12.1
Population >= 65 years (%)	2016	3.4	3.5	6.6	17.2
Dependency Ratio (%)	2016	73.0	79.9	54.3	52.0
Female Population 15-49 years (% of total population)	2016	25.3	24.0	25.7	22.8
Life Expectancy at Birth - Total (years)	2016	61.7	61.5	69.9	80.8
Life Expectancy at Birth - Female (years)	2016	62.7	63.0	72.0	83.5
Crude Birth Rate (per 1,000)	2016	31.7	34.4	20.7	10.9
Crude Death Rate (per 1,000)	2016	8.7	9.1	7.6	8.6
Infant Mortality Rate (per 1,000)	2015	42.8	52.2	34.6	4.6
Child Mortality Rate (per 1,000)	2015	61.6	75.5	46.4	5.5
Total Fertility Rate (per woman)	2016	4.1	4.5	2.6	1.7
Maternal Mortality Rate (per 100,000)	2015	319.0	476.0	237.0	10.0
Women Using Contraception (%)	2016	30.5	31.0	62.2	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005-2015	9.6	41.6	125.7	292.2
Nurses and midwives (per 100,000 people)	2005-2015	92.6	120.9	220.0	859.4
Births attended by Trained Health Personnel (%)	2010-2015	73.7	53.2	69.1	...
Access to Safe Water (% of Population)	2015	88.7	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	14.9	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2015	1.6	3.4
Incidence of Tuberculosis (per 100,000)	2015	160.0	240.6	166.0	12.0
Child Immunization Against Tuberculosis (%)	2015	97.0	81.8
Child Immunization Against Measles (%)	2015	89.0	75.7	83.9	93.9
Underweight Children (% of children under 5 years)	2010-2015	11.2	18.1	15.3	0.9
Prevalence of stunting	2010-2014	18.7	33.3	25.0	2.5
Prevalence of undernourishment (% of pop.)	2015-2016	5.0	16.2	12.7	...
Public Expenditure on Health (as % of GDP)	2014	2.1	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2016	109.9	101.2	104.9	102.4
Primary School - Female	2010-2016	109.9	98.4	104.4	102.2
Secondary School - Total	2010-2016	71.0	52.6	71.1	106.3
Secondary School - Female	2010-2016	69.1	50.2	70.5	106.1
Primary School Female Teaching Staff (% of Total)	2010-2016	38.9	47.1	59.8	81.0
Adult literacy Rate - Total (%)	2010-2015	76.6	66.8	82.3	...
Adult literacy Rate - Male (%)	2010-2015	82.0	74.3	87.1	...
Adult literacy Rate - Female (%)	2010-2015	71.4	59.4	77.6	...
Percentage of GDP Spent on Education	2010-2015	6.2	5.0	4.0	5.0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2014	20.7	8.7	11.2	10.3
Agricultural Land (as % of land area)	2014	69.0	41.7	37.9	36.4
Forest (As % of Land Area)	2014	40.9	23.2	31.4	28.8
Per Capita CO2 Emissions (metric tons)	2014	0.5	1.1	3.5	11.0

Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

June 2017

UNAIDS: UNSD: WHO: UNICEF: UNDP: Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

