

## **Republic of Ghana**

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### **Rural and Agricultural Finance Programme RAFIP**

#### **Supervision report**

#### Main report and appendices

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West and Central Africa Division  
Programme Management Department



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## **Abbreviations and acronyms**

AWPB      Annual Work Programmes and Budgets

BOG   Bank of Ghana

CBF   Capacity Building Fund

RCBs      Rural and Community Banks

RIMS      Result and Impact Management System

MOF   Ministry of Finance

PCO   the Programme Coordination Office



## A. Introduction<sup>1</sup>

1. The main objectives of the mission were to: (i) assess the progress made in the implementation of the programmes' activities and the recommendations of previous supervision missions; (ii) identify lessons, innovation and good practice that emerged during implementation; (iii) identify current and emerging implementation constraints; (iv) discuss and agree on appropriate recommendations to address the constraints and help enhance performance; (v) review the implementation of the 2013 Annual Work Programmes and Budgets (AWPB) and Procurement Plans, with particular attention to the M&E systems, including the indicators pertaining to IFAD's Result and Impact Management System (RIMS). In addition, the mission was expected to agree on the focus, composition and timing of the Mid-Term Review (MTR) scheduled for later in the year.

2. The team spent three weeks in the country, including a week of field visits in Tamale, Kumasi and Sunyani to other IFAD projects with rural finance components.<sup>2</sup> The mission met with the Deputy Minister and officials of the Ministry of Finance (MOF), implementing agencies and partner programmes and institutions, in particular, ARB Apex Bank, Ghana Microfinance Institutions Network (GHAMFIN), Capacity Building Fund (CBF) Manager, apex organizations, Department of Cooperatives, rural financial institutions, clients, and consultants (see Appendix 7 for list of people met). The draft aide memoire of the Mission was discussed at a wrap-up meeting on June 21, 2013, chaired by Mr. Akilakpa Sawyerr, Director, External Resource Mobilisation/Multilateral, MOF, and recommended modifications will be incorporated into a final version. A management letter will be sent by IFAD to the Borrower highlighting the Mission's findings and recommendations for follow-up. The Mission would like to express its sincere appreciation to the officials of the Ministry, the Programme Coordination Office (PCO), Government, partners and agencies for their enthusiastic cooperation and assistance.

## B. Overall assessment of programme implementation

3. Implementation of activities has been improving, especially training and consultancies on agricultural value chain financing, and a new Coordinator has been successfully recruited. The mission rates overall implementation performance as moderately satisfactory. Nevertheless, disbursement is lagging, in part due to late approval of the 2013 AWPB, which was drafted on time and a satisfactory narrative subsequently provided. The institutional assessment of the ARB Apex Bank has been completed and a new Managing Director recruited, and it is in the process of preparing a new Strategic Plan. The need for direct technical assistance to Apex Bank has reduced, and a shift to performance-based support will be considered during the mid-term review. Initial contacts to forge partnerships with other agencies, programmes and other private operators need to be pursued more proactively to enable RAFiP to play an appropriate coordinating role as an overall programme for support of rural financial service development and inclusion, especially for agricultural value chains.

4. **Key risks** that may hamper implementation performance and the achievement of the expected development objectives include: (i) preferences for credit over building the capacity of financial institutions may lead to government-directed, subsidized credit programs that undermine efficient and sustainable financial services; (ii) effectiveness of the ARB Apex Bank in transforming from a project-dependent business model to achieving long-run sustainability by effectively servicing the rural banking system; and (iii) inability of the Rural and Community Banks (RCBs) to achieve the capitalization, efficiency and understanding of the need to consolidate in order to meet the growing demand for credit (especially to service clients of various projects) and to keep pace with regulatory requirements and growing competition. Key agreed actions to address these risks (see also Table 1 and Appendix 2) include:

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<sup>1</sup> Mission composition: Mission composition: The Mission team was composed of Mr. Ulaş Demirag, IFAD Country Programme Manager, Mr. William Steel, Rural Finance and Enterprises Expert (Mission Leader), Mr. Richard Pelrine, Agribusiness Finance Specialist, Mr. Godfrey Wanjohi, Financial Management Specialist, Mr. Daniel Pasos, Financial Management Specialist, Mr. Theophilus Otchere Larbi, IFAD Country Programme Officer, and Ms. Sarah Ashu Davis, IFAD Programme Assistant, as well as Mr. Lars Joker, Danida Programme Coordinator, and Mr. Inusah Yameogo Musah, MOF (IFAD Desk), supported by the PCO.

<sup>2</sup> Northern Rural Growth Programme (NRGP), Root and Tuber Improvement and Marketing Programme (RTIMP), and Rural Enterprise Programme (REP).

- i. Communicating better information on Programme rationale, objectives and performance to key stakeholders, including Parliament;
- ii. Engagement with new ARB Apex Board and management to consider moving from
- iii. Northern Rural Growth Programme (NRGP), Root and Tuber Improvement and REP.emphasis on Marketing Programme (RTIMP), and Rural Enterprise Programme technical assistance to more performance-based support to enhance its services and sustainability;

Investigate alternative ways to increase the capital base of RCBs and dialogue with the Bank of Ghana (BOG) regarding their capitalization, consolidation and supervision.

## C. Outputs and outcomes

5. The overall goal of the Programme is to support improved and sustainable livelihoods of the rural poor, particularly women and vulnerable groups. The specific objective is to improve the rural and agricultural population's access to sustainable financial services through enhanced outreach, sustainability and linkages. RAFiP is oriented toward strengthening intermediary institutions to serve the targeted clients. The expected outcomes and outputs are expressed in terms of: (a) growth in outreach (clients, by gender), savings and loan portfolios; and share of loans going to agriculture VCs in participating financial institutions [PFIs]); (b) improved operational and financial sustainability of assisted PFIs; and (c) increased financing through value chain linkages (new financial products complemented by technical support to farmers and enterprises in agricultural VCs financed by assisted PFIs). The Ghana Microfinance Institutions Network (GHAMFIN) has published a report on *Performance, Monitoring and Benchmarking of Microfinance Institutions in Ghana: Trends in the Industry during the 2000s*, which shows strong growth in clientele during the 2000s (slowing down in the latter part), reaching a total of 5.3 million depositors and 1.1 million borrowers in rural and micro finance institutions (RMFIs) as of 2010. Sustainability and performance indicators were generally good in 2010, though with some indications of declining performance during the late 2000s and somewhat below African and global peer benchmarks in terms of operational sustainability and expense ratios.

6. Capacity building has moved beyond apex organisations to increased training of staff of RMFIs including Rural and Community Banks (RCBs) through ARB Apex Bank with support from Danida, as well as other types of institutions under the RAFiP Capacity Building Fund. Financial literacy training is being carried out by GHAMFIN with support from the GIZ Responsible Finance project. Nevertheless, many activities are still in progress, and strong commitment is needed to ensure that the dates shown in Table 1 are realistic and respected

**Table 1: Key Actions Agreed to be taken in the Next 6 Months**

| Agreed action   | Responsibility           | Agreed date                    |
|---|--------------------------|--------------------------------|
| <b>Comp. IA: Capacity Building for Sustainability:</b>  |                          |                                |
| IA.2a ARB Apex Bank to prepare Strategic Plan for 2014-17, incorporating response to issues raised in the Institutional Assessment;   | ARB Apex Bank            | Oct. 31, 2013                  |
| IA.3a. Sign Training Seed Fund Charter and transfer beneficiary contribution funds into it  | ARB Apex Bank/Danida     | Aug. 15, 2013                  |
| IA.3b Review and update training materials for RCBs and produce standardized manuals, modules and materials   | ARB Apex Bank            | Oct. 31, 2013                  |
| IA.4c Propose strategy for dealing with the Share Registry problem at RCB level, including possible use of Merger Fund  | ARB Apex Bank            | Aug. 31, 2013                  |
| IA.6 Consolidate manuals for managing wholesale and grant funds into one integrated manual (or template), including policies, criteria, procedures and reporting for managing wholesale funds and matching grants (applicable to Rural Enterprise Programme and similar projects) | ARB Apex Bank            | Aug. 31, 2013                  |
| IA.7 Prepare a background note regarding pricing of credit lines with a view toward setting guidelines for consistent pricing and mark-up among donor programmes  | PCO, to discuss with POC | Sept. 30, 2013                 |
| IA.8 Sign MOU with GHAMFIN for provision of financial literacy and other training to RMFI clients   | PCO                      | Aug 31, 2013                   |
| IA.9 Prepare TOR and budget for MIX to do a TOT and submit to PCO; Hold TOT on MIX tool   | GHAMFIN                  | July 31, 2013<br>Oct. 31, 2013 |
| <b>Comp. IB: Product Development and Innovation</b>   |                          |                                |



|  |                                       |                |
|--|---------------------------------------|----------------|
| IB.2a. Submit funding proposal to Danida and hold sensitization and marketing Workshop on Microfinance Support Strategy (MSS) for the remaining 45 selected RCBs not included in the first workshop  | Apex Bank with consultant             | July 31, 2013  |
| IB.2b Begin rolling out the MSS as part of the training programme (included in the Training Seed Fund)   | ARB Apex Bank                         | Aug 31, 2013   |
| IB.3 Draft report and training manuals for agricultural VC finance training  | Apex Bank/ consultant                 | Sept. 30, 2013 |
| IB.4 Sign MOUs and begin implementing proposals from OISL and GAMC matching grants for innovations to support lending for microfinance and agric. VCs; see N.O. to use IFAD funds initially and replace with Italian grant funds when and if available | PCO and partners                      | Aug. 31, 2013  |
| IB.5 Draft criteria and procedures for reviewing proposals for innovations and product development for agricultural VC financing and microfinance  | PCO                                   |                |
| <b>Comp. II.A: Strengthening Financial and Agricultural Linkages and Support Systems</b>   |                                       |                |
| IIA.1. Finalize report for financial overlay to 3 agricultural value chains and submit draft report  | PCO (with ARB Apex Bank)/ consultants | July 31, 2013  |
| IIA.1a Submit for no objection a TOR for consultancy to deepen and enlarge sampling of financial overlay in the northern part of the country (study to be completed before MTR)  | PCO (with NRGP)                       | July 31, 2013  |
| IIA.2 Draft report by consultant catalogueing existing mechanisms in Ghana for linking financial and non-financial support to agricultural value chains  | PCO/consultant                        | Sept. 30, 2013 |
| IIA.3 Hold TOT in international best practice in agricultural VC financial analysis for RAFiP consultants and shortlisted applicants   | PCO/Danida                            | Sept. 30, 2013 |
| <b>Comp. II.B: Policy, Regulation, Supervision, Monitoring</b>   |                                       |                |
| IIB.2a Draft Performance Monitoring & Benchmarking report for 2008-11  | GHAMFIN                               | Nov. 30, 2013  |
| IIB.3 Provide data on RCBs re gender breakdown of clients, number of groups, loan recovery, and agricultural (& microfinance) loan portfolios.   | ARB Apex Bank                         | July 31, 2013  |
| IIB.5 Hold Microfinance Forum  | PCO/GHAMFIN                           | July 31, 2013  |
| IIB.6 Issue Microfinance Newsletter featuring agricultural VC finance  | PCO                                   | Nov. 30, 2013  |
| IIIB.7 Draft TOR for consultants to update Microfinance Policy and facilitate the process, and establish a technical committee to guide the process  | PCO                                   | Sept. 30, 2013 |
| <b>Comp. II.C: Knowledge Development and Dissemination</b>   |                                       |                |
| IIC.1 Engage consultant to develop Communication Strategy  | PCO                                   | Aug 31, 2013   |

## Component I.A: Capacity Building for Sustainability

7. **The Capacity Building Fund (CBF)** Manager submitted a report on the first two-year contract and an inception report for 2013-15, and signed a contract renewal. The first phase focused on preparing a set of standardized, modular training manuals, training of trainers, and building the capacities of the apex organizations, which play an important role in assessing the needs of their members and organizing training. Training of staff of RMFIs started to take off in the second half of 2012, though was delayed in 2013 due to the late approval (March) of the AWPB. In addition to staff of apex bodies, the total number of staff of RMFIs trained under the CBF through April 2013 has reached 715, in addition to 218 trainers trained. The latter are mostly from the apex organizations and their members, as a step toward increasing the total number of qualified training providers and to supplement the firms certified by the CBFM, of which only 8 out of 29 have been active, and to build a cadre of qualified trainers within each subsector (type of RMFI) for post-programme sustainability.

8. The CBF Manager has organised various trainings that include Monitoring and Evaluation, Strategic Planning, Microfinance Operations, and Training of Trainers for apex organisations. Total disbursements for CBF training are GHS 247,852; cost-sharing contributions from participants now total GHS 65,656, which is being held in a reserve fund to sustain the activities beyond the end of the programme (the modalities for this should be discussed at MTR).

9. RAFiP also provided a consultant to work with a team of certified trainers under the CBF and the Ghana Association of Microfinance Companies (GAMC) to design a special Microfinance Management Principles and Practice (MMPP) programme from the existing training modules. This

course was piloted as part of the Sustainable Microenterprise Development Programme (SMDP) of GHAMFIN and the University of New Hampshire in March 2013, and is available to be offered again as needed under the auspices of the CBF. Because of the need to build capacity in order to comply with BOG regulations, GAMC members represent an important source of demand for training (a target of 1,339 out of a total of 17,343 [subject to revision] from all subsectors in the 2013 AWPB). As an incentive to the apex organizations to organize trainings for their members, both for RAFiP and as a longer-run revenue-earning activity, the mission recommends that the fee structures for training be revised to include a fee to the organizing agency, with the daily rates for individual trainers provided through the apexes lowered (to minimize the overall cost increase and to provide a margin between these trainers and the staff of the firms certified as training providers).

10. The CBF Manager has a quality assurance system in place, but there is a need to improve reporting. For the Mid-Term Review (MTR), the CBF Manager should prepare a report on quality assurance, in particular a methodology for reporting on client feedback from the evaluations regarding both courses and instructors, as well as any findings from ex post assessments. The CBF Manager is also expected to provide steps toward certification of individual trainers who have received TOT through their apexes to become qualified to train in various specific subjects (besides general operations for their subsector). In addition, the mission recommends that RAFiP undertake an independent evaluation of the training programme and its impact at the level of the institutions. This might be incorporated as part of the mid-term survey to assess progress since the baseline survey, or as a separate exercise. A suitable TOR should be agreed during the MTR, if not before.

11. **MIX tool training:** Licensing of microfinance companies has substantially increased the need for training in the Microfinance Information Exchange (MIX) tool for data entry and analysis beyond what GHAMFIN alone can provide. GAMC has proposed training-of-trainers (TOT) for 30 regional trainers to be able to provide needed training. **The mission recommends that RAFiP pay for the travel expenses of MIX staff to come to Ghana for two weeks to undertake the TOT with representatives from all apexes,** and implement a one-week training with some of the newly trained personnel. GHAMFIN and GAMC should submit a TOR and estimated budget for this activity by mid-July. Associated costs on the part of apexes that participate actively would be covered by treating the TOT as a performance benchmark.

12. **Apex organizations** are considered to be an important part of the institutional framework for enhancing access to finance. Indeed, BOG's Microfinance Regulations require microfinance providers in Tiers 3 and 4, which are not directly supervised by BOG, to join their respective apex organizations, and BOG is looking to GAMC to play an important role in building the capacity of its members to comply with regulations and to monitor the subsector. The most recent organization to be formed is the Moneylenders Association, which includes some 300 members (about 40 per cent of them companies) and is in the process of joining GHAMFIN. In practice, moneylenders' operations are very similar to those of microfinance companies (and even FNGOs), except that they cannot take demand deposits, only longer-term investments or time deposits of 91 days or more. The mission endorses bringing them under the RAFiP support framework (including CBF and subsidies) once they have joined GHAMFIN.

13. RAFiP support for apex organizations has been systematized and is working well. Quarterly core funding is being disbursed regularly based on active participation in RAFiP, submission of quarterly reports on activities, and establishment of MIS and training units, under the oversight of the CBF Manager. The availability of core funding has facilitated GHASALC and GAMC in opening offices and establishing staffed secretariats. ASSFIN has recruited staff, but is still in the process of establishing an office. Performance-based support is triggered by achievement of up to four benchmarks annually from an agreed list of activities that are part of the organizations AWPB and also consistent with RAFiP objectives. During 2012, apex organizations achieved from two to four of the agreed benchmarks (only GHAMFIN and GAMC achieved four). Quarterly payment is based on an activity report submitted by the organization and endorsed by GHAMFIN. However, the mission notes that GHAMFIN needs to ensure timely reporting of the results for the preceding quarter, without waiting for reports from apex organizations beyond two weeks after the end of the quarter, so that timely payments can be made to well-performing organizations. The mission notes that the principle has been put into that payments are based on performance and the submission of the required reports with endorsement from the oversight agency, not on receipts.

14. The mission found that GAMC is facing exceptional demands this year. The large number of licenses issued by BOG in 2012 and still in process has generated large demand for capacity building, as well as for data collection. It is developing industry-wide systems such as credit referencing and customer complaint desk (to be supported by RAFiP, for possible future extension to RMFIs more broadly). It plans to undertake TOT and training on the MIX tool (see above), develop a reporting template and monitoring and evaluation (M&E) system, and evaluate the quality of data from the field. Rather than get involved with special funding of such activities, the mission recommends that RAFiP PCO, in consultation with CBFM and GHAMFIN, agree on a temporary increase in the subvention amounts for GAMC during the next twelve months.

15. **Accountability for training funded by RAFiP:** GHAMFIN has submitted a report on the two-week Sustainable Microenterprise Development Programme (SMDP), which it organized in collaboration with the Carsey Institute of the University of New Hampshire and attracted 133 participants from 14 countries. This included 54 participants from 37 Microfinance Companies for the Microfinance Management Principles and Practices course, supported by RAFiP. PCO has compiled a report on the Boulder Microfinance Training from the submissions of participants.

16. **ARB Apex Bank technical assistance (TA):** The consultants' institutional assessment report of ARB Apex Bank has been completed and presented. The report found that ARB Apex Bank has been profitable, based primarily on interest income from investing mandatory deposits by RCBs of 5 per cent of their capital as part of their primary reserves, and prospects for financial sustainability of ARB Apex Bank are good, if it can increase income from services provided and control the relatively high and rising ratio of operating costs to income. [There was no analysis of the possible impact of falling Treasury Bill rates on interest income and operating cost ratio.] It offers a range of products and services that are valuable to the RCBs and their clients, and help integrate them with the financial system. However, it faces challenges in covering the costs of some services with "public goods" aspects such as inspection and networking. The report highlighted governance (dominance of the Board by RCBs) and risk management as key weaknesses to be addressed. ARB Apex Bank is in the process of developing a Strategic Plan for 2014-17 that will respond to some of the issues raised and will be presented to stakeholders in October 2013.

17. The consultancy to develop the Microfinance Support Strategy is near completion (see below). A consultant has been contracted to prepare training manuals for agricultural value chain financing. A draft report on the Share Registry Department was provided by the consultant, but ARB Apex Bank has decided not to proceed with establishing a department (see below). Furthermore, ARB Apex Bank has indicated that the following consultancies that had been planned for support under RAFiP are no longer needed in view of the ARB Apex Bank undertaking its own strategic planning and related activities: (i) reviewing, updating and standardizing training manuals, modules and materials; (ii) mergers; (iii) adapting reporting format to capture data on gender, groups, recovery and agricultural loan portfolio; (iv) new commercial lines development; (v) policy manual on internal controls and risk management; and (vi) feasibility study of research and product development department. The mission concluded that the approach of RAFiP contracting TA for ARB Apex Bank may no longer be the most effective approach to collaboration, and **recommends that the MTR consider moving toward results-based support to ARB Apex Bank** to achieve commonly held objectives, consistent with the way other apex organizations are treated. Some of the key results that might be considered for such an approach include: updated training manuals that are consistent with those of CBF; quality assurance system for the training program, including regular analysis of participant evaluations; consolidated manual and reporting system for managing wholesale and grant funds; strategy for addressing the share registry problem; strategy in place and being implemented for training and promotion of women managers in the rural banking system and Apex Bank.

18. **Training of RCBs** under the Capacity Building Strategy began in January 2012, applying the agreed subsidy rates for RCBs classified as Fair, Marginal or Unsatisfactory. Since the Training Seed Fund Charter with Danida is still being finalized, fees paid by the participating banks are being held in an account to be transferred to the Training Fund when the legal documents have been signed. These funds will be utilized to continue training subsidies for weaker RCBs following the end of the Danida programme. From January-April, 2013, 394 staff of RCBs participated in fee-paying training organised by Apex Bank (of which 85 from the weaker banks eligible for the subsidies). As part of overall quality assurance and harmonization of training supported under RAFiP, **the mission recommends that the ARB Apex Bank Training Dept. and CBF Manager meet regularly** to share and update and

harmonize the content of training in corresponding areas, starting with microfinance and agricultural value chain finance (involving also the consultants in these areas).

19. *Share Registry:* Establishment of up-to-date share registries for RCBs has emerged as a critical issue and a serious threat to capitalization and growth of RCBs. In the past, maintaining share registries may have been perceived by RCBs as a low priority because they were not initially paying dividends (as a condition of being tax-exempt) and because voting was based on membership rather than number of shares until BOG changed the regulations (around [2008]). While ARB Apex Bank perceived this as an opportunity to establish a Share Registry Department as a service to its members, in the course of the consultancy for this purpose, funded by RAFIP, it came to realize that the situation is more complicated than originally assumed and in some cases politically charged, since it relates to control of the local bank (some of which are being taken to court over the issue). Hence it decided to abandon the effort. MOF has requested reimbursement for the cost of the consultancy, since Apex Bank has cancelled the expected output of establishing a Share Registry Department. Nevertheless, the mission considers that the intended result – up-to-date registries of shareholding in the RCBs – remains a critical objective, and that RAFIP and Apex Bank should seek alternate means to achieve this result. The process of going through registers to extract data is time-consuming beyond what RCBs can do with their own staff, and there may be issues such as valuation. Hence two requirements to address the problem are: (i) guidelines for dealing with key issues; and (ii) funding. Since demand for the Merger Fund has waned (see below), and since up-to-date share registries are essential for mergers to go forward, **the mission recommends that the Merger Fund be made available to RCBs to engage consultants to update their share registries**, on a cost-sharing basis. If ARB Apex Bank concurs, it could make a proposal to pilot support to 3-4 RCBs to develop their share registries, in order to get more information on the costs and issues involved before scaling up.

20. *Merger Fund:* The expected merger has run into problems with approval by the Boards of the participating RCBs, and is on hold. ARB Apex Bank is working with the Association of Rural Banks to facilitate another three banks in the Central Region that are considering a merger. BOG has deferred their application for a new single banking license, in part to be sure of the capitalization of the merged banks (they would have combined deposits of about GHS 4 million). Apex Bank has grouped all 136 RCBs into 34 zones/groups based on the geographical proximity of the banks, each zone comprising on the average 5 RCBs. Sensitisation seminars will be carried out with board members of these groups.

21. *Wholesale funds:* ARB Apex Bank has stated its intention to operate wholesale funds as a core business activity. During the last year, it decided to price its internally generated funds at 15% (based on the cost of funds) to member banks, below the policy rate at which donor-funded lines of credit are available, in order to build up its own business in this area. Managing external funds would also be part of this core business line; but it would want to ensure that external credit lines remain available for revolving beyond the end of projects, and not just revert to the provider. At present, with SPEED funds and Danida Rural Finance Wholesale Facility (RWF), as well as internal funds, there is adequate liquidity to meet the demand from RCBs. With respect to leftover funds from CBRDP and UWADEP + LACOSREP (being mobilized by NRGPF) funds, no instructions have been received from MOF to start utilizing them; nor are they viewed as essential to meet current demand for wholesale funds, given the other funds available.

22. It was noted that ARB Apex Bank is currently operating similar wholesale funds under different (though similar) operating manuals, including GEDAP (solar) as well as RWF. Apex Bank also has a draft Guide for Microfinance Intervention Collaboration, which has somewhat different principles of pricing and does not adequately specify performance-based criteria for eligibility of PFIs nor reporting requirements. Furthermore, it was noted that the Rural Enterprise Programme will soon be resuming and augmenting its Rural Enterprise Development Facility (REDF) with BOG, and that there is potential for ARB Apex Bank to eventually take over at least the portion for the RCBs (as well as to manage the REP matching grant fund). It was agreed that **ARB Apex Bank will review the different operating manuals for lines of credit with a view to harmonizing them** under a single framework, either as a core manual setting out standard criteria, procedures and reporting, with Annexes that can state specialized targeting, criteria and conditions of each specific line of credit or project; or as a template that can readily be used to fill in the details for each line of credit or project. The harmonized manual would also include guiding policies, and specify the type of reporting that can be provided (including gender breakdown of clients, sectoral breakdown of loans, and loan recovery performance).

A draft is expected by September 2013. With respect to *matching grants*, RAFiP is working with NRGp and REP to produce a harmonized manual, which could eventually be incorporated into a single standard manual for both lines of credit and matching grants.

23. *Capitalization*: With respect to the level of demand for wholesale funds, there is a growing consensus that RCBs may increasingly be overleveraged, given their current level of capitalization. Hence increasing the amount of loanable funds at the retail level probably depends on increasing their level of capitalization, so that they can better leverage the lines of credit available. As noted, a precondition for raising more capital will be solving the share registry problem. The persistent resistance of RCB Boards to mergers suggests that they may also be reluctant to accept external capital. **The mission recommends that RAFiP begin investigating options for augmenting the capital of RCBs**, including subordinated debt and equity or quasi-equity. Initially, this would involve exploratory discussion with potential financiers, such as the Outgrower and Value Chain Fund and the Ghana Venture Capital Fund (which has already indicated potential interest in funding RCBs). One objective would be to define the parameters of a possible investment fund that would be acceptable both to potential investors and to RCBs.

24. *Reserve requirements*: It may also be noted that high primary and secondary reserve requirements of 43 per cent continue to limit the proportion of funds that RCBs can invest in loans rather than Treasury Bills. It had previously been indicated that reserve requirements might be reduced upon completion of the computerization and networking exercise, at least for RCBs meeting certain criteria. In preparation for the MTR, which should pursue this issue, **the mission recommends that ARB Apex Bank discuss and minute the issue of reserve requirements with BOG** at their quarterly meetings.

25. **Financial literacy training**: RAFiP has had some preliminary discussion with the GIZ Responsible Finance (RF) project, which has been implementing financial literacy training in collaboration with GHAMFIN since its inception in November 2010. Financial literacy activities that have been undertaken by RF include:

- Training for 36 MFIs in April/May 2012 with a total of 133 participants.
- Strengthening of institutional capacity: RF developed training modules on client orientation and protection and trained selected partner MFIs and their apex bodies on the modules in February, 2013, with participation from ARB Apex Bank, GAMC, Money Lenders Association of Ghana (MLAG) and GHAMFIN.
- Training on designing staff performance-based incentive schemes for MFIs (GAMC, GHAMFIN, Association of Rural Banks and MLAG), followed by on-site coaching (currently on-going through August, 2013).
- Development of client educational materials for the MFIs and the general public (including educational DVDs on savings promotion; responsible borrowing; and banking operations).
- Twenty financial education radio messages on savings promotion, responsible borrowing and consumer rights and responsibilities (currently being aired on FM stations in Ashanti and Brong Ahafo regions).

26. RAFiP has not yet incorporated these activities and expenditures into its AWPB, although they constitute implementation of one of the activities planned under RAFiP. The proposed Ghana Rural Growth Programme (GRGP) also intends to support financial literacy training nationwide. It would make sense for RAFiP to oversee the development, planning and implementation of financial literacy training for actual and potential clients of RMFIs, regardless of the sources of funding. GHAMFIN has been charged by Responsible Finance with coordinating its program, and **the mission recommends that RAFiP incorporate financial literacy training in the AWPB and into revision of programme expenditures since 2010, and discuss with GHAMFIN, Responsible Finance, and IFAD/GRGP how best to coordinate and implement it going forward.**

## Component I.B: Product Development and Innovation

27. **Microfinance product development and training of RCBs:** The first stakeholder workshop for the Microfinance Support Strategy has been held in the southern sector. ARB Apex Bank wants to obtain formal commitments from the Boards of all of the 45 selected RCBs before continuing to launch the program, to ensure that they are ready to improve their microfinance practices. It has been agreed that Danida funds can be used to hold the second stakeholder workshop to provide sensitization and marketing to the remaining RCBs in the northern sector (this should be done before end July). Further, it is agreed that training under the Microfinance Support Strategy would then be rolled out as part of ARB Apex Bank's training program, and hence eligible for support using Danida funds (including subsidies to the lower-rated RCBs). So as not to lose momentum, rollout of the Microfinance training should begin no later than September.

28. **Agricultural value chain finance training** was included in the SMDP curriculum this year with the expectation that 20 staff of RCBs supported by NRGF would participate. However, they were unable to do so due to a conflict with a regional meeting of RCBs. A consultant has been contracted to prepare training manuals for agricultural value chain financial analysis, in collaboration with the ARB Apex Bank. The outcome of this assignment should lead to standardized manuals and modules that can be applied to all types of financial institutions engaging in agricultural value chain finance in Ghana. To ensure that such manuals are consistent with international best practices, and to help upgrade the skills of leading firms in this area, **the mission recommends that RAFiP conduct a training-of-trainers in international practices in agricultural value chain financial analysis** for the consultants who were short-listed for this assignment and for the agricultural value chain financial overlay.

29. **Innovation for agricultural and micro financing:** A draft MOU was sent to Opportunity International Savings & Loan (OISL) at end of April with respect to their proposal to pilot a Geographic Information System to map farm boundaries and collect attribute data. Discussions are on-going with GAMC with respect to developing their credit referencing system and customer complaint desk to be able to service the broader microfinance industry: These are to be financed under the Italian grant. In order to proceed with funding while the Italian grant is being mobilized, **the mission recommends that the PCO seek no objection from IFAD to use its funds on the following basis:** (i) these activities are eligible for expenditure under the IFAD loan; (ii) use IFAD loan funds initially, and replace with grant funds when they become available; but (iii) if grant funds don't come, then the expenditure remains with the IFAD funds. To facilitate the PCO in being proactive in engaging additional partners to propose innovations for co-financing, **the mission recommends that the PCO draft criteria and procedures for reviewing proposals for innovations and product development** for agricultural value chain financing and microfinance.

## Component II.A: Linkages and Technical Support

30. **Agricultural value chain financial overlay study:** The consultants presented their final report on financial analysis of the maize, soya and cassava value chains. The main messages coming out of the analysis can be summarized as: (i) promoters should not assume that all agricultural value chain investments are creditworthy; and (ii) banks should not assume that all agricultural value chain investment are non-creditworthy. There was some evidence of underlying regional differences in profitability, associated mainly with differences in cost (e.g., wages) and infrastructure. However, the relatively small sample size, especially at the regional level, limits the robustness of the results and applicability to individual loan decisions. The consultancy is intended to yield general findings and guidelines for analyzing value chain investments. Given the importance to NRGF and other projects of supporting value chains in the northern part of the country, where the study indicated some weaknesses in profitability, **the mission recommends that RAFiP follow up with a more in-depth study in collaboration with NRGF** to obtain more robust results that can be used by PFIs, with a larger sample and enhanced methodology, including quality control of data collection to ensure consistency of responses. To extend the analysis, it could be considered to substitute rice for cassava.

31. **Catalogue of linkage models:** A contract has now been signed with a consultant (the sole applicant) to catalogue and assess specific models of linkages between financial and non-financial support in key agricultural value chains. Particular attention should be paid to models involving buyers

or aggregators and “cashless credit” to producers, as a means of mitigating risks, including the practical issues regarding contract enforcement.

32. **Matching grants:** As noted in the previous aide-memoire, to help establish whether the matching grants originally envisaged in the project design are in fact needed, the PCO should coordinate with other programs providing matching grants for agricultural value chain actors (i.e., NRG, RTIMP, REP) to (i) amend the programme cost tables and AWPB to incorporate these matching grants and (ii) to assess whether there are gaps in such funding that would warrant RAFiP providing additional matching grant funds.

## **Component II.B: Policy, Regulation, Supervision and Monitoring**

33. **Performance monitoring:** As noted in paragraph 3, GHAMFIN has published the Performance, Monitoring and Benchmarking report on RMFIs in Ghana covering the 2000s, comparing performance data for 2004, 2007 and 2010, and is now completing collection of 2011 data from the apex organizations in order to prepare a report covering 2008-11. By training RMFIs in the MIX tool, GHAMFIN is able to facilitate submission of reports by RMFIs to the MIX, and then download benchmarking reports from the MIX database, which it has done for 2011.

34. **Bank of Ghana:** ARB Apex Bank reports that it has continued to meet on a quarterly basis with BOG. There are no developments with respect to minimum capital and supervision, although the most recent Rural Bank to be licensed was required to achieve GHS 300,000 of capitalization, double the requirement that remains on the books. Since primary and secondary reserve requirements of 43 per cent constrain the amount of funds available for lending, **the mission recommends that Apex Bank raise with BOG the issue of lowering the secondary reserve requirement**, at least for those RCBs meeting certain conditions, as had previously been discussed as a desired outcome of the computerization and networking of RCBs.

35. **Microfinance Forum and newsletter:** No Microfinance Forum has been held since over a year ago, and no newsletter published during 2012. A Forum focusing on Microfinance Regulation and Compliance is scheduled for July 2, 2013, which will address concerns of the new RMFI segments of Microfinance Companies and Moneylenders (under the BOG microfinance regulations). **The mission recommends that the PCO and GHAMFIN clearly delineate commitment and responsibilities for a semi-annual forum and newsletter**, to enhance communication and coordination across the industry.

36. **Data reporting:** It was noted that an important aspect of managing wholesale funds is the ability to provide in-depth data on the portfolios at the retail level, not just disbursement and recovery data at the wholesale level. Apex Bank says that it has now updated its software system to be able to provide such data. Hence the revised Operational Manual should state the types of detailed reports that Apex Bank can provide with respect to loan portfolios for matching grant and loan funds that it manages (including sources of all funds for each investment, gender disaggregation, and recovery rates). Since the Apex Bank can now generate these reports, it no longer needs a consultant to adapt the software, as previously planned. **Apex Bank is to submit a sample set of these data to RAFiP for aggregate RCB system; also to submit to GHAMFIN the aggregate data for 2011 and 2012 on number of depositors and borrowers by gender (and with number of group accounts), and year-end values of savings and loan portfolios.**

37. **Department of Cooperatives:** The mission team met with the Department of Cooperatives, which is responsible for promoting, registering and supervising Credit Unions (CUs). It collaborates with the Ghana Cooperative Credit Unions Association (CUA) in auditing CUs, which must also meet the membership criteria of CUA. It also is responsible for ensuring good governance in CUs, in particular by enforcing the requirement to hold an annual general meeting. Under proposed new legislation, which has been pending for some time, regulation of CUs would come under a Supervisory Board with representation from BOG, MOF, CUA, and GHAMFIN, as well as the Department. To improve its capabilities to carry out its supervisory responsibilities, the Department is requesting computer equipment and training from RAFiP, which the mission endorses in support of the objective of strengthening the overall regulatory and supervisory framework for RMFIs.

38. **Microfinance policy:** The regulatory framework and institutional landscape has changed considerably since the Ghana Microfinance Policy (GHAMP) was drafted and validated in 2008 (but never submitted to Cabinet). The mission notes that MOF has indicated interest in having RAFiP

oversee the process of updating and validating a microfinance policy for submission to Cabinet, as a framework to state the approach of the government and the roles of different agencies and institutions, to help guide overall development of the sector. Based on past experience, **the mission recommends that MOF establish a technical committee to guide the process**, and the PCO prepare a TOR to engage one or two consultants to undertake the consultations with stakeholders, draft the revisions, and facilitate stakeholder workshops.

#### Component II.C: Knowledge Development and Dissemination

39. The approved request for proposals for development of a Communication Strategy for RAFiP will be despatched to the shortlisted firms by the end of June, 2013. The assignment is programmed for four months and it is therefore scheduled to end by December, taking into consideration the evaluation of technical and financial proposals.

#### D. Programme implementation progress

40. Although the six-month process of recruiting a new Coordinator may have somewhat slowed down implementation, the PCO has been quite responsive to queries and attempting to address issues during this period. Timeliness and execution of the AWPB improved in 2012, and M&E is performing satisfactorily. The mission noted with satisfaction that the newly recruited Programme Coordinator has assumed duty and participated actively in the mission. An important challenge going forward will be to establish systems and accountabilities for follow-through on agreed actions, which has been weak.

41. **AWPB Performance.** Disbursement of the AWPB was relatively high at 72 per cent for 2012, while the performance to date for the 2013 AWPB is 28 per cent (Table 2). However, the 2013 AWPB may be overoptimistic at more than double the 2012 performance for IFAD expenditures, and some activities have been cancelled or changed in scope. **The mission recommends that the PCO revise the AWPB and the procurement plan (PP)** to be more realistic in light of these changes, as well as to capture RAFiP activities being implemented by complementary programmes (EMCB, Responsible Finance), and resubmit for no objection.

| Table 2: Summary Of Budget Performance - 2010 to 2013 (end May): USD |           |           |     |            |            |     |
|--|-----------|-----------|-----|------------|------------|-----|
| Budget Year  | IFAD      |           |     | Programme  |            |     |
|  | Budget    | Actual    | %   | Budget     | Actual     | %   |
| 2010   | 1,174,200 | 25,966    | 2%  | 2,532,200  | 645,514    | 25% |
| 2011   | 1,892,200 | 564,852   | 30% | 5,798,600  | 671,480    | 12% |
| 2012   | 1,934,600 | 1,386,718 | 72% | 3,994,600* | 1,952,537* | 49% |
| 2013   | 2,996,190 | 826,367   | 28% | 5,008,025  | 826,367    | 17% |

\*Excluding Danida wholesale fund expenditures of USD 2.3m that was mistakenly included in the original AWPB. The difference between IFAD and Programme expenditures was largely due to Danida expenditures on capacity building of RCBs and ARB Apex Bank.

42. **Monitoring & evaluation.** The M&E Manual has been finalized. The draft Annual Work Plan and Budget (AWPB) for 2013 was submitted in December and revised in January, while the narrative was reviewed in January and finalized in February. Formal no objection to the AWPB was received only in March, which may have contributed to the delayed start-up of activities for 2013. RIMS indicators were submitted in a timely manner. The M&E consultant engaged by ARB Apex Bank is finalising the logical framework with the baseline data, for incorporation into RAFiP's M&E system. The apex organisations have begun submitting M&E reports to the PCO, for which they had been given computers, and some members have undergone M&E training.

43. **Human resources.** The mission reminds the PC to follow with previous recommendations on human resource management issues to **set up a system of results-based performance objectives with staff and assess staff by December 2013.**

44. **Gender:** RAFiP continues to capture and track gender-disaggregated data on all project activities, as well as to emphasize gender mainstreaming. The consultant working with ARB Apex Bank on its Microfinance Support Strategy for RCBs has prepared a draft Gender Strategy, which is to



be finalized following the second sensitization workshop for the Microfinance Support Initiative. For the second year in a row, Apex Bank has nominated three female RCB managers to attend the Boulder Microfinance Training, two of whom have been awarded Mastercard Fellowships.

45. **POC:** The Programme Oversight Committee (POC) has not met since November 2012. **The mission recommends that the PCO convene a POC meeting during July 2013.**

| Agreed action  | Responsibility        | Agreed date    |
|--|-----------------------|----------------|
| <b>Comp. III: Administration</b>   |                       |                |
| III.3 Sub-group of agencies supporting Apex Bank to review Strategic Plan 2014-17 for semi-annual meeting  | ARB Apex Bank/POC     | Oct. 31, 2013  |
| III.7 Develop a staff performance management system, with individual work objectives and targets; and assess staff                                     | PCO                   | Dec. 31, 2013  |
| III.8 Revise AWPB & PP in light of cancelled activities and to include RAFiP activities being supported by other programs, and submit for no objection | PCO                   | Aug. 31, 2013  |
| III.9 Develop guidelines and criteria for matching grants  | PCO, NRGp, REP, RTIMP | Sept. 30, 2013 |
| III.10 Update PIM, in particular to clarify the basis for payment of core and performance-based grants to apex organizations                           | PCO                   | Done??         |
| III.11 Begin disbursing Italian grant funds  | PCO                   | July 31, 2013  |
| III.12 Convene POC   | PCO (POC)             | Aug. 31, 2013  |
| <b>M&amp;E</b> [see also section G]  |                       |                |
| III.1. Update M&E targets in view of baseline survey findings and experience to date   | PCO                   |                |
| III.6 Capture Apex Bank baseline M&E data into RAFiP system  | PCO                   | Aug. 31, 2013  |

## E. Fiduciary aspects

46. **Financial management.** Based on recommendations from the previous supervision mission in 2012, the Programme has disengaged in investing the IFAD funds for commercial interests, updated the fixed assets register with tax exemption values, and currently prepares a monthly cash budget. The implementation of these recommendations in addition to previous recommendation made in 2010 and 2011 has rendered the rating of financial management of the Programme as moderately satisfactory.

47. Nevertheless, the financial management capacity for the project is inadequate in terms of the number of qualified accountants. Currently, the Financial Controller is assisted by a National Service intern, whose contract ends at 31 July 2013. The Programme Financial Management requires a minimum of two-person capacity, including a qualified Accountant. **The mission recommends that the PCO should initiate recruitment an Accounts Assistant in addition to an Accounts Officer to support the Financial Controller by end September 2013.** This will enhance internal checks and controls as well as facilitate a minimum level of continuity in the event of absence of the Financial Controller.

48. **Systems and Internal Controls:** The financial management systems, internal controls and procedures have been put in place and form part of the Programme Implementation Manual (PIM). The systems include the financial planning through AWPBs, financial data capturing and accounting system, financial cash flow management, monitoring and reporting, and procurement and auditing. The Programme financial transactions are captured and accounted for using the Sage ACCPAC System. However, the usage of the system is yet to be put into full use as some very regular reports are still manually generated. **The mission recommends the maximised usage of the system by automating withdrawal applications, bank reconciliation, AWPB, M&E reports, Statutory Financial Statements and other management reports.**

49. The mission also noted inadequate segregation of duties as a result of insufficient numbers of qualified accountants in the current financial management team (see above). In addition, internal controls are inadequate due to lack of internal audit input, as is the system for other GoG public expenditure processes. The other key gap is lack of regular quarterly financial statements that would be a subject of structured result-oriented oversight review by the PCO management team and the Project Oversight Committee (POC), as part of the oversight role of ensuring accurate and timely financial reporting as well as best management of funds flow for effective and efficient utilization. The quarterly financial statements and reports should include income and expenditure statements, SPA reconciliation, and budgetary report on activities implemented during the quarter. The mission recommends improvements to address these inadequacies and update the systems manual to

accommodate the processes of these additions, as well as other systems developments since Programme Inception.

50. The mission noted that there was a delay in implementation of end-of-year accounting system closure procedures that were to be carried out with the support of the vendor. The mission recommends that the PCO engage the vendor to ensure provision of timely and effective support in the future. In addition, **the mission recommends training for the finance team in the accounting software to include (i) report designing; (ii) closure of accounts; (iii) data import and export; etc.** Meanwhile PCO should capture all the 2013 transactions into the system by the end of July 2013.

51. **Travel Authorisation:** The PCO is yet to adopt the use of Travel Authorisation Forms as provided for in the Programme Implementation Manual. **The mission recommends the use of standard travel authorisation forms, travel expense claim forms and back-to-office reports.**

52. **Disbursement.** Cumulative disbursement to date of the IFAD loans (totalling SDR 10 million or USD 15 million) is SDR 2.05 million or USD 3.19 million representing 20% of the total, including the Special Programme Account (SPA) allocation of USD 1.5 million. This status has been reconciled to the IFAD statements. However, the loan utilization, excluding the SPA allocation is SDR 1.10 million, or USD 1.69 million, and represents utilization level of only 11%. The mission has gone further to factor in expenditure in pending WAs 6 and 7 amounting to USD 1.14 million or SDR 737,000 equivalents at the current exchange rates. The projected utilization is estimated at SDR 1.83 million or 18% of the loan. Consequently, the projected Loan balance as at 31 May 2013 is SDR 8.17 million, or USD 12.6 million at the current exchange rates. Disbursement in 2013 was delayed somewhat by the process finalizing and approving the AWPB (no objection received in March) and of recruiting a new Coordinator (completed in June).

53. The mission examined disbursement by expenditure category (Table 3). The highest utilisation rate (73 per cent) is for Cat. I, vehicles and equipment, which are front-loaded at the beginning of the programme. Cat. IIB Technical assistance (others) is also relatively high (56 per cent), but likewise has been front-loaded in support of ARB Apex Bank, and may be shifted to performance-based support rather than TA after MTR. Hence there is no immediate need for reallocation, although this should be revisited during the MTR.

**Table 3: Disbursement of IFAD loan as at 31 May 2013**

| Category Description                              | IFAD Loan<br>761<br>Allocation | IFAD Loan<br>761A<br>Allocation | Total<br>IFAD<br>Loan | Disb. as at<br>31 5 13 | Disb. up to<br>WA 5 as at<br>31 5 13 | Pending WAs<br>6 and 7 |         | Projected<br>Loan<br>Utilisation at<br>31 5 13 | Projected<br>Loan<br>Utilisation | Projected<br>Loan<br>Balance |
|---|--------------------------------|---------------------------------|-----------------------|------------------------|--------------------------------------|------------------------|---------|--|----------------------------------|------------------------------|
|   | SDR                            | SDR                             | SDR                   | SDR'000                | %age                                 | USD                    | USD'000 | SDR'000  | %age                             | SDR'000                      |
| I Vehicle, Goods and Equipment                    | 70                             | 105                             | 175                   | 88                     | 50%                                  | 62                     | 40      | 128  | 73%                              | 47                           |
| II A Technical Assistance- Registry<br>Management | 50                             | 75                              | 125                   | 7                      | 6%                                   |                        |         | 7  | 6%                               | 118                          |
| II B Technical Assistance- Others                 | 660                            | 990                             | 1,650                 | 453                    | 27%                                  | 725                    | 470     | 922  | 56%                              | 728                          |
| III Studies, Training and Workshops               | 2,240                          | 3,360                           | 5,600                 | 305                    | 5%                                   | 181                    | 117     | 422  | 8%                               | 5,178                        |
| IV Performance Based Lump Sums                    | 290                            | 435                             | 725                   | 39                     | 5%                                   | 76                     | 49      | 88   | 12%                              | 637                          |
| V Salaries and Allowances                         | 190                            | 285                             | 475                   | 117                    | 25%                                  | 41                     | 26      | 143  | 30%                              | 332                          |
| VI Operating Costs                                | 130                            | 195                             | 325                   | 88                     | 27%                                  | 53                     | 34      | 122  | 38%                              | 203                          |
| VII Unallocated                                   | 420                            | 505                             | 925                   | -                      | 0%                                   |                        |         | -  | 0%                               | 925                          |
| Subtotal  | 4,050                          | 5,950                           | 10,000                | 1,096                  | 11%                                  | 1,137                  | 737     | 1,833  | 18%                              | 8,167                        |
| Authorised Allocation                             |                                |                                 |                       | 949                    |                                      |                        |         |  |                                  |                              |
| Total   | 4,050                          | 5,950                           | 10,000                | 2,045                  | 20%                                  |                        |         | 1,833  | 18%                              |                              |

54. **Disbursement by Implementing Agency:** Out of total IFAD disbursement of USD 3.2m (including SPA), the Programme has disbursed USD 1.5m to or through the key implementing

agencies, including the Capacity Building Fund, ARB Apex Bank, GHAMFIN, and other sub-sectoral apex bodies, representing 55 per cent of total RAFIP disbursement of USD 2.8m as at 28 May 2013 (Table 4). The remainder represents activities managed by the PCO and its administrative costs.

| <b>Table 4: Disbursement by Implementing Agents and PCO as at 28 MAY 2013</b> |                               |                          |
|---|-------------------------------|--------------------------|
| <b>Implementing Agent/PMU</b>   | <b>Amount Disbursed (USD)</b> | <b>Per cent of total</b> |
| ARB Apex Bank   | 503,028                       | 17.8%                    |
| CBF   | 643,843                       | 22.8%                    |
| GHAMFIN   | 187,773                       | 6.6%                     |
| GAMC  | 86,037                        | 3.0%                     |
| GCCUA   | 51,972                        | 1.8%                     |
| GCSCA   | 30,613                        | 1.1%                     |
| ASSFIN  | 22,983                        | 0.8%                     |
| GHASALC   | 21,454                        | 0.8%                     |
| <b>Sub-Total</b>  | <b>1,547,704</b>              | <b>54.7%</b>             |
| PCO   | 1,280,065                     | 45.3%                    |
| <b>TOTAL</b>  | <b>2,827,769</b>              | <b>100.0%</b>            |

55. **Counterpart funds.** The Loan Financing Agreement requires the Government of Ghana (GoG) to provide financial resources of approximately USD 3.41 million. As at 31 May 2013 GoG has contributed a cumulative total of USD 297,000, as requested by the programme; and the USD 250,000 requested for 2013 has been approved (but not yet released). In addition, GoG is providing a waiver of value added tax with respect to equipment and registered consultants, the value of which should be added to the total GoG counterpart contributions (for comparison with appraisal amounts).

56. **Contributions from Beneficiaries:** At Programme appraisal, the beneficiaries and the ARB Apex Bank were planned to contribute USD 7.53 million and USD 2.34 million respectively. The mission notes that contributions by the beneficiaries of training under the CBF are being captured in RAFiP documentation, but that the amount in the ARB Apex account (for eventual transfer to the Training Seed Fund) also needs to be reported. Furthermore, ARB Apex Bank in-kind contributions are not being captured, although they were included in the project design cost tables. **The mission recommends that a mechanism is formulated for regular capture of the beneficiaries' contributions for monitoring and reporting,** including: (i) ARB Apex Bank staff and other costs associated with oversight and implementation of consultancies and RAFiP-supported activities, as well as for merger and training activities; (ii) contributions of RMFIs toward the costs of training under the CBF, being held for continued subsidization of training after the end of the Programme; and (iii) contributions to training being held by ARB Apex Bank for transfer to the Training Seed Fund once the Charter is signed with Danida.