ANNEX A2 - BANK PORTFOLIO IN GHANA AS AT AUGUST 2018¹⁰

Approval date	Loan / grant	Project name	Financial volume (UA Millions)	Implementing organization
27-sep-10	Loan	Kempinski hotel project	15.0	Kempinski
20-jun-12	Loan	Development of skills for industry project (DSIP)	53.6	Min of education/cotvet
20-jun-12	Grant	Development of skills for industry project (dsip)	29.8	
11-jul-12	Loan	Takoradi ii expansion power project	18.5	Takoradi international co.
10-sep-12	Grant	Ghana institutional support program to oversight and private	11.4	Min of finance
19-dec-12	Loan	Rural enterprises project iii	31.8	Min of trade and industry
19-dec-12	Grant	Rural enterprises project iii	27.4	Same as above
22-may-13	Loan	UT Bank Ghana Trade Finance Line Of Credit	16.6	Ut bank
22-jan-14	Grant	Engaging Local Communities In Redd+/Enhancing Carbon Stocks	3.8	Min of lands and natural resources/forestry comm
22-jan-14	Grant	Engaging Local Communities In Redd+/Enhancing Carbon Stocks	8.1	Same as above
26-feb-14	Loan	Electricity Distribution System Reinforcement And Extension	34.0	Min of energy / ecg
26-feb-14	Grant	Electricity Distribution System Reinforcement And Extension	23.6	Same as above
27-apr-14	Grant	Ghana Msme Business Linkage Program	0.8	Invest in africa
4-jun-15	Grant	Renewable Mini-Grids And Stand-Alone Systems Project – Srep	0.7	Ministry of energy/vra
16-jun-15	Grant	Net Metered Solar Pv For Smes And Lighting Project – SREP PR	0.5	Ministry of energy/vra
30-sep-15	Loan	Ghana Airports Company Ltd	99.8	Ghana Airports Company
1-feb-17	Guarantee	Ghana Airports Company Ltd	29.7	Same as above
14-oct-15	Loan	Unibank TFLOC	12.5	Unibank ghana ltd
13-jul-16	Loan	Form Ghana reforestation project	11.6	Form ghana
22-sep-16	Loan	Form Ghana reforestation project	8.3	Same as above
28-sep-16	Guarantee	Form Ghana reforestation project	1.5	Same as above
28-sep-16	Loan	Accra urban transport	71.4	Dept of urban roads
29-mar-17	Loan	Greater Accra sustainable sanitation and livelihoods improvement	42.8	Ministry of sanitation and water
15-dec-17	Loan	Savannah zone agricultural productivity improvement project	33.2	Min of food and agric
6-jun-18	Loan	GHLBank plc	12.8	GHLbank ltd
9-jul-18	Loan	CAL Bank	34.1	CAL bank ltd

¹⁰ 52.2% disbursed (excluding multinational project) as at June 2018: Disbursement Ratio: 14.6% (June 2018) (Bank target - 25%).

ANNEX B1 - RISK MITIGATING MEASURES SUMMARY FOR COUNTRY/SECTOR AND PROJECT LEVELS

Note: This Annex shall be part of the PAR in order to inform Bank Management about the risks identified at each stage of the PRCA and the measures taken for mitigating those risks through the Project cycle, including at the appraisal, negotiation and loan effectiveness stages. It will be also used during the Project supervision mission for assessing progress made in dealing with the risks identified until the completion report.

Risk Factor #1: Procurement Legal and Regulatory Framework

Risk	Mitigation Measure
<i>Absence of approved Regulations</i>	<i>The government to draft the revised Regulations in line with amended Act and get it passed by relevant authorities</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor #2: Systemic Prohibited practices

Risk	Mitigation Measure
<i>Description: None</i>	<i>Description: None</i>
<i>Rating at Appraisal: Low</i>	<i>Status on March 2018 - Low</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Sector Level

Risk Factor #3: Capacity of the Sector

Risk	Mitigation Measure
<i>Description: None</i>	<i>Description: None</i>
<i>Rating at Appraisal: Low</i>	<i>Status on March 2018- Low</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor #4: Capacity of Local Industry

Risk	Mitigation Measure
<i>Description: Low capacity in the area of access to credit, availability of liquidity, expertise and experience of the local industry to execute complex and large value contract.</i>	<i>Description: High value contracts of this subject Project is to be procured under International Competitive Bidding (ICB)</i>
<i>Rating at Appraisal: Low</i>	<i>Status on March 2018 - Low</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Project Level