57. **Compliance with loan covenants.** In spite of the slow take off of the Programme activities the mission has not noted any contravention of the loan covenants. Detail of compliance with loan covenants are presented in Appendix 5.

58. **Procurement.** The Procurement Plan (PP) for the 2013 financial year is consistent with the AWPB estimated provisions. The planned activities for procurement have been agreed with the various implementing organizations in a planning workshop. The PP is properly prepared using the right templates with all the key implementation milestones stratified in the document. During the current year only one consultancy that was carried forward from last year was completed. This was for the consultancy services for Institutional assessment for the ARB Apex bank. The mission confirms that the procurement followed the laid down procedures including the advert, evaluation and contract award.

59. Nevertheless, procurement for 2013 has not been significantly implemented due to the delay in receipts of the IFAD No objection (NO) for the PP (received on 30 April 2013). The bulk of the procurement is for consultancies: USD 1,034,500 including the on-going procurements from 2012

financial year for USD 365,000; the plan for goods was USD 172,200. The consultancies are mainly for capacity building needs of the implementing agencies and their members, including ARB Apex Bank, GHAMFIN, GAMC, GCSCA, CUA, ASSFIN, and GHASALC. For all the agencies apart from ARB Apex Bank, the process of procurement for training follows the procedures in the Capacity Building Fund Operational Manual. The manual requires the agencies to seek their services from a list of pre-qualified service providers. As for ARB Apex Bank, the main challenge for achieving procurement progress is reported to be the undue delay in submitting TORs. It now appears that some of these consultancies will be cancelled, requiring revision and resubmission of the PP.

60. **Strategic planning for timely procurement:** As at 31 May 2013, the bulk of the Programme IFAD resources, approximately USD 8 million representing 63.4 per cent, are allocated to category 3, Studies, Training and Workshops. The future agreement with the implementing agencies on the activities for inclusion in the relevant AWPB should be accompanied by the requisite specifications and/or Terms of Reference for ensuring earliest implementation of the Procurement Plan. The PCO should also consider providing TA to review the nature of the wide range of capacity building needs likely to be demanded under the relevant components, and provide a strategic framework of TORs and specifications aimed at reducing the waiting time and improve the timeliness of procurement implementation. The MTR should also make a review in depth of the funds allocated in this category with the aim of rationalising the PP going forward.

61. **Audit:** The statutory audit has been carried out by Messrs Ernst and Young in a timely manner and the Financial Statements, Accounts and Reports for 2012 have received clean and unqualified audit opinions from the auditors, with no major issues in the Management letter. This is consistent with the 2010 and 2011 audits. The Auditor's report and Management letter have been submitted to IFAD and GoG on 3 April 2013. However, the mission recommends improvement of the financial statements with additional statements that present: (i) the expenditure by components; (ii) statements of sources and uses of funds the compares the actual expenditure by both categories and components; (iii) detailed statement of non-current assets in terms of key asset classifications; and (iv) a statement on the initial loan advance reconciled in IFAD format (Form 104).

62. The contract with Ernst and Young has expired following its mandate to audit the 2010, 2011 and 2012 Financial Statements. **The mission recommends that the PCO procures the Consultancy Contract for Audit Services for 2013, 2014, and 2015 by September 2013.** In line with best practice, Ernst & Young should not be permitted to compete for the consultancy.

63. **Review of the Special Programme Account:** The mission reviewed the authorized allocation in the Special Account and other Programme Account and confirms that the initial deposit is properly and fully accounted for as at 28 May 2013. The Special Account has a cash balance of USD 220,388 while the Programme Operation account had a balance of USD 147,755 (Table 5). The key reconciling item is the expenditure of USD 1,137,038, which is pending WA submission. The mission notes that this expenditure is now ready in WA drafts 6 and 7 and waiting for the signatures and submission to IFAD for replenishment claim. The mission has made these two draft WAs the basis for SOE random tests and has assisted the PCO in improving the SoE presentations. The PCO should ensure that all claims for amounts above the USD 20,000 submitted under form 101 and the summary sheets accompanied with supporting documents for each of the amount claimed, and should include fully reconciled Contract Monitoring Form for any of the items claimed on account of a contract. All the items below USD 20,000 should be submitted using form 102A and no supporting documentation is required. **The Programme is running low on cash flow and it was agreed that the two WAs should be submitted on or before 30 June 2013.**

**Table 5: Status of the Special Account as of 28 May 2013.**

| Item | Description  | Value (USD) |                  |
|------|--|-------------|------------------|
| 1    | <b>Authorised Allocation</b>                           |             | <b>1,500,000</b> |
| 2    | Balance in the Special Account                         | 220,388     |                  |
| 3    | Balance in the Programme Account                       | 147,755     |                  |
| 4    | Expenditure pending WA submission at PCO- (Draft # 6 ) | 310,671     |                  |
| 5    | Expenditure pending WA submission at PCO- (Draft # 7 ) | 826,367     |                  |
| 6    | Bank Interest Received                                 | (5,181)     |                  |
|      | <b>Total</b>   |             | <b>1,500,000</b> |

64. **Programme Financiers:** Following the inability of some donors to sign in to the Programme as envisaged at Programme Design, RAFIP continues to collaborate with other Development Partners – notably World Bank (EMCB), Danida and GIZ - that have programmes that fund agricultural and micro finance activities. **The mission recommends that the PCO revise expenditure and cost tables accordingly, prior to MTR.**

| Agreed action: Fiduciary   | Responsibility           | Agreed date                     |
|--|--------------------------|---------------------------------|
| III.15 Prepare TOR for an Accounts Officer and Accounts Assistant and recruit them   | PCO                      | July 15, 2013<br>Sept. 31, 2013 |
| III.16 Automate withdrawal applications, bank reconciliation, M&E and other management reports.  | PCO                      | Sept. 30, 2013                  |
| III.17 Institute procedures for regular capture and reporting of beneficiaries' contributions (including ARB Apex Bank in-kind) in connection with consultancies, training and mergers | PCO, ARB Apex Bank, CBFM | Aug. 31, 2013                   |
| III.18 Procure new consultant for audits for 2013-5  | PCO                      | Oct. 30, 2013                   |

## F. Sustainability

65. As a sector-wide program, RAFiP approach emphasises development of the financial system into rural areas, especially in support of agricultural value chains, in a way that is both inclusive and sustainable. Implementation is largely through private apex organizations and financial institutions that can sustain the results, as well as through partnerships with other programmes that can facilitate technical support and institutional arrangements to lower the risks and costs of financing agricultural value chains and rural enterprises. The combination of core and performance-based support, as well as training and strategic planning, for membership-based apex associations have helped them to build services to members beyond what could be achieved based just on dues and cost-sharing by members, and enhanced their capability to provide “public goods” and general services such as advocacy, data collection, monitoring and supervision. Hence they are moving toward long-run sustainability based on a combination of services that members are willing to pay for and capability to effectively provide information and services that government and donors will help fund. Similarly, the capacity-building provided to their member RMFIs is expected to yield a range of robust RMFIs of different types, oriented toward different niches of the market but with sufficient competition to encourage efficiency.

66. In the case of the ARB Apex Bank, although it is licensed as a private commercial financial institution, it has been strongly oriented toward providing low-cost services to RCBs under RFSP and RAFiP. With a new strategic plan under preparation, this orientation is changing toward greater emphasis on demand-driven member services and cost recovery. The institutional assessment indicates that it is financially sustainable for the foreseeable future, based largely on expected revenues from investment of the required 5 per cent primary reserves that RCBs must keep with Apex Bank. Nevertheless, there are persistent challenges in terms of a high operating cost ratio, pressure to provide non-revenue-generating services such as inspection, and the risk of falling interest rates. Hence the objective of reaching full self-sustainability by the end of RAFiP in 2016 will require continued efforts by the new Board and Managing Director to reorient the business model toward that end, reduce costs, and increase efficiency and cost recovery of services provided.

67. The MTR is expected to focus on ways that RAFiP can enable MOF to play a more effective in coordination and harmonization of different programmes the support or relay on financial institutions to finance agricultural value chains, rural enterprises and the poor. This will involve strengthening efforts for RAFiP to: (i) harmonize the various approaches to rural finance in the country, in particular to strengthen financial analysis of agricultural value chain opportunities; (ii) develop a conducive policy and regulatory framework; and (iii) coordinate with other project supporting agricultural value chains and participating financial institutions. At the micro level, PFIs serving projects managed under other Ministries, supported by IFAD and various other donors, could more effectively achieve the expected results through support from RAFiP's capacity-building activities. At the policy level, the POC provides an opportunity for MOF to establish a rural and agricultural finance policy framework; coordinate and harmonize the approaches of different Ministries and donors in utilizing and supporting rural financial services; and BoG in regulating them.

## G. Mid-term review

68. A mid-term review (MTR) of RAFiP is tentatively scheduled for early in 2014. At present, some important activities are only getting under way, such as designing training manuals for agricultural value chain financing, cataloguing models of linkages between financial and non-financial support institutions, and implementing the ARB Apex Bank's Microfinance Support Strategy; and none of the additional activities needed to generate information for MTR assessment have been initiated. The mission recommends that the MTR be considered as a process (beginning immediately) of evaluating current strategy and impact, gathering relevant data, and proposing revised or new strategies to achieve objectives, consistent with the Medium Term Agriculture Sector Investment Plan (METASIP). During the remainder of 2013, the incoming Coordinator and the RAFiP team should review the Logframe and targets, and prepare their inputs and recommendation for the MTR. In particular, the team should review the key issues for agricultural finance and what RAFiP is (or should be) doing to address them, and how it is (or can better be) related to the METASIP and other value chain projects. One objective of the MTR (and preparations for it) would be to develop clearer monitorable indicators of results and targets. Implementation support in September and/or November would be geared to facilitating this process. Relevant studies and activities to prepare for the MTR would include:

- revising the annual expenditures and the cost tables by financier to include past and expected contributions from Danida, World Bank (EMCB/FINSSP), and GIZ, as well as matching grants for agricultural value chain actors being provided through NRGP, RTIMP and REP;
- deepening the agricultural value chain finance study in collaboration with NRGP (Table 1, item IIA.1a);
- survey of effectiveness of capacity building (training and support to apexes) with respect to perceptions and application by RMFIs and apex institutions and effectiveness of the methodology;
- catalogue of agricultural value chain linkage models between financial and non-financial support institutions (consultant has been contracted) (Table 1, item IIA.2);
- assessment of factors inhibiting universal banks from more actively engaging in lending to agricultural value chains (PCO to follow up);
- assessment of the situation of RCBs regarding capitalization and share registries (see paras. 19 and 23); and
- Initiating a study of poverty outreach, impact and sustainability of RMFIs (comparable to the one done by GHAMFIN in 2006, with the addition of some impact analysis).

| Agreed actions to prepare for MTR  | Responsibility | Agreed date    |
|--|----------------|----------------|
| <b>M&amp;E</b>   |                |                |
| III.13 Draft TOR and procure consultant for evaluation of capacity-building (training) programmes, impact and perceptions by RMFIs   | PCO            | Aug 31, 2013   |
| III.14 Draft TOR for nationwide sample survey of relative poverty status of RMFI clients, relationship of access to finance and socio-economic indicators, and sustainability of RMFIs (update 2006 GHAMFIN study and provide impact analysis) | PCO            | Sept. 30, 2013 |
| <b>Fiduciary</b>   |                |                |

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|  |     |                |
|--|-----|----------------|
| III.5 Undertake accounting system upgrade with new server  | PCO | Nov. 30, 2013  |
| III.19 Revise cost tables by financier to include past and expected contributions from Danida, World Bank (EMCB/FINSSP), and GIZ, as well as matching grants for agricultural value chain actors being provided through NRGp, RTIMP and REP. | PCO | Sept. 30, 2013 |

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## H. Conclusion

69. RAFiP is gradually positioning itself to play a more central role in coordinating capacity building and product development for agricultural value chain financing in support of various value chain programmes, as well as in generally supporting development of the RMFI industry, policies and regulation. By continuing to develop and implement its capacity-building support effectively, and by forming additional partnerships with other programmes and institutions that are undertaking activities relevant to RAFiP, the programme can be in a position to provide, coordinate or assure quality in capacity building for PFIs in various programmes, especially those supported by IFAD (i.e., NRGp, RTIMP and REP; and GRGP in the future). The innovative performance-based approach to supporting apex institutions is producing good results in fostering initiative without excessive intervention or dependence, and the MTR can consider extending this approach to support of ARB Apex Bank, in lieu of the TA/consultancy approach, which has proven cumbersome. The MTR will also provide an occasion to define RAFiP's role in addressing important issues for the future of the industry, including the microfinance policy framework, capitalization of RCBs, and supervision of RMFIs.

70. IFAD and the Government of Ghana endorse the findings of the supervision mission.

## **Appendices**

- Appendix 1 Summary of Project Status and Ratings
- Appendix 2 Updated logical framework: Progress against objectives, outcomes and outputs
- Appendix 3 Summary of key actions to be taken within agreed timeframes
- Appendix 4 Physical progress measured against AWP&B, including RIMS indicators
- Appendix 5 Financial: Actual financial performance by financier; by component and disbursements by category
- Appendix 6 Compliance with legal covenants: Status of implementation
- Appendix 7 Knowledge management: Learning and Innovation



## Appendix 1: Summary of project status and ratings

### Project 1428 [761] Rural and Agricultural Finance Programme - Draft

#### Basic Facts

|                     |  |  |             |            |      |                       |     |
|---------------------|--|--|-------------|------------|------|-----------------------|-----|
| Country             | Ghana                                    |  |             | Project ID | 1428 | Loan/DSF Grant No.    | 761 |
| Project             | Rural and Agricultural Finance Programme |  |             |            |      | Top-up Loan/DSF Grant | 761 |
| Date of Update      | 08-Jul-2013                              |  |             |            |      |                       |     |
| Supervising Inst.   | IFAD/IFAD                                |  |             |            |      |                       |     |
| No. of Supervisions | 5  | No. of Implementation Support/Follow-up missions | 2           |            |      |                       |     |
| Last Supervision    | 30-Nov-2012                              | Last Implementation Support/Follow-up mission    | 28-Apr-2010 |            |      |                       |     |

|                     |             |                   |             | USD million Disb. rate %    |       |    |
|---------------------|-------------|-------------------|-------------|-----------------------------|-------|----|
| Approval            | 17-Dec-2008 |                   |             | Total financing             | 41.86 |    |
| Agreement           | 23-Nov-2009 | Effectiveness lag | 16.6        | IFAD Total                  | 14.99 |    |
| Entry into force    | 30-Apr-2010 | PAR value         | -----       | IFAD loan                   | 14.99 | 20 |
| First disbursement  |             |                   |             | DSF grant                   |       |    |
| MTR                 |             | Last amendment    |             | IFAD grant                  |       |    |
| Original completion | 30-Jun-2016 | Last audit        | 31-Dec-2012 | Domestic Total              | 13.28 |    |
| Current completion  | 30-Jun-2016 |                   |             | Beneficiaries               | 7.53  | 0  |
| Original closing    | 31-Dec-2016 |                   |             | Government (National)       | 3.41  | 6  |
| Current closing     | 31-Dec-2016 |                   |             | Domes. Fin. Inst.           | 2.34  | 0  |
| No. of extensions   | 0           |                   |             | External Co-financing Total | 13.59 |    |
|                     |             |                   |             | African Dev. Bank           | 4.93  | 0  |
|                     |             |                   |             | Italy                       | 1.51  | 0  |
|                     |             |                   |             | World Bank: IDA             | 7.14  | 0  |

#### Project Performance Ratings

| B.1 Fiduciary Aspects                             | Last | Current | B.2 Project implementation progress           | Last | Current |
|---|------|---------|---|------|---------|
| 1. Quality of financial management                | 4    | 4       | 1. Quality of project management              | 3    | 4       |
| 2. Acceptable disbursement rate                   | 5    | 3       | 2. Performance of M&E                         | 3    | 3       |
| 3. Counterpart funds                              | 5    | 4       | 3. Coherence between AWPB & implementation    | 3    | 3       |
| 4. Compliance with financing covenants            | 5    | 5       | 4. Gender focus                               | 4    | 4       |
| 5. Compliance with procurement                    | 4    | 4       | 5. Poverty focus                              | 4    | 4       |
| 6. Quality and timeliness of audits               | 5    | 5       | 6. Effectiveness of targeting approach        | 4    | 4       |
|   |      |         | 7. Innovation and learning                    | 4    | 4       |
|   |      |         | 8. Climate and environment focus              |      |         |
|   |      |         |   |      |         |
| B.3 Outputs and outcomes                          | Last | Current | B.4 Sustainability                            | Last | Current |
| 1. Comp I.A: Capacity Building for Sustainability | 4    | 4       | 1. Institution building (organizations, etc.) | 4    | 4       |
| 2. Comp I.B: Product Development & Innovation     | 4    | 4       | 2. Empowerment                                | 4    | 4       |
| 3. Comp II.A: Linkages & Technical Support        | 4    | 4       | 3. Quality of beneficiary participation       | 4    | 4       |

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| 4. Comp II.B: Policy, Regulation, Supervision & Monitoring | 4 | 4 | 4. Responsiveness of service providers      | 4 | 4 |
| 5. Comp II.C: Knowledge Development and Dissemination      | 4 | 4 | 5. Exit strategy (readiness and quality)    | 4 | 4 |
|  |   |   | 6. Potential for scaling up and replication | 4 | 4 |

#### B.5 Justification of ratings

Implementation of activities has been improving, especially training and consultancies on agricultural value chain financing, and a new Coordinator has been successfully recruited. The institutional assessment of the ARB Apex Bank has been completed and a new Managing Director recruited, and it is in the process of preparing a new Strategic Plan. The need for direct technical assistance to Apex Bank has reduced, and a shift to performance-based support will be considered during the mid-term review. Initial contacts to forge partnerships with other agencies, Programmes and other private operators need to be pursued more proactively to enable RAFIP to play an appropriate coordinating role as an overall Programme for support of rural financial service development and inclusion, especially for agricultural value chains. M&E is now moderately satisfactory: the baseline and M&E manual has been finalized and RIMS reporting has improved. Although improved in 2012, disbursement is still lagging, in part due to late approval of the 2013 AWPB, which was drafted on time and a satisfactory narrative subsequently provided. Programme management is effectively coordinating and obtaining reports from a large number of implementing agencies and apex organisations being supported by RAFIP, however, the AWPB is to be revised to more accurately reflect the situation at mid-year.

### Overall Assessment and Risk Profile

|   | Last | Current |
|---|------|---------|
| C.1 Physical/financial assets                                   | 4    | 4       |
| C.2 Food security   | 4    | 4       |
| C.3 Quality of natural asset improvement and climate resilience |      |         |
| C.4 Overall <b>implementation progress</b> (Sections B1 and B2) | 4    | 4       |

#### Rationale for implementation progress rating

The overall progress in implementation has been rated moderately satisfactory, in view of improving implementation of activities (especially training and consultancies), more responsive management and M&E, and successful recruitment of a new Coordinator. Initial steps have been made with respect to supporting innovations and developing partnerships with other Programmes that support RAFIP activities; these should be further advanced in time for the Mid-Term Review. Completion of the study on agricultural value chain financial analysis has laid the groundwork for further work to deepen the data and design appropriate training Programmes.

|  |   |   |
|--|---|---|
| C.5 Likelihood of achieving the development objectives (section B3 and B4) | 4 | 4 |
|--|---|---|

#### Rationale for development objectives rating

RAFIP is well positioned to play a leadership role in developing modalities and building capacity for financing agricultural value chains. Other Programmes that directly support value chains are running up against constraints on access of their clients to finance, which could benefit from RAFIP's systemic approach – particularly to methodologies for applying matching grants, mitigating risks, financial analysis of value chains, and issues affecting Rural and Community Banks (undercapitalization, inadequate share registries, regulatory compliance and inspection). In particular, RAFIP has established effective modalities for strengthening the apex organisations and their ability to serve their respective subsectors.

#### C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

|                                 |  |
|---------------------------------|--|
| Fiduciary aspects               | The Programme manages the funds in compliance with the Financing Agreement and the Letter to the Borrower. Recommendations of IFAD supervision missions have largely been implemented.   |
| Project implementation progress | To redress problems leading to supply-driven training under RFSP, the RAFIP Capacity Building Fund has emphasised demand-driven training organized through apex organisations for their members and quality assurance in terms of standardizing the training manuals and selection of qualified training providers. This has somewhat delayed implementation and limited the number of active training providers, but now appears to be paying off in terms of the active role of the apex organizations, including training-of-trainers within each subsector to increase the number of suitable trainers. While implementation of technical assistance to ARB Apex Bank has been slow, it now appears to be sufficiently mature to move toward a more performance-based approach going forward. This is to be discussed as part of MTR, in light of its new Strategic Plan under preparation.  |
| Outputs and outcomes            | Key risks that may hamper the achievement of the expected development objectives include: (i) political preference for credit over building the capacity of financial institutions may lead to government-directed, subsidized credit programs that undermine efficient and sustainable financial services; (ii) effectiveness of the ARB Apex Bank in transforming from a project-driven business model to achieving long-run sustainability while effectively servicing the rural banking system; and (iii) inability of the Rural and Community Banks (RCBs) to achieve the capitalization, efficiency and understanding of the need to consolidate in order to keep pace with growing competition from commercial financial institutions and changing financial markets and regulatory requirements. To mitigate these risks, RAFIP intends to facilitate updating of the national microfinance policy, improve communication with Parliament, and to continue engaging with ARB Apex Bank on governance issues as well as capitalization and other constraints on RCBs. The risk of being overly focused on microfinance is being addressed by deepening the work on agricultural value chain financial analysis and training and undertaking evaluation and data studies to prepare for the MTR to help refocus the Programme going forward. |

|                |   |
|----------------|---|
| Sustainability | The key challenges to establish an environment conducive to sustainability of Programme results are to: (i) harmonize the various approaches to rural finance in the country, supported by a conducive policy and regulatory framework; and (ii) utilize RAFiP effectively to better coordinate activities supporting financing of agricultural VCs and participating financial institutions. At the micro level, PFIs serving projects managed under other Ministries, supported by IFAD and various other donors, could more effectively achieve the expected results through support from RAFiP's capacity-building activities and efforts to raise and address system-wide issues (such as capitalization of RCBs). Institutional assessment of ARB Apex Bank indicates that its prospects for sustainability are good. Nevertheless, RAFiP will work with it to realize increasing cost recovery on core services, especially training. Sustainability risks are higher for other apex organizations, which do not have a strong capital base. The methodology established by RAFiP for providing both core and performance-based funding based on achievement of results has helped to strengthen both their governance and services, raising the probability that they will be sufficiently valued by members and effective as a service provider to be sustainable on the basis of member fees, cost-sharing on services, and implementation of relevant donor-funded activities. |
|----------------|---|

### Proposed Follow-up

| Issue / Problem        | Recommended Action   | Timing         | Status |
|------------------------|--|----------------|--------|
| Training Effectiveness | Undertake evaluation study of training effectiveness   | January 2014   |        |
| Financial Management   | Revise expenditure data and cost tables to include contributions from parallel Programmes contributing to RAFiP sector-wide objectives (including World Bank and GIZ, as well as Danida) | October 2013   |        |
| M&E                    | Update M&E targets to reflect baseline findings and current situation  | September 2013 |        |

### Additional observations

MTR will provide an opportunity to refocus RAFiP on positioning itself to play a central role in coordinating efforts and addressing key issues to strengthen financing for agricultural value chains and the rural poor and MSEs. For this purpose, several studies and consultative processes are to be undertaken in the latter half of 2013 to provide the necessary data and information for an MTR early in 2014.



## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

| DESCRIPTION  | TARGET POPULATION AND INSTITUTIONS | OUTCOMES/OUTPUTS | VERIFIABLE INDICATORS   | SOURCES OF VERIFICATION  | ASSUMPTIONS AND RISKS  |
|--|------------------------------------|------------------|---|--|--|
| <u>Development goal</u><br><br>Improve the livelihoods of the rural population including smallholder farmers and rural micro-entrepreneurs with a special focus on women and vulnerable groups |                                    |                  | <ul style="list-style-type: none"> <li>– % decrease in prevalence of poverty compared to pre-Programme situation.</li> <li>– % of rural households (HHs) with improved income</li> <li>– % increase in HH asset ownership of poor compared to pre-Programme situation.</li> </ul> | <ul style="list-style-type: none"> <li>– GLSS</li> <li>– GPRS and MDG Progress and Monitoring Reports</li> <li>– Human development statistics</li> </ul> | <ul style="list-style-type: none"> <li>– GoG and Development Partners' commitment to comply with the objective of MDG</li> </ul> |

| DESCRIPTION   | TARGET POPULATION AND INSTITUTIONS  | OUTCOMES/OUTPUTS | VERIFIABLE INDICATORS   | SOURCES OF VERIFICATION  | ASSUMPTIONS AND RISKS  |
|---|---|------------------|---|--|--|
| <u>Specific objective</u><br><br><b>Access of the rural and agricultural population to sustainable financial services is increased through enhanced outreach, sustainability and linkages</b> | <p>Small farmers, rural entrepreneurs including women, vulnerable groups and youth in the rural areas of Ghana</p> <p>Smallholder and farmer organizations, business and trade organizations, community-based organizations</p> <p>RMFIs including RCBs and FNGOs</p> <p>Commercial banks</p> <p>Linkage institutions</p> |                  | <p>MACRO LEVEL</p> <ul style="list-style-type: none"> <li>– % rural population with access to financial services (savings, credit); (by gender) [from GLSS data as overall indicator of overall impact]</li> </ul> <p>INSTITUTIONAL LEVEL</p> <ul style="list-style-type: none"> <li>– Improved outreach of RMFIs both in breadth (total No. clients, savings and loan portfolios) and depth (poor clients, women, agricultural lending)</li> <li>– Partnership ventures developed between FIs and Value Chain actors including PPPs</li> <li>– % increase of agriculture-related lending by sustainable FIs</li> </ul> | <ul style="list-style-type: none"> <li>– GHAMFIN annual reports (MIX benchmarks)</li> <li>– GLSS</li> <li>– Studies on poverty outreach;</li> <li>– Studies on RMFIs performance</li> <li>– Regular studies on poverty outreach</li> <li>– Regular Program progress reports</li> <li>– Supervision reports</li> <li>– Mid-term review report</li> <li>– Agricultural Strategic Framework Review</li> </ul> | <p>1. Continued commitment of Government to (i) continued support to the financial and the agricultural sectors and to sound harmonization mechanisms and dialogue between both sectors; (ii) enabling policies aimed at anchoring the rural and agricultural financial sector into the financial sector; and (iii) managing the Rural and Agricultural Financial sub-sector along good practice.</p> <p>2. Commitment of all stakeholders to building up a strong rural and agricultural financial sector</p> |

| DESCRIPTION   | TARGET POPULATION AND INSTITUTIONS   | OUTCOMES/OUTPUTS   | VERIFIABLE INDICATORS   | SOURCES OF VERIFICATION  | ASSUMPTIONS AND RISKS   |
|---|--|--|---|--|---|
| <b>Components</b>   |  |  |   |  |   |
| <b>Component 1: Strengthening rural financial systems</b> |  |  |   |  |   |
| <b>1.1. Capacity-Building for Sustainability</b>          | <p>Meso-level: ARB Apex Bank, GHAMFIN, Apex bodies</p> <p>Micro-level: (i) RCBs, Other RMFIs, Development &amp; Commercial Banks; and (ii) rural clients including smallholders and farmer organizations, micro-entrepreneurs and trade organizations, community-based organizations</p> | <p><b>Strengthening the capacity of retail services in rural agricultural and microfinance and their Apexes</b></p> <p>Output 1: Rural and microfinance institutions' (RMFIs) capacity improved to increase access to financial services by rural smallholder farmers, enterprises, women and other under-served target groups</p> <p>Output 2: Improved performance and sustainability of RMFIs</p> <p><b>Improved integration and performance of the rural banking network</b></p> <p>Output 3: the rural banking network has improved performance and been restructured for long-term sustainability and outreach</p> | <ul style="list-style-type: none"> <li>Number of new active smallholder farmers accessing financial services (by gender)</li> <li>% increase of women and poor beneficiaries</li> <li>Increase in % of share of loan portfolio to agricultural value chains</li> <li>% increase in financing to agricultural value chains targeted by Programme</li> <li>Capacity building fund established and operational</li> <li>Number of RMFIs that have improved their MIS, strategic planning capabilities, etc.</li> <li>Number of RMFIs that have received training in microfinance and agricultural value chain finance</li> <li>% of RMFIs reporting to GHAMFIN/MIX with OSS&gt; 100%</li> <li>% of RMFIs reporting to GHAMFIN/MIX with FSS&gt; 80%</li> <li>Portfolio at risk (PAR) &gt; 30days) lowers from [baseline] to [minimum performance relative to baseline]</li> </ul> | <ul style="list-style-type: none"> <li>Bank of Ghana annual reports</li> <li>to GHAMFIN annual Monitoring &amp; Benchmarking reports</li> <li>Baseline. MTR and evaluation studies</li> <li>Quarterly reports of Capacity-building Fund manager</li> <li>Training completion reports</li> <li>ARB Apex Bank reports</li> <li>to GHAMFIN annual Monitoring &amp; Benchmarking reports</li> <li>MIX market</li> <li>Ghamfin annual Monitoring &amp; Benchmarking reports</li> <li>MIX market</li> <li>Apex Bank reports and Board meeting minutes</li> </ul> | <ul style="list-style-type: none"> <li>Increased opportunities to finance agricultural value chains</li> <li>Appropriate new products and risk management mechanisms available</li> <li>Sustainability of the rural banking network</li> <li>Sound microfinance methodologies implemented to reach the poorest</li> <li>Effectiveness and sustainability of the Apex organizations</li> <li>Commitment of GoG and BoG to undertake changes in governance and ownership structures of the RCBs</li> <li>RCBs able to cope with increasing competition</li> </ul> |

| DESCRIPTION  | TARGET POPULATION AND INSTITUTIONS   | OUTCOMES/OUTPUTS   | VERIFIABLE INDICATORS  | SOURCES OF VERIFICATION  | ASSUMPTIONS AND RISKS  |
|--|--|--|--|--|--|
| 1.2. Product Development and Innovation  | RCBs, Other RMFIs, Development & Commercial Banks  | Output 4: The Apex Bank to become financially self-sustainable for its service model and commercial banking activities | <ul style="list-style-type: none"> <li>By end of year 1, strategic plan for transformation completed and approved by Apex Bank Board and Bank of Ghana</li> <li>Core Services to RCBs by Apex Bank (apart from inspection) reach full cost recovery by [date, intermediate targets]</li> <li>Apex Bank approved by Bank of Ghana to undertake (specified) commercial activities</li> <li>Number of smallholder farmers participating in each of the selected value chains</li> <li>Number of clients trained in value chains</li> <li>Number of financial products developed and piloted</li> <li>Number of risk management products developed and piloted</li> <li>Number of FIs engaged in piloting and rolling out these new products</li> <li>number of FIs trained in product development</li> <li>Technical service providers to agricultural value chains stakeholders are strengthened through matching grant fund (if funds are available)</li> </ul> | <ul style="list-style-type: none"> <li>Apex Board meetings minutes</li> <li>Bank of Ghana annual reports</li> <li>Beneficiaries assessment</li> <li>Training reports</li> <li>Project quarterly reports</li> <li>Matching grant fund reports</li> <li>Training reports</li> <li>Project reports</li> </ul> | <ul style="list-style-type: none"> <li>Adequate capitalization of the Apex</li> <li>RFIs willingness to participate in testing, piloting and replicating innovative financial and technical products in the agricultural value chains</li> </ul> |
| Component 2: Strengthening financial and agricultural linkages and support systems |  |  |  |  |  |
| 2.1. Linkages and technical support  | RCBs, Other RMFIs, Development & Commercial Banks and their clients Technical service providers (including Government and donor programs) to agricultural value chains | Output 1: Improved linkages between clients and technical service providers  | <ul style="list-style-type: none"> <li>Increased access to quality technical services by smallholder farmers, RFIs and commercial banks involved in agricultural value chains financing</li> <li>Increase in number linkages between smallholders, RFIs and the private sector within the selected value chains</li> </ul>   |  |  |



| DESCRIPTION   | TARGET POPULATION AND INSTITUTIONS  | OUTCOMES/OUTPUTS  | VERIFIABLE INDICATORS  | SOURCES OF VERIFICATION | ASSUMPTIONS AND RISKS   |
|---|---|---|--|-------------------------|---|
| 2.2. Policy, regulation, supervision and monitoring | Macro-level: MoFEP, Bank of Ghana, MoFA and other MDAs<br>Meso-level: ARB Apex Bank | Output 1: Ghana Microfinance Policy and AFSAP implemented<br><br>Output 2: The Rural banking network is inspected by the Apex<br><br>Output 3: A performance benchmarking system is developed and published for the industry on a sustainable basis | <ul style="list-style-type: none"> <li>At least one stakeholder meeting and one workshop are held annually for the implementation and dissemination of AFSAP</li> <li>100% of RCBs inspected by the Apex Inspection department by the end of the project</li> <li>By end of project, a new Credit Union Law is implemented and disseminated</li> <li>GHAMFIN and the Apex organizations prepare a comprehensive annual report including performance indicators of progress toward benchmarks</li> <li>to GHAMFIN to increase its costs coverage with additional internal revenues through services provided to the industry</li> <li>Apex organizations to increase cost coverage from internally generated funds by end of project</li> </ul> |                         | <ul style="list-style-type: none"> <li>MOFEP and BoG maintain supportive policy and regulatory framework</li> </ul> |
| 2.3. Knowledge development and dissemination        | Macro-level: MoFEP, MoFA<br>Meso-level: GHAMFIN, ARB Apex Bank                      | Output 1: The Apex organizations have been provided capabilities to analyze and disseminate relevant knowledge throughout their members   | <ul style="list-style-type: none"> <li>At least five events (workshops and publications) in dissemination by the end of the project</li> <li>Increased linkages between agricultural value chains stakeholders and universities and research institutions</li> <li>At least 50 institutions reporting to GHAMFIN and the Mix</li> </ul>  |                         |   |
| Component Programme administration                  | 3: MOFEP  |   |  |                         |   |
| 3.1. Training                                       | All stakeholders  | Output 1: MOFEP and MOFA have improved their capacity to  |  |                         |   |

| DESCRIPTION  | TARGET POPULATION AND INSTITUTIONS | OUTCOMES/OUTPUTS   | VERIFIABLE INDICATORS   | SOURCES OF VERIFICATION  | ASSUMPTIONS AND RISKS  |
|--|------------------------------------|--|---|--|--|
| <b>3.2. Administration and Monitoring &amp; Evaluation</b> |                                    | Output 1: Timely contracting, disbursement, accountability, monitoring, evaluation and reporting | <ul style="list-style-type: none"> <li>– monitoring and evaluation reports produced</li> <li>– By the end of the first year, the Management Unit in MOFEP is reinforced by additional technical staff needed for effective implementation.</li> <li>– By end of year 1, M&amp;E/MIS system is fully operational and the M&amp;E manual is revised and circulated for application,</li> <li>– Implementing agencies maintain database on performance characteristics of RMFIs and value chains assisted and report regularly on progress as against baseline data</li> <li>– Surveys are carried out regarding critical Programme outputs and the outcome is reported in annual progress reports</li> <li>– Programme Implementation Status Reports receive good ratings Audit reports are prepared and delivered in time</li> <li>– An exit strategy from Programme assistance to rural banking network is available and implemented by end of project</li> <li>– Report on capacity building of RMFIs, and linkages to agricultural value chains is prepared for review at Mid-term</li> </ul> | <ul style="list-style-type: none"> <li>– M&amp;E reports and data</li> <li>– Annual work plan and budgets</li> <li>– Supervision mission reports</li> <li>– Mid-term review report</li> <li>– Audit reports</li> </ul> | <ul style="list-style-type: none"> <li>– Management unit is empowered by GoG to operate in line with the national policies and rules and the PLPR strategy and approach</li> </ul> |

## Appendix 3: Summary of key actions to be taken within agreed timeframes

### Appendix 3a: Key Actions Agreed to be taken in the Next 6 Months

| <i>Agreed action</i>  | <i>Responsibility</i>    | <i>Agreed date</i> |
|---|--------------------------|--------------------|
| <b>Comp. IA: Capacity Building for Sustainability:</b>  |                          |                    |
| IA.2a ARB Apex Bank to prepare Strategic Plan for 2014-17, incorporating response to issues raised in the Institutional Assessment;   | ARB Apex Bank            | Oct. 31, 2013      |
| IA.3a. Sign Training Seed Fund Charter and transfer beneficiary contribution funds into it  | ARB Apex Bank/Danida     | Aug. 15, 2013      |
| IA.3b Review and update training materials for RCBs and produce standardized manuals, modules and materials   | ARB Apex Bank            | Oct. 31, 2013      |
| IA.4c Propose strategy for dealing with the Share Registry problem at RCB level, including possible use of Merger Fund  | ARB Apex Bank            | July 31, 2013      |
| IA.6 Consolidate manuals for managing wholesale and grant funds into one integrated manual (or template), including policies, criteria, procedures and reporting for managing wholesale funds and matching grants (applicable to Rural Enterprise Programme and similar projects) | ARB Apex Bank            | Aug. 31, 2013      |
| IA.7 Prepare a background note regarding pricing of credit lines with a view toward setting guidelines for consistent pricing and mark-up among donor Programmes  | PCO, to discuss with POC | Sept. 30, 2013     |
| IA.8 Sign MOU with GHAMFIN for provision of financial literacy and other training to RMFI clients   | PCO                      | Aug 31, 2013       |
| IA.9 Prepare TOR and budget for MIX to do a TOT and submit to PCO;  | GHAMFIN                  | July 31, 2013      |
| Hold TOT on MIX tool  |                          | Oct. 31, 2013      |

|  |                                       |                |
|--|---------------------------------------|----------------|
| <b>Comp. IB: Product Development and Innovation</b>  |                                       |                |
| IB.2a. Submit funding proposal to Danida and hold sensitization and marketing Workshop on Microfinance Support Strategy(MSS) for the remaining 45 selected RCBs not included in the first workshop   | Apex Bank with consultant             | July 31, 2013  |
| IB.2b Begin rolling out the MSS as part of the training Programme (included in the Training Seed Fund)   | ARB Apex Bank                         | Aug 31, 2013   |
| IB.3 Draft report and training manuals for agricultural VC finance training  | Apex Bank/consultant                  | Sept. 30, 2013 |
| IB.4 Sign MOUs and begin implementing proposals from OISL and GAMC matching grants for innovations to support lending for microfinance and agric. VCs; see N.O. to use IFAD funds initially and replace with Italian grant funds when and if available | PCO and partners                      | Aug. 31, 2013  |
| IB.5 Draft criteria and procedures for reviewing proposals for innovations and product development for agricultural VC financing and microfinance  | PCO                                   |                |
| <b>Comp. II.A: Strengthening Financial and Agricultural Linkages and Support Systems</b>   |                                       |                |
| IIA.1. Finalize report for financial overlay to 3 agricultural value chains and submit draft report  | PCO (with ARB Apex Bank)/ consultants | July 31, 2013  |
| IIA.1a Submit for no objection a TOR for consultancy to deepen and enlarge sampling of financial overlay in the northern part of the country (study to be completed before MTR)  | PCO (with NRGP)                       | July 31, 2013  |
| IIA.2 Draft report by consultant cataloging existing mechanisms in Ghana for linking financial and non-financial support to agricultural value chains  | PCO/consultant                        | Sept. 30, 2013 |
| IIA.3 Hold TOT in international best practice in agricultural VC financial analysis for RAFiP consultants and shortlisted applicants   | PCO/Danida                            | Sept. 30, 2013 |
| <b>Comp. II.B: Policy, Regulation, Supervision, Monitoring</b>   |                                       |                |
| IIB.2a Draft Performance Monitoring & Benchmarking report for 2008-11  | GHAMFIN                               | Nov. 30, 2013  |

|  |                       |                |
|--|-----------------------|----------------|
| IIB.3 Provide data on RCBs re gender breakdown of clients, number of groups, loan recovery, and agricultural (& microfinance) loan portfolios.   | ARB Apex Bank         | July 31, 2013  |
| IIB.5 Hold Microfinance Forum  | PCO/GHAMFIN           | July 31, 2013  |
| IIB.6 Issue Microfinance Newsletter featuring agric VC finance   | PCO                   | Nov. 30, 2013  |
| <b>Comp. III: Administration</b>   |                       |                |
| III.3 Sub-group of agencies supporting Apex Bank to review Strategic Plan 2014-17 for semi-annual meeting  | ARB Apex Bank/POC     | Oct. 31, 2013  |
| III.7 Develop a staff performance management system, with individual work objectives and targets; and assess staff   | PCO                   | Dec. 31, 2013  |
| III.8 Revise AWPB & PP in light of cancelled activities and to include RAFiP activities being supported by other programs, and submit for no objection   | PCO                   | July 15, 2013  |
| III.9 Develop guidelines and criteria for matching grants  | PCO, NRGP, REP, RTIMP | Sept. 30, 2013 |
| III.10 Update PIM, in particular to clarify the basis for payment of core and performance-based grants to apex organizations   | PCO                   | Done??         |
| III.11 Begin disbursing Italian grant funds  | PCO                   | July 31, 2013  |
| III.12 Convene POC   | PCO (POC)             | July 31, 2013  |
| <b>M&amp;E</b>   |                       |                |
| III.1. Update M&E targets in view of baseline survey findings and experience to date   | PCO                   |                |
| III.6 Capture Apex Bank baseline M&E data into RAFiP system  | PCO                   | Aug. 31, 2013  |
| III.13 Draft TOR and initiate procurement of consultant for mid-line study to update and deepen Baseline data  | PCO                   | Aug 31, 2013   |
| III.14 Draft TOR for nationwide sample survey of relative poverty status of RMFI clients, relationship of access to finance and socio-economic indicators, and sustainability of RMFIs (update 2006 GHAMFIN study and provide impact analysis) | PCO                   | Sept. 30, 2013 |

| <b>Fiduciary</b>   | <b>Responsibility</b>    | <b>Agreed date</b> |
|--|--------------------------|--------------------|
| III.14 Prepare TOR for an Accounts Officer and Accounts Assistant and recruit them   | PCO                      | July 15, 2013      |
|  |                          | Aug 31, 2013       |
| III.15 Automate withdrawal applications, bank reconciliation, M&E and other management reports.  | PCO                      | Sept. 30, 2013     |
| III.16 Institute procedures for regular capture and reporting of beneficiaries' contributions (including ARB Apex Bank in-kind) in connection with consultancies, training and mergers   | PCO, ARB Apex Bank, CBFM | Aug. 31, 2013      |
| III.17 Procure new consultant for audits for 2013-5  | PCO                      | Sept. 30, 2013     |
| III.18 Institute prior audit review by MOFEP Audit Dept.   | MOFEP/PCO                | July 31, 2013      |
| III.19 Recruit Accounts Officer and Assistant  | PCO                      | Aug. 31, 2013      |
| <b>Agreed actions to prepare for MTR</b>   | <b>Responsibility</b>    | <b>Agreed date</b> |
| III.5 Undertake accounting system upgrade with new server  | PCO                      | ??                 |
| III.15 Draft TOR and initiate procurement of consultant for mid-line study to update and deepen Baseline data; investigate feasibility of single sourcing the consultant selected for the Baseline, so that progress can be made prior to MTR  | PCO                      | Aug 31, 2013       |
| III.16 Draft TOR for nationwide sample survey of relative poverty status of RMFI clients, relationship of access to finance and socio-economic indicators, and sustainability of RMFIs (update 2006 GHAMFIN study and provide impact analysis) | PCO                      | Sept. 30, 2013     |

|  |     |                |
|--|-----|----------------|
| III.17 Revise cost tables by financier to include past and expected contributions from Danida, World Bank (EMCB/FINSSP), and GIZ, as well as matching grants for agricultural value chain actors being provided through NRGF, RTIMP and REP. | PCO | Sept. 30, 2013 |
|--|-----|----------------|

### Appendix 3b: Key Actions Agreed in November 2012

| Agreed action  | Responsibility                       | Agreed date                    | Status  |
|--|--------------------------------------|--------------------------------|---|
| <b>Comp. IA: Capacity Building for Sustainability:</b>   |                                      |                                |   |
| IA.2 Complete draft Institutional assessment of ARB Apex Bank, including TORs for recommended further TA and consultancies;<br>Provide comments on draft | Consultants<br>ARB Apex Bank,<br>PCO | Jan. 31, 2013<br>Feb. 28, 2013 | KPMG Ghana have submitted the final report on the Institutional Assessment. Management of Apex Bank is reviewing the report to incorporate the recommendations in the new strategic plan of the Bank.   |
| IA.3a. Finalise and sign Training Seed Fund Charter; develop customised training for low-rated RCBs based on TNA; undertake ToT                          | ARB Apex Bank/DANIDA consultants     | Feb. 28, 2013                  | The Training Seed Fund Charter has been revised. A copy has been given to DANIDA for their review. DANIDA is expected to provide Apex Bank with a response before May 24, 2013; formal signatures expected in early August.<br>12 consultants/consulting firms submitted proposals to undertake the ToT. The Procurement Committee of the Bank noted that the bids submitted were above the budgeted line. DANIDA has asked Apex Bank to agree with the winning bidder on a reasonable fee and submit a justification letter to DANIDA for a 'no objection'.  |
| IA.4b Draft report on Share Registry   | Apex Bank/consultants                | Feb. 28, 2013                  | The Consultant submitted the Draft Final Report for the Bank's comments in April. While awaiting the response from ARB Apex Bank, the Bank wrote to the Project to withdraw from the establishment of the share registry management unit, because Management of Apex Bank is recommending that RCBs be allowed to manage their own share registries.<br>Programme management has therefore asked Apex Bank to refund the cost of the assignment amounting to Gh.¢252,843.06<br>The mission has suggested that RAFiP and Apex Bank discuss alternative ways of addressing the Share Registry issue, and Danida has agreed that the Merger Fund could be used for consultants contracted to assist RCBs to fix their share registries at the retail level. Final disposition of the issue would depend on whether the Apex Bank is able to propose a workable alternative approach that would achieve the desired result. |
| 1A.5 Sign new MOUs with Apex bodies for quarterly core and performance-based grants related to   | PCO (with CBF)                       | Feb. 28, 2013                  | The MOUs have been signed and quarterly support of cedi equivalent of US\$20,500 has been paid to the Apex institutions.  |

|   |   |                                |  |
|---|---|--------------------------------|--|
| achievement of Programme objectives, with results-based payment criteria clearly specified  |   |                                |  |
| IA.6 Adapt Wholesale Fund manual to integrated strategy/procedures for managing wholesale funds and matching grants (including eligibility criteria), and applicable to new Rural Enterprise Programme (and similar projects) | ARB Apex Bank   | Jan. 31, 2013                  | A draft procedures manual was sent to RAFIP for review. The June mission noted that Apex Bank and Bank of Ghana are implementing various wholesale funds under similar but sometimes different manuals, and that it would be desirable to harmonize the criteria and policies. Apex Bank has agreed to review the different manuals and try to harmonize them by end August  |
| IA.7 Review pricing of new (and existing) credit lines to move toward mark-up rather than commission basis (to avoid disincentive for internal resource mobilization, e.g. among RCBs)  | IFAD, Danida to raise in POC and donor working groups | May 31, 2013                   | ARB Apex Bank has modified its policy in pricing its own funds, and is now lending to RCBs from its own resources at 15% (just below the policy rate). During the June 2013 supervision, it was agreed that a brief note is needed in order to raise this issue at the POC, and then see how best to address it among the development partners.  |
| IA.8 Seek MOU with Responsible Finance for provision of financial literacy and other training to RMFI clients; or propose alternative strategy for achieving results anticipated in RAFIP design for client training          | PCO   | Mar. 31, 2013                  | RAFIP and Responsible Finance have engaged in a discussion to map out areas of collaboration. Key decision is for RAFIP to fund the translation of the following training materials - Savings promotion, Banking operations and Responsible Borrowing into three major languages; and possibly fund the multiplication of these CDs. Responsible Finance is to submit invoices to this effect. June 2013 mission has tasked the PCO with integrated financial literacy into its AWPB and expenditures, in collaboration with GHAMFIN |
| IA.9 Submit TOR for roll-out of Microfinance Support Initiative;<br>Initiate recruitment of consultant  | ARB Apex Bank<br>PCO                                  | Jan. 31, 2013<br>Mar. 31, 2013 | [Activity now appears under Comp IB.] Contract has been signed with MEL Consult and the consultant has submitted a draft report..  |
| IA.10 Submit TOR for a team to conduct a review of training materials for RCBs and produce standardized manuals, modules and materials, consistent with the CBF; initiate recruitment of team                                 | ARB Apex Bank<br>PCO                                  | Jan. 31, 2013<br>Mar. 31, 2013 | The Bank has decided that it would use its staff to undertake the review of the training manuals.  |
| <b>Comp. IB: Product Development and Innovation</b>   |   |                                |  |
| IB.2. Organize Stakeholders Workshop on Microfinance Support Initiative, as a basis for implementation of strategy.   | Apex Bank with consultant                             | Feb. 28, 2013                  | The first stakeholders' workshop has been held for staff of Apex Bank in the Southern sector. Danida has agreed to fund the initial sensitization and marketing workshop to launch the product, and ARB Apex Bank is obtaining expressions of interest from the 45 RCBs that had been selected. The workshop is expected to take place by Aug 2013.  |
| IB.3 Contract consultant to assist Apex Bank in developing training manuals for agricultural VC finance;  | PCO (with ARE Apex Bank)                              | Dec. 31, 2012                  | Contract for the assignment was signed in May, 2013. The assignment is expected to be of three months duration. However, the June 2013 mission has recommended a TOR in agricultural value chain financial analysis for these and other consultants, to be held in September; hence the manuals should be finalized after that workshop.   |



|  |                       |                                 |  |
|--|-----------------------|---------------------------------|--|
| IB.4 Consider proposals from OISL, GAMC and others for matching grants for innovations to support lending for microfinance and agric. VCs                            | PCO                   | On-going                        | OISL: A draft MOU has been under review at OISL since April. The issue has been referred to the Head of Legal/Secretary to the Board.<br>GAMC: GAMC has developed two proposals for the Scaling up of the Biometric Loan Verification System; and also the Client Compliant system. PCO has not initiated funding because the activities are incumbent on the operationalizing the Italian Grant Account which has just been opened.   |
| <b>Comp. II.A: Strengthening Financial and Agricultural Linkages and Support Systems</b>   |                       |                                 |  |
| IIA.1. Complete field work for financial overlay to 3 agricultural value chains and submit draft report  | Consultants/Apex Bank | April 30, 2013                  | Draft Report was submitted to PCO and ARB Apex Bank for review at the end of April. The assignment has gone beyond schedule because of quality input from the Agri-business Finance Specialist (Rich Pelrine).   |
| IIA.2 Engage consultant to catalog existing mechanisms in Ghana for linking financial and non-financial support to agricultural value chains                         | PCO                   | Jan. 15, 2013                   | The contract for the assignment was signed in May. The signing of these contracts was delayed because the approval of the AWPB 2013 delayed till March; and the approval of the procurement plan was in April.   |
| <b>Comp. II.B: Policy, Regulation, Supervision, Monitoring</b>   |                       |                                 |  |
| IIB.2 Publish Performance Monitoring & Benchmarking report for 2004-2010   | GHAMFIN               | March 31, 2013                  | The PMB has been published. GHAMFIN intends to distribute 500 to key stakeholders and sell the remaining 500 as income generating strategy.  |
| IIB.3 Submit TOR for consultant to adapt reporting format to capture data from RCBs on female clients, groups, loan recovery & agricultural loans. Engage consultant | ARB Apex Bank<br>PCO  | Dec. 31, 2012<br>April 30, 2013 | Apex Bank submitted a format to capture data from RCBs on female clients, groups, loan recovery & agricultural loans to RAFiP PCO for their review. It has agreed to provide the data by end June; if able to do so under its current systems, no consultancy is needed  |
| IIB.4 Train apex bodies to incorporate agricultural loan portfolios into annual data reporting   | PCO M&E and GHAMFIN   | Mar. 31, 2013                   | M&E Training has been organised by the 5 apex institutions and data capture of agricultural loans was discussed. The challenge is that most loans are not captured as agricultural loans but as enterprise loans. GHAMFIN and PCO is currently conducting a system audit of all the institutions, in order not to duplicate what already exist. The systems audit is intended to cover the following: <ul style="list-style-type: none"> <li>• Determination of performance data and frequency required by each Apex Institutions</li> <li>• Evaluation of existing data collection, analysis and reporting templates or software</li> <li>• Determine the Gap in these tools and templates and propose revision</li> <li>• Evaluate the existing MIS infrastructure (software and hardware). For the software, this would include checking the software's expandability and ability to transfer data into excel for further analysis; security and</li> </ul> |

|  |                      |      |                |  |
|--|----------------------|------|----------------|--|
|  |                      |      |                | <p>integrity of the data as well as the utilization of hardware infrastructure including server(s) (if any)</p> <ul style="list-style-type: none"> <li>Human resources capability for both MIS and M&amp;E staff of the Apex Institutions</li> </ul> |
| <b>Comp. III: Administration</b>   |                      |      |                |  |
| III.3 Sub-group of agencies supporting Apex Bank to meet semi-annually   | POC/ARB Bank         | Apex | June 30, 2013  | Apex Bank is scheduling the Donor Partners' meeting for October 2013, to unveil their new Strategic Plan.  |
| III.5 Contract consultant for accounting system upgrade and training   | PCO                  |      | May 31, 2013   | PCO recently acquired a server for the systems upgrade. This will be carried out by the MTR  |
| III.7 Develop a staff performance management system, with individual work objectives and targets   | PCO                  |      | April 30, 2013 | Awaiting new Coordinator.  |
| III.8 Update cost tables and AWPB to include matching grants for agricultural value chain actors being provided through NRGp, RTIMP and REP  | PCO                  |      | Jan. 31, 2013  | To be done for MTR.  |
| III.9 Develop guidelines and criteria for matching grants to support innovation and product development in agricultural VC & micro financing | PCO                  |      | April 30, 2013 | Yet to be done.  |
| <b>M&amp;E</b>   |                      |      |                |  |
| III.1. Update M&E targets in view of baseline survey findings  | PCO                  |      | Mar. 31, 2013  | To be done for MTR.  |
| III.4 Update and finalize M&E manual   | PCO/IAs              |      | Mar. 31, 2013  | M&E manual has been finalised.   |
| III..6 Capture Apex Bank baseline M&E data into RAFiP system   | PCO (with Apex Bank) | Apex | Jan. 31, 2013  | The M&E consultant engaged by Apex Bank is finalising the logical framework with the baseline data. This would be incorporated into RAFiP's M&E system.  |

### Appendix 3c: Status of Key Actions Agreed in April 2012

| Agreed action  | Responsibility              | Agreed date   | Status   |
|--|-----------------------------|---------------|--|
| <b>Comp. IA: Capacity Building for Sustainability:</b>   |                             |               |  |
| IA.4c Ensure two merged RCBs have been registered and applied for licensing  | ARB Apex Bank (with DANIDA) | Oct. 30, 2012 | On-going. The Consulting firm has presented valuation and due diligence reports to the RCBs for validation. However, merger process is currently on hold due to resistance at Board level. Another merger (facilitated under BUSAC Fund) of 3 RCBs has been registered and is being facilitated by ARB Apex Bank with the Association of Rural Banks.. |
| 1A.4d Ensure submission of M&E System Report   | PCO (with Apex Bank)        | July 31, 2012 | On-going. Contract was awarded March 20 to SEM to develop Apex Bank M&E system; consultancy assignment has been completed. PCO M&E Officer is working with ARB Apex Bank to mainstream the output into the RAFIP M&E Framework.  |
| <b>Comp. II.B: Policy, Regulation, Supervision, Monitoring</b>   |                             |               |  |
| IIB.1 Engage BSD - BOG on issues of regulation, sustainability and consolidation of rural banking system and role of ARB Apex Bank | PCO                         | Quarterly     | A preliminary meeting with BSD – BOG was held in April 2012 and another meeting as part of the November supervision mission. Apex Bank has since been meeting quarterly with BOG.  |
| <b>Comp. III: Administration</b>   |                             |               |  |
| III.4 Finalise reporting framework and finalize M&E manual   | PCO/IAs                     | June 30, 2012 | Draft Reporting Framework was completed by end of July. This was used by implementing agencies in the review of their 2012 activities. The draft M&E manual was completed by the end of September. PCO staff have done a preliminary review of the document and has made recommendations for update.   |



## Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

### Appendix 4: Physical Progress measured against AWP&B, including RIMS Indicators

| Results # | Objectives/Expected Results   | Indicators                                   | Unit | AWP&B Planned | Actual   | (%) | Cumulative Actual | Appraisal Target | (%) |
|-----------|---|--|------|---------------|--|-----|-------------------|------------------|-----|
| C1        | <b>Component 1 - Purpose: TO STRENGTHEN RURAL FINANCIAL SYSTEMS</b>   |  |      |               |  |     |                   |                  |     |
| SC1.1     | <b>Sub-Component 1.1: Capacity Building for Sustainability</b>  | % of cost recovered by type of service       |      |               |  |     |                   |                  |     |
| 1.1.1     | <b>Output 1.1.1: ARB Apex Bank assisted to develop, implement and sustain capacity development Programmes</b> | Functional Strategic Plan from ARB Apex Bank |      |               |  |     |                   |                  |     |
| 1         | Develop and submit a Business Plan on the Pension Fund unit   | Business Plan developed                      |      |               | The pension fund unit will be outsourced   |     |                   |                  |     |
| 2         | Complete institutional assessment of the ARB Apex Bank  | Institutional assessment document validated  |      |               | Assignment has been completed and recommendations are informing the Strategic Planning Process of the Bank |     |                   |                  |     |

|   |  |  |  |           |   |       |  |  |  |
|---|--|--|--|-----------|---|-------|--|--|--|
| 3 | Provide logistics for Professional Devt and Training Dept.   | Logistics in terms of office equipment and training materials provided |  |           | Procurement process has been initiated  |       |  |  |  |
| 4 | Engage software consultant to systematise reporting format to capture data from RCBs on female clients, groups, loan recovery and agricultural loans |  |  |           | ARB Apex Bank ICT Department to facilitate the data internally                                    |       |  |  |  |
| 5 | Develop standardised procedures for managing wholesale funds and matching grants   |  |  |           | Draft procedures manual under review by the ARB Apex Bank. To be completed by ending August, 2013 |       |  |  |  |
|   |  |  |  |           |   |       |  |  |  |
|   | <b>Output 1.1.2: Wholesale Fund established and accessed by RCBs</b>   | <b>Long term loans available to RCBs</b>                               |  |           |   |       |  |  |  |
| 1 | Disburse term loans to 28 RCBs for on-lending to clients   | Amount of term loans by number of RCBs                                 |  | 3,000,000 | 1,100,000   | 36.67 |  |  |  |
| 2 | Monitor performance of loans disbursed to RCBs   |  |  |           | A monitoring system has been designed and it is being validated.                                  |       |  |  |  |
|   |  |  |  |           |   |       |  |  |  |

|   | <b>Output 1.1.3: Merger Fund established and accessed by RCBs</b>                | <b>Amount of merger fund accessed by RCBs</b>                    |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|
| 1 | Complete pilot merger of the two RCBs  |  |  |  | Merger process has been stalled because of Boardroom misunderstanding of one of the merging banks. ARB Apex Bank is still playing its advocacy role to get the merger through. |  |  |  |  |
| 2 | Conduct training for retained staff and Board members of merged RCBs             |  |  |  | Activity is dependent on Activity 1.0 above.   |  |  |  |  |
| 3 | Organise sensitisation seminars for Board of Directors of RCBs on mergers        |  |  |  | Activity is dependent on Activity 1.0 above.   |  |  |  |  |
|   |  |  |  |  |  |  |  |  |  |
|   | <b>Output 1.1.4: Share Registry Management Unit established in ARB Apex Bank</b> | <b>A centralised Share Registry Unit in place and functional</b> |  |  |  |  |  |  |  |
| 1 | Procure office equipment and furniture for the Share Registry Management Unit    | Share registry unit equipped with required logistics             |  |  | ARB Apex Bank new management has decided that Share Registry Management is not a feasible business option.   |  |  |  |  |
| 2 | Train Apex Bank staff to be engaged by the Share Registry Unit                   | No. of staff trained   |  |  | Not applicable   |  |  |  |  |
|   |  |  |  |  |  |  |  |  |  |

|   | <b>Output 1.1.5. Capacity of RCBs strengthened and sustained</b>                   | <b>Enhanced capacity of RCBs</b>         |  |       |   |       |  |  |  |
|---|--|--|--|-------|---|-------|--|--|--|
| 1 | Develop or review standard training manuals for RCBs                               | Training manuals developed               |  |       | ARB Apex Bank has decided to carry out assignment in-house. It is Programmed to be completed by end of August.            |       |  |  |  |
| 2 | Train staff of 135 RCBs (about 10,000 beneficiaries)                               | No. of staff trained by type of training |  | 3,000 | 394   | 13.13 |  |  |  |
| 3 | Implement customised training for staff of fair, marginal and unsatisfactory RCBs  | No. of staff trained by type of training |  |       | Customised training manuals are to be developed in-house by ARB Apex Bank staff. Planned completion date is August, 2013. |       |  |  |  |
| 4 | Sponsor 45 RCB staff for foreign training in Microfinance in October, 2013         | No. of staff trained by type of training |  | 45    | Not due   |       |  |  |  |
| 5 | Train 20 new graduates for Fair, Marginal and Unsatisfactory RCBs in October, 2013 | No. of staff trained by type of training |  | 20    | Recruitment process initiated   |       |  |  |  |
|   |  |  |  |       |   |       |  |  |  |
|   | <b>Output 1.1.7: Internal capacity of GAMC built</b>                               | <b>Improved capacity of GAMC</b>         |  |       |   |       |  |  |  |



|   |   |  |  |     |         |     |  |  |  |
|---|---|--|--|-----|---------|-----|--|--|--|
| 1 | Train 30 Executives and Regional representatives in RAFiP data collection, RAfiP core indicators and MiX protocols                                    | Number of GAMC Executives and Regional Representative trained                    |  | 30  | 30      | 100 |  |  |  |
| 2 | Organize 3 day data validation and review workshop on semi- annual basis for 30 leaders and Staff on data quality                                     | Number of Regional Reps. and Secretariat staff that attended the review workshop |  | 60  | 0       | 0   |  |  |  |
| 3 | Organize a series of 1-day sessions for 300 Accountants and Managers of GAMC member companies on the RAfiP indicators between July to September 2013. | Number of Accountants and Managers trained                                       |  | 300 | Not due |     |  |  |  |
| 4 | Train 300 GAMC member companies on credit and risk management between July to September, 2013   | Number of member companies   |  | 300 | Not due |     |  |  |  |
| 5 | Organize 1day Executive forum for 300 Shareholders and Directors on microfinance governance   | Number of CEOs and Directors who attend the breakfast forum                      |  | 300 | 300     | 100 |  |  |  |

|   |   |   |  |     |   |     |  |  |  |
|---|---|---|--|-----|---|-----|--|--|--|
| 6 | Train 300 member companies on financial and portfolio quality management between July and Sept. 2013  | Number of members trained on financial and portfolio quality management |  | 300 | 0   | 0   |  |  |  |
|   |   |   |  |     |   |     |  |  |  |
|   | <b>Output 1.1.8: Improved management and governance of GAMC</b>   | <b>GAMC members attaining OSS&gt;100</b>                                |  |     |   |     |  |  |  |
| 1 | Develop a Risk Based Supervision Manual to guide GAMC secretariat in monitoring activities of member companies in relation to governance and prudent management | Risk Based Supervision manual developed                                 |  |     | Inception Report has been completed for a No Objection from the Capacity Building Fund Manager (CBFM).                |     |  |  |  |
| 2 | Organize 1day training for 300 CEOs and Directors of member companies on Microfinance governance.   | Number of CEOs and Directors trained                                    |  | 300 | 300   | 100 |  |  |  |
| 3 | Executive Secretary attend training course on management and governance   | Number of training courses attended by type of training                 |  |     | Executive secretary has been sponsored to attend the Boulder MF Training at the ITC-ILO Centre in Turin in July 2013. |     |  |  |  |

|   |   |  |  |    |   |     |  |  |  |
|---|---|--|--|----|---|-----|--|--|--|
| 4 | Organize a 3 day training for 26 GAMC Executives on microfinance governance   | Number of GAMC Executives trained on MF governance                               |  | 26 | 0   | 0   |  |  |  |
| 5 | Two (2) GAMC Board members attend AFMIN Regional Microfinance Network Summit  | Number of GAMC Board members who attended AFMIN conference                       |  | 2  | AFMIN Regional Microfinance Network Summit is scheduled for August, 2013. |     |  |  |  |
| 6 | Executives attend local and International conferences / seminars / meetings to build networks and working relationship such SEEP conference | Number of GAMC Executive members who attended conferences, seminars and meetings |  | 2  | 2   | 100 |  |  |  |
|   |   |  |  |    |   |     |  |  |  |
|   | <b>Output 1.1.9: Functional Data Management Unit established at GAMC Secretariat and Sector Offices</b>                                     | <b>Industry data accessible to membership of GAMC</b>                            |  |    |   |     |  |  |  |
| 1 | Develop a standard Tier 2 microfinance operational software   | A functional software developed and installed                                    |  |    | Existing software is to up-scaled for members' operations.                |     |  |  |  |

|   |  |  |  |    |   |     |  |  |  |
|---|--|--|--|----|---|-----|--|--|--|
| 2 | Establish an Internal Credit Referencing System to help track multiple borrowing and lower over indebtedness | Established Internal Credit Referencing System             |  |    | Proposal for up-scaling this innovative product is being discussed at Programme management level. |     |  |  |  |
|   |  |  |  |    |   |     |  |  |  |
|   | <b>Output 1.1.10. Internal capacity of GHASALC Secretariat built</b>   | <b>Improved data analysis skills by GHASALC membership</b> |  |    |   |     |  |  |  |
| 1 | Organise a 3-day training for 30 potential GHASALC trainers in Strategic Planning and Implementation         | Number of GHASALC trainers trained                         |  | 30 | 30  | 100 |  |  |  |
| 2 | Train 30 GHASALC trainers in ICT/MIS for 2-days  | number of GHASALC trainers trained                         |  | 30 | 0   | 0   |  |  |  |
|   |  |  |  |    |   |     |  |  |  |
|   | <b>1.1.11: Improved financial and operational sustainability posture of GHASALC members</b>                  | <b>GHASALC members achieving FSS&gt;80%</b>                |  |    |   |     |  |  |  |
| 1 | Train 40 GHASALC members on Effective and Efficient Financial Management.                                    | Number of officers trained                                 |  | 40 | 0   |     |  |  |  |

|   |   |   |  |    |   |     |  |  |  |
|---|---|---|--|----|---|-----|--|--|--|
| 2 | Organize training for 30 GHASALC member companies on Corporate Governance                   | Number of member companies trained                              |  | 30 | 0   |     |  |  |  |
|   |   |   |  |    |   |     |  |  |  |
|   | <b>1.1.13: CUA Training Department established and functional</b>                           | <b>Efficient and effective training delivery to CUA members</b> |  |    |   |     |  |  |  |
| 1 | Conduct three M & E workshops for members from Credit Unions                                | # Credit unions officials trained                               |  | 30 | 30  | 100 |  |  |  |
|   |   |   |  |    |   |     |  |  |  |
|   | <b>Output 1.1.14: Skills of ASSFIN Leadership &amp; staff of the various Units enhanced</b> | <b>Management of ASSFIN improved</b>                            |  |    |   |     |  |  |  |
| 1 | Furnish Secretariat, Training and M&E Units   | Office furniture, basic equipment and computers                 |  |    | ASSFIN Secretariat is yet to be established         |     |  |  |  |
| 2 | Engage a Consultant to assess the Training needs of ASSFIN Leadership/Board and Secretariat | A training needs assessment report                              |  |    | ASSFIN has just recruited staff for the Secretariat |     |  |  |  |

|   |   |  |                      |    |   |     |  |  |  |
|---|---|--|----------------------|----|---|-----|--|--|--|
| 3 | Organize two International training workshops for ASSFIN Leadership and Board in collaboration with Financiero sin Fronteras of Spain, Microfinance Division of MoFEP, GHAMFIN and ASSFIN | No. of participants  |                      | 80 | 80  | 100 |  |  |  |
| 4 | Organise quarterly training workshops for ASSFIN Leadership / Board   | No. of participants by type of training  |                      | 4  | Training for Leadership and Board dependent on Needs Assessment report, which is yet to be carried out. |     |  |  |  |
|   |   |  |                      |    |   |     |  |  |  |
|   | <b>Output 1.1.15: Skills and competencies of Board members, Heads and operating Staff of various member-institutions enhanced (ASSFIN)</b>  | Capacity of Board members, Heads & staff enhanced  |                      |    |   |     |  |  |  |
| 1 | Organize one Training Program in MIS simultaneously in the Southern, Middle and Northern Zones (30 participants in each zone)   | Number of Staff of member-institutions of ASSFIN Trained on the use MiX Market tools and Excel | No. of staff trained | 90 | 90  | 100 |  |  |  |

|   |   |  |  |    |  |     |  |  |  |
|---|---|--|--|----|--|-----|--|--|--|
| 2 | Organize one Training Program in M&E simultaneously in the Southern, Middle and Northern Zones (30 participants in each zone) | Number of Staff of member-institutions of ASSFIN Trained on the use MiX Market tools and Excel |  | 90 | 90   | 100 |  |  |  |
|   |   |  |  |    |  |     |  |  |  |
|   | <b>Output 1.1.16: Capacity of GHAMFIN as an Umbrella body built</b>   | <b>Improved Governance and Technical Skills of staff of GHAMFIN</b>                            |  |    |  |     |  |  |  |
| 1 | Elect Practicing RMFI members unto the Council (RCBs, Microfinance Companies and FNGOs)                                       | RMFI Reps Elected into office  |  |    |  |     |  |  |  |
| 2 | Train MIS manager in Networking, website development and Database Management  | MIS Manager Trained to provide training support to Apex Bodies MIS                             |  |    | Activity yet to be initiated                           |     |  |  |  |
| 3 | Train Accountant in Financial Analysis Microfinance Best Practices, advanced Excel  | Accountant Trained and equipped to provide support to Management of Training Department        |  |    | Accountant participated in the SMDP Programme in March |     |  |  |  |

|   |   |  |  |  |                              |  |  |  |  |
|---|---|--|--|--|------------------------------|--|--|--|--|
| 4 | Organise a TOT on at least 2 of the following for Apex Bodies Secretariat : MIX data collection tool, M&E refresher courses, microfinance best practices Tools , consumer education and social performance management | Two day training organised twice in a quarter in either of the selected Programmes |  |  | Activity yet to be initiated |  |  |  |  |
| 5 | Organise at least 2 of the following training Programmes for Board Members of the Apex Bodies: Importance of MIX data collection Tool, consumer protection and social performance management                          | Two day training organised twice in a quarter in either of the selected Programmes |  |  | Activity yet to be initiated |  |  |  |  |
| 6 | Train GHAMFIN's secretary & Administrative Assistant in Effective office management   | Personnel equipped to manage the office effectively                                |  |  |                              |  |  |  |  |



|   |  |  |  |  |   |  |  |  |  |
|---|--|--|--|--|---|--|--|--|--|
| 7 | Two Senior Management Staff/ Council Members to represent Ghana in International Conferences such as AFMIN, Micro Summit and SEEP Conference | Meeting Report and Publications disseminated           |  |  | Activities yet to be initiated                      |  |  |  |  |
| 8 | Train staff to undertake research into innovations and products development in Microfinance.   | Findings Disseminated / Outcome shared with the Apexes |  |  | Activities yet to be initiated                      |  |  |  |  |
|   |  |  |  |  |   |  |  |  |  |
|   | <b>Output 1.1.17: GHAMFIN MIS Department Developed</b>   | <b>Industry data available at GHAMFIN Secretariat</b>  |  |  |   |  |  |  |  |
| 1 | Prepare room for data centre and Procure software as a service (SaaS), Microfinance directory etc.   |  |  |  | Activities yet to be initiated                      |  |  |  |  |
| 2 | Engage technical support services from a firm assigned to GHAMFIN for DataCentre support services.   | Support Services firm procured and engaged.            |  |  | Activities yet to be initiated                      |  |  |  |  |
| 3 | Conduct Nationwide data collection for PMB and MIX data requirement  | Data collected, collated, analysed and published       |  |  | Data collection is ongoing for the 2012 PMB Report. |  |  |  |  |

|   |   |   |  |        |                           |     |  |  |  |
|---|---|---|--|--------|---------------------------|-----|--|--|--|
| 4 | Develop an RMFI Database and online Directory for Rural Microfinance Institutions                                     | Online database Directory for RMFI developed          |  | 5      | 5                         | 100 |  |  |  |
| 5 | Establish connectivity to servers and procure bandwidth, website subscription and security                            | Connectivity to servers established                   |  |        | Activity yet to commence. |     |  |  |  |
|   |   |   |  |        |                           |     |  |  |  |
|   | <b>Output 1.1.18: Capacity of Apex Organisations strengthened</b>   | <b>Number of Apex institutions by type of support</b> |  |        |                           |     |  |  |  |
| 1 | Print 100 copies each of the 16 Training manuals for RMFIs training   | Number of manuals printed and distributed             |  | 1,600  | 0                         |     |  |  |  |
| 2 | Review and sign an MOU which sets out mutually agreed responsibilities and terms between RAFIP and Apex organisations | <b>Number of MOUs signed</b>                          |  | 6      | 6                         | 100 |  |  |  |
| 3 | Provide core support to GHAMFIN to develop and implement its programs   | <b>Amount of core support</b>                         |  | 40,000 | 10,000                    | 25  |  |  |  |

|   |   |  |  |        |        |     |  |  |  |
|---|---|--|--|--------|--------|-----|--|--|--|
| 4 | Provide results-based support to GHAMFIN to support implementation of activities agreed in MOU, with subventions based on achievement of at least 4 of the following benchmarks | <b>Amount of performance based support</b> |  | 40,000 | 10,000 | 25  |  |  |  |
| 5 | Provide core support to other Apex organisations to develop and implement Programmes  | <b>Amount of core support</b>              |  | 12,000 | 12,000 | 100 |  |  |  |
| 6 | Provide results-based support to Apexes to support implementation of activities agreed in MOU, with subventions based on achievement of at least 4 of the benchmarks            | <b>Amount of performance based support</b> |  | 13,000 | 0      | 0   |  |  |  |
| 7 | Sponsor 10 Apex institution staff (incl. ARB Apex Bank & RCB staff) to international microfinance and rural finance Programme   | Number of staff trained by institution     |  | 10     | 11     | 110 |  |  |  |

|  |  |  |  |    |                                 |     |  |  |  |
|--|--|--|--|----|---------------------------------|-----|--|--|--|
| 8  | Sponsor 20 Apex institution staff (incl. ARB Apex Bank & RCB staff) to SMDP organised in Ghana | Number of staff trained by institution |  | 20 | 20                              | 100 |  |  |  |
| 9  | Customise a training curriculum for microfinance management for the SMDP Programme             |  |  | 5  | 5                               | 100 |  |  |  |
| 10   | Conduct a TNA as an input for developing a training manual for Auditors of MFCs/MFIs           |  |  |    | Activity yet to be carried out. |     |  |  |  |
| 11   | Train 20 Auditors from the five Apex institutions  |  |  | 20 | Activity dependent on above.    |     |  |  |  |
|  |  |  |  |    |                                 |     |  |  |  |
| <b>Total Budget for Sub-Component 1.1:</b> |  |  |  |    |                                 |     |  |  |  |
|  |  |  |  |    |                                 |     |  |  |  |
| SC1.2                                      | <b>Sub-Component 1.2:<br/>Product Development<br/>and Innovation</b>                           |  |  |    |                                 |     |  |  |  |
|  |  |  |  |    |                                 |     |  |  |  |

|       |  |  |  |    |                               |    |  |  |  |
|-------|--|--|--|----|-------------------------------|----|--|--|--|
| 1.2.1 | <b>Output 1.2.1: ARB Apex Bank able to develop new products for different niches, especially in the area of agricultural value chains and microfinance methodologies</b> | <b>No of financial products developed by types of products</b> |  |    |                               |    |  |  |  |
| 1     | Organise stakeholders' workshop on MSI strategy document   |  |  | 2  | 1                             | 50 |  |  |  |
| 2     | Extend roll-out of microfinance support initiative, including financial literacy to about 90 RCBs  | No. of RCBs benefitting from the MSI                           |  | 90 | Not due                       |    |  |  |  |
| 3     | Provide logistics support to the Research, Marketing and Corporate Affairs Department  | No. and type of logistics provided                             |  |    |                               |    |  |  |  |
| 4     | Train 5 Apex Bank staff in product development   | No. of ARB Apex Bank staff trained in product development      |  | 5  | Activity yet to be initiated. |    |  |  |  |
| 5     | Assist Apex Bank to develop financial products   | No. of financial products developed by types of products       |  |    | Activity yet to be initiated. |    |  |  |  |
|       |  |  |  |    |                               |    |  |  |  |

|                          |   |  |  |  |   |  |  |  |  |
|--------------------------|---|--|--|--|---|--|--|--|--|
|                          | <b>Output 1.2.2 RMFIs members capacities built on product development and innovation</b>                                | Number of new products developed and type of product |  |  |   |  |  |  |  |
| 1                        | Provide matching grant funds to OISL to develop a system for measuring the size of smallholder farms of loan applicants | Number of farms measured by sizes                    |  |  | MOU with Opportunity International Saving and Loans is yet to be signed to kick off the assignment. |  |  |  |  |
| 2                        | Carry out Financial Inclusion Mapping Exercise in collaboration with GHAMFIN and RMFIs                                  | Financial inclusion maps by locations                |  |  | Yet to take off fully. GHAMFIN is dialoguing with the MiX on the assignment.                        |  |  |  |  |
| 3                        | Carry out Feasibility study on Customer Relation Desk for RMFIs   |  |  |  | The activity is to upscale the customer relation desk model. It is planned for the third quarter.   |  |  |  |  |
|                          |   |  |  |  |   |  |  |  |  |
| <b>Component 2</b>       | <b>Component 2 - STRENGTHEN FINANCIAL AND AGRICULTURAL LINKAGES AND SYSTEMS</b>   |  |  |  |   |  |  |  |  |
| <b>Sub-component 2.1</b> | <b>Sub-component 2.1: Linkages and Technical Support</b>  |  |  |  |   |  |  |  |  |

|                          |  |   |  |  |   |  |  |  |  |
|--------------------------|--|---|--|--|---|--|--|--|--|
| <b>Output 2.1.1</b>      | <b>Output 2.1.1 Technical assistance to agricultural producers and value chains operators strengthened</b> | <b>Number of agric. Producers and value chain operators by type of technical assistance</b> |  |  |   |  |  |  |  |
| 1                        | Complete consultancy assignment on Financial Overlay of three agricultural value chains                    | Report on financial overlay of agricultural value chain                                     |  |  | Assignment is about 80% complete. It has suffered delay because of useful inputs from stakeholders which has greatly enriched the report and made the findings more relevant. |  |  |  |  |
| 2                        | Engage consultant to develop training modules on agricultural value chain financing                        | Modules on agricultural value chain   |  |  | Contract awarded and Consultant's Inception Report is under review by ARB Apex Bank and PCO staff.  |  |  |  |  |
| 3                        | Cataloguing of non-financial support linkages to Ag. VC  |   |  |  | Contract awarded and consultant is preparing an inception report for review of PCO and the Bank.  |  |  |  |  |
|                          |  |   |  |  |   |  |  |  |  |
| <b>Sub-component 2.2</b> | <b>Sub-Component 2.2: Policy, Regulation, Supervision and Monitoring</b>                                   | <b>Regulatory framework formulated and operationalised</b>                                  |  |  |   |  |  |  |  |
|                          |  |   |  |  |   |  |  |  |  |
| <b>Output 2.2.1</b>      | <b>Output 2.2.1 Policy Issues and other support in the MF Industry coordinated</b>                         | <b>Standards in operations of MFIs established</b>  |  |  |   |  |  |  |  |

|                          |  |   |  |      |                                    |    |  |  |  |
|--------------------------|--|---|--|------|------------------------------------|----|--|--|--|
| 1                        | Organise and lead the National Microfinance forum on quarterly bases. Topics: GHAMP Review, Regulation & Compliance, Interest Rate, Microfinance Impact, Microfinance & Social Exclusion | Number of fora organised  |  | 2    | 1                                  | 50 |  |  |  |
| 2                        | Organise Microfinance Newsletter Editorial committee meeting at least once a quarter   | No. of Editorial meetings organised                             |  | 4    | 0                                  |    |  |  |  |
| 3                        | Publish and circulate at least 1,500 copies of Microfinance Newsletter   | No. of editions published and circulated                        |  | 1500 | 0                                  |    |  |  |  |
| 4                        | Organise a semi-annual meeting of Sub-group of Insts. supporting ARB Apex Bank   | Number of DPs and institutions participating in meeting         |  |      | This has been planned for October. |    |  |  |  |
|                          | <b>Sub-Total</b>   |   |  |      |                                    |    |  |  |  |
|                          |  |   |  |      |                                    |    |  |  |  |
| <b>Sub-Component 2.3</b> | <b>Sub-Component 2.3: Knowledge Development and Dissemination</b>  | Enhanced knowledge and skills in rural and agricultural finance |  |      |                                    |    |  |  |  |
|                          |  |   |  |      |                                    |    |  |  |  |



|   | <b>Output 2.3.1 Information on Programme activities and reports made public</b> |                                 |  |   |   |  |  |  |  |
|---|---|---------------------------------|--|---|---|--|--|--|--|
| 1 | Develop a communication strategy  | Communication strategy document |  |   | RFP ready for distribution to shortlisted firms |  |  |  |  |
| 2 | Organise at least one briefing/feedback session for members of parliament, etc. | No. of briefing sessions held   |  | 1 | New parliament just resumed sitting             |  |  |  |  |
|   |   |                                 |  |   |   |  |  |  |  |



## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5a: Financial Performance by Financier as at 31 May 2013.

|                          | Appraisal     | Revised Allocation | Disbursements | Percentage disbursed |
|--------------------------|---------------|--------------------|---------------|----------------------|
| Financier                | (USD '000)    | (USD '000)         | (USD '000)    | %                    |
| IFAD loan                | 15,000        | 15,000             | 3,191         | 21.3%                |
| Italian Government Grant | 1,512         | 1,512              | 0             | 0.0%                 |
| AfDB                     | 4,935         | 0                  | 0             | 0.0%                 |
| World bank               | 7,140         | 0                  | 0             | 0.0%                 |
| Danida                   |               | 8,014              | 2,692         |                      |
| GoG                      | 3,412         | 3,016              | 297           | 8.7%                 |
| Beneficiaries -Apex Bank | 2,337         | 8,586              | 0             | 0.0%                 |
| -Other Beneficiaries     | 7,529         | 4,096              | 65            | 0.9%                 |
| <b>Total</b>             | <b>41,865</b> | <b>40,224</b>      | <b>6,245</b>  | <b>14.9%</b>         |

**Table 5b: Financial Performance by Financier by Component (USD'000) as at 31 May 2013.**

| Component   |  | IFAD   |        |       | DANIDA |        |       | Italian Government |        |      | APEX Bank |        |      | Other Beneficiaries |        |      | GoG    |        |      | Total  |        |       |
|---|--|--------|--------|-------|--------|--------|-------|--------------------|--------|------|-----------|--------|------|---------------------|--------|------|--------|--------|------|--------|--------|-------|
|   |  | Appr.  | Actual |       | Appr.  | Actual |       | Appr.              | Actual |      | Appr.     | Actual |      | Appr.               | Actual |      | Appr.  | Actual |      | Appr.  | Actual |       |
| A.  | Strengthen Financial System                    | \$'000 | \$'000 | %age  | \$'000 | \$'000 | %age  | \$'000             | \$'000 | %age | \$'000    | \$'000 | %age | \$'000              | \$'000 | %age | \$'000 | \$'000 | %age | \$'000 | \$'000 | %age  |
| 1   | Capacity Building for Sustainability           | 10,685 | 1,477  | 13.8% | 8,014  | 2,692  | 33.6% |                    |        |      | 278       |        |      | 1,409               | 65     | 4.6% | 1,454  | 132    | 9%   | 21,840 | 4,367  | 20.0% |
| 2   | Product Development & Innovation               | 658    | -      | 0.0%  |        | -      |       |                    | -      |      | 4,813     | -      |      |                     | -      |      | 336    | -      | 0%   | 5,807  | -      | 0.0%  |
|   | Subtotal Strengthen Financial System           | 11,343 | 1,477  | 13.0% | 8,014  | 2,692  | 33.6% |                    |        |      | 5,091     |        |      | 1,409               | 65     | 4.6% | 1,790  | 132    | 7%   | 27,646 | 4,367  | 15.8% |
| B.  | Strengthening Support System                   |        |        |       |        |        |       |                    |        |      |           |        |      |                     |        |      |        |        |      |        |        |       |
| 1   | Technical Support                              | -      | 595    | 0.0%  |        |        |       | 1,512              |        |      |           |        |      | 2,088               |        |      | 0      | 42     |      | 3,600  | 637    | 17.7% |
| 2   | Policy, Regulation, Supervision and Monitoring | 812    | -      | 0.0%  |        |        |       |                    |        |      | 3,496     |        |      | 599                 |        |      | 750    | -      | -    | 5,657  | -      | 0.0%  |
| 3   | Knowledge Development & Dissemination          | 182    | 1      | 0.0%  |        |        |       |                    |        |      |           |        |      |                     |        |      | 21     | -      | -    | 203    | 1      | 0.7%  |
|   | Subtotal Strengthening Support System          | 994    | 597    | 0.0%  | -      | -      |       | 1,512              |        |      | 3,496     |        |      | 2,687               | -      |      | 771    | 42     | -    | 9,460  | 638    | 6.7%  |
| C.  | Programme Management                           |        |        |       |        |        |       |                    |        |      |           |        |      |                     |        |      |        |        |      |        |        |       |
| 1   | Training                                       | 167    | 132    | 78.8% |        |        |       |                    |        |      |           |        |      |                     |        |      | 0      | 1      | -    | 167    | 133    | 79.4% |
| 2   | Administration                                 | 1,291  | 454    | 35.2% |        |        |       |                    |        |      |           |        |      |                     |        |      | 304    | 100    | 33%  | 1,595  | 554    | 34.7% |
| 3   | Monitoring & Evaluation                        | 1,206  | 145    | 12.0% |        |        |       |                    |        |      |           |        |      |                     |        |      | 151    | 23     | 15%  | 1,357  | 168    | 12.3% |
|   | Subtotal Programme Management                  | 2,664  | 730    | 27.4% |        |        |       |                    |        |      |           |        |      |                     |        |      | 455    | 124    | 27%  | 3,119  | 854    | 27.4% |
|   | Total  | 15,000 | 2,804  | 18.7% | 8,014  | 2,692  | 33.6% | 1,512              |        |      | 8,586     |        |      | 4,096               | 65     | 2%   | 3,016  | 297    | 10%  | 40,224 | 5,859  | 14.6% |
| NB: Appraisal amount is based on revised amounts due to the withdrawal/admission of financiers. |  |        |        |       |        |        |       |                    |        |      |           |        |      |                     |        |      |        |        |      |        |        |       |

**Table 5c: IFAD LOAN DISBURSEMENT IN SDR ('000) AS AT 31 MAY 2013**

| Description of Cetgories |  | Loan 761<br>Allocation | Loan 761A<br>Allocation | Total<br>Loans | Disburse<br>ment. | Balance      | Disb.<br>%age |
|--------------------------|--|------------------------|-------------------------|----------------|-------------------|--------------|---------------|
| I                        | Vehicle, Goods and Equipment                 | 70                     | 105                     | 175            | 88                | 87           | 50.1%         |
| II A                     | Technical Assistance- Registry<br>Management | 50                     | 75                      | 125            | 7                 | 118          | 5.6%          |
| II B                     | Technical Assistance- Others                 | 660                    | 990                     | 1,650          | 453               | 1,197        | 27.5%         |
| III                      | Studies, Training and Workshops              | 2,240                  | 3,360                   | 5,600          | 305               | 5,295        | 5.4%          |
| IV                       | Performance Based Lump Sums                  | 290                    | 435                     | 725            | 39                | 686          | 5.4%          |
| V                        | Salaries and Allowances                      | 190                    | 285                     | 475            | 117               | 358          | 24.6%         |
| VI                       | Operating Costs                              | 130                    | 195                     | 325            | 88                | 237          | 27.0%         |
| VII                      | Unallocated                                  | 420                    | 505                     | 925            | -                 | 925          | 0.0%          |
|                          | <b>Subtotal</b>                              | <b>4,050</b>           | <b>5,950</b>            | <b>10,000</b>  | <b>1,096</b>      | <b>8,904</b> | <b>11.0%</b>  |
| Authorised Allocation    |  |                        |                         |                | 949               | (949)        |               |
|                          | <b>Total</b>                                 | <b>4,050</b>           | <b>5,950</b>            | <b>10,000</b>  | <b>2,045</b>      | <b>7,955</b> | <b>20.4%</b>  |



## Appendix 6: Compliance with legal covenants: Status of implementation

| Section      | Covenant  | Target/Action Due Date                                 | Compliance Status/Date | Remarks   |
|--------------|---|--|------------------------|---|
| Section 2.03 | PCO to open and maintain a Special Account denominated in USD.                    | Signature of Agreement                                 | Done/April 2010        | Accounts domiciled in Ecobank Gh.   |
|              | Deposit of Authorized Allocation of USD 1,500,000.                                | Start of Programme                                     | Done                   | Amount deposited into special Programme account in Ecobank.   |
|              | PCO to open and maintain the "Italian Special Account"                            | During implementation Programme                        | Done/May, 2013         | Italian Special Account has been opened with ECOBANK  |
| Section 3.02 | Submission of AWPB each year to IFAD for approval.                                | Yearly   | Dec. 2012              | AWP&B 2013 was submitted for No Objection in December, 2012. After extensive review the AWP&B 2013 was approved in March, 2013.<br><br>The current ISM (June 2013) has recommended a review of the AWP&B to reflect current dynamics in the sub-sector. |
| Section 3.03 | Opening and operation of a Programme Account in cedis                             | Start of Project                                       | Done/April 2010        | Accounts domiciled in Ecobank Gh.   |
| Section 3.04 | Initial deposit of USD 100,000 of Counterpart Funds for the first Programme year. | By date of first disbursement                          | Done                   | A total GOG funding of USD 200,000 has been expended as counterpart funding.  |
| Section 4.01 | Establishment of an effective Monitoring and Evaluation System.                   | 90 days after effective date                           | Ongoing                | Monitoring and Evaluation system under review to synchronise with reporting frameworks of implementing agencies.  |
| Section 4.02 | Submission of semi-annual progress reports to POC and IFAD                        | 2 months after end of each reporting period            | Ongoing                | End of Year report submitted in March, 2013. The first semi-annual progress report for 2013 will be submitted by Mid-August 2013.   |
| Section 4.03 | Mid-term Review (MTR) carried out jointly by Borrower and IFAD.                   | Not later than 36 months after Programme effectiveness | Not yet due            | Programme became effective on 30 <sup>th</sup> April, 2010. Mid-term review was initially scheduled for September 2013. MTR date will be confined.  |
| Section 4.04 | Submission of Completion Report   |  | Not yet due            | Programme is in its third year and the  |

|                      |   |  |  |   |
|----------------------|---|--|--|---|
|                      |   |  |  | completion report is not due until December 2016.   |
| Section 5.01         | Submission of consolidated annual financial statements to IFAD                                      | 3 months after end of fiscal year            | Done                                   | Consolidated annual financial statements were submitted to IFAD; and the audited accounts were submitted in March, 2013   |
| Section 5.02         | Appointment of auditors by Borrower for each fiscal year.   | Not later than 6 months after effective date | Done                                   | The contract for Messrs. Ernst and Young Gh. Ltd. Ended after the three years audit. PCO will initiate procurement process for a new Programme external auditor.  |
| Schedule 2           |   |  |  |   |
| Schedule 3           | Establishment of National Programme Steering Committee.   | Programme effectiveness                      | Done                                   | Programme Oversight Committee established in April, 2010. Five POC meetings held by November 2012. No POC meeting has been held in 2013.  |
|                      | Establishment of PCO and recruitment of key staff.  | Start of Programme                           | Done                                   | All key staff at post, including a full-time Financial Controller. The ISM has however recommended the recruitment of a Programme Accounts Officer and an Accounts Clerk.   |
|                      | Drafting of Project Implementation Manual for IFAD's approval.                                      | Programme commencement                       | Done                                   | PIM finalised and operationalized. Current ISM has recommended a review of the PIM.   |
| Additional Covenants | Use of Programme vehicles and other equipment   | Not specified                                | Ongoing                                | Three Programme vehicles being used for Programme activities. The vehicles are in good condition.<br>A photocopier and scanner procured by the Programme are in good condition and have enhanced Programme operations.  |
| Schedule 4           | Procurement of goods, works and services in accordance with the procedures laid down in Schedule 4. | Ongoing                                      | Ongoing according to Procurement Plan. | PCO prepared procurement documents following IFAD and GOG procurement guidelines. Subsequently, PCO received No Objection notices for all the goods and services procured.<br>All goods and services have been procured in accordance with IFAD procurement procedures. |



## Appendix 7: Knowledge management: Learning and Innovation

1. **Internal Credit Referencing System using Biometric Device:** In recent times, multiple borrowing and over-indebtedness has become a serious challenge to operators of Microfinance in Ghana. GAMC has therefore introduced a biometric verification system to help improve due diligence of member companies. The system is referred to as the Internal Credit Referencing System (ICRS). The system is intended to expose “bicycling clients”, i.e. clients who practice multiple borrowing in the bid to pay up other loan facility they have taken from other microfinance companies. This effort is aimed at introducing credibility and sanity into the operations of Microfinance companies in Ghana. So far the client referencing system has helped to identify multiple borrowers from the various microfinance companies.
2. RAFiP, in collaboration with Ghana Association of Microfinance Companies (GAMC) piloted this new client product, i.e. internal credit referencing system using biometric device. RAFiP intends to take this innovative product, in the Ghana financial sector, to scale in this Programme year. RAFIP has already procured servers for the institutions (including GHAMFIN) to enhance this exercise. When an agreement is finalised GHAMFIN will host the system.
3. **Financial Overlay of Agricultural Value Chain Mapping of three (3) Products:** Apex Bank in collaboration with a consultant, and with inputs from the other IFAD funded Programmes, especially NRG, is assessing the financial implications of financing three selected crops – maize, cassava and soybean, along the value chain. Soya was proposed on the grounds that it feeds into both cooking oil and animal feed, and that Ghana presently is importing soya for these purposes. Also, soya is a key value chain support by both the NRG and ADVANCE projects, which are already partners for the maize value chain, as well as potential users of the results. The outcome of the assignment would be a replicable methodology for obtaining quantitative data to assess financing needs and lending opportunities in key value chains. The assignment is expected to be completed by ending June, 2013.
4. **Matching grant fund to Opportunity International Savings and Loans (OISL):** OISL is a non-bank financial institution licensed to operate in savings and loans. The institution serves micro and small entrepreneurs with loans, deposits and other financial services. OISL is currently engaged in agricultural loans to rural clients and has diversified its agricultural loans portfolio to include the financing of high valued crops like maize, oil palm, chillies, onions, pineapple, citrus, plantain, poultry and livestock. The bank’s current clientele base is about 9,000 farmers across six regions of the country. To improve its lending to farmers, OISL needs data on the farm sizes which are normally under estimated by farmers. The result is that there are over or under utilization of agro-inputs which has negative impact on yield; and therefore repayment of loans. RAFIP therefore intends to support OISL to upscale the mapping of farms with GPS handsets; and to collect attribute and geo-referenced data on household details. This exercise is expected to give the banks accurate data to make informed decisions on the loan products. The data is expected to be made public for the information of the other financial institutions.
5. **Customer relation desk:** The purpose is to set-up client information and redress system to enable the GAMC protect the clients of member companies. The customer relation desk was piloted by the Ghana Association of Microfinance Companies (GAMC) with support from RAFiP. GAMC secretariat has therefore designed various client reporting formats and log books to capture client requests. This will need to be supplied to all the 400 GAMC member companies. RAFIP plans to upscale this innovation.

**6. Cataloguing of linkages between financial and non-financial support in Value Chains:**

The objective of this assignment is to catalogue and assess specific models of linkages between financial and non-financial support in key agricultural Value Chains. The idea is that there is virtually no literature on existing or potential non-financial linkages in the value chain financing models; but such qualitative variables are very important in value chain financing. The outcome of this assignment is to introduce the identified proven linkages to the RCBs, and to some of the other RMFIs, if need be. PCO, in collaboration with ARB Apex Bank, has initiated this assignment.

## Appendix 8: FINANCIAL MANAGEMENT REPORT.

### I. Introduction

1. The The Rural and Agricultural Finance Programme (RAFIP) is a 6 year Project, financed by the Government of the Ghana (GoG), and the International Fund for Agricultural Development (IFAD). The project was approved by IFAD in 17 December 2008, and the Financing Agreement signed on 23 November 2009. The Loan became effective on 30 April 2010. The Programme is planned for completion on 30 June 2016 while the loan closure is planned for 31 December 2016.
2. The total cost of the Project, as planned at design was USD 41.9 million. The Loan amount as provided for in the Financing Agreements is SDR 10 million or USD 15 million equivalents. The other planned cost contributions include USD 4.9 million, USD 7.1 by the World Bank, USD 2.3 by the Apex Bank USD 3.4 by the GoG and USD 5.3 million by the project beneficiaries. However, some of the donor institutions that expressed interest to fund the Programme at the time of design were not able to come on board. Notwithstanding, the PCO and Ministry has sought to admit new partners in financing the Programme's activities. The new partners include DANIDA and GIZ.

### II. The objectives and conduct of the mission.

3. The **Financial Management Specialists** reviewed the fiduciary aspects of the Programmes. More specifically, the Financial Management Specialists
  - (i) reviewed the overall financial management system, internal controls, procurement, and contract management;
  - (ii) reviewed and supported the PCO to improve budget planning, monitoring and control;
  - (iii) reviewed the progress with automation and computerization for the preparation of withdrawal applications,
  - (iv) assessed the integrity of supporting documentation;
  - (v) conducted random check of SOEs and follow-up on outstanding expenditures pending for replenishment;
  - (vi) analysed the status of the Special Account and reconciled the accounts;
  - (vii) reviewed and assessed the progress with the implementation of the AWPB and Procurement Plan, and suggest general guidance to enhance their quality
  - (viii) reviewed the revised Programme Implementation Manual and Programme Accounting Manual (PAM) and supported the PCO/PMU to implement financial and administrative procedures effectively;
  - (ix) reviewed the status of counterpart funds; and
  - (x) reviewed the 2012 Unaudited Financial Reports and the implementation of the 2011 Audit recommendations.
4. In the course of carrying out the assignments, the mission engaged with the officers of the PCO management team and other staff of the Ministry of Finance. The mission takes this opportunity to

gratefully thank all these officials and staff for their time, support, cooperation and collaboration.

### III. DETAILED WORK DONE, FINDINGS, RECOMMENDATIONS AND WAY FORWARD

#### A. Financial management.

5. **Review of the recommendations of the previous mission:** The PCO has implemented the recommendations and addressed the issues raised during the last mission November 2012. The Programme has now disengaged in investing the IFAD funds in the interest earning deposits, updated the fixed assets register with assets values that excludes taxes, and is now preparing a monthly cash budget. The implementation of these recommendations in addition to previous recommendations made in 2010 and 2011 has improved the rating of financial management of the Programme to moderately satisfactory.
6. **Systems and Internal Controls:** The financial management systems, internal controls and procedures have been put in place and form part of the Programme Implementation Manual (PIM). The systems include the financial planning through AWPBs, financial data capturing and accounting system, financial cash flow management, monitoring and reporting, and procurement and auditing. The Programme financial transactions are captured and accounted for using the Sage ACCPAC System. However, the usage of the system is yet to be put into full use as some very regular reports are still manually generated. **The mission recommends the maximised usage of the system by automating withdrawal applications, bank reconciliation, AWPB, M&E reports, Statutory Financial Statements and other management reports.**
7. The mission also noted inadequate segregation of duties and checks as a result of insufficient numbers of qualified accountants in the current financial management team as well as lack of internal audit input. However, IFAD-funded Programmes in Ghana do not use the national internal audit agency. The other key gap includes lack of regular quarterly financial statements that would be a subject of structured result-oriented oversight review by the PCO management team and the Project Oversight Committee. **The mission recommends improvements of these inadequacies and update of the Systems manual to accommodate the processes of these additions, as well as other systems developments since Programme inception.**
8. **Financial Management Capacity and Performance.** The financial management capacity for the project is inadequate in terms of the number of the staffing situation. Currently, the Financial Controller (competitively recruited outside of the Government's Controller and Accountant General's Department) is assisted by an intern (assigned to the MOF by the National Service Secretariat) whose contract ends on 31 July 2013. The identified risk is that in the event that the FC is indisposed or resigned, the Programme's financial management will suffer until a qualified person is recruited. It is therefore advisable for the Programme to have a (part)/qualified accountant/finance officer to deputise for the FC. **The mission recommends that the PCO should initiate recruitment an Accounts Assistant in addition to a Finance Officer to support the Financial Controller by end September 2013.** This will enhance internal checks and controls as well facilitate a minimum level of continuity in the event of absence of the Financial Controller.
9. **Financial Accounting, Monitoring and Reporting:** The PCO maintains a performing accounting system with articulated Chart of Accounts. The yearend financial statements are well prepared in a timely manner and financial information can be generated as and when it is required. However, the financial monitoring and reporting requires improvement in terms of production of quarterly financial statements and reports, which should include Income and Expenditure Statements and Special Account Reconciliation. The other key quarterly financial report should be the Budgetary performance on activities implemented during the quarter in terms of their actual individual activity costs compared

with the budgetary provisions and a report in suitable narrative explanations of the key budget overruns. These reports should be the subject of review by the PCO management team and the Project Oversight Committee (POC) as part of their oversight role of ensuring accurate and timely financial monitoring and reporting as well as best management of Funds Flow in terms of effective and efficient utilization in the approved Programme activities.

10. The mission noted that the financial data transactions for January–May 2013 were not captured on the system as a result of delayed implementation of the end-of-year closure procedures of the accounting systems. The support from the vendor was not provided in a timely manner. An engagement and agreement with the Vendor by PCO with a view to ensuring provision of timely and qualitative support for the future is recommended. In addition, **the mission recommends training for the finance team in the accounting software to include (i) report designing; (ii) closure of accounts; (iii) data import and export; etc.** The training should include the yet-to-be –recruited staff and therefore should come off after the recruitment. Meanwhile PCO should capture all the 2013 transactions onto the system by the end of June 2013, which would open the door for preparation and submission of the requisite quarterly and semi-annual financial statements and reports.
11. **Travel Authorisation:** The PCO is yet to adopt the use of Travel Authorisation Forms as provided for in the Programme Implementation Manual. ***The mission recommends the use of standard travel authorisation forms, travel expense claim forms and back-to-office reports.***
12. **Review of the Special Programme Account:** The mission reviewed the operation of the Special Account and the Programme Account and confirms that the Special Account allocation is properly and fully accounted for as at 28 May 2013. The Special Account has a cash balance of USD 220,388 while the Programme Operation account had a balance of USD 147,755. The key reconciling item is the expenditure of USD 1,137,038.37 which is pending WA to be submitted. The mission notes that this expenditure is now ready in WA drafts 6 and 7 and waiting for the signatures and submission to IFAD for replenishment claim.

**Table 1: Status of the Special Account as of 28 May 2013:**

| Item | Description  | Value (USD)         |                     |
|------|--|---------------------|---------------------|
| i    | <b>Authorised Allocation</b>                       |                     | <b>1,500,000.00</b> |
| ii   | Balance in the Special Account                     | 220,388.00          |                     |
| iii  | Balance in the Programme Account                   | 147,755.00          |                     |
| iv   | Petty Cash on Hand                                 | 0.00                |                     |
| v    | <b>Total Cash &amp; Bank Balances</b>              | <b>368,143.00</b>   |                     |
| vi   | WA#6 pending at PCO                                | 310,670.95          |                     |
| vii  | WA#7 pending at PCO                                | 826,367.42          |                     |
| viii | <b>Total Pending WAs</b>                           | <b>1,137,038.37</b> |                     |
| ix   | <b>Total Cash &amp; Pending WAs (v+viii)</b>       |                     | <b>1,505,181.37</b> |
| x    | Bank Interest Received                             |                     | 5,134.33            |
| xi   | <b>Available Balance of Initial Deposit (i-ix)</b> |                     | <b>1,500,047.04</b> |
| xii  | <b>Exchange Rate Difference (i-xi)</b>             |                     | <b>-47.04</b>       |

13. The mission made these two Draft WAs the basis for SOE random tests and has assisted the PCO in improving the SoE presentations. The PCO should ensure that all claims for amounts above the USD 50,000 (the SoE threshold for Ghana IFAD projects (except RTIMP) are submitted under form 101

and the summary sheets accompanied with supporting documents for each of the amount claimed, and should include fully reconciled Contract Monitoring Form (CMF) for any of the items claimed on account of a contract. All the items below USD 50,000 should be submitted using form 102A and no supporting documentation is required. **The Project is running low on Cash flow and it was agreed that the two WAs should be submitted by 15 July 2013.**

14. **Statements of Expenditure SOEs Review:** The Mission reviewed at random the SOEs supporting the draft withdrawal applications (WAs) 6 and 7, totalling USD 1,137,038. The random selection included 13 items totalling USD 492,451 representing 43.3 % of the total WAs value. The mission reviewed the supporting SOEs of the sample with the aim of confirming the expenditures' eligibility for claim and replenishment/re-imbursement. The bulk of the expenses in the sample were validated with supporting documents and were found to be in accordance with the laid down procurement procedures and the Financing Agreement, and therefore eligible for claim.
15. However, the review raises an issue of value for money for the consultancy fee paid for setting up the Shares register for APEX Bank. The Programme has contracted Messrs PriceWaterhouseCoopers to conduct feasibility study for the establishment of Share Registry for the ARB Apex Bank and its member institutions. While this study is far advanced with final draft ready, and about 80% contract sum paid to the Consulting Firm, ARB Apex Bank wrote to discontinue with the activity without due consideration of the status of the investment cost. Neither was detailed explanation given for the discontinuation of the proposed Share Registry.
16. The establishment of the register is part of the Programme design, and the formal discontinuation by the APEX bank renders the total contract expenditure of GHC 252,000 or USD 127,000 equivalent as almost wasted funds and this is inconsistent with the objectives of the Programme. The Lead Implementing Agency, the Ministry of Finance has rightly requested for a refund of the expenditure incurred for the consultancy from the ARB APEX Bank. ***The mission recommends a technical review of the setting up of the Share Registry with a view to meeting the objectives of the Programme.***
17. A summary of spot check of statements of expenditure for 2012 – 2013 is included to the list of appendices as Table 5H.
18. **Programme Financiers:** Following the inability of some donors to sign in to the Programme as envisaged at Programme Design, RAFIP continues to collaborate with other Development Partners – notably DANIDA and GIZ - that has Programmes that fund agricultural finance activities. Consequently the Programme financing has been revised and it is present as Appendix 5 – Figure 3.
19. **Review of the Capacity Building Fund Account:** Review of the Capacity Building Fund Account: Since Programme inception the CBF Manager has organized various trainings that include Monitoring and Evaluation, Strategic Planning, Microfinance Operations, and Training of Trainers for MF Apex institutions. The Apex institutions, have as of 28 May 2013 contributed a total of USD35, 000 into the Capacity Build Fund Account.

#### **B.Disbursement.**

20. The Cumulative disbursement to date of the IFAD loans (totalling SDR 10 million or USD 15 million) is SDR 2.05 million or USD 3.19 million representing 20% of the total, including the Special Programme Account (SPA) allocation of USD 1.5 million. This status has been reconciled to the IFAD statements. However, the loan utilization, excluding the SPA allocation is SDR 1.10 million, or USD 1.69 million, and represents utilization level of only 11%. The mission has gone further to factor in expenditure in pending WAs 6 and 7 amounting to USD 1.14 million or SDR 737,000 equivalents at the current exchange rates. Consequently, the projected utilization is estimated at SDR 1.83 million or 18% of the loan. Thus, the projected Loan balance as at 31 May 2013 is SDR 8.17 million, or USD 12.6 million at

the current exchange rates.

21. The mission examined disbursement by expenditure category (Table 3). The highest utilization rate (73 per cent) is for Category I, for vehicles and equipment. These are front-loaded at the beginning of the Programme. Cat. IIB Technical assistance (others) is also relatively high (56 per cent), but likewise has been front-loaded in support of ARB Apex Bank, and may be shifted to performance-based support rather than TA after MTR. Hence there is no immediate need for reallocation, although this should be revisited during the MTR. Disbursement in 2013 was delayed somewhat by the process finalizing and approving the AWPB (no objection received in March) and of recruiting a new Coordinator (completed in June).
22. Kindly refer to Appendix 5- Table 5C for the IFAD loan disbursements and utilization projections (SDR'000) as at 31 May 2013.
23. **Disbursement of 2013 AWPB.** Disbursement of the 2013 AWPB has generally been slow due to the absence of a substantive Programme Coordinator from January – May 2013. As at 31 May 2013, the PCO had disbursed a total of USD826,000 out of the IFAD budget of USD2,996,000; and USD971,000 out of the total budget of USD5,008,000 for 2013. It is recommended that the PCO reviews the budgets downward to reflect the reality on the ground. Please refer to Tables 5F and 5G for details as per components and categories respectively.
24. **Disbursement by Implementing Agency:** Out of total IFAD disbursement of USD2.83m (excluding SPA allocation), the Programme has disbursed USD 1.55m to and/ or through the key implementing agencies, including the Capacity Building Fund, ARB Apex Bank, GHAMFIN, and other rural finance subsector apex bodies, representing 54.7% of total RAFIP disbursement of USD 2.83m as at 28 May 2013 (Table 4). The remainder represents disbursement for activities managed by the PCO and its administrative costs.

**Table 3: Disbursement to Implementing Agents and PCO as at 28 MAY 2013**

| <b>Table 5: Disbursement by Implementing Agents and PCO as at 28 MAY 2013</b> |                               |                          |
|---|-------------------------------|--------------------------|
| <b>Implementing Agent/PMU</b>   | <b>Amount Disbursed (USD)</b> | <b>Per cent of total</b> |
| ARB Apex Bank   | 503,028                       | 17.8%                    |
| CBF   | 643,843                       | 22.8%                    |
| GHAMFIN   | 187,773                       | 6.6%                     |
| GAMC  | 86,037                        | 3.0%                     |
| GCCUA   | 51,972                        | 1.8%                     |
| GCSCA   | 30,613                        | 1.1%                     |
| ASSFIN  | 22,983                        | 0.8%                     |
| GHASALC   | 21,454                        | 0.8%                     |
| <b>Sub-Total</b>  | <b>1,547,704</b>              | <b>54.7%</b>             |
| PCO   | 1,280,065                     | 45.3%                    |
| <b>TOTAL</b>  | <b>2,827,769</b>              | <b>100.0%</b>            |

### **C. Counterpart funds.**

25. **The** Loan Financing Agreement requires the Government of Ghana (GoG) to provide financial resources of approximately USD 3.41 million. As at 31 May 2013 GoG has contributed a total of USD 297,000, representing 9 per cent. The amount contributed is consistent with the requirements so far. However, the low contribution reflects inadequate remittances as required by the AWPB's provisions. **The mission recommends that, GoG contributes its share of financing, consistently with the**

**provisions of the Financing Agreement** and those of the approved AWPBs.

26. **Contributions from Beneficiaries:** At Programme appraisal, the beneficiaries and the ARB Apex Bank were planned to contribute USD 7.53 million and USD 2.34 million respectively. The mission notes that no contributions by the beneficiaries have been captured in the Programme reports. During the mission the ARB Apex Bank reports a contribution of USD 65,000 while other beneficiaries under the Bank reported a contribution of USD 52,315. **The mission recommends that a mechanism is formulated for regular capture of the beneficiaries' contributions for monitoring and reporting,** including: (i) ARB Apex Bank staff and other costs associated with oversight and implementation of consultancies and RAFiP-supported activities, as well as for merger and training activities; (ii) contributions of RMFIs toward the costs of training under the CBF, being held for continued subsidization of training after the end of the Programme; and (iii) contributions to training being held by ARB Apex Bank for transfer to the Training Seed Fund once the Charter is signed with DANIDA

#### **D. Compliance with loan covenants.**

27. In spite of the slow take off of the Programme activities the mission has not noted any contravention of the loan covenants. A detail of compliance with loan covenants is presented as Appendix 6.

#### **E. Procurement.**

28. The Procurement Plan (PP) for the 2013 financial year is consistent with the AWPB estimated provisions. The planned activities for procurement have been agreed with the various implementing organizations in a planning workshop. The PP is properly prepared using the right templates with all the key implementation milestones stratified in the document. During the current year only one consultancy that was carried forward from last year was completed. This was for the consultancy services for Institutional assessment for the ARB Apex bank. The mission confirms that the procurement followed the laid down procedures including the advert, evaluation and contract award.
29. Nevertheless, procurement for 2013 has not been significantly implemented due to the delay in receipts of the IFAD no objection (NO) for the PP (received on 30 April 2013). The bulk of the procurement is for consultancies: USD 1,034,500 including the on-going procurements from 2012 financial year for USD 365,000; the plan for goods was USD 172,200.
30. The consultancies are mainly for capacity building needs of the implementing agencies and their members, including ARB Apex Bank, GHAMFIN, GAMC, GCSCA, CUA, ASSFIN, and GHASALC. For all the agencies apart from ARB Apex Bank, the process of procurement for training follows the procedures in the Capacity Building Fund Operational Manual. The manual requires the agencies to seek their services from a list of pre-qualified service providers. As for ARB Apex Bank, the main challenge for achieving procurement progress is reported to be the undue delay in submitting TORs. It now appears that some of these consultancies will be cancelled, requiring revision and resubmission of the PP.
31. **Strategic planning for timely procurement:** As at 31 May 2013, the bulk of the Programme IFAD resources, approximately USD 8 million representing 63.4%, are allocated to category 3, Studies, Training and Workshops. The future agreement with the implementing agencies on the activities for inclusion in the relevant AWPB should be accompanied by the requisite specifications and/or Terms of Reference for ensuring earliest implementation of the Procurement Plan. T
32. The PCO should also consider providing TA to review the nature of the wide range of capacity building needs likely to be demanded under the relevant components, and provide a strategic framework of TORs and specifications aimed at reducing the waiting time and improve the timeliness of procurement implementation. The MTR should also make a review in depth of the funds allocated in this category with the aim of rationalising the PP going forward.



33. **Audit:** The statutory audit has been carried out by Messrs Ernst and Young in a timely manner and the Financial Statements, Accounts and Reports for 2012 have received clean and unqualified audit opinions from the auditors, with no major issues in the Management letter. This is consistent with the 2010 and 2011 audits. The Auditor's report and Management letter have been submitted to IFAD and GoG on 3 April 2013.
34. However, the mission recommends improvement of the financial statements with additional statements that present: (i) the expenditure by components; (ii) detailed statement of non-current assets in terms of key asset classifications; and (iii) a statement on the initial loan advance reconciled in IFAD format (Form 104).
35. The contract with Ernst and Young has expired following its mandate to audit the 2010, 2011 and 2012 Financial Statements. **The mission recommends that the PCO procures the Consultancy Contract for Audit Services for 2013, 2014, and 2015 by September 2013.** In line with best practice, Ernst & Young should not be permitted to compete for the consultancy.
36. **Internal Audit:** The mission notes that the internal audit systems have not been mainstreamed as part of the internal and oversight controls of the Programme financial management. The mission had the opportunity to discuss with the Head of Audit of the Ministry of Finance on mainstreaming RAFIP's internal auditing into the ministry's audit system.
37. However, an independent and detailed analysis of the Ministry's own capacity in terms of its ability to working at the pace required of RAFIP to process and disburse the loan and grant funds is required before any specific recommendation is made.

**Table 4: Agreed Actions and Recommendations**

| <b>Agreed action:</b>  | <b>Responsibility</b> | <b>Agreed date</b>           |
|--|-----------------------|------------------------------|
| 1. Prepare TOR for an Accounts Officer and Accounts Assistant and recruit them   | PCO                   | 15 July 2013<br>30 Sep, 2013 |
| 2. Automate withdrawal applications, bank reconciliation, M&E and other management reports.  | PCO                   | 30 Sept. 2013                |
| 3. Release adequate counterpart funds consistent with AWPB and Loan Agreement  | MOF/PCO               | Aug. 31, 2013                |
| 4. Institute procedures for regular capture and reporting of beneficiaries' contributions in connection with consultancies, training and mergers | PCO, Apex Bank, CBFM  | Aug. 31, 2013                |
| 5. Procure new Auditors for audits for 2013-5 Audits   | PCO                   | 30 Sept. 2013                |
| 6. Prepare and submit financial statements and reports   | PCO                   | 30 Sep. 2013                 |
| 7. Formulate a mechanism for the regular capture of contributions by Apex Bank, DANIDA and other Beneficiaries                                   | PCO                   | 30 Sep. 2013                 |
| 8. Follow-up on the issue of the share Register for the ARB Apex Bank  | PCO                   | Continuous                   |
| 9. Update the PIM with Financial Reporting templates and other developments since Programme inception  | PCO                   | 30 Sept. 2013                |

**APPENDIX 5: Financial: Actual Financial Performance by Financier' Component and Disbursement by Category.**

**Table 5A: Financial Performance by Financier as at 31 May 2013.**

|                          | Appraisal     | Revised Allocation | Disbursements | Percentage disbursed |
|--------------------------|---------------|--------------------|---------------|----------------------|
| Financier                | (USD '000)    | (USD '000)         | (USD '000)    | %                    |
| IFAD loan                | 15,000        | 15,000             | 3,191         | 21.3%                |
| Italian Government Grant | 1,512         | 1,512              | 0             | 0.0%                 |
| AfDB                     | 4,935         | 0                  | 0             | 0.0%                 |
| World bank               | 7,140         | 0                  | 0             | 0.0%                 |
| Danida                   |               | 8,014              | 2,692         |                      |
| GoG                      | 3,412         | 3,016              | 297           | 8.7%                 |
| Beneficiaries-Apex Bank  | 2,337         | 8,586              | 0             | 0.0%                 |
| -Other Beneficiaries     | 7,529         | 4,096              | 65            | 0.9%                 |
| <b>Total</b>             | <b>41,865</b> | <b>40,224</b>      | <b>6,245</b>  | <b>14.9%</b>         |

**Table 5B: Financial Performance by Financier by Component (USD'000) as at 31 May 2013.**

| Component  |  | IFAD   |        |       | DANIDA |        |       | Italian Government |        |  | APEX Bank |        |  | Other Beneficiaries |        |      | GoG    |        |     | Total  |        |       |
|--|--|--------|--------|-------|--------|--------|-------|--------------------|--------|--|-----------|--------|--|---------------------|--------|------|--------|--------|-----|--------|--------|-------|
|  |  | Appr.  | Actual |       | Appr.  | Actual |       | Appr.              | Actual |  | Appr.     | Actual |  | Appr.               | Actual |      | Appr.  | Actual |     | Appr.  | Actual |       |
| A.   | Strengthen Financial System                    | \$'000 | \$'000 |       | %age   | \$'000 |       | \$'000             | %age   |  | \$'000    | \$'000 |  | %age                | \$'000 |      | \$'000 | %age   |     | \$'000 | \$'000 |       |
| 1  | Capacity Building for Sustainability           | 10,685 | 1,477  | 13.8% | 8,014  | 2,692  | 33.6% |                    |        |  | 278       |        |  | 1,409               | 65     | 4.6% | 1,454  | 132    | 9%  | 21,840 | 4,367  | 20.0% |
| 2  | Product Development & Innovation               | 658    | -      | 0.0%  |        | -      |       |                    | -      |  | 4,813     | -      |  |                     | -      |      | 336    | -      | 0%  | 5,807  | -      | 0.0%  |
|  | Subtotal Strengthen Financial System           | 11,343 | 1,477  | 13.0% | 8,014  | 2,692  | 33.6% |                    |        |  | 5,091     |        |  | 1,409               | 65     | 4.6% | 1,790  | 132    | 7%  | 27,646 | 4,367  | 15.8% |
| B.   | Strengthening Support System                   |        |        |       |        |        |       |                    |        |  |           |        |  |                     |        |      |        |        |     |        |        |       |
| 1  | Technical Support                              | -      | 595    | 0.0%  |        |        |       | 1,512              |        |  |           |        |  | 2,088               |        |      | 0      | 42     |     | 3,600  | 637    | 17.7% |
| 2  | Policy, Regulation, Supervision and Monitoring | 812    | -      | 0.0%  |        |        |       |                    |        |  | 3,496     |        |  | 599                 |        |      | 750    | -      | -   | 5,657  | -      | 0.0%  |
| 3  | Knowledge Development & Dissemination          | 182    | 1      | 0.0%  |        |        |       |                    |        |  |           |        |  |                     |        |      | 21     | -      | -   | 203    | 1      | 0.7%  |
|  | Subtotal Strengthening Support System          | 994    | 597    | 0.0%  | -      | -      |       | 1,512              |        |  | 3,496     |        |  | 2,687               | -      |      | 771    | 42     | -   | 9,460  | 638    | 6.7%  |
| C.   | Programme Management                           |        |        |       |        |        |       |                    |        |  |           |        |  |                     |        |      |        |        |     |        |        |       |
| 1  | Training                                       | 167    | 132    | 78.8% |        |        |       |                    |        |  |           |        |  |                     |        |      | 0      | 1      | -   | 167    | 133    | 79.4% |
| 2  | Administration                                 | 1,291  | 454    | 35.2% |        |        |       |                    |        |  |           |        |  |                     |        |      | 304    | 100    | 33% | 1,595  | 554    | 34.7% |
| 3  | Monitoring & Evaluation                        | 1,206  | 145    | 12.0% |        |        |       |                    |        |  |           |        |  |                     |        |      | 151    | 23     | 15% | 1,357  | 168    | 12.3% |
|  | Subtotal Programme Management                  | 2,664  | 730    | 27.4% |        |        |       |                    |        |  |           |        |  |                     |        |      | 455    | 124    | 27% | 3,119  | 854    | 27.4% |
|  | Total  | 15,000 | 2,804  | 18.7% | 8,014  | 2,692  | 33.6% | 1,512              |        |  | 8,586     |        |  | 4,096               | 65     | 2%   | 3,016  | 297    | 10% | 40,224 | 5,859  | 14.6% |
| NB: Appraisal amount is based on revised amounts due to the withdrawal/admission of fanancers. |  |        |        |       |        |        |       |                    |        |  |           |        |  |                     |        |      |        |        |     |        |        |       |

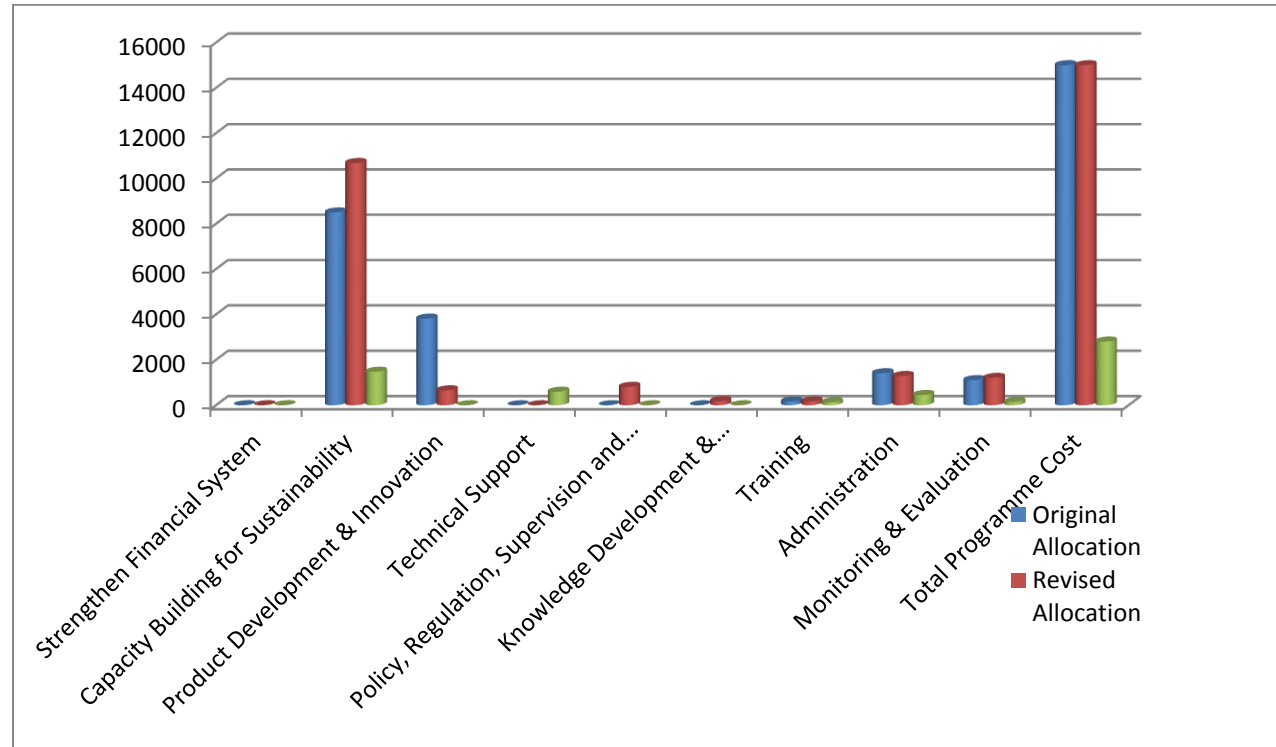
**Table 5C: IFAD LOAN DISBURSEMENT IN SDR ('000) AS AT 31 MAY 2013**

| Description of Categories |   | Loan 761 Allocation | Loan 761A Allocation | Total Loans   | Disbursement. | Balance      | Disb. %age   |
|---------------------------|---|---------------------|----------------------|---------------|---------------|--------------|--------------|
| <b>I</b>                  | Vehicle, Goods and Equipment              | 70                  | 105                  | 175           | 88            | 87           | 50.1%        |
| <b>II A</b>               | Technical Assistance- Registry Management | 50                  | 75                   | 125           | 7             | 118          | 5.6%         |
| <b>II B</b>               | Technical Assistance- Others              | 660                 | 990                  | 1,650         | 453           | 1,197        | 27.5%        |
| <b>III</b>                | Studies, Training and Workshops           | 2,240               | 3,360                | 5,600         | 305           | 5,295        | 5.4%         |
| <b>IV</b>                 | Performance Based Lump Sums               | 290                 | 435                  | 725           | 39            | 686          | 5.4%         |
| <b>V</b>                  | Salaries and Allowances                   | 190                 | 285                  | 475           | 117           | 358          | 24.6%        |
| <b>VI</b>                 | Operating Costs                           | 130                 | 195                  | 325           | 88            | 237          | 27.0%        |
| <b>VII</b>                | Unallocated                               | 420                 | 505                  | 925           | -             | 925          | 0.0%         |
|                           | <b>Subtotal</b>                           | <b>4,050</b>        | <b>5,950</b>         | <b>10,000</b> | <b>1,096</b>  | <b>8,904</b> | <b>11.0%</b> |
| Authorised Allocation     |   |                     |                      |               | 949           | (949)        |              |
|                           | <b>Total</b>                              | <b>4,050</b>        | <b>5,950</b>         | <b>10,000</b> | <b>2,045</b>  | <b>7,955</b> | <b>20.4%</b> |

**Table 5D: IFAD Loan Disbursement, Comparison between Original and Revised Allocations and Actual Disbursement.**

| Component |  | Original Allocation | %age of Total Loan | Revised Allocation | %age of Total Loan | Actual Disbursed |              |
|-----------|--|---------------------|--------------------|--------------------|--------------------|------------------|--------------|
| <b>A.</b> | <b>Strengthen Financial System</b>             | \$'000              | %age               | \$'000             | %age               | \$'000           | %age         |
| 1         | Capacity Building for Sustainability           | 8,500               | 56.7%              | 10,685             | 71.2%              | 1,477            | 13.8%        |
| 2         | Product Development & Innovation               | 3,817               | 25.4%              | 658                | 4.4%               | -                | 0.0%         |
|           | <b>Subtotal Strengthen Financial System</b>    | <b>12,317</b>       | <b>82.1%</b>       | <b>11,343</b>      | <b>75.6%</b>       | <b>1,477</b>     | <b>13.0%</b> |
| <b>B.</b> | <b>Strengthening Support System</b>            |                     |                    |                    | 0.0%               |                  |              |
| 1         | Technical Support                              | -                   |                    | -                  | 0.0%               | <b>595</b>       | 0.0%         |
| 2         | Policy, Regulation, Supervision and Monitoring | -                   |                    | <b>812</b>         | 5.4%               | -                | 0.0%         |
| 3         | Knowledge Development & Dissemination          | -                   |                    | <b>182</b>         | 1.2%               | <b>1</b>         | 0.0%         |
|           | <b>Subtotal Strengthening Support System</b>   | <b>-</b>            |                    | <b>994</b>         | <b>6.6%</b>        | <b>597</b>       | <b>0.0%</b>  |
| <b>C.</b> | <b>Programme Management</b>                    |                     |                    |                    | 0.0%               |                  |              |
| 1         | Training                                       | 167                 | 1.1%               | 167                | 1.1%               | 132              | 78.8%        |
| 2         | Administration                                 | 1,410               | 9.4%               | 1,291              | 8.6%               | 454              | 35.2%        |
| 3         | Monitoring & Evaluation                        | 1,107               | 7.4%               | 1,206              | 8.0%               | 145              | 12.0%        |
|           | <b>Subtotal Programme Management</b>           | <b>2,684</b>        | <b>17.9%</b>       | <b>2,664</b>       | <b>17.8%</b>       | <b>730</b>       | <b>27.4%</b> |
|           | <b>Total</b>                                   | <b>15,001</b>       | <b>100.0%</b>      | <b>15,000</b>      | <b>100.0%</b>      | <b>2,804</b>     | <b>18.7%</b> |

**Figure 1: IFAD Loan Disbursement, Comparison between Original and Revised Allocations and Actual Disbursement by Components.**



**Table 5F: Financial Budget Performance by Component for Financial Year 2013.**

| CATEGORY |  | IFAD         |            |            | DANIDA     |          |           | Italian Government |        |      | APEX Bank  |        |      | Other Beneficiaries |           |            | Budget     |
|----------|--|--------------|------------|------------|------------|----------|-----------|--------------------|--------|------|------------|--------|------|---------------------|-----------|------------|------------|
|          |  | Budget       | Actual     | %age       | Budget     | Actual   | %age      | Budget             | Actual | %age | Budget     | Actual | %age | Budget              | Actual    | %age       |            |
| A.       | Strengthen Financial System                    | \$'000       | \$'000     | %age       | \$'000     | \$'000   | %age      | \$'000             | \$'000 | %age | \$'000     | \$'000 | %age | \$'000              | \$'000    | %age       | \$'000     |
| 1        | Capacity Building for Sustainability           | 1,178        | 78         | 7%         | 864        |          | 0%        |                    |        |      | 154        |        |      | 267                 | 65        | 0          | 81         |
| 2        | Product Development & Innovation               | 127          |            | -          |            | 0        |           | 307                | -      |      | 26         | -      |      | 9                   | -         |            | 23         |
|          | <b>Subtotal Strengthen Financial System</b>    | <b>1,305</b> | <b>78</b>  | <b>6%</b>  | <b>864</b> | <b>0</b> | <b>0%</b> | <b>307</b>         |        |      | <b>180</b> |        |      | <b>276</b>          | <b>65</b> | <b>24%</b> | <b>104</b> |
| B.       | <b>Strengthening Support System</b>            |              |            |            |            |          |           |                    |        |      |            |        |      |                     |           |            |            |
| 1        | Technical Support                              | 450          | 595        | -          |            |          |           |                    |        |      | -          |        |      | -                   |           |            | 63         |
| 2        | Policy, Regulation, Supervision and Monitoring | 29           |            | -          |            |          |           |                    |        |      | 2          |        |      | 26                  |           |            | 5          |
| 3        | Knowledge Development & Dissemination          | 70           |            | -          |            |          |           |                    |        |      | -          |        |      | -                   |           |            | 28         |
|          | <b>Subtotal Strengthening Support System</b>   | <b>549</b>   | <b>595</b> | <b>-</b>   | <b>0</b>   | <b>0</b> |           | <b>-</b>           |        |      | <b>2</b>   |        |      | <b>26</b>           | <b>-</b>  |            | <b>95</b>  |
| C.       | <b>Programme Management</b>                    |              |            |            |            |          |           |                    |        |      |            |        |      |                     |           |            |            |
| 1        | Training                                       | 115          | 101        | 88%        |            |          |           |                    |        |      |            |        |      |                     |           |            | -          |
| 2        | Administration                                 | 947          | 37         | 4%         |            |          |           |                    |        |      |            |        |      |                     |           |            | 150        |
| 3        | Monitoring & Evaluation                        | 80           | 15         | 18%        |            |          |           |                    |        |      |            |        |      |                     |           |            | 7          |
|          | <b>Subtotal Programme Management</b>           | <b>1,142</b> | <b>153</b> | <b>13%</b> |            |          |           |                    |        |      |            |        |      |                     |           |            | <b>157</b> |
|          | <b>Total</b>                                   | <b>2,996</b> | <b>826</b> | <b>28%</b> | <b>864</b> | <b>0</b> | <b>0%</b> | <b>307</b>         |        |      | <b>182</b> |        |      | <b>302</b>          | <b>65</b> | <b>22%</b> | <b>357</b> |

**Table 5G: Financial Budget Performance by Category for Financial Year 2013.**

| Description |   | IFAD   |        |      | Danida |        |      | Italian Govt |        |      | APEX Bank |        |      | Beneficiaries |        |      | GoG    |        |       | Total  |        |       |
|-------------|---|--------|--------|------|--------|--------|------|--------------|--------|------|-----------|--------|------|---------------|--------|------|--------|--------|-------|--------|--------|-------|
|             |   | Budget | Actual | %age | Budget | Actual | %age | Budget       | Actual | %age | Budget    | Actual | %age | Budget        | Actual | %age | Budget | Actual | %age  | Budget | Actual | %age  |
| Category    |   | \$'000 | \$'000 | %age | \$'000 | \$'000 | %age | \$'000       | \$'000 | %age | \$'000    | \$'000 | %age | \$'000        | \$'000 | %age | \$'000 | \$'000 | %age  | \$'000 | \$'000 | %age  |
| I           | Vehicle, Goods and Equipment              | 107    | 48.6   | 45%  | 30.0   |        |      |              |        |      |           |        |      | 6.0           | -      |      | 17     | 7      | 44.2% | 160    | 56     | 35.0% |
| II a        | Technical Assistance- Registry Management | 15     | -      | 0%   |        |        |      |              |        |      | 15.0      |        |      |               |        |      | 5      | -      | 0.0%  | 35     | -      | 0.0%  |
| II b        | Technical Assistance- Others              | 1,206  | 546.5  | 45%  | 50.0   |        |      | 300.0        |        |      | 78.0      |        |      | 84.5          | -      |      | 137    | 69     | 50.0% | 1,855  | 615    | 33.2% |
| III         | Studies, Training and Workshops           | 1,400  | 101.2  | 7%   | 766.0  |        |      | 7.0          |        |      | 89.0      |        |      | 211.4         | 65.3   | 31%  | 168    | 1      | 0.5%  | 2,641  | 167    | 6.3%  |
| IV          | Performance Based Lump Sums               | 90     | 76.2   | 85%  | -      |        |      |              |        |      |           |        |      |               |        |      | -      | -      |       | 90     | 76     | 84.7% |
| V           | Salaries and Allowances                   | 95     | 22.9   | 24%  | 18.0   |        |      |              |        |      |           |        |      |               |        |      | 25     | -      | 0.0%  | 138    | 23     | 16.6% |
| VI          | Operating Costs                           | 84     | 31.0   | 37%  | -      |        |      |              |        |      |           |        |      |               |        |      | 6      | 3      | 50.7% | 90     | 34     | 37.8% |
|             | <b>Total</b>                              | 2,996  | 826.4  | 28%  | 864.0  | -      | -    | 307.0        |        |      |           |        |      | 301.8         | 65.3   | 22%  | 357    | 80     | 22.3% | 5,008  | 971    | 19.4% |



**Table 5H: Spot Checks on RAFIP Statement of Expenditures (2012-2013).**

| Item  | WA | WA Amount USD | Item no.         | Category | Transaction description   | USD Amount | Consistent with Loan Agreement | Comments   |
|-------|----|---------------|------------------|----------|---|------------|--------------------------------|--|
| 1     | 6  | 310,670.95    | opt/230/11/2012  | 1        | Photo copier-GHC 24039.13   | 12,924.26  | Yes                            | Agreed to the supporting documents including the procurement process.  |
| 2     |    |               | TA-B/240/12/2012 | II(b)    | Apex bank-Training-GHC 92140.77                                       | 49,538.05  | Yes                            | Single source. Report. Agreed to the contract . The NO objection and the Payment documents.  |
| 3     |    |               | TA-B/243/12/2012 | II(b)    | Consultancy Fees- Institutional assessment of ARB Apex Bank 124355.95 | 66,678.79  | Yes                            | Agreed to the supporting documents , and register.   |
| 4     |    |               | stw/016/10/2012  | III      | DSA and Travel for overseas Training-E. Darko-5804.08                 | 3,104.00   | Yes                            | Includes USD 363 per day. Agreed to supporting documents   |
| 5     |    |               | stw/017/10/2012  | III      | DSA and Travel for overseas Training-IFO Yaw-54084.08                 | 3,104.00   | Yes                            | Includes USD 363 per day. Agreed to supporting documents   |
| 6     |    |               | stw/015/10/2012  | III      | DSA and Travel for overseas Training-IFO Amoah-5404.08                | 3,104.00   | Yes                            | Includes USD 363 per day. Agreed to supporting documents   |
| 7     | 7  | 826,367.42    | opt/025/03/2013  | I        | Office Equipment-92091.97   | 48,597.35  | Yes                            | Agreed to the supporting documents , and register.   |
| 8     |    |               | TAB/008/12/2013  | II(B)    | Consultancy Fees- Capacity Building Manager 72252.25                  | 38,534.53  | Yes                            | Agreed to the supporting documents   |
| 9     |    |               | TAB/032/04/2013  | II(B)    | Consultancy Fees- Share Register of ARB Apex Bank 62661.11            | 32,910.25  | ??                             | Agreed to the contract, advert and evaluation documentation. This consultancy was for preparatory work for implementing the registry in the bank for shareholding and other information related to the shareholders. The implementing Agency has opted out of the strategy despite their cooperation with the Consulting firm for the design of the registry. This unfortunate position by ARB APex Bank puts the investment at risk in terms of valued for money. |
| 10    |    |               | opt/026/03/2013  | II(B)    | Dell and Software-358,620.36  | 186,781.44 | Yes                            | Tender opening minutes, Evaluations, NO  |
| 11    |    |               | stw/041/04/2013  |          | training 11 Micro finance members- 82026                              | 42,721.88  | Yes                            | Agreed to the supporting documents   |
| 12    |    |               | sal-030/04/2013  | V        | march 2013-Lawrence Dodoo-4488.75                                     | 2,368.73   | Yes                            | Agreed to the contract   |
| 13    |    |               | sal-029/04/2013  | V        | Raymond Mensah-3950   | 2,084.49   | Yes                            | Agreed to the Contract   |
| Total |    | 1,137,038.37  |                  |          |   | 492,451.77 |                                |  |

**Table 5I. SOE Checklist.**

|       | <b>SOE Review</b>  | <b>Performed by, Date</b>      | <b>Comments</b>   |
|-------|--|--------------------------------|---|
| 3.1   | Obtain the SOE-based withdrawal applications from Project or CPM, or Loan Officer, identify and select a sample of SOE withdrawal applications and transactions for field review. A random sample of SOEs shall be selected from the list of SOE disbursement applications available within the IFAD. The LG system is another way to obtain information about withdrawal applications.  | Godfrey Wanjohi<br>5 June 2013 | Selected 13 items at random, from draft WAs 6 and 7 pending submission to IFAD.   |
| 3.2   | Review the control procedures related to SOE disbursement. The reviewer should consider the effectiveness of the following controls and document any exceptions:   | Godfrey Wanjohi<br>5 June 2013 | The internal checks are inadequate due insufficient numbers of the staffing of the Financial management team.   |
| 3.2.1 | Appropriate levels of review and approval are in place and are followed for each stage of the expenditure process  | Godfrey Wanjohi<br>5 June 2013 | Prepared by National intern who is the only assistant of the Financial Controller.  |
| 3.2.2 | Procedures and responsibilities are clearly defined and are adequately documented  | Godfrey Wanjohi<br>5 June 2013 | Procedures are in the PIM   |
| 3.2.3 | Adequate segregation of duties exists between the initiation, authorization, disbursement, and recording functions   | Godfrey Wanjohi<br>5 June 2013 | Segregation of duties not adequate-Initiation by the National Service intern, authorised by Financial Controller (FC) approved by Programme Manager and disbursed and recorded by the FC. |
| 3.2.4 | Authorization and approval is obtained prior to incurring of the expenditure   | Godfrey Wanjohi<br>5 June 2013 | Carried out simultaneously.   |
| 3.2.5 | Documentation is maintained for an adequate period of time for purposes of fulfilling audit requirements as well as review by IFAD staff   | Godfrey Wanjohi<br>5 June 2013 | Documentation is properly maintained for ease of retrieval.   |
| 3.2.6 | Commitments are made after applicable procedures have been followed  | Godfrey Wanjohi<br>5 June 2013 | Procurement is generally consistent with the Budgetary provisions.  |
| 3.2.7 | The expenditures are properly accounted for into the books and financial reports of the project, and in cross-references in the SOE to relevant documentation (e.g. vouchers), presentation of information in the SOEs allows for ready access to the files for review and audit purposes  | Godfrey Wanjohi<br>5 June 2013 | This procedure has a clear trail.   |
| 3.3   | Review supporting documentation. For each loan, the documentation of a sample of withdrawal applications is reviewed. The documents that normally support payments are (a) evidence of receipt, invoice or performance, (b) evidence of payment, and (c) proper procurement documents. Such documents might include: <ul style="list-style-type: none"> <li>procurement documents (bid documents, invitation, evaluation, award)</li> <li>purchase contract</li> </ul> | Godfrey Wanjohi<br>5 June 2013 | Checked and found adequate.   |

|       |  |                                |  |
|-------|--|--------------------------------|--|
|       | <ul style="list-style-type: none"> <li>• purchase order</li> <li>• letter of credit</li> <li>• supplier's invoice and certificate of origin</li> <li>• shipping or import documents and inspection certificates</li> <li>• contractor's or consultant's invoices or certificates</li> <li>• force account records</li> <li>• recurrent cost records</li> <li>• authorization for payment</li> <li>• evidence of payment/bank statements accounting records of approvals, disbursements, and balances available</li> <li>• Payments clearly reconciled to the Contract amount in the Contract Monitoring Form (CMF)</li> </ul> <p>Question to address in review are:</p>    |                                |  |
| 3.3.1 | Is the documentation readily available?  | Godfrey Wanjohi<br>5 June 2013 | documentation is readily available                 |
| 3.3.2 | Does it indicate that the expenditure was approved by an authorized official?  | Godfrey Wanjohi<br>5 June 2013 | Yes  |
| 3.3.3 | Is it in original form?  | Godfrey Wanjohi<br>5 June 2013 | Yes, not a copy                                    |
| 3.3.4 | Does it relate to the project concerned?   | Godfrey Wanjohi<br>5 June 2013 | Yes not a copy                                     |
| 3.3.5 | Are the computations correct and are there any errors or alterations?  | Godfrey Wanjohi<br>5 June 2013 | .Computations are correct                          |
| 3.3.6 | Are the category and disbursement percentage used correctly?   | Godfrey Wanjohi<br>5 June 2013 | Yes  |
| 7.4   | <p>Verify eligibility of expenditures. The review determines whether the expenditures are properly supported and are eligible for IFAD disbursement in accordance with legal agreements. Ineligible expenditures would include:</p> <ul style="list-style-type: none"> <li>• duplicate invoices</li> <li>• payments made in advance of receipt of good or delivery of services, unless these payments are consistent with contract provisions and are established commercial practice;</li> <li>• payments that should have been made under normal disbursement procedures with full documentation (e.g. payments against contracts subject to the IFAD's prior</li> </ul> | Godfrey Wanjohi<br>5 June 2013 | <p>None found<br/>None Found</p> <p>None found</p> |

|  |   |  |   |
|--|---|--|---|
|  | <p>review, or payments against contracts with values exceeding defined SOE limits); and</p> <ul style="list-style-type: none"> <li>• payments for items that are not procured in accordance with the legal agreements, such as: <ul style="list-style-type: none"> <li>◇ payments for items from countries that are not eligible under the IFAD's Procurement Guidelines;</li> <li>◇ payments for items not specified in the procurement and withdrawal schedules set forth in the Loan Agreement;</li> <li>◇ payments made prior to credit signing or before the eligible date specified for retroactive financing;</li> <li>◇ payments made for the expenditures incurred after closing date;</li> <li>◇ payments for items on the negative list or not on the positive list (for adjustment operation lending).</li> <li>◇ Payments and allowances made outside the contracts</li> <li>◇ DSAs and other allowances over and above those in Government Circulars and not having received No Objection from IFAD</li> <li>◇ Expenses claimed included taxes</li> </ul> </li> </ul> |  | <p>None found</p> <p>Not found</p> <p>Not found</p> <p>Not found</p> <p>Not found</p> <p>None found</p> <p>None found</p> <p>None found</p> |
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## Appendix 6: Compliance with loan covenants: Status of implementation

| Section      | Covenant  | Target/Action Due Date                                 | Compliance Status/Date | Remarks   |
|--------------|---|--|------------------------|---|
| Section 2.03 | PCO to open and maintain a Special Account denominated in USD.                    | Signature of Agreement                                 | Done/April 2010        | Accounts domiciled in Ecobank Gh.   |
|              | Deposit of Authorized Allocation of USD 1,500,000.                                | Start of Programme                                     | Done                   | Amount deposited into special Programme account in Ecobank.   |
|              | PCO to open and maintain the "Italian Special Account"                            | During Programme implementation                        | Done/May, 2013         | Italian Special Account has been opened with ECOBANK  |
| Section 3.02 | Submission of AWPB each year to IFAD for approval.                                | Yearly   | Dec. 2012              | AWP&B 2013 was submitted for No Objection in December, 2012. After extensive review the AWP&B 2013 was approved in March, 2013.<br><br>The current ISM (June 2013) has recommended a review of the AWP&B to reflect current dynamics in the sub-sector. |
| Section 3.03 | Opening and operation of a Programme Account in Cedis                             | Start of Project                                       | Done/April 2010        | Accounts domiciled in Ecobank Gh.   |
| Section 3.04 | Initial deposit of USD 100,000 of Counterpart Funds for the first Programme year. | By date of first disbursement                          | Done                   | A total GOG funding of USD 200,000 has been expended as counterpart funding.  |
| Section 4.01 | Establishment of an effective Monitoring and Evaluation System.                   | 90 days after effective date                           | Ongoing                | Monitoring and Evaluation system under review to synchronise with reporting frameworks of implementing agencies.  |
| Section 4.02 | Submission of semi-annual progress reports to POC and IFAD                        | 2 months after end of each reporting period            | Ongoing                | End of Year report submitted in March, 2013. The first semi-annual progress report for 2013 will be submitted by Mid-August 2013.   |
| Section 4.03 | Mid-term Review (MTR) carried out jointly by Borrower and IFAD.                   | Not later than 36 months after Programme effectiveness | Not yet due            | Programme became effective on 30 <sup>th</sup> April, 2010. Mid-term review was initially scheduled for September 2013. MTR date will be confined.  |
| Section 4.04 | Submission of Completion Report   |  | Not yet due            | Programme is in its third year and the completion report is not due until December 2016.  |
| Section 5.01 | Submission of consolidated annual financial statements to IFAD                    | 3 months after end of fiscal year                      | Done                   | Consolidated annual financial statements were submitted to IFAD; and the audited accounts were submitted in March, 2013   |
| Section 5.02 | Appointment of auditors by Borrower for each fiscal year.                         | Not later than 6 months after effective date           | Done                   | The contract for Messrs. Ernst and Young Gh. Ltd. Ended after the three years audit. PCO will   |

|                      |   |                         |  |   |
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|                      |   |                         |  | initiate procurement process for a new Programme external auditor.  |
| Schedule 2           |   |                         |  |   |
| Schedule 3           | Establishment of National Programme Steering Committee.   | Programme effectiveness | Done                                   | Programme Oversight Committee established in April, 2010. Five POC meetings held by November 2012. No POC meeting has been held in 2013.  |
|                      | Establishment of PCO and recruitment of key staff.  | Start of Programme      | Done                                   | All key staff at post, including a full-time Financial Controller. The ISM has however recommended the recruitment of a Programme Accounts Officer and an Accounts Clerk.   |
|                      | Drafting of Project Implementation Manual for IFAD's approval.                                      | Programme commencement  | Done                                   | PIM finalised and operationalized. Current ISM has recommended a review of the PIM.   |
| Additional Covenants | Use of Programme vehicles and other equipment   | Not specified           | Ongoing                                | Three Programme vehicles being used for Programme activities. The vehicles are in good condition.<br>A photocopier and scanner procured by the Programme are in good condition and have enhanced Programme operations.  |
| Schedule 4           | Procurement of goods, works and services in accordance with the procedures laid down in Schedule 4. | Ongoing                 | Ongoing according to Procurement Plan. | PCO prepared procurement documents following IFAD and GOG procurement guidelines. Subsequently, PCO received No Objection notices for all the goods and services procured.<br>All goods and services have been procured in accordance with IFAD procurement procedures. |