Risk Factor #5: Project Design Risks

Risk	Mitigation Measure
<i>Description: Probability of Design Flaws in Project</i>	<i>Description: Design has been subjected to extensive analysis and consultations based on various options of the design and taking into account experiences and lessons of similar projects executed in the country. An inter-ministerial and agency committee with key stakeholders was established for the design review of the Project.</i>
<i>Rating at Appraisal: Low</i>	<i>Status on March 2018- Low</i>
<i>Rating at Negotiations: - [Date TBD]Low</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor #6: Delivery Quality Risks

Risk	Mitigation Measure
<i>Description: Delay in procurement processes and non-payment of government counter-part funds affects effective delivery of contracts</i>	<i>Description: Advance Contracting on key contracts and government prioritization of the counterpart funding for this Project is expected to mitigate this risk.</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on October 2015 - Moderate</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

ANNEX B2 - RISKS MITIGATION MEASURES SUMMARY FOR EXECUTING AGENCY

Executing Agency: GIRSAL LIMITED

Executing Agency Level

Risk Factor 7: Capacity

Risk Factor 7.1: Accountability for Procurement Decisions in the Executing Agency or Agencies

Risk	Mitigation Measure
<i>Description: Capacity and experience in handling of procurement related matters is currently non-existent</i>	<i>Description: There is a need to either recruit or second a dedicated procurement staff under the Project</i>
<i>Rating at Appraisal: High</i>	<i>Status on March 2018- High</i>
<i>Rating at Negotiations: [Date TDB]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.2: Internal Manuals and Clarity of the Procurement Process

Risk	Mitigation Measure
<i>Description: yet to be reviewed</i>	<i>Description: Put in place appropriate and adequate measures regarding the procurement process to be conducted</i>
<i>Rating at Appraisal: High</i>	<i>Status on March 2018</i>
<i>Rating at Negotiations: [Date]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.3: Record Keeping & Document Management Systems

Risk	Mitigation Measure
<i>Description: The records management system is yet to be ascertained.</i>	<i>Description: The Executing agency should have in place a coherent filling of documentation and documents relating to specific procurement processes, which should be kept at one central point. The filling system should also have an electronic backup system for the documentation.</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.4: Staffing

Risk	Mitigation Measure
<i>Description: An issue under discussion</i>	<i>Description: All staffing issues should be resolved before commencement of the implementation of Project activities.</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on –March 2018 - Moderate</i>
<i>Rating at Negotiations: [Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.5: Procurement Planning

Risk	Mitigation Measure
<i>Description: An issue to be determined during the course of implementation of the Project activities.</i>	<i>Description: EA to put in place the necessary measures concerning adequate procurement planning.</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on –March 2018 - Moderate</i>
<i>Rating at Negotiations:[Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.6: Bidding documents,(pre-)qualification, short-listing, and evaluation criteria

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on – March 2018 - Moderate</i>
<i>Rating at Negotiations:[Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.7: Advertisement, Pre-bid/proposal Conference and Bid/Proposal Submission

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: :[Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 7.8: Evaluation and Award of contract

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: :[Date TBD]</i>	<i>Status on – [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor #8: Governance**Risk Factor 8.1: Review of Procurement Decisions and Resolution of Complaints**

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: :[Date TBD]</i>	<i>Status on – [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 8.2: Contract Management and Administration

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: :[Date TBD]</i>	<i>Status on [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>

Risk Factor 8.3: Procurement Oversight & Prohibited Practices

Risk	Mitigation Measure
<i>Description: As in RF 7.5 above</i>	<i>Description: As in MM 7.5, above</i>
<i>Rating at Appraisal: Moderate</i>	<i>Status on March 2018 - Moderate</i>
<i>Rating at Negotiations: :[Date TBD]</i>	<i>Status on – [Date]</i>
<i>Rating at Credit/Loan Effectiveness:</i>	<i>Status on [date]</i>
<i>Rating at Mid-Term Review (or Supervision):</i>	<i>Status on [date]</i>
<i>Rating at Completion of Project</i>	<i>Status on [date]</i